Highway Trust Fund: Administrative Expenses of the Federal Highway Administration

Information Presented to the

Senate Committee on Environment and Public Works

House Committee on Transportation and Infrastructure

Background

- Section 1433 of Public Law 114-94, Fixing America's Surface Transportation Act (FAST Act), included a provision for GAO to submit a report describing the administrative expenses of the Department of Transportation's Federal Highway Administration (FHWA) funded from the Highway Trust Fund (HTF).

Objectives

- Our objectives were to describe the following:
  1. The types and amounts of administrative expenses funded from HTF for FHWA programs and offices during the 3 most recent fiscal years (fiscal years 2013 through 2015).
  2. The extent to which FHWA effectively designed tracking and monitoring internal controls over its administrative expenses as of September 30, 2015.
  3. The extent to which FHWA has the flexibility, under existing laws and regulations, to reallocate administrative monies funded from HTF between general operating expenses and other functions.

Scope and Methodology

- To address our first objective, we took the following action:
  - Reviewed relevant legislation, FHWA budget documents, and general ledger data to describe and present the types and amounts of administrative expenses of FHWA funded from HTF during the 3 most recent fiscal years (fiscal years 2013 through 2015).
- To address our second objective, we took the following actions:
  - Obtained and reviewed applicable policies and procedures used by FHWA; the Department of Transportation's Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control* Summary Report; relevant internal control risk assessments; and OMB Circular A-123 process documents to identify FHWA's tracking and monitoring internal controls over its administrative expenses.
  - Determined whether FHWA effectively designed tracking and monitoring internal controls over its administrative expenses as of September 30, 2015, in accordance with *Standards for Internal Control in the Federal Government*.[1] We focused our review on the tracking and monitoring controls as they relate to general operating expenses because these expenses represented over 90 percent of administrative monies funded from HTF for fiscal year 2015.

[1]See GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

Scope and Methodology (continued)

- To address our third objective, we took the following action:
  - Reviewed existing laws and regulations and relevant budgetary guidance to describe the extent to which FHWA has the flexibility to reallocate administrative monies funded from HTF between general operating expenses and other functions.
- We assessed the reliability of the data we used by reviewing relevant documentation and interviewing knowledgeable FHWA officials. We found the data to be reliable for the purposes cited in this briefing.

GAO

Scope and Methodology (continued)

- We conducted this performance audit from January 2016 to May 2016 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.

FHWA Functions Funded by Administrative Monies from HTF

- 23 U.S. Code § 104(a) provided monies for administrative expenses of FHWA to be used to
  - administer the provisions of law to be funded from appropriations for the Federal-aid and other highways programs;
  - make transfers to the Appalachian Regional Commission; and
  - reimburse, as appropriate, the Office of Inspector General of the Department of Transportation for conducting annual audits of financial statements.
- Other statutes authorize the Secretary of Transportation to deduct sums as necessary from administrative monies made available under § 104(a) to carry out specific programs.
- Funds authorized for each fiscal year remain available until expended.

FHWA Functions Funded by Administrative Monies from HTF (continued)

General Operating Expenses	• Salaries and Benefits • Equipment • Travel • Other[a]
Transfers	• Appalachian Regional Commission
Programs	• Disadvantaged Business Enterprise • Highway Use Tax Evasion • On-the-Job Training Support Services • Consolidation of Programs: Operation Lifesaver, Public Road Safety Clearinghouse, Work Zone Safety Grants, and National Work Zone Safety Information Clearinghouse • Air Quality and Congestion Mitigation Study[b] (funding authorized from funds made available for fiscal year 2013)

[a]Other expenses consisted of utilities, supplies, rent, printing, transportation, and other services, including reimbursement to the Office of Inspector General of the Department of Transportation for conducting annual financial statements audits.
[b]The full title of this program is Air Quality and Congestion Mitigation Measure Outcomes Assessment Study.

FHWA Obligations Funded by Administrative Monies from HTF for Fiscal Years 2013 through 2015

(in Millions)	Fiscal Years 2013	2014	2015
Obligations			
General Operating Expenses			
Salaries and Benefits	$301.2	$309.1	$301.8
Other[a]	$103.3	$94.3	$95.4
Travel	$9.0	$8.7	$6.7
Equipment	$1.6	$3.2	$6.7
Total General Operating Expenses	$415.1	$415.3	$410.6
Appalachian Regional Commission	$2.9	$2.7	$2.8
Programs			
Disadvantaged Business Enterprise	$10.3	$10.9	$9.3
Highway Use Tax Evasion	$2.2	$6.1	$6.6
On-the-Job Training Support Services	$8.0	$9.2	$8.8
Consolidation of Programs	$1.2	$2.9	$1.9
Air Quality and Congestion Mitigation Study[b]	$0.0	$1.0	$0.0
Total Programs	$21.7	$30.1	$26.6
Total Obligations	**$439.7**	**$448.1**	**$440.0**

Source: GAO analysis of Federal Highway Administration data.

[a]Other expenses consisted of utilities, supplies, rent, printing, transportation, and other services, including reimbursement to the Office of Inspector General of the Department of Transportation for conducting annual financial statements audits.

[b]Funding was authorized from funds made available for fiscal year 2013. Funds authorized for fiscal year 2013 were to remain available until expended. Funds were obligated for the study in fiscal year 2014 from fiscal year 2013 funding.

Design of Internal Controls to Track and Monitor General Operating Expenses

- Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:
  - effectiveness and efficiency of operations,
  - reliability of financial reporting, and
  - compliance with applicable laws and regulations.[1]

[1]See GAO/AIMD-00-21.3.1.

Design of Internal Controls to Track and Monitor General Operating Expenses (continued)

- We found that FHWA had effectively designed tracking and monitoring internal controls over its general operating expenses as of September 30, 2015, for the significant business processes related to general operating expenses:
  - Human Resources/Time and Attendance;
  - Procure to Pay;
  - Travel Management; and
  - Property, Plant and Equipment.

GAO

Design of Internal Controls to Track and Monitor General Operating Expenses (continued)

- Examples of key internal controls for tracking and monitoring FHWA administrative expenses:
  - Human Resources/Time and Attendance:
    - Time and Attendance approving officials review and approve time and attendance in the Consolidated Automated System for Time and Labor Entry.
    - Human Resources specialists review and process authorized employee promotions in a timely manner.
  - Procure to Pay: Contracting Officer's Representatives/ Contracting Officers perform contract reviews, which include desk audits, formal audits where required, and final negotiations with contractors prior to payment.

GAO

Design of Internal Controls to Track and Monitor General Operating Expenses (continued)

- Travel Management: Designated employees and approving officials review and approve travel authorizations for accuracy and reasonableness.

- Property, Plant and Equipment: The Office of Information Technology (IT) Services (for IT assets) or the Office of Management Services (for non-IT assets) assesses the justification for purchases of long-lived assets prior to processing the procurement requests.

Limited Flexibility to Reallocate Administrative Monies Funded from HTF

- FHWA has limited flexibility, under existing laws and regulations, to reallocate administrative monies funded from HTF between general operating expenses and certain other functions. These other functions funded by administrative monies from HTF include transfers to the Appalachian Regional Commission and specific programs.
- Limitations include the following:
  - General operating expenses and transfers to the Appalachian Regional Commission are subject to obligation limitations specified in annual appropriations acts.
  - Specific programs are subject to maximum and minimum funding provided by their authorizing statutes.
  - Funding cannot be used for any purpose not authorized by statute.

Limited Flexibility to Reallocate Administrative Monies Funded from HTF (continued)

	Fiscal Years		
(in Millions)	**2013**	**2014**	**2015**
Funding Authorization[a]	**$454.2**	**$440.0**	**$440.0**
Obligation Limitation			
General Operating Expenses	$416.1	$416.1	$426.1
Appalachian Regional Commission	$3.2	$3.2	$3.2
Total Obligation Limitation[b]	**$419.3**	**$419.3**	**$429.3**

Maximum or Minimum Program Funding Limitation	
Disadvantaged Business Enterprise	The Secretary shall make available funding for this program that is not more than $10 million.[c]
Highway Use Tax Evasion	The Secretary shall make available funding for this program that is not more than $10 million.[c]
On-the-Job Training Support Services	The Secretary shall make available funding for this program that is not more than $10 million.[c]
Consolidation of Programs	The Secretary shall make available funding for this program that is not less than $3 million.[c]
Air Quality and Congestion Mitigation Study	Of the amounts made available for fiscal year 2013, the Secretary shall make available funding for this program study that is not more than $1 million.[c]

Source: GAO analysis of public laws and Federal Highway Administration budget documents.

[a]Funding authorization specified in authorization acts.
[b]Obligation limitations specified in annual appropriations acts.
[c]P.L. 112-141; P.L. 114-41.

Limited Flexibility to Reallocate Administrative Monies Funded from HTF (continued)

- For fiscal year 2015, Congress authorized $440.0 million of administrative monies for FHWA to be funded from HTF. FHWA's annual appropriations for fiscal year 2015 gave FHWA the flexibility to obligate up to a total of $429.3 million for general operating expenses and transfers to the Appalachian Regional Commission. If FHWA obligated the entire $429.3 million for these two functions, it would have $10.7 million available for specific programs (subject to funding limitations set out in authorizing statutes).
- Based on the specific program needs, budget decisions, and any minimum funding requirements (e.g., for the Consolidation of Programs), FHWA determines how much to allocate to each of the three functions (general operating expenses, transfers, and specific programs) from the available monies in a given fiscal year.

GAO on the Web

Web site: http://www.gao.gov/

Congressional Relations

Katherine Siggerud, Managing Director, siggerudk@gao.gov
(202) 512-4400, U.S. Government Accountability Office
441 G Street, NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov
(202) 512-4800, U.S. Government Accountability Office
441 G Street, NW, Room 7149, Washington, DC 20548

Copyright

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.