

FTA

Report ST2023001
October 12, 2022

FTA Can Enhance Its Controls To Mitigate COVID-19 Relief Funding Risks

U.S. Department of Transportation
Office of Inspector General

Highlights

FTA Can Enhance Its Controls To Mitigate COVID-19 Relief Funding Risks

Self-Initiated

Federal Transit Administration | ST2023001 | October 12, 2022

What We Looked At

Since March 2020, Congress has provided $69.5 billion in supplemental funding to the Federal Transit Administration (FTA) to help transit systems in the United States mitigate the impacts of the Coronavirus Disease 2019 (COVID-19) pandemic. As of August 1, 2022, FTA had obligated over $63 billion and expended over $46 billion. In addition to increased funding, the Coronavirus Aid, Relief, and Economic Security (CARES), Coronavirus Response and Relief Supplemental Appropriations (CRRSA), and American Rescue Plan (ARP) Acts permitted changes in how recipients use FTA funds. Accordingly, our audit objective was to assess the design of FTA's controls to address risks FTA has identified for COVID-19 relief funding.

What We Found

FTA's 2021 Internal Control Plan identified 16 risks and mitigation strategies related to its COVID-19 relief funds, 12 of which FTA currently considers to be risks. We determined that FTA's controls fully address 8 of these 12 identified remaining risks, because they are relevant and sufficient in scope and specificity to mitigate the related risk, and partially address 4 of the 12 remaining risks. For the four risks that Agency officials indicated no longer applied, we found that FTA's controls partially address two risks and do not address two. We included our assessment of these areas should FTA management determine the risks are applicable at a future time. Adding controls for those risk areas that are not fully addressed will help the Agency mitigate the potential impact of the risks facing its COVID-19 relief funding.

Our Recommendations

FTA concurred with our two recommendations to improve controls for addressing COVID-19 funding risks. We consider all recommendations resolved but open pending completion of the planned actions.

Contents

Memorandum 1

Results in Brief 3

Background 4

FTA Designed Controls To Fully Address 8 of the 16 Risks It Identified for Its COVID-19 Relief Funding 7

Conclusion 22

Recommendations 22

Agency Comments and OIG Response 23

Actions Required 23

Exhibit A. Scope and Methodology 24

Exhibit B. Organizations Visited or Contacted 25

Exhibit C. List of Acronyms 26

Exhibit D. Major Contributors to This Report 27

Appendix. Agency Comments 28

U. S. Department of Transportation
Office of Inspector General

Memorandum

Date: October 12, 2022

Subject: ACTION: FTA Can Enhance Its Controls To Mitigate COVID-19 Relief Funding Risks | Report No. ST2023001

From: David Pouliott
Assistant Inspector General for Surface Transportation Audits

To: Federal Transit Administrator

Since March 2020, Congress has provided $69.5 billion in supplemental funding to the Federal Transit Administration (FTA) to help transit systems in the United States mitigate the impacts of the Coronavirus Disease 2019 (COVID-19) pandemic.[1] As of August 1, 2022, FTA had obligated over $63 billion and expended over $46 billion. In addition to increased funding, the COVID-19 relief laws—the Coronavirus Aid, Relief, and Economic Security (CARES), Coronavirus Response and Relief Supplemental Appropriations (CRRSA), and American Rescue Plan (ARP) Acts—permitted changes in how recipients use FTA funds. Importantly, in an April 20, 2021, *Dear Colleague* letter, FTA identified as the most significant change that all recipients, regardless of size or urbanized area population,[2] could charge operating expenses to FTA grants at a 100-percent Federal share, thus eliminating the local match requirement that usually applies.

Our work, including audits of FTA's oversight of the over $10 billion provided in response to Hurricane Sandy,[3] has shown that large amounts—coupled with

[1] In March 2020, the Federal Transit Administration (FTA) received $25 billion through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to prevent, prepare for, and respond to COVID-19 (Pub. L. No. 116-136). In December 2020, FTA received an additional $14 billion for these purposes through the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (Pub. L. No. 116-260). In March 2021, FTA received another $30.5 billion for these purposes through the American Rescue Plan Act of 2021 (Pub. L. No. 117-2). The CARES Act also provided our office with $5 million in no-year funds to conduct audits and investigations of DOT projects and activities carried out with funds made available in that act.

[2] FTA defines recipient size based on population density: large urbanized areas have 200,000 or more people, small urbanized areas have at least 50,000 but fewer than 200,000 people, and rural areas have fewer than 50,000 people.

[3] Our work examining FTA's Hurricane Sandy funding oversight includes *FTA Made Progress in Providing Hurricane Sandy Funds but Weaknesses in Tracking and Reporting Reduce Transparency Into Their Use* (OIG Report No. ST2021032), July 21, 2021; *FTA's Limited Oversight of Grantees' Compliance With Insurance Requirements Puts Federal Funds and Hurricane Sandy Insurance Proceeds at Risk* (OIG Report No. ST2020005), October 30, 2019; and *FTA Has*

unique requirements or short deadlines to provide funds—can expose gaps in an agency's controls.[4] Given the magnitude of the funding Congress provided for COVID-19 relief, the programmatic changes, and our prior audit findings related to FTA's oversight of Hurricane Sandy recovery funds, we initiated this audit.

Our announced objectives were to assess the design of FTA's controls to address (1) COVID-19 relief funding requirements and (2) oversight risks throughout the grant lifecycle. Following our initial audit work, we refined the objectives and are reporting on the design of FTA's controls to address risks FTA has identified for COVID-19 relief funding.

We conducted this audit in accordance with generally accepted Government auditing standards. As Federal guidance calls on managers to design control activities—policies, procedures, techniques, and mechanisms—to respond to identified risks, we asked FTA to detail the controls it designed to address the risks it identified. Exhibit A provides further details on our scope and methodology. Exhibit B lists the organizations we visited or contacted.

We appreciate the courtesies and cooperation of Department of Transportation (DOT) representatives during this audit. If you have any questions concerning this report, please contact me or Tiffany Mostert, Program Director.

cc: The Secretary
DOT Audit Liaison, M-1
FTA Audit Liaison, TBP-30

Not Fully Implemented Key Internal Controls for Hurricane Sandy Oversight and Future Emergency Relief Efforts (OIG Report No. ST2015046), June 12, 2015. OIG reports are available on our website at: https://www.oig.dot.gov/.

[4] Internal controls help managers achieve desired results through effective stewardship of public resources and help safeguard assets. They comprise the plans, methods, policies, and procedures the entity uses to fulfill its mission, strategic plan, goals, and objectives.

Results in Brief

FTA designed controls to fully address 8 of the 16 risks it identified for its COVID-19 relief funding.

The Department of Transportation (DOT) directed its Operating Administrations (OA), including FTA, to develop plans to mitigate risks that could affect COVID-19 relief funding. FTA's Internal Control Plan, which the Department approved in August 2021, identified 16 risks and mitigation strategies related to COVID-19 relief funds. Federal guidance calls on managers to design control activities—policies, procedures, techniques, and mechanisms—to respond to identified risks. As such, we asked FTA to identify the specific control activities the Agency designed to address the risks and implement the mitigation strategies in its August 2021 Internal Control Plan. In the course of our audit, Agency officials informed us that FTA no longer viewed 4 of the 16 areas as risks, leaving 12 remaining risk areas. For example, FTA initially identified a risk that the pace or speed of obligations and disbursements could be slower than external expectations. However, an FTA official informed us in April 2022 that the Agency no longer considers this a risk area, based on the fact that 87 percent of the funding was obligated at that time. Based on our review, we found that:

- **FTA designed controls to fully address 8 of 12 remaining risk areas.** We determined that FTA's controls fully address 8 of the 12 remaining risks because they are relevant and sufficient in scope and specificity to mitigate the related risk.

- **FTA designed controls to partially address 4 of 12 remaining risk areas.** We found that FTA's controls partially address the other 4 of the 12 risks. For example, the Agency identified a risk that recipients with furloughed staff might attempt to use funding for a non-operating expense, which is prohibited by law for some of the COVID-19 relief funding, and listed a self-certification process as a control. However, our office and other Federal oversight agencies have identified recipient self-certification as a weak control and have called for agencies to also verify self-reported information to determine eligibility. FTA has not designed a detective control to compensate for the weakness in the self-certification process, such as verifying recipients' certifications by collecting and reviewing payroll documentation through an oversight review. Adding controls for those risk areas that remain to be fully addressed will help the Agency mitigate the potential impact of the risks facing its COVID-19 relief funding.

- **FTA designed controls to partially address 2 of the 4 areas that Agency officials no longer consider to be risks.** For the four risks that

Agency officials indicated no longer applied, we found that FTA's controls partially address two risks and do not address two. Since FTA has not yet documented its determination that these risks no longer apply, and given that risks evolve over time, we included our assessment of these areas in this report for FTA management's attention, should they determine the risks are applicable at a future time.

As FTA prepares to administer and oversee a further influx of funding,[5] it has an opportunity to reexamine the design of its internal controls to ensure it achieves its desired results through effective stewardship of public resources.

We are making recommendations to improve FTA's controls for addressing risks to its COVID-19 relief funding.

Background

Congress appropriated COVID-19 relief funding to FTA through the three laws and directed the funds to specific FTA programs. FTA made the funds available for these programs through apportionments; see table 1.

Table 1. Summary of FTA COVID-19 Relief Funding Made Available by Law and Program

Program	ARP Amount	CRRSA Amount	CARES Amount
Urbanized Area Formula Program	$26,085,112,457	$13,261,831,064	$22,696,291,664
Urbanized Area Planning	$25,000,000	$0	$0
Capital Investment Grants	$1,675,000,000	$0	$0
Enhanced Mobility for Seniors and Individuals with Disabilities Formula	$50,000,000	$49,999,234	$0
Rural Formula Grants	$317,214,013	$678,169,702	$2,228,708,336
Intercity Bus	$100,000,000	$0	$0
Additional Assistance for Urban and Rural Areas	$2,207,561,294	$0	$0
Administrative and Oversight Funding	$1,467,770	$10,000,000	$75,000,000
Totals	**$30,461,355,534**	**$14,000,000,000**	**$25,000,000,000**

Source: OIG analysis of FTA apportionment information on its website

[5] In addition to the COVID-19 relief funding, in November 2021, Congress passed the Infrastructure Investment and Jobs Act, Pub. L. No. 117-58 (2021), which further expanded public transportation investment by authorizing up to $108.15 billion in funding for FTA through fiscal year 2026.

When Government agencies face changing conditions, such as rapid growth in investment and significant changes to program requirements, Federal guidance calls on them to assess risks and design control activities—policies, procedures, techniques, and mechanisms—to respond to those risks.[6] The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (Internal Control Standards) provide the overall framework for establishing and maintaining an effective internal control system and cover all aspects of an entity's objectives (operations, reporting, and compliance). GAO's Internal Control Standards explain that management may use preventive or detective controls to address risks and should implement the controls through policies.[7] In addition, Office of Management and Budget (OMB) Circular No. A-123 provides specific requirements for assessing and reporting on controls in the Federal Government.

In May 2020, the Department asked its OAs to identify risks and mitigation strategies for CARES Act funds.[8] The OAs, including FTA, identified these items, and DOT submitted them to the Pandemic Response Accountability Committee in its June 25, 2020, *Coronavirus Aid, Relief, and Economic Security (CARES Act) P.L. 116-136 Plan on the Use of Covered Funds*. In that plan, FTA identified three risks:

1. **Improper payments.** CARES Act funding tripled FTA's budget and increased the amount of funding it uses for operating assistance by an even greater amount. [The act] also increased the Federal share to 100 percent for both operating and capital expenses. According to FTA, these changes potentially increase exposure for improper payments.[9]

2. **Insufficient staffing for increased workload.** FTA might be challenged to grow to manage and oversee requirements for CARES Act funds and complete regular program activities.

3. **Duplication of benefits.** Transit agencies potentially could seek and be reimbursed for the same activities from multiple Federal funding streams for certain expenses, such as [seeking reimbursement for] personal

[6] Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.
[7] A preventive control activity prevents an entity from failing to achieve an objective or address a risk. A detective control activity discovers when an entity is not achieving an objective or addressing a risk before the entity's operation concludes; it also corrects the actions so that the entity can achieve the objective or address the risk. If the control activity is for a significant purpose or a deficiency would significantly impact the achievement of the entity's objectives, management may design both preventive and detective control activities.
[8] DOT, *Memorandum on Financial Stewardship for the Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding*, May 2020.
[9] OMB defines an improper payment as a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

protective equipment from [both] the Federal Emergency Management Agency [and FTA].

After the passage of the ARP Act in March 2021, the Department directed the OAs to continue to use best practices that include the internal controls necessary for prudently awarding, managing, and reporting on contracts, grants, loans, and other forms of assistance. To that end, DOT issued guidance to help the OAs identify and document new or modified internal controls resulting from the implementation of the funding. The guidance instructed OA program managers, in collaboration with their agency's Chief Financial Officer (CFO), to identify risks for each program receiving the funding and the controls necessary to respond to the risks.[10] The Department's guidance asked the OAs that received ARP funding, which included FTA, to identify enterprise and program risks and types of fraud, waste, and abuse that could affect COVID-19 relief funding and submit an Internal Control Program Summary to DOT's Office of the CFO. The guidance also provided an Internal Control Planning Template as a supplemental tool to assist each OA in its evaluation.

FTA employed a process that relied on staff input and management determinations to identify risks. An FTA official described the Agency's COVID-19 relief funding risk assessment process as a series of discussions with FTA stakeholders and DOT officials, in which FTA officials considered the Department's guidance and how the COVID-19 relief funding differed from existing FTA programs.

FTA submitted a draft summary, which it referred to as an Internal Control Plan, to DOT's CFO office and responded to comments and questions from staff in that office. Then the Agency finalized the Internal Control Plan, which DOT's CFO office approved in August 2021. For the risks FTA included in the final plan, see table 2.

[10] DOT, *Internal Control Guidance on Emergency Funds To Include ARPA*, March 2021.

Table 2. Summary of COVID-19 Relief Funding Risks in FTA's August 2021 Internal Control Plan

Risks in FTA's Internal Control Plan	
1. Risk of Fraud or Abuse	9. Risks Between Programs
2. Many Recipients Are Using FTA funds for Operating Assistance for the First Time	10. Recipient Financial Management Systems
3. Recipients May Attempt To Use Funding for a Non-Operating Expense Even Though They Have Furloughed Staff	11. Notification for Large Drawdown Requests
4. FTA Staffing Levels May Not Be Sufficient	12. Time Between Oversight Reviews
5. Small Recipients Understanding Eligibility Requirements	13. Limited Capacity of Current Oversight Contracts
6. Oversight of Sub-recipients	14. Guidance and Instructions Related to the Use of COVID-19-Relief Funding
7. Private Sector Operators Are Now Eligible To Become Sub-recipients	15. Risk of Improper Payments
8. Pace/Speed of Obligations and Disbursements	16. Grant-Accrual Methodology

Source: OIG analysis of risks in FTA's August 2021 Internal Control Plan

Our audit looked at the risks and mitigation strategies that FTA identified in the August 2021 Internal Control Plan. We also reviewed related controls and supporting documentation, such as policies and procedures, for implementing the controls that FTA subsequently identified at our request.

FTA Designed Controls To Fully Address 8 of the 16 Risks It Identified for Its COVID-19 Relief Funding

Federal guidance calls on managers to design control activities—policies, procedures, techniques, and mechanisms—to respond to identified risks. As such, we asked FTA to identify the specific control activities it designed to address the 16 risks and implement the mitigation strategies listed in its August 2021 Internal Control Plan. In most instances, the controls that FTA identified were the same as the risk mitigation strategies.

We then examined whether the control was relevant to the identified risk and sufficient in scope and specificity to mitigate the risk. We also compared this information to GAO's Internal Control Standards, which provide an overall framework for establishing and maintaining an effective internal control system,

and departmental guidance on internal controls. We assessed the control design for each risk (fully address, partially address, or do not address) and recorded that assessment with the basis of our reasoning. In the course of our audit, Agency officials informed us that FTA no longer viewed 4 of the 16 areas as risks, leaving 12 remaining risk areas. Nonetheless, we included our assessment of those risks for FTA management's attention, should they determine the risks are applicable at a future time. We found that FTA designed controls that fully address 8 of the 12 remaining risks and partially address 4 of the remaining risks. For the four risk areas that FTA officials said no longer applied, we determined that, as designed, FTA's controls partially address two of the four areas and do not address the other two.

FTA Designed Controls To Fully Address 8 of 12 Remaining Risk Areas

To address the risks it identified, FTA described different types of controls—preventive controls, such as grantee outreach and education, or detective controls, such as enhancements to its Triennial Reviews and State Management Reviews (TR/SMR). We determined that FTA's controls fully address 8 of the 12 remaining risks because they are relevant and sufficient in scope and specificity to mitigate the related risk.

Many Recipients Are Using FTA funds for Operating Assistance for the First Time

FTA-Identified Risk	Expanded eligibility of allowable expenses: COVID-19 relief funding bills permitted large urban systems to use FTA funding for operating expenses. Although they report such expenses to the National Transit Database, these recipients have little or no experience calculating and documenting operating expenses for FTA grant awards.
FTA Mitigation Strategy	• FTA developed and delivered webinars to the transit industry covering the implementation of this requirement. • Grant-making toolkit developed for FTA staff. • CARES/CRRSA/ARP webinars, outreach events, and stakeholder calls to train operators how to calculate and document operating assistance. • COVID-19 webpage and frequently asked questions (FAQ) available and kept up to date. • Routine Single Audit management and oversight. • Supplemental guidance and instructions for current oversight review programs. • Supplemental financial spot reviews for recipients not receiving a routine oversight review.
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Fully address*

FTA identified mitigation strategies for this risk, which it also described as controls. We found that, as designed, they fully address this risk, as they are relevant and sufficient in scope and specificity. FTA designed preventive controls, such as internal guidance and external webinars, to educate staff and recipients on this new eligibility. In addition, FTA designed detective controls by adding specific procedures to its TR/SMRs and including steps in its financial spot reviews to verify that recipients accurately calculated operating expenses.

FTA Staffing Levels May Not Be Sufficient

FTA-Identified Risk	FTA staffing levels may not be sufficient for workload of existing programs as well as supplemental funding (employees on board may not be sufficient to undertake regular program management and oversight in addition to providing sufficient outreach, management, and oversight of supplemental COVID funds).
FTA Mitigation Strategy	• FTA is applying CARES and CRRSA funds to hire a sufficient level of full-time equivalents (FTE) to compensate for regular attrition and adapt to new requirements associated with increased workloads. • FTA is applying CARES and CRRSA funds to bring additional contract support on board.
FTA-Identified Controls	• Over the last year, FTA has undertaken an ongoing hiring surge to immediately fill vacant positions in program offices and regions. • In addition, FTA has added 26 new positions (funded by the CARES Act) to the FTA roster, and is well underway in filling those positions—specifically to meet the new workloads presented by implementation of the CARES Act, CRRSA and ARP. To date, we have filled 10 of the CARES Act positions. • In addition, FTA is working to develop a comprehensive workforce assessment, which will develop a standard approach to assigning FTE and prioritizing positions within the Agency based on workloads, complexity of work and distribution of grants. • As a part of the implementation of the Future of Work changes, FTA will be adding new flexibilities such as remote work, which will allow for a virtually distributed workforce in support of new demands and able to shift attention to peaks in workload in certain regions. Through leveraging of technology, and with lessons learned during the pandemic, FTA has demonstrated that employees can support grantees and perform almost every task remotely and can be redirected virtually in the future as needs dictate.
OIG Control Design Assessment	*Fully address*

FTA identified mitigation strategies and accompanying controls for this risk. We found that, as designed, they fully address this risk, as they are relevant and sufficient in scope and specificity. The Agency provided a document that described workload indicators by Region and another that identified 35 different CARES- and CRRSA-funded positions with legal justifications for using the funds for these positions. An FTA official explained that, to support the hiring needs from COVID-19 relief funding, the Agency determined the type of work and skills needed to complete the work were not changed. The official also stated FTA apportioned additional FTEs to Regional offices based on the apportionment of

COVID-19 relief funds that office is responsible for administering and overseeing. Furthermore, a control FTA identified was that it planned to develop a comprehensive workforce assessment, which could help define its human capital needs. According to FTA, this assessment will enable the Agency to develop a standard approach to assigning full-time equivalents and prioritizing positions within the Agency based on workload, complexity, and distribution of grants.

Small Recipients

FTA-Identified Risk	Small recipients may not fully understand eligibility requirements.
FTA Mitigation Strategy	• Provide technical assistance including webinars, toolkit(s), and FAQs available to explain eligibility requirements. • COVID-19 webpage and FAQs available and kept up to date. • National Aging and Disability Transportation Center and National Rural Transit Assistance Program available to provide supplemental technical assistance to section 5310 and rural recipients. • Regional staff provide technical assistance.
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Fully address*

FTA identified mitigation strategies for this risk, which it also described as controls. We found that, as designed, they fully address the related risk, as they are relevant and sufficient in scope and specificity. The Agency designed preventive controls—such as its internal guidance, an external toolkit, and FAQs—to educate its staff and recipients about this requirement. An Agency official also explained that FTA could identify and address gaps in understanding through oversight reviews.

Oversight of Sub-recipients

FTA-Identified Risk	Where FTA funds are passed through to a sub-recipient, FTA relies on the direct recipient for oversight of sub-recipients that receive those pass-through funds.
FTA Mitigation Strategy	• Direct recipients are subject to oversight through TR/SMRs. This includes their oversight of sub-recipients. • Supplemental guidance and instructions for current oversight review programs, including updated sampling procedures for ECHO[a] draws. • Supplemental financial spot reviews for recipients not receiving a regular oversight review would also capture payments to sub-recipients.
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Fully address*

[a] ECHO stands for FTA's Electronic Clearing House Operation system, which recipients use to request drawdowns from their grant awards.

FTA identified mitigation strategies for this risk, which it also described as controls. We found that, as designed, they fully address this risk, as they are relevant and sufficient in scope and specificity. FTA designed detective controls—its TR/SMRs and financial spot reviews—to evaluate recipient oversight of sub-recipients. These reviews include sampling recipient COVID-19 relief funding draws from FTA's Electronic Clearing House Operation (ECHO) system, which recipients use to request payments (to draw down) from their grant awards.

Recipient Financial Management Systems

FTA-Identified Risk	Recipient financial management systems may not be fully capable of tracking, reporting, and reconciling a large volume of FTA funds for new programs with different Federal match requirements.
FTA Mitigation Strategy	• Routine Single Audit management and oversight. • Supplemental guidance and instructions for current oversight review programs. • Supplemental financial spot reviews for recipients not receiving a regular oversight review. Some reviews will include an assessment of the financial systems.
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Fully address*

FTA identified mitigation strategies for this risk, which it described as controls. We found that, as designed, they fully address this risk, as they are relevant and sufficient in scope and specificity. FTA cited several detective controls: its Single Audit Management standard operating procedure (SOP), which guides the Agency's identification and monitoring of recipient Single Audit findings; its current TR/SMR guidance, which includes checks on the reporting and fund tracing abilities of a recipient's financial management system; and its financial spot reviews, which may include specific financial management system reporting and accuracy questions. FTA established criteria to use the most relevant control—the financial spot review's system assessment—to check a recipient's financial management system capability. The selection criteria included recipients that were newly eligible to charge operating expenses and that met one of the following conditions: they would not receive a TR/SMR until fiscal year 2023, had a financial management finding during their last TR/SMR, or had over $100 million in COVID-19 supplemental funding obligations. Regional offices could also request a review of a recipient.

Time Between Oversight Reviews

FTA-Identified Risk	FTA's routine oversight is conducted on a 3-year cycle, leaving many recipients without an oversight review until FY 2023.
FTA Mitigation Strategy	• Routine Single Audit management and oversight. • Supplemental financial spot reviews for recipients not receiving a regular oversight review. • Continue staff training for conducting remote monitoring, post-award management, and informal oversight (Grants A-Z training.)[a]
FTA-Identified Controls	• TR/SMR reviews • COVID-19 financial spot reviews • FTA's Single Audit management
OIG Control Design Assessment	*Fully address*

[a] FTA's Grants A to Z Checklist is an internal SOP.

FTA identified mitigation strategies and described several controls for this risk. We found that, as designed, they fully address the related risk, as they are relevant and sufficient in scope and specificity. The addition of the spot reviews, in particular, addressed the risk FTA identified. FTA would need to continue the supplemental spot reviews until at least fiscal year 2023 to cover the gap it identified, as shown in the table above.

Risk of Improper Payments

FTA-Identified Risk	Risk of improper payments.
FTA Mitigation Strategy	• FTA will perform a quantitative improper payment risk assessment. • FTA will include the ARP program in the FY 2022 Improper Payments review portfolio.
FTA-Identified Controls	• FTA hired a contractor during FY 2021 to perform an improper payments quantitative risk assessment review for the CARES Act fund. Improper risk assessments may be qualitative or quantitative per OMB A-123 Appendix C. The results of the risk assessment are reported on www.paymentaccuracy.gov as indicated in the FY 2021 Agency Financial Report (OMB A-136 directs agencies to provide a link to OMB's website). The result of quantitative risk assessment is being used as the justification for moving forward to perform the full improper payment review for the CARES Act in FY 2022. • During FY 2022 FTA will perform a full improper payments review of the CARES Act based on the level of risk determined by the contractor, and the final results will be reported in DOT Annual Financial Report on or before November 15, 2022. OST and FTA officials stated that ARP funds also would be included in the FY 2022 review.
OIG Control Design Assessment	*Fully address*

FTA identified mitigation strategies and accompanying controls for this risk. We found that, as designed, they are sufficient in scope and specificity to fully

address the related risk. Notably, FTA described detective controls for identifying improper payments from its COVID-19 relief funding.

Grant-Accrual Methodology

FTA-Identified Risk	The 2020 financial statement audit included a finding on FTA's process for estimating grant accrual for CARES Act funds.[a]
FTA Mitigation Strategy	• FTA updated the methodology in response to the audit finding. • FTA is examining whether further changes are needed.
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Fully address*

[a] Specifically, the 2020 financial statement audit found that FTA's current methodology, combined with the CARES Act funds, could result in material misstatements in grant accrual that are not detected and corrected.

FTA identified mitigation strategies, which it described as controls for this risk. We found that, as designed, they fully address the related risk, as they are relevant and sufficient in scope and specificity. After the Internal Control Plan was issued, the Agency addressed the finding identified in the 2020 financial statement audit report[11] by providing an updated grant accrual methodology—which cites CARES, CRRSA, and ARP funding—and our office closed the related audit recommendation in March 2022.

FTA Designed Controls To Partially Address 4 of 12 Remaining Risk Areas

We determined that the controls partially address the other 4 of the 12 remaining identified risks because they are not fully relevant or sufficient in scope and specificity to address the risk. One example of particular note in light of past oversight work is the FTA-identified risk that recipients with furloughed staff might attempt to use funding for a non-operating expense. FTA identified as a control a self-certification process in which an applicant would certify that it had not furloughed staff before FTA awarded the funds. However, our office and other Federal oversight agencies have previously identified recipient self-certification as a weak control and have called for agencies to also take steps to

[11] *Quality Control Review of the Independent Auditor's Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2020 and 2019* (OIG Report No. QC2021008), November 16, 2020.

verify self-reported information regarding eligibility. Yet FTA has not designed a detective control to compensate for weaknesses in the self-certification process, such as subsequently verifying recipients' certifications by collecting and reviewing payroll documentation through an oversight review. We've included our assessment of the controls that partially address the four risk areas below.

Risk of Fraud or Abuse

FTA-Identified Risk	FTA did not identify a special or heightened risk for fraud related to this funding compared to its other programs. Since recipients eligible for COVID-19 funding are public sector entities that already receive FTA funding, there is not an increased risk that an ineligible recipient would receive COVID-19 funding. Furthermore, as funds are primarily for operating assistance, which have broad eligibilities and are available until expended, except for ARP funds that must be expended through September 30, 2029, there is not an increased risk that an eligible recipient would not have sufficient eligible activities or expenses to which they can apply funding. Note: This does not imply that FTA believes there is no risk of fraud, but that this risk is in line with other programs and mitigated through existing oversight mechanisms.
FTA Mitigation Strategy	• FTA is using its traditional oversight reviews (triennial reviews, state program reviews, financial management system reviews, procurement system reviews). • Single annual audit requirement. • Improper payment reviews. • New supplemental financial spot reviews. • Every 3 years FTA will reassess the fraud risk unless other information or changes are identified earlier requiring a reassessment.
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Partially address*

Although FTA did not identify a special risk for fraud, it did—at the Department's request—include fraud in its Internal Control Plan and identify mitigation strategies, which it also subsequently described as controls. We found that, as designed, the controls are not sufficient in scope to fully address the identified risk. FTA did establish some controls in its existing reviews and the new financial spot reviews for detecting fraud in COVID-19 relief funding. For example, the sampling procedures specific to the COVID-19 relief funding in the TR/SMRs and the supplemental financial spot reviews instruct the contractor to select payments that meet potential fraud indicators, such as flat dollar amounts (e.g., $1 million). The TR/SMRs also include procedures for the contractor to assess whether recipients inform FTA of various types of fraud, waste, or abuse. However, FTA has not documented controls—policies, procedures, techniques, or mechanisms—to ensure it can carry out the strategy it identified for reassessing the fraud risk every 3 years or taking actions to determine if an earlier reassessment is necessary.

We also noted in our review that FTA did not thoroughly identify the risks of fraud, waste, and abuse. Specifically, FTA did not document risks related to waste or abuse, although the Department specified that OAs should identify types of fraud, waste, and abuse that could affect COVID-19 relief funding. In addition, the definition FTA used to assess fraud risk did not align with the definition in GAO's Internal Control Standards, which hinges on willful misrepresentation in attempting to obtain funding. Instead, FTA based its assessment on the risks that an ineligible recipient would receive COVID-19 relief funding or an eligible recipient would not have sufficient eligible activities or expenses to which they could apply funding—issues that FTA did not link to willful misrepresentation.

Recipients May Attempt To Use Funding for a Non-Operating Expense Even Though They Have Furloughed Staff

FTA-Identified Risk	Recipients may attempt to use 5307, 5310, or 5311[a] funding for a non-operating expense even though they have furloughed staff. Recipients are required to certify that, at the time of grant award, they have not furloughed any staff if they use funding for a purpose other than operating assistance (except for CARES funds obligated before CRRSA was enacted) (does not apply prospectively).
FTA Mitigation Strategy	• Annual certifications and assurances. • FAQs on this issue are posted on the FTA website. • Toolkit for recipients covers this issue. • During grant review, Regions will follow-up with recipients requesting expenses other than operating expenses to ensure no staff have been furloughed.[b]
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Partially address*

[a] These numbers refer to the sections of Title 49, United States Code (U.S.C.) that pertain to three FTA programs—5307 refers to the Urbanized Area Formula Program, 5310 refers to the Enhanced Mobility of Seniors and Individuals With Disabilities Program, and 5311 refers to the Formula Grants for Rural Areas Program.

[b] FTA's 10 Regional Offices work with local transit officials to develop and manage grants.

FTA identified mitigation strategies for this risk, which it also described as controls. We found that, as designed, they are not sufficient in scope to fully address the identified risk. The Agency did design preventive controls, such as its internal guidance and external toolkit and FAQs, to educate staff and recipients about this requirement. FTA also updated its certifications and assurances to include this attestation. However, our office and other Federal oversight agencies have identified recipient self-certification as a weak control and called for agencies to take steps to verify self-reported information that is necessary to determine eligibility. Specifically, in 2019, we reported that FTA had not verified

recipient flood insurance for Hurricane Sandy damages because it relied on self-certification and did not require confirmation.[12] Because FTA did not have a verification step after self-certification—such as a specific TR/SMR procedure to affirm that each grantee complied with flood insurance requirements—it could not determine whether its grantees were eligible for the funds they received.

GAO has reported, and the Department's guidance emphasizes, that self-certification of eligibility requirements presents a significant fraud risk. As such, GAO's Fraud Risk Management Framework calls for agencies to take steps to verify self-reported information that is necessary to determine eligibility.[13] Based on our review, FTA has not designed a detective control, such as collecting and reviewing payroll documentation through an oversight review, for verifying recipients' self-certifications.

Private Sector Operators Are Now Eligible To Become Sub-recipients

FTA-Identified Risk	Private providers of public transportation may not be familiar with Federal cross-cutting requirements with which they must comply as sub-recipients. Recipients are responsible for oversight of those operators.
FTA Mitigation Strategy	• Direct recipients are subject to oversight through TR/SMRs. This includes their oversight of sub-recipients. • As these are nontraditional recipients, FAQs will be updated to provide guidance for internal and external stakeholders.
FTA-Identified Controls	TR/SMRs.
OIG Control Design Assessment	*Partially address*

FTA identified mitigation strategies for this risk and described its reviews as controls. We found that, as designed, they are not sufficient in scope or specificity to fully address the related risk. In its plan, FTA identified a preventive mitigation strategy—its FAQs—and designed detective controls—its TR/SMRs—to evaluate recipient oversight of sub-recipients, which can now include private sector operators. However, the sub-recipient oversight section of its TR/SMR guidance does not specify steps for evaluating recipients' oversight of private sector sub-recipients in particular. Furthermore, the guidance did not include steps to ensure that the ECHO drawdowns selected for review contained private sector sub-recipients, and the ECHO drawdown sampling may not be sufficiently extensive to include a drawdown from a grant where the recipient had a private sector sub-

[12] *FTA's Limited Oversight of Grantees' Compliance With Insurance Requirements Puts Federal Funds and Hurricane Sandy Insurance Proceeds at Risk* (OIG Report No. ST2020005), October 30, 2019.
[13] GAO, *A Framework for Managing Fraud Risks in Federal Programs* (GAO-15-593SP), July 2015.

recipient. FTA's fiscal year 2022 guidance on TR/SMRs instructs the reviewer to sample at least four ECHO drawdowns of "supplemental funds" that may include CARES, CRRSA, and ARP funding. The supplemental financial spot reviews call for a sample of three ECHO drawdowns in total for CARES, CRRSA, and ARP awards. According to a FTA official, the Agency will add guidance to address this risk for the reviews that begin in October 2022.

Limited Capacity of Current Oversight Contracts

FTA-Identified Risk	Limited capacity of current oversight contracts to execute necessary oversight.
FTA Mitigation Strategy	• Increase number of contracts to be awarded in the Financial Management Oversight (FMO) Program. • Share oversight assignments between the FMO and TR/SMR programs.
FTA-Identified Controls	• FMO Review Program • COVID-19 financial spot reviews • FY 2022 TR/SMRs
OIG Control Design Assessment	*Partially address*

FTA identified mitigation strategies and accompanying controls for this risk. We found that, as designed, they are not sufficient in scope or specificity to fully address the related risk. To begin, the reviews FTA listed as controls do not specifically address the identified risk—FTA's limited current oversight capacity. Furthermore, the expanded scope of the reviews identified to address COVID-19 relief funding may place further strain on the Agency's capacity. In line with the mitigation strategies identified, an FTA official stated the Agency is seeking to increase the capacity of its Financial Management Oversight (FMO) program by 50 percent—adding two contractors to its existing four FMO contractors. However, FTA did not provide us with analysis to support its determination that this increase will be sufficient to execute the necessary oversight. In addition, FTA did not provide evidence of a plan to implement its mitigation strategy of sharing assignments between the FMO and TR/SMR programs.

FTA Designed Controls To Partially Address 2 of the 4 Areas That Agency Officials No Longer Consider To Be Risks

For the four risk areas that FTA identified in the August 2021 Internal Control Plan but officials subsequently said were no longer risks, we determined that, as designed, FTA's controls partially address two of the four areas and do not

address the other two. For example, for the FTA-identified risk that the pace or speed of obligations and disbursements could be slower than external expectations, we found that, as designed, the controls do not address the related risk, as they are not relevant or sufficient in scope or specificity. The Agency did not identify any controls to address managing external expectations, which is central to the stated risk. In addition, FTA did not develop any policies or procedures to implement the monitoring, estimating, and forecasting strategies it described to mitigate this risk. An FTA official informed us in April 2022 that the Agency no longer considers this a risk area because 87 percent of the funding was obligated at that time. However, since about one-third of the funding remained to be outlayed (expended) through August 1, 2022, FTA may still find a strategy for communicating with external stakeholders beneficial. Since FTA has not yet documented its determination that these risks no longer apply and, given that risks evolve over time, we included our assessment of these areas below for FTA management's attention, should they determine the risks are applicable at a future time.

Risks Between Programs

FTA-Identified Risk	FTA's undisbursed obligation balances and/or unobligated balances of traditional chapter 53[a] funding could grow if recipients use COVID funds, which do not require local match, in lieu of regular FTA funds. The latter is a public perception risk as recipients are legally entitled to use funds within their period of availability.
FTA Mitigation Strategy	• Undisbursed obligations will be monitored through the annual grant closeout standard operating procedure (SOP). • Lapsed funds will be reapportioned as statutorily required.
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Partially address; however, FTA no longer considers this an area of risk.*

[a] 49 U.S.C., chapter 53, covers public transportation.

FTA identified mitigation strategies for this risk, which it also described as controls. We found that, as designed, they are not sufficient in relevance or scope to fully address the related risk. FTA cited its annual grant closeout SOP, a preventive control that includes steps to identify any undisbursed funds in an award. However, the second item simply states what is legally required, which is not a control because it is not a policy, procedure, technique, or mechanism. Moreover, FTA does not address managing external perceptions related to unobligated balances, which is central to the risk that it identified. An FTA official informed us in April 2022 that the risk had not materialized, and the Agency no longer considers this a risk area.

Guidance and Instructions Related to the Use of COVID-19-Relief Funding

FTA-Identified Risk	Ensuring guidance and instructions related to the use of COVID-19 relief funding is consistent across FTA and communicated consistently with recipients.
FTA Mitigation Strategy	• FTA used single email address to collect initial questions • FAQs posted to FTA's website • Grant-making toolkit for Regional staff (7/8/21) • Recipient grant-making toolkit (5/28/21) • Webinars with FTA staff
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Partially address; however, FTA no longer considers this an area of risk.*

FTA identified mitigation strategies, which it described as controls, for this risk. We found that, as designed, they are not sufficient in scope or specificity to fully address the related risk. An FTA official emphasized that the Agency developed guidance to enhance consistency across its regions, and FTA officials described quality control procedures for individual information sources. For example, an FTA official stated that subject matter experts, legal counsel, and leadership at FTA, OST, and OMB reviewed and vetted the FAQs posted on FTA's website to ensure consistency across the Federal Government. Another official explained that FTA derived its webinars from the FAQs and that the toolkits underwent an internal FTA review process. However, the officials indicated FTA did not document the various review processes they described to us or develop and document a way to compare information from different sources to maintain consistency. In August 2022, an Agency official informed us that FTA no longer considers this a risk because, at this point in time, it does not expect to issue substantial new guidance or instructions that it would need to monitor for consistency. Nonetheless, as we describe in the risk area related to Notification for Large Drawdown Requests below, FTA has communicated inconsistent information to its funding recipients in different sources. Given these inconsistencies, the Agency may wish to consider whether a risk remains in this area.

Pace/Speed of Obligations and Disbursements

FTA-Identified Risk	Pace/speed of obligations and disbursements could be slower than external expectations.
FTA Mitigation Strategy	• ARP funds must be obligated by September 30, 2024, and disbursed by September 30, 2029. • FTA will monitor and assess the pace of obligations and disbursements and update estimates as needed. • FTA will develop and update forecasts of obligations and disbursements on a biannual basis, examine actuals versus forecasts, and identify any concerns.
FTA-Identified Controls	The controls FTA identified to us were the same as the mitigation strategies included in the plan.
OIG Control Design Assessment	*Do not address; however, FTA no longer considers this an area of risk.*

FTA identified mitigation strategies for this risk, which it also described as controls. We found that, as designed, they do not address the related risk, as they are not relevant or sufficient in scope or specificity. None of the strategies FTA identified specifically addressed managing external expectations, which is central to the risk. Furthermore, the first item simply restates ARP deadlines, which is not a control, since it is not a policy, procedure, technique, or mechanism. Finally, FTA has not developed any policies and procedures to implement the monitoring, estimating, and forecasting activities it described to mitigate this risk. An FTA official informed us in April 2022 that the Agency no longer considers the pace and speed of obligations as a risk area, because 87 percent of the funds were obligated at that time. However, since about one-third of the funding remained to be outlayed through August 1, 2022, FTA management may still find a strategy for communicating with external stakeholders beneficial.

Notification for Large Drawdown Requests

FTA-Identified Risk	ECHO: Recipients unaccustomed to large drawdowns may fail to notify FTA in advance before requesting large ECHO-Web draws (minimum 3 business days for a disbursement totaling $50 million or more).
FTA Mitigation Strategy	• For information about ECHO-Web Payment procedures and policies, FTA will continue to refer recipients to FTA Circular 5010.1E, Chapter VI: Financial Management. • FTA will also continue to refer recipients to the ECHO-Web User Manual, Section 4.6.4, Troubleshooting: Rejected Payment Requests, which notes that grantees must "provide notice of payments in excess of $50 million."
FTA-Identified Controls	• COVID-19 financial spot reviews • TR/SMR supplemental guidance
OIG Control Design Assessment	*Do not address; however, FTA no longer considers this an area of risk.*

FTA identified mitigation strategies and described accompanying controls for this risk. We found that, as designed, the two detective controls cited do not address the related risk, as they are insufficient in either scope or specificity. Specifically, the scope of the TR/SMR supplemental guidance that FTA cited does not include steps to address this risk. In addition, the financial spot review guidance is not sufficiently specific; it instructs reviewers to determine if the recipient "timely notified" FTA before requesting an ECHO drawdown of over $50 million, but it does not specify what timely notification entails. This is especially problematic, as FTA has communicated inconsistent information about the notification requirement. The policy documents FTA cites in its mitigation strategy—FTA Circular 5010.1E and the ECHO-Web User Manual—indicate the minimum notice is 48 hours (2 days). However, FTA specifies 3 business days in its risk language and the information it provides to its ECHO-Web users on the login page. Additionally, FTA did not design preventive controls that could obviate or reduce the need for detective controls through its reviews.

An FTA official informed us in April 2022 that the Agency no longer considers this a risk area because FTA's Office of Financial Management satisfies Treasury's requirement to provide notification of the total daily drawdown over $50 million to be disbursed to the grantee the following day. However, this explanation does not address either the risk, which was recipient-focused, or the disagreement between FTA's information sources on the notification requirement.

The controls FTA designed may facilitate administration and oversight of its COVID-19 relief funding. However, to more fully mitigate the identified risks, the Agency can enhance the controls in the areas we determined were not fully addressed. Enhanced controls would also help FTA meet the Department's goals for prudently awarding, managing, and reporting on the funds. Our analysis of the individual COVID-19 relief funding risks and controls provides concrete areas for Agency officials to consider. As FTA prepares to administer and oversee a further influx of funding under the Infrastructure Investment and Jobs Act,[14] it has an opportunity to reexamine the design of its internal controls to ensure it achieves its desired results through effective stewardship of public resources.

[14] Pub. L. No. 117-58 (2021).

Conclusion

Since 2020, Congress has provided FTA with almost $70 billion to help mitigate the impacts of the COVID-19 pandemic. Through August 1, 2022, FTA obligated about 91 percent of these funds and outlayed about 67 percent. The Agency actively took steps to identify and mitigate risks related to these funds. However, FTA has an opportunity to further enhance the controls it developed to address these risks. A timely reexamination of its control designs will help FTA ensure that recipients meet Federal requirements, and providing stronger oversight will help protect large influxes of funding from fraud, waste, and abuse.

Recommendations

To improve FTA's controls for addressing risks to its COVID-19 relief funding, we recommend that the Federal Transit Administrator, in consultation with staff from DOT's Office of the Chief Financial Officer:

1. Design or redesign control activities for the four risks that have not been fully addressed and that FTA still deems as applicable. These are:
    a. Risk of Fraud or Abuse
    b. Recipients May Attempt to Use Funding for a Non-Operating Expense Even Though They Have Furloughed Staff
    c. Private Sector Operators Are Now Eligible to Become Sub-recipients
    d. Limited Capacity of Current Oversight Contracts
2. Document the determination that four of the risk areas in the August 2021 Internal Control Plan are no longer risks; therefore, additional controls are not necessary. These are:
    a. Pace/Speed of Obligations and Disbursements
    b. Guidance and Instructions Related to the Use of COVID-19-Relief Funding
    c. Risks Between Programs
    d. Notification for Large Drawdown Requests

Agency Comments and OIG Response

We provided FTA with our draft report on August 31, 2022, and received its response, dated September 29, 2022, which is included as an appendix to this report. FTA concurred with both of our recommendations and provided appropriate actions and completion dates. Accordingly, we consider all recommendations resolved but open pending completion of the planned actions.

Actions Required

We consider all recommendations resolved but open pending completion of FTA's planned actions.

Exhibit A. Scope and Methodology

This performance audit was conducted between August 2021 and August 2022. We conducted this audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our announced objectives were to assess the design of FTA's controls to address (1) COVID-19 relief funding requirements and (2) oversight risks throughout the grant lifecycle. However, after our initial audit work, we decided to clarify and consolidate the objectives to remove the overlap between them. Our clarified objective was to assess the design of FTA's controls to address risks the Agency identified for COVID-19 relief funding.

To assess the design of FTA's controls to address its identified risks, we relied on criteria such as DOT's guidance for the OAs' Internal Control Plans and GAO's *Standards for Internal Control in the Federal Government* and *Framework for Managing Fraud Risks in Federal Programs*. We developed a data collection instrument that allowed the Agency to identify specific controls, along with supporting documentation, to address the risks FTA identified in its June 2020 and August 2021 Internal Control Plans. We also interviewed FTA staff about the Agency-identified risks, mitigation strategies, and controls and met with DOT's policy and budget staff to understand their role in the Internal Control Plan development and approval process. Based on the information FTA provided, we narrowed our scope to the risks identified in the August 2021 plan, as it was more recent and relevant. We gathered information from the data collection instrument, supporting documentation, and interviews and compared it to the criteria cited above. Based on this comparison, we assessed the design of FTA's controls to address each of the 16 risks it identified in the August 2021 plan. Specifically, we looked at whether the controls were relevant to each identified risk and sufficient in scope and specificity to mitigate the risk. We recorded our assessment of the control design for each risk (fully address, partially address, or do not address), along with the basis of our reasoning. We shared our preliminary findings and recommendations with FTA in April 2022 and Agency officials subsequently informed us that FTA no longer viewed 3 of the 16 areas as risks. We also adjusted our responses for several risks based on additional information the Agency provided. After we shared our draft recommendations with FTA in July 2022, an Agency official informed us that FTA no longer considered a fourth area a risk, leaving 12 remaining risks. We noted these in our report.

Exhibit B. Organizations Visited or Contacted

Department of Transportation

Office of Audit Relations and Program Improvement

Office of Budget, Performance, and Finance

Office of Transportation Policy

Office of General Counsel

Federal Transit Administration

Office of Budget and Policy

Office of Chief Counsel

Office of Program Management

Office of Transit Safety and Oversight

Office of Administration

Exhibit C. List of Acronyms

ARP Act	American Rescue Plan Act
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CFO	Chief Financial Officer
COVID-19	Coronavirus Disease 2019
CRRSA Act	Coronavirus Response and Relief Supplemental Appropriations Act
DOT	Department of Transportation
ECHO	Electronic Clearing House Operation
FAQ	Frequently Asked Questions
FMO	Financial Management Oversight
FTA	Federal Transit Administration
FTE	Full-time equivalent
GAO	Government Accountability Office
OA	Operating Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
SOP	Standard Operating Procedure
TR/SMR	Triennial Reviews and State Management Reviews
U.S.C.	United States Code

Exhibit D. Major Contributors to This Report

TIFFANY **MOSTERT**	PROGRAM DIRECTOR
LUKE **BRENNAN**	PROJECT MANAGER
BRIAN **CWERENZ**	SENIOR ANALYST
P. DAVID **MCBRIDE**	SENIOR ANALYST
MORGAN **MZHEN**	ANALYST
CELESTE **VERCHOTA**	ATTORNEY ADVISOR
JANE **LUSAKA**	SENIOR WRITER-EDITOR

U.S. Department of Transportation

Federal Transit Administration

Memorandum

Subject: INFORMATION: Management Response – Office of Inspector General (OIG) Draft Report – FTA Can Enhance Its Controls To Mitigate COVID-19 Relief Funding Risks

Date: September 29, 2022

From: Nuria Fernandez
Administrator
Federal Transit Administration

On behalf of Veronica Vanterpool
Deputy Administrator

Reply to Attn. of: Chris Paul
(202) 366-6076

To: David Pouliott
Assistant Inspector General for Surface Transportation Audits

The Federal Transit Administration (FTA) is committed to safeguarding the funding made available to help U.S. transit systems mitigate the impacts of the Coronavirus Disease 2019 (COVID-19). As of August 31, 2022, FTA has obligated: 99 percent of the $25 Billion (in 916 awards) in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds; 94 percent of the $14 Billion (394 Awards) in Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds; and 88 percent of the $30.5 Billion (662 awards) in American Rescue Plan (ARP) Act funds for COVID-19 response.

To ensure a strong control environment that addresses risk and supports the timely administration of awards, FTA developed and disseminated extensive guidance to transit agencies and FTA staff on how to comply with Federal requirements for CARES, CRRSAA, and ARP funds. FTA's actions included:

- Industry Outreach: Distributed grant-making toolkits to transit agencies after each COVID-19 funding appropriation; shared information on how to use transit assets to increase access to essential services like food, medicine, COVID-19 testing, and COVID-19 vaccines; provided multiple webinars for each appropriation; and responded to over 100 Frequently Asked Questions.
- Focused Oversight:
  - Developed and implemented the Fiscal Year (FY) 2021 COVID-19 Supplemental Oversight Manual for Triennial Reviews and State Management Reviews to provide specific guidance to contractors performing reviews which addressed COVID-19 funding flexibilities, including the elimination of local match requirements, and the expansion of eligible expenses, including the eligibility of large, urbanized areas to charge operating expenses for the first time.
  - Conducted payment accuracy testing in accordance with Office of Management and Budget Circular A-123 requirements to determine an estimated amount of COVID-19 improper payments. The results of FTA's review along with specific mitigation plans, if applicable, will be included in the Department's FY 2022 payment accuracy reports.
- Accelerated Staffing: Hired personnel to fill 50 positions between FY 2020 and FY 2021 that enabled FTA to efficiently administer COVID-19 supplemental funds provided under CARES,

CRRSAA, and ARP appropriations to support the transit industry and to provide critical assistance to grantees.

Based on our review of the draft report, we concur with OIG's two recommendations as written. We plan to complete actions to implement recommendation 1 by December 31, 2023, and recommendation 2 by December 31, 2022.

We appreciate the opportunity to review the OIG draft report. Please contact Chris Paul, FTA's Audit Liaison Program Manager, at (202) 366-6076 with any questions.

U.S. Department of Transportation
Office of Inspector General

Fraud & Safety Hotline

https://www.oig.dot.gov/hotline
hotline@oig.dot.gov
(800) 424-9071

OUR MISSION

OIG enhances DOT's programs and operations by conducting objective investigations and audits on behalf of the American public.

1200 New Jersey Ave SE
Washington, DC 20590
www.oig.dot.gov