



ORGANIZATIONAL EXCELLENCE STRATEGIC GOAL

ADVANCE THE DEPARTMENT'S ABILITY TO MANAGE FOR RESULTS AND ACHIEVE THE GOALS OF THE PRESIDENT'S MANAGEMENT AGENDA

FY 2006 ENACTED FUNDS: \$1,165.8 MILLION



STRATEGIC OUTCOMES

- Strategic management of human capital
- Competitive sourcing
- Improved financial management
- Expanded E-Government
- Budget and performance integration

PERFORMANCE MEASURES

- For major DOT aviation systems, percentage of cost goals established in the acquisition project baselines that are met.
- For major DOT aviation systems, percentage of scheduled milestones established in acquisition project baselines that are met.
- For major Federally funded infrastructure projects, percentage that meet schedule milestones established in project or contract agreements, or miss them by less than 10 percent.
- For major Federally funded infrastructure projects, percentage that meet cost estimates established in project or contract agreements, or miss them by less than 10 percent.
- Percentage of transit grants obligated within 60 days after submission of a completed application.



PRESIDENT'S MANAGEMENT AGENDA

**FY 2006 ENACTED FUNDS
\$1,190.3 MILLION**

Secretary Peters' central management strategy for achieving organizational improvement is full implementation of the PMA. The PMA contains five core, mutually reinforcing goals that the DOT Team is integrating into its corporate culture in striving for continuous management improvement. In implementing the President's Management Agenda in DOT, our objective is to achieve the following organizational excellence outcomes:

- Achieved strategic management of human capital;
- Achieved competitive sourcing goals;
- Achieved financial performance goals;
- Achieved E-government goals; and,
- Achieved budget and performance integration goals.

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

President Bush's management agenda focuses on long-term management of the Federal workforce and fostering a citizen-centered, results-based government that is organized to be agile, lean, and capable of making timely decisions. As we determine our human capital requirements, DOT continually assesses and improves critical competencies, thoughtfully restructuring organizations as needed to foster performance.

FY 2006 ACCOMPLISHMENTS

Balanced Scorecard. Since 1998, DOT has used a Balanced Scorecard instrument to evaluate each Administration's delivery of HR services and information and identify opportunities for improvement. The scorecard gathers perspectives of customers, employees, and HR managers in the following performance areas:

- | | |
|----------------------------|---|
| • *Timeliness | • Excellence in HR Programs |
| • *Quality | • Effective Use of Information Technology |
| • *Service Partnership | • Quality Workforce |
| • Quality Work Environment | • Mission Goals |
| • Executive Leadership | • Financial Perspective |

(*) These dimensions are rated by customers.



While organizations that participated regularly in the survey areas shown above experienced a general trend of improvement, average scores in the critical area of “Service Partnership” hit a plateau between the 2000 and 2002 surveys, holding steady at 69.5 percent. DOT set a goal in 2002 to reach an 80 percent satisfaction score. The most recent survey, administered in the fall of 2005, showed an average score for service partnership of 79.7 percent. Through the balance of FY 2006, Operating Administrations (OAs) implemented improvement plans to build on this new base, and further improve scores in other service dimensions.

Career Resident Pilot. In 2005, DOT piloted a Career Resident program to expand entry level hiring in mission-critical occupations. Highly targeted recruitment identified a pool of diverse candidates with competencies matching specific needs. The pool of candidates identified in the initial 2005 recruitment met all of the criteria for program success, and OAs who hired from that pool were extremely happy with the performance of the employees. As a result, both the candidate pool and hiring commitments doubled in 2006, despite severe budget constraints that dampened overall hiring.

Workforce planning and talent management. One-DOT initiatives have identified and closed or narrowed competency gaps in leaders, using automated assessments and targeted training; narrowed gaps for IT workers; identified competency gaps and strategies for human resource specialists, identified specific functions performed in four cross-cutting engineering disciplines, and mapped out more disciplined succession strategies. DOT also saw a number of successful initiatives in individual OAs:

PHMSA strengthened its “People Pipeline”. PHMSA’s workforce analysis showed that too much of its workforce was clustered at high grades, with similar age and length of service demographics. The Agency needed to take steps to build a pipeline for critical technical and professional positions. In FY 2006, PHMSA, an agency of fewer than 400 positions, had 9 employees under student appointing authorities and 2 student volunteers, and filled a third of its positions at the entry level.

FRA used multiple strategies to close skills gaps. FRA’s workforce planning study of its financial management functions highlighted the need for greater analytical and automation skills, in agreement with recommendations from the Department. As a result, FRA combined its financial services, budget, and support systems operations into one office; established a Deputy Chief Financial Officer position dedicated to financial management responsibilities only; and used a buyout to create vacancies for the organization that have been used to hire employees with the desired skills/competencies. FRA also met targets for closing gaps among Rail Safety Inspectors through technical training, on-the-job coaching and mentoring, and targeted improvements in recruitment and hiring strategies.



FTA placed people with disabilities. By working closely with the Virginia Department of Rehabilitative Services (VDRS), FTA provided internships for disabled candidates, many of whom were subsequently appointed to permanent full-time or longer-term temporary positions. Additionally, FTA earned recent special recognition from the Northern Virginia Department of Rehabilitative Services as “Employer of the Year” for its “disability-friendly” spirit toward employment, accessibility and service to individuals with disabilities.

FAA supported employees affected by competitive sourcing. The FAA Automated Flight Service Station (AFSS) Competitive Sourcing competition included 58 facilities in the continental United States, Puerto Rico, and Hawaii operated by the FAA. In February 2005, the FAA awarded a 10-year contract (5-year base, with 5 option years) to Lockheed Martin, the winning bidder, which assumed operations on October 4, 2005. FAA Human Resources had a number of huge, critical tasks to support the transition of service and the employees affected by it, and the majority of these tasks extended through 2006.

COMPETITIVE SOURCING

DOT uses competitive sourcing as a key tool for efficiently getting commercial-type work done. By doing so, we can ensure that we are providing the highest quality and the most economical service to Americans.

FY 2006 ACCOMPLISHMENTS

Workforce Analysis Pilot Project. In 2006, as required by both human capital and competitive sourcing President’s Management Agenda initiative Standards for Success, DOT created a model process that better integrates workforce planning and competitive sourcing. The ongoing pilot project allows DOT’s human capital staff to evaluate Mission Critical Occupations for achieving staffing and skill gap closure. DOT uses a process that relates current personnel, organizational, and functional requirements with future staffing and skill requirements. Included in this process is relating FAIR Act Inventory data with the above process.

Post-competition Accountability and Independent Validation of Savings. In an ongoing effort, the Office of Competitive Sourcing staff and support consultants develop post-competition accountability (PCA) policy and guidance and trained individual agency managers on correct application of procedures to validate savings and performance improvements resulting from competition. As of 2006, DOT has anticipated savings of \$2.22 billion and operating administrations are implementing PCA procedures to validate savings and performance improvements. Additionally, the Office of Competitive Sourcing staff conducts independent validations of completed competition to verify savings which further demonstrates the Department’s successful implementation of the President’s Management Agenda for competitive sourcing.



IMPROVED FINANCIAL PERFORMANCE

Improved financial performance is a key aspect of improving the Government's overall performance. Knowing the full cost of DOT's programs and services is a critical element of program management. Good financial stewardship, excellent financial and acquisition systems, and improved performance on DOT's financial metrics guides DOT financial performance. In recent years, the Government Accountability Office and the DOT Office of Inspector General have aggressively recommended that DOT financial management focus on needed improvements. DOT has responded with several efforts that have improved financial performance throughout the Operating Administrations (OAs) and the Department.

FY 2006 ACCOMPLISHMENTS

Managerial Cost Accounting

Managerial cost accounting (MCA) identifies, tracks, and analyzes the total costs attributable to a particular task, job, or program. The purpose of managerial cost accounting is to provide program managers with cost information required to accurately report program efficiency and to develop a program's future budget. DOT OAs are working aggressively to implement managerial cost accounting systems in order to provide their managers with cost information to make better-informed decisions.

During FY 2006, the Federal Aviation Administration (FAA) completed their implementation of the Cost Accounting System (CAS) by implementing the remaining two lines of business, Aviation Safety and Airports. FAA is now providing cost accounting information to all lines of business. Labor distribution has been implemented in all of the lines of business and in most of the staff offices, covering over 45,000 employees. FAA plans to implement the remaining staff offices consisting of approximately 1,500 employees in FY 2007.

The Federal Lands Highway Program of the Federal Highway Administration is in the process of developing a solution within Oracle's Project Accounting module which will provide reports to manage their programs and projects. The goal is to capture program, project, and task information on the budget distribution and execution transactions in order to generate reports for financial managers, program managers, and engineers. A data warehouse is being developed that will enable Federal Lands to retrieve the data they need to manage their programs and projects in various formats. The solution will be completed in early 2007.

Several OAs made substantial progress in implementing full cost accounting during FY 2006. The Federal Transit Administration (FTA) has completed the majority of its cost accounting implementation. FTA is using commercial-off-the-shelf software to import administrative, salary and benefit, and grant expenses from existing systems. FTA employees also began using activity codes to record their time and attendance using the Labor Distribution Reporting (LDR) function



within CASTLE. By doing so, FTA has been able to assign salary and benefit expenses to activities. FTA has already provided its Executive Management Team (EMT) with preliminary reports from the cost accounting system. FTA plans to finalize the reports and begin distributing them to its EMT and other managers monthly starting in November 2006.

In addition to the progress noted above, the FRA and FHWA have also implemented LDR and are using activity codes to record employee time. The vast majority of DOT's employees are now using LDR to record their time.

DOT will continue to take the steps necessary to integrate program and accounting data. DOT will work with the remaining small OAs during FY 2007 to implement their managerial cost accounting plans.

Improved Financial Processes

DOT's Office of Financial Management provides overnight closing and produces statements every month and at year-end. Each month the OAs prepare and submit monthly non-audited financial statements comprised of: the Balance Sheet, Statement of Net Cost, Statement of Net Position, and Statement of Budgetary Resources. These statements, with the exception of the Statement of Financing, are prepared directly from trial balances from Delphi utilizing the Financial Statement Solution (FSS). In 2006, the FSS was further enhanced to run overnight.

In addition, DOT:

- Developed an incremental year-end close process that can be run throughout the year and make the carry forward balances available on the first day of the new fiscal year;
- Developed a new accounting classification structure to standardize financial management and was actively involved in the effort to develop a common government-wide accounting classification structure (CGAC); and,
- Continued consolidating accounting services at the Enterprise Services Center in Oklahoma City.

Reimbursable Policy

In 2006, DOT made a substantial progress in finalizing the reimbursable policy and business process. This is a critical part of DOT's efforts to streamline and standardize business practices and to strengthen Internal Controls across DOT. The Policy also addresses the FY 2005 financial statement audit finding on reconciling transactions within DOT by requiring all agreements must:



- designate a common agreement number;
- have one Treasury Fund Symbol; and,
- not exceed 5 years.

Implementation of the new policy will begin during FY 2007, with implementation mandatory as of October 1, 2007.

Federal Shared Service Provider Activities

In February 2005, OMB designated DOT one of the four Financial Management Line of Business Federal Shared Service Providers (FSSP), giving DOT the opportunity to offer its suite of integrated tools and services to other government agencies. In FY 2006, the DOT Enterprise Service Center (ESC) established a Project Management Office to coordinate and track FSSP activities and work with our private sector teaming partner, Systems Research and Applications Corporation (SRA).

In addition to the 15 original customers (14 DOT agencies and TSA) during FY 2006, DOT increased the number of Federal Agencies it cross-services to four:

- The National Endowment for the Arts.
- The Institute of Museum and Library Sciences (IMLS). IMLS has also contracted the DOT's Enterprise Service Center (ESC) to provide a full range of accounting services including Accounts Receivable, Accounts Payable, Supplier Table Maintenance, Monthly Closing and Reconciliation, Financial Reports.
- The Commodity Futures Trading Commission (CFTC). CFTC also contracted with the ESC to provide a full range of accounting services.
- The Government Accountability Office (GAO). GAO will also rely on ESC to provide selected accounting services. DOT and its private sector business partner, SRA recently began the GAO conversion to Delphi, scheduled for completion by October 2007.

In June 2005, DOT selected SRA as its private sector business partner to help market ESC to, and implement new customers. Working together, SRA and the DOT ESC:

- Successfully implemented CFTC on Delphi;



- Developed a cost estimate and detailed project plan /implementation schedule for GAO; and,
- Marketed and submitted joint proposals to several Federal agencies.

Delphi Security

Delphi is the Department's financial management system. The FY 2006 Delphi certification and accreditation (C&A) effort provides the Authorizing Official with important information necessary to make an informed, risk-based decision regarding the operation of Delphi. This C&A was performed against the new 2006 standards for C&A IT Security audits, NIST Special Publication 800-53/53A. The risk assessment for 2006 identified no "high risk" vulnerabilities in any of the Delphi controls. This is the first full recertification of Delphi that included all of Delphi's subsystems.

In addition, in 2006, a new educational program to ensure that the appropriate security training for all Delphi personnel from the head of the ESC to Delphi end users was conducted per NIST regulations. We maintain the confidentiality, integrity and accessibility for our Delphi systems by being NIST and OMB compliant with all security best practices, procedures, policies and laws in the most cost effective delivery of financial systems.

EXPANDED ELECTRONIC GOVERNMENT

President Bush has called for an expanded electronic government that improves service to individuals, businesses, and State and local governments through the use of information technologies. DOT is committed to ensuring that the Department's investment in information technology (IT) significantly improves its ability to serve citizens, and that IT systems are secure, and delivered on time and on budget. Effective implementation of E-Government is important in making DOT more responsive and cost-effective.

FY 2006 ACCOMPLISHMENTS

The Department continues to participate actively in many of the Administration's government-wide E-Government initiatives, such as grants management and E-Authentication, and others. The results allow the general public customers easy and secure access to their government. For example, DOT:

- Increased public access to, awareness of, and the ability to apply through a central portal DOT grant opportunities;
- Implemented a secure, standard E-Authentication mechanism for two major DOT business programs; and,



- Made a large number of OMB forms available to citizens through the Business Gateway PMA E-Government Web site.

During FY 2006, the Department's efforts in the E-Government portion of the President's Management Agenda had a number of important successes: DOT met established requirements and made further improvements in enterprise architecture, privacy, and capital planning. In FY 2006, over 99 percent of operational Information Technology (IT) systems have current certification and accreditation. DOT continued to update and refine enterprise architecture artifacts and plans that focus IT investment business functions. DOT also reduced cost, schedule and performance overruns and shortfalls for major projects to less than 10 percent.

In the spring of 2006, DOT saw the successful completion of its headquarters IT infrastructure consolidation project. The project aimed to create a more mission-effective, secure, and cost-efficient Common Operating Environment (COE) to meet DOT IT infrastructure requirements. The scope of the IT consolidation program included the following specific IT services: Consolidated Information Security; Consolidated Help Desk; Network Management; Wide Area Network (WAN); Metropolitan Area Network (MAN); Local Area Network (LAN); Telecommunications; Remote Access; Electronic Mail (Email); Domain Name Service (DNS); End-User Devices; File Services; Print Services; Backup (Information); IT Support & Maintenance; File Storage; and Server Hosting. Participants in the project included all Operating Administrations (except FAA), and selected field activities nationwide. DOT successfully migrated all Operating Administrations (except FAA) to the DOT Common Operating Environment within established schedule and cost goals. In addition, DOT implemented a 2-tier Information Technology Infrastructure Library-compliant service management structure, reduced desktop support costs by 30 percent, and increased customer satisfaction from 82 percent to 93 percent.

DOT also made great strides to address previously Inspector General identified information assurance weaknesses. DOT expanded its oversight and quarterly compliance review process to go beyond the C&A process to improve staff and executive level awareness and action on critical Plans of Action and Milestones, contingency planning and testing, annual security control testing, and awareness training. By implementing Department-wide improvements, DOT complies with the law and provides DOT management the assurance that IT assets are able to provide greater system security for services delivered to the public.

BUDGET AND PERFORMANCE INTEGRATION

Regular, systematic measurement and accountability for program performance compared to pre-determined targets will be the means to improve DOT management. The President's Management Agenda stresses a change of direction in Federal management—that of changing yearly budgetary and resource decisions from the “increment” to the “base,” and through the focus of accountability for programmatic results.



FY 2006 ACCOMPLISHMENTS

Linking Performance to Resource Decision-Making. DOT continues to be recognized as a leader in Budget and Performance Integration and continues to build on previous efforts to improve the link between performance results to resource decisions and to hold executives and managers accountable for those results. In order to make financial and performance information available to executives and managers, the Department created a Web portal on the DOT Intranet providing links to performance, budget, and financial management information available throughout the Department. The Web portal approach was pursued after the Department, due to cost and funding constraints, terminated its implementation of a real-time Automated Dashboard Desktop User Interface (DASHboard) linked to the Department's Delphi financial management system.

DOT continues to incorporate results from the Program Assessment Rating Tool (PART) into the resource decision making process. Since the Office of Management and Budget (OMB) began assessing the Department's programs using PART, it has resulted in DOT program offices justifying their budget requests based on actual performance results and focused program managers to fully address improvement recommendations received from OMB program examiners. DOT's PART results, which are consistently above the Government-wide average, are presented to the Secretary of Transportation and her staff during the budget preparation process in order to better link resource allocation decisions to program results. PART results and performance measures are also documented in the final budget documents that are submitted to OMB and to Capitol Hill.

During the FY 2006 budget cycle, DOT took performance budgeting to the next level by estimating the marginal cost of performance (what results can be achieved at different levels of funding) for selected programs. This approach was expanded to all modal administrations and for the FY 2007 budget cycle, all DOT modes will provide marginal cost information for at least one of their performance goals. For the FY 2008 budget cycle, each modal administration will provide marginal cost of performance information in their FY 2008 OMB budget submission for performance goals that have discretionary budget changes from the previous year in accordance with Departmental guidance.

Recognized as a government leader in marginal cost methodologies, the Department continues to share lessons learned with other Federal agencies in order to provide all Government executives and managers the best information possible to make resource decisions.

ELIMINATING IMPROPER PAYMENTS

The President's Management Agenda (PMA) strives to instill first class financial management practices in departments and agencies throughout the Executive Branch. Such efforts ensure that taxpayer dollars are spent wisely and efficiently, appropriately accounted for, and protected from



fraud or misuse. To advance these important objectives, the Administration has made the elimination of improper payments a major focus of the PMA. An improper payment occurs when Federal funds go to the wrong recipient, the recipient receives the incorrect amount of funds, or the recipient uses the funds in an improper manner.

FY 2006 ACCOMPLISHMENTS

During FY 2006, DOT took significant steps toward the implementation of the Improper Payments Information (IPIA) Act of 2002. DOT's efforts focused on program areas in three of our largest operating administrations: FHWA Highway Planning and Construction Program, FTA Formula Grants, and FAA Airport Improvement Program.

Highway Planning and Construction Program. Leveraging innovative work that was accomplished in previous fiscal years, FHWA applied a standardized methodology to establish a nationwide improper payment rate in FY 2006. This comprehensive project involved an unprecedented level of cooperation and participation between State, Federal, and contractor personnel from all 50 States and two territories with a goal of obtaining a data-driven snapshot of improper payments in the Highway Planning and Construction Program. In the course of doing this work, fundamental root causes for improper payments were also documented so that policies and procedures can be instituted to prevent the reoccurrence of such transactions in the future.

Because our methodology focuses on detailed transactions between the grantees (States and territories) and the sub-grantees (actual contractors performing the work), we have found opportunities for improvement at the base level of payments. We have participated in discussions, which may lead to the application of our methodologies to other Federal grant programs across the government.

FTA Formula Grants and FAA Airport Improvement Program. During FY 2006, DOT also took significant steps forward in classifying and scoping improper payments in FTA's Formula Grants and the FAA's Airport Improvement Program. In conjunction with OMB, our objective was to arrive at rates of improper payments for both programs. Activity this fiscal year focused on the development of a methodology that would facilitate valid statistical sampling and analysis. As a result, DOT was able to achieve its objective of deriving a component improper payment rate for both programs. This methodology and related lessons learned will be expanded to obtain a nationwide perspective in FY 2007.

FEDERAL REAL PROPERTY ASSET MANAGEMENT

It is the policy of the United States to promote the efficient and economical use of America's real property assets and to ensure management accountability for implementing Federal real property management reforms. Based on this policy, executive branch departments and agencies shall



recognize the importance of real property resources through increased management attention, the establishment of clear goals and objectives, improved policies and levels of accountability, and other appropriate action.

FY 2006 ACCOMPLISHMENTS

On behalf of the Department, the FAA provided inventory information and performance measures to the Federal Real Property Council (FRPC), that included metrics for the approximately 69,500 DOT real property assets. The data and performance measures are maintained in the Real Estate Management System (REMS) which serves as the single-point inventory database for DOT real property assets. The full inventory of real property assets will be transmitted to the Federal Real Property Profile (FRPP) in FY 2007 for inclusion in the full Federal real property inventory database.

In accordance with the DOT Asset Management Plan (AMP) and during the preparation of the Department's Three-Year Timeline for Real Property, each of the OAs was offered the opportunity to review the data and identify properties for disposition based on the mode's asset inventory and the Department's decision-making process.

In addition, the investment list was prioritized across the DOT portfolio of assets. The investment priorities were sorted by fiscal year, rather than by Operating Administration and functional area as previously reported. Prioritization was established using the following parameters:

- Mission criticality;
- Facility condition index;
- Utilization Rate; and,
- Annual Operating Costs.

The prioritized list will aid the Department in managing its wide-range of real property assets at the constructed asset level.

RESEARCH, DEVELOPMENT, AND TECHNOLOGY (RD&T)

Through RITA's management of the RD&T coordination function, leadership has identified the emerging research priorities that the Department intends to pursue over the next several years. The plan incorporates the RD&T programs of all DOT operating administrations and considers how research by other Federal agencies, State departments of transportation, the private sector, and others contributes to DOT goals and how unnecessary duplication is avoided.



Over the next several years, a number of external factors will affect the Department’s ability to achieve transportation goals, some of which will create particular challenges for RD&T. These include globalization, the economy, demographic and lifestyle changes, transportation fuel, obstacles to intermodalism, declining revenue in transportation trust funds, constraints on expanding capacity, and advances in technology.

The Department’s emerging research priorities were selected by DOT leadership to help focus the Departmental R&D resources. Research priorities include human–automation interaction, application of enhanced transportation safety data and knowledge, congestion reduction policy research and technologies, system resilience and global logistics, next generation air transportation system, and energy efficiency and alternative fuels.

ORGANIZATIONAL EXCELLENCE PERFORMANCE GOALS

In addition to the President’s Management Agenda, DOT also manages for results by tracking our progress in acquisition management and financial stewardship. Through these measures, DOT endeavors to improve organizational performance and productivity.

ACQUISITION MANAGEMENT

**FY 2006 ENACTED FUNDS
\$0.6 MILLION**

Lifecycle acquisition management is built around a logical sequence of phases and decision points. DOT uses these phases and decision points to determine and prioritize its needs, make sound investment decisions, implement solutions efficiently, and manage services and assets over their lifecycle. The overarching goal is continuous improvement in the delivery of safe, secure, and efficient services over time. DOT ensures that taxpayer dollars spent through DOT’s acquisition programs achieve performance outcomes required by tracking, cost and schedule milestones.

2006 Results. FAA exceeded the FY 2006 performance targets for major acquisitions cost and schedule. FAA tracked 39 milestones against 29 acquisition programs for this performance measure and has met the variances for cost and schedule.

Performance Measure				
For major DOT aviation systems, percentage of cost goals established in the acquisition project baselines that are met				
	2003	2004	2005	2006
Target	80	80	80	85
Actual	88	100	97	100



The FAA's success in meeting these yearly acquisition goals is attributable to our continued efforts to incorporate and apply effective management control processes. We are segmenting large, complex investment programs into development, demonstration, or production phases, with the Joint Resources Council (JRC) approving each phase incrementally. Segmentation clarifies schedules and allows the JRC to assess how well work is progressing before approving subsequent phases. This gives the FAA better control of costs and schedules.

Performance Measure				
For major DOT aviation systems, percentage of scheduled milestones established in acquisition project baselines that are met				
	2003	2004	2005	2006
Target	80	80	80	85
Actual	77 (r)	91.5 (r)	92	97.4
(r) Revised				

We are using Earned Value Management (EVM) techniques for contracts where there is significant risk to the Government. With the use of EVM as a project management tool, we are able to optimize project planning and control through integration of the project scope of work with cost, schedule, and performance elements. Major programs were assessed against the industry standard for EVM compliance and action plans put in place to achieve full compliance. Continued surveillance reviews will ensure continuity of program planning and the reliability of performance data.

FY 2007 Performance Forecast. DOT anticipates meeting the performance targets in FY 2007.

FINANCIAL STEWARDSHIP

FY 2006 ENACTED FUNDS \$1.1 MILLION

DOT needs to ensure that infrastructure improvements are delivered on time and within budget. Infrastructure projects are not static, at any point conditions may change, which impact either the cost of the project or the delivery date. Monitoring cost, schedule, and performance of infrastructure projects are critical to identify problems and initiate action to mitigate risks. Three Operating Administrations have projects included in the following infrastructure project performance measures: FTA, FAA, and FHWA.

2006 Results. Although FTA and FAA projects are all within ten percent of cost and schedule milestones, excessive cost and schedule variances on certain FHWA projects prevented the Department from meeting its overall targets for keeping major infrastructure projects on schedule and within budget.

Performance Measure				
For major Federally funded infrastructure projects, percentage that meet schedule milestones established in project or contract agreements or miss them by less than 10 percent				
	2003	2004	2005	2006
Target	95	95	95	95
Actual	88	95	95	91



FTA has four mega projects (active New Starts projects with Full Funding Grant Agreements (FFGA) that exceed \$1 billion). The four projects included in the measure are: New Jersey Hudson-Bergen-Minimum Operable Segment (MOS) II Light Rail; San Juan Tren Urbano Heavy Rail; Denver Southeast Corridor Project; and, Seattle Central Link Light Rail. All of the FTA projects are within 10 percent of the cost estimates and schedule milestones associated with their current FFGA.

Performance Measure				
For major Federally funded infrastructure projects, percentage that meet cost estimates established in project or contract agreements, or miss them by less than 10 percent				
	2003	2004	2005	2006
Target	95	95	95	95
Actual	88	74	79	82

The following activities contributed to FTA’s success in meeting the performance targets for the infrastructure projects. FTA initiated a risk management program for its major capital projects. FTA’s risk management is a continuous process that includes a formal planning activity, assessment activities, a mitigation strategy for selected risks, and monitoring the progress in reducing the selected risks to the desired level. The risk assessment for project cost and schedule is performed by FTA’s Project Management Oversight (PMO) contractors and identifies and ranks the highest areas of risk. The report is then used as a guide to establish a risk mitigation plan with which to monitor risk through the completion of the project. This risk management program creates a confidence level for the project budget and schedule, and enables FTA and the grantee to proactively manage the project.

FAA has major runway projects at St. Louis, Seattle-Tacoma, and Atlanta. In FY 2006, both Lambert St. Louis International and Atlanta Hartsfield-Jackson International opened one new runway. FAA also added one new project, Phase 1 of the Chicago O’Hare Modernization Program (OMP), consisting of one new runway construction, an existing runway relocation, and one runway extension. Both major runway projects and OMP Phase 1 are on schedule and within cost. The Seattle-Tacoma runway is on schedule to open in 2008 and OMP Phase 1 is on schedule for completion in 2009.

FHWA has approved financial plans or their annual updates for 14 major projects. Of the 14 major projects that have reached the financial plan stage, 11 of 14, or 79 percent, are currently on or within allowable budget variances. In addition, 12 of 14 projects, or 86 percent, are within the forecasted schedule completion variance. The targets of 95 percent were not met because some projects exceeded their baseline estimates for cost and schedule by at least 10 percent. There are numerous project specific reasons for this situation including overly optimistic initial cost estimates. Once a project exceeds the threshold for cost, it is difficult to meet the threshold in future years.



FY 2007 Performance Forecast. DOT will have difficulty meeting both the cost and schedule targets for infrastructure projects in FY 2007.



2006 Results. FTA met the target for FY 2006. The amount of time to process grants was reduced from an average of 67 days in 2001 to an estimated 28 days in 2006. Higher FTA program funding and the number of new programs have increased the workload and number of awards being processed through FTA's Transportation Electronic Award and Management (TEAM) system. The improvements in the timeliness of grant processing have resulted in improved customer service. FTA has continued to build on and refine initiatives implemented in FY 2004 and FY 2005 to improve grant processing time, including:

Performance Measure				
Percentage of transit grants obligated within 60 days after submission of a completed application				
	2003	2004	2005	2006
Target	80	80	80	80
Actual	83	91	91	94

- Implementing an electronic Grants Notification System for grants that are over \$1 million and processed for release by Congress;
- Opening the Transportation Electronic Award and Management (TEAM) system for grant processing earlier in FY 2006 as a result of monthly reconciliation of TEAM data during FY 2005;
- Continuing to work with the Department of Labor (DOL) to streamline procedures for certifying grants;
- Continuing the expedited notification of certification by the DOL; and,
- Resolving mid-year problems with electronic notification to DOL resulting from new computer security firewall protections.

FY 2007 Performance Forecast. FTA anticipates meeting the FY 2007 target.

ENVIRONMENTAL JUSTICE

The Environmental Justice measure was part of the DOT 2000-2005 Strategic Plan. Last year was the first year of reporting under the DOT 2003-2008 Strategic Plan and this measure was retained in error. Consistent with the DOT 2003-2008 Strategic Plan, we have discontinued reporting this information.