

Why GAO Did This Study

Many states, cities, and localities are building or planning mass transit projects to meet the nation's transportation needs. The New Starts program—administered by the U.S. Department of Transportation's (DOT) Federal Transit Administration (FTA)—is an important source of new capital investment in mass transportation, providing grants to project sponsors (e.g., state and local government authorities), for the construction of major transit facilities. FTA uses contractors—known as project management oversight contractors (PMOC) and financial management oversight contractors (FMOC)—to help oversee the planning, construction, and financing of major capital projects, including those funded under the New Starts program. This report, as mandated by law, discusses (1) how FTA uses PMOCs and FMOCs to oversee New Starts projects and how the agency procures, monitors, and evaluates the contractors' services; and (2) the benefits of FTA's oversight approach and the challenges FTA faces in conducting its oversight. GAO reviewed applicable statutes, FTA guidance, regulations, and budget data, and interviewed DOT officials, project sponsors, contractors, and industry stakeholders. GAO is not making any recommendations in this report. DOT officials generally agreed with GAO's findings and provided technical comments, which we incorporated as appropriate.

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PUBLIC TRANSPORTATION

Use of Contractors is Generally Enhancing Transit Project Oversight, and FTA is Taking Actions to Address Some Stakeholder Concerns

What GAO Found

FTA procures PMOC and FMOC services to provide critical input into FTA's decisions regarding New Starts projects. Specifically, the reviews that PMOCs conduct keep FTA informed of a project's status and support the agency's decision on whether to advance or fund the project. Separately, financial assessments conducted by FMOCs help the agency ensure that project sponsors—which can be state or local government authorities that implement New Starts projects—have sufficient financial capacity to build and operate their projects. Although PMOCs and FMOCs have different oversight roles, services for both are procured in accordance with the Federal Acquisition Regulation (FAR). FTA recently changed how it procures PMOC services. Prior to 2009, FTA awarded PMOC contracts only to architectural and engineering firms for their services using specialized procedures in the FAR; however, in part to expand the pool of available PMOCs, FTA revised its procurement approach and now uses the competitive negotiation procedures in the FAR which permit cost and noncost tradeoffs. Using competitive negotiations has increased the pool of contractors available for FTA projects, and while some PMOC officials expressed concerns that the changes have affected the quality of staff provided for FTA work and put more emphasis on cost, FTA officials said that they have not observed any negative effects. FTA monitors PMOCs and FMOCs by setting performance expectations and using a multilayered system to evaluate their performance. Recently, FTA has taken steps to improve its contractor performance evaluation system to help ensure that its regional offices conduct evaluations consistently.

FTA officials, contractors, and project sponsors identified benefits of FTA's oversight approach. For example, FTA officials and project sponsors said that FTA's oversight approach has improved project management, supplemented existing FTA staff, and provided insights through technical assistance and expertise from PMOCs and FMOCs. However, FTA's oversight program faces some challenges, including balancing project management oversight and advancing projects, managing the larger, more complex projects entering the New Starts portfolio, and communicating with project sponsors. FTA has taken some actions to address these challenges. To more effectively balance oversight and project advancement, FTA developed procedures to assist PMOCs with their oversight responsibilities and issued an Advance Notice of Proposed Rulemaking on, among other things, the extent to which the level of its oversight should be based on risk. As part of FTA's effort to oversee larger, more complex projects, FTA has directed its PMOCs and FMOCs to conduct oversight activities earlier in project development, helping identify potential problems earlier. To improve communications, FTA developed checklists which project sponsors found helpful in understanding FTA's oversight requirements. However, some project sponsors we spoke with said that FTA's communications were not consistently timely or clearly documented, thus delaying sponsors' responses and, sometimes, project time frames. FTA recognizes that the New Starts process can be lengthy, but officials indicate that project sponsors do not always provide FTA needed information.