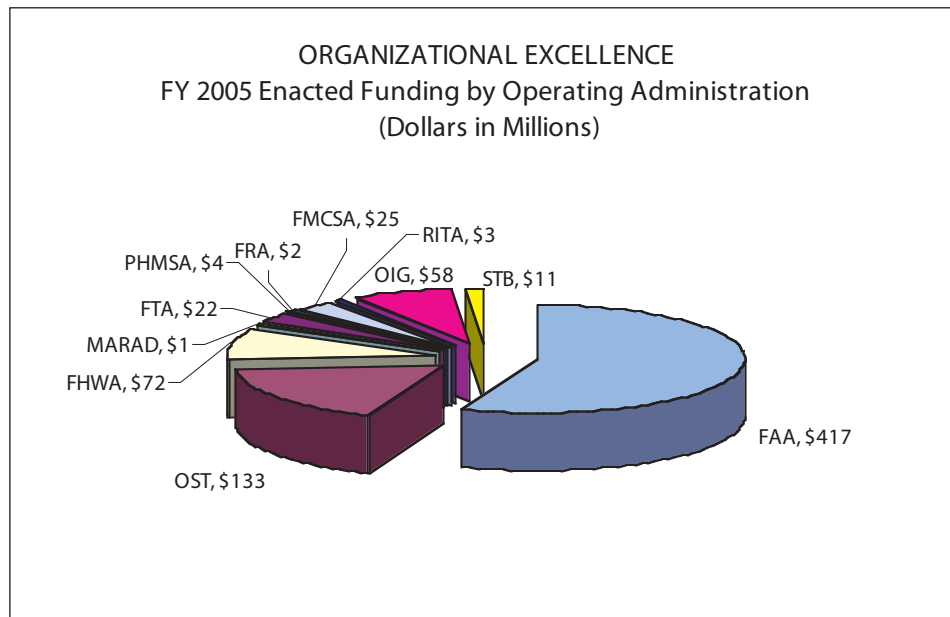## ORGANIZATIONAL EXCELLENCE STRATEGIC OBJECTIVE

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

ORGANIZATIONAL EXCELLENCE
FY 2005 Enacted Funding by Operating Administration
(Dollars in Millions)

FMCSA, $25
RITA, $3
PHMSA, $4
FRA, $2
OIG, $58
STB, $11
FTA, $22
MARAD, $1
FHWA, $72
FAA, $417
OST, $133

STRATEGIC OUTCOMES

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

PERFORMANCE MEASURES

- For major DOT systems, percentage of cost goals established in the acquisition project baselines that are met.
- For major DOT 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.
- Number of environmental justice (EJ) cases that remain unresolved after one year.

PRESIDENT'S MANAGEMENT AGENDA

Secretary Mineta's 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 budget and performance integration goals
- Achieved e-government 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 will thoughtfully restructure our organization.

FY 2005 ACCOMPLISHMENTS

The current DOT Human Capital Plan contains approved goals and milestones to guide our efforts through the third quarter of FY 2006, and is fully aligned with the President's Management Agenda and standards developed by the Office of Management and Budget, Office of Personnel Management, and Government Accountability Office. These standards promote the use of strategic alignment and accountability strategies to accomplish measurable improvements in the three primary human capital drivers of organizational performance: leadership and knowledge management, performance culture, and talent. DOT's plan is focused on efforts to strengthen critical competencies, with particular emphasis on leadership, to improve the way performance is measured and managed, and to upgrade the metrics used to monitor all aspects of employee performance.

With continued strong Departmental leadership and support from the Operating Administrations, DOT maintained its "green" status in Human Capital, counting among its accomplishments:

- Provisional certification for the SES Performance Plan, and an SES pay plan that links pay decisions to organizational performance and need;
- Migration of all employee performance plans to multi-level systems that make distinctions among levels of performance;
- An electronic learning management system (eLMS), with training, a users' guide, and strong promotional activities;
- Reduced hiring timeframes;
- A development program for GS-15 employees to improve succession pipelines; and

- Analysis of results from the Federal Human Capital Survey for every DOT organization, and communication and improvement efforts.

As the Department addressed these cross-cutting human capital issues, the Operating Administrations also examined their unique human capital challenges. As organizations identified competency and/or succession gaps, they used flexibilities such as voluntary early retirement (VERA) and voluntary separation incentives (VSIP) to restructure jobs. Among the many other accomplishments at the operating administration level:

- FAA developed a comprehensive workforce plan for its Air Traffic Controllers to ensure that adequate controller staffing levels are available through this decade and beyond. The plan addresses the hiring, training, and deployment of 12,500 controllers over 10 years, and ensures an appropriate ratio between developmental and fully certified controllers. It also addresses cost-containment strategies and efficiency measures to reduce required staffing levels.
- FHWA's continued improvements in workforce analysis and planning have allowed it to decrease numerical gaps between needed and on-board strength, restructure the skills mix in mission-critical occupations, and identify and address under-representation of Hispanic employees.
- The Maritime Administration's Human Capital Council has used the Payroll Management Information System (PMIS) as a tool to make strategic decisions about the use of vacancies for maximum program performance within a constrained resource environment. MARAD used the PMIS to make a determination on how to schedule its recent early out/buy out request to maximize the financial savings while minimizing the effect on any one program area.
- The Federal Aviation Administration has achieved millions of dollars of cost containment through restructuring of its workers' compensation program.

The FHWA has developed a proactive Workforce-Human Capital Plan that focuses on creating a multidisciplinary workforce to deliver the Federal-aid Highway Program. With increasing numbers of employees retiring and up to 37% of FHWA's workforce eligible to retire in the next five years, the Agency will need to recruit a staff with diverse skills and build the competencies of employees in areas such as program and project oversight, effective financial management, implementation of internal controls, and procurement integrity.

In FY 2005, internal teams examined and inventoried the competencies and staffing levels needed for various disciplines across the organization. The FHWA identified existing skill gaps in its mission-critical occupations including transportation planners, environmental protection specialists, civil engineers, financial managers and specialists, engineering technicians, realty specialists, and transportation specialists.

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 2005 ACCOMPLISHMENTS

In FY 2005, DOT maintained its green status on the President's Management Agenda scorecard for competitive sourcing. During 2005, DOT completed one standard and six streamlined competitions, including the largest and most complex competition conducted to date under OMB Circular A-76 for FAA's Automated Flight Service Stations.

To date, DOT has completed 19 competitions for over 2,800 full time equivalent positions with anticipated savings of over $2.2 billion from the inception of the study through all of the performance periods. DOT initiated an Executive Steering Committee for competitive sourcing, which evaluates the opportunity for cross organizational competitions throughout the Department and brings more consistency to DOT's competitive sourcing efforts. DOT requires the Operating Administrations to develop their competitive sourcing plans in conjunction with their workforce planning efforts to ensure that human capital solution strategies include public-private competition.

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 good 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 and the Department.

FY 2005 ACCOMPLISHMENTS

In May 2005, DOT moved its financial management tool Delphi DASHboard pilot into production. The Delphi DASHboard provides managers with key financial information and is being enhanced to provide program performance information as well. The combination of financial and program information provides DOT managers with a more complete program picture and enables them to make cogent business decisions.

Currently included on the DASHboard are the Office of Management and Budget's financial performance metrics (broken out by operating administration), DOT's internal scorecard on financial improvement initiatives, and accounting status reports derived directly from DOT's Delphi financial management system.

Additionally, DOT has been centralizing operating administration accounting operations at the Department's Financial Management Center of Excellence in Oklahoma City, which is one of four such Centers designated by OMB in the President's Budget in February 2005. With the cost of the Centers shared among the other Departments who use the Center's services, tax payers benefit from the cost-savings achieved by eliminating redundant operations.

With DOT's successful phase one conversion to the Department of Interior's Federal Personnel and Payroll system during 2005, DOT is also moving ahead to retire three major legacy payroll and Human Resources systems in March 2006. DOT closed out its legacy accounting system in March 2004 and is shutting down its travel management systems as we implement the new GovTrip system under the e-Travel program.

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 improving transportation through market-based policies that foster competition by using

electronic government resources, and increasing the range of transportation choices available to travelers and shippers. DOT is also committed to a more efficient use of information technology to create faster and easier ways for citizens to transact their business with DOT.

FY 2005 ACCOMPLISHMENTS

The Department continues to participate actively in many of the Administration's government-wide E-Government initiatives, such as online rulemaking, business gateway, e-learning, e-travel, e-grants and others. The results allow the general public and the regulated community easier access to their government. For example, DOT:

- made a large number of OMB forms available to citizens through the Business Gateway PMA E-Government Web site;
- increased public access to and awareness of DOT grant opportunities; and
- expanded the use of consolidated automated staffing functions, using Quick Hire software for all of DOT.

During FY 2005, the Department maintained a "green" rating in the E-Government portion of the President's Management Agenda; indicating DOT met established requirements and made further improvements in capital planning, security and enterprise architecture issues. In FY 2005, 85% of operational Information Technology (IT) systems have current certification and accreditation. In addition, 100% of DOT's FY 2006 business cases were determined by OMB to be IT acceptable. 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%.

To identify potential IT security weaknesses and opportunities for consolidation for more efficient operations, each of DOT's IT systems undergoes a rigorous security certification and accreditation process. Results of these certifications and accreditations are used to identify system weaknesses and provide corrective actions. DOT implemented a quarterly compliance review process to go beyond the C&A process, and reviewed DOT-wide efforts to comply with the Privacy Act and the Americans with Disabilities Act (ADA) accessibility requirements. By implementing systems Department-wide, the Department will gain consistency in its corrective efforts as well as provide cost-savings for IT security solutions. Certification and accreditation provides DOT management the assurance that IT assets are able to provide greater system security for services delivered to the public.

In FY 2005, the Department's Investment Review Board (IRB) focused on management of the Department's information technology portfolio, DOT Operating Administration IT investment strategies, and project management practices. Through greater IRB involvement, senior managers from across the Department have assumed an expanded role in the oversight of high risk projects.

BUDGET AND PERFORMANCE INTEGRATION

Regular, systematic measurement and accountability for program performance compared to pre-determined goals 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 2005 ACCOMPLISHMENTS

DOT continues to be recognized as a leader in Budget and Performance Integration and made significant strides in FY 2005 to further improve the link between performance results and resource decisions, and to hold executives and managers accountable for those results. To make financial and performance information more readily available to executives and managers, the Department began implementation of the Automated Dashboard Desktop User Interface (DASHboard). When fully deployed, this system will bring financial and performance information to the desktops of executives and managers, thereby improving oversight of the Department's programs.

DOT has also fully incorporated results from OMB's Program Assessment Rating Tool (PART) into the resource decision-making process. PART results are presented to the Secretary of Transportation and his staff during the budget preparation process in order to better link resource allocation decisions to program results. Since the OMB began assessing the Department's programs using PART, DOT program managers have had to justify their budget requests based on actual performance results and address OMB's recommendations for program improvement. PART results and performance measures are also documented in the final budget documents that are submitted to the OMB and to the Congress.

For 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 Operating Administrations and for the FY 2007 budget cycle, all DOT agencies will provide marginal cost information for at least one of their performance goals. Recognized as a government leader in marginal cost methodologies, the Department presented its marginal cost approach and processes at a Government-wide marginal cost seminar to assist other Federal agencies in improving their marginal cost capabilities.

RESEARCH, DEVELOPMENT, AND TECHNOLOGY (RD&T)

DOT established a new organization to focus the research and development planning processes across DOT, the Research and Innovative Technology Administration (RITA). RITA will enable the Department to more effectively coordinate and manage the Department's research portfolio and expedite implementation of cross-cutting innovative technologies.

Under the reorganization, RITA's resources will be used to:

- coordinate and advance transportation research efforts within DOT;
- support transportation professionals in their research efforts through grants and consulting services, as well as professional development through training centers; and

- inform transportation decision-makers on intermodal and multi-modal transportation topics through the release of statistics, research reports, and a variety of information products via the internet, publications, and in-person venues such as conferences.

To assist with RD&T planning, the Department recently established two internal bodies: the RD&T Planning Team and the RD&T Planning Council. At the working level, the Planning Team develops recommendations for DOT-wide RD&T priorities; at the leadership level, the Planning Council reviews and approves the priorities. Upon such approval, it is expected that within each Operating Administration, those leaders will steer more of the available research resources toward those RD&T priorities, as is appropriate for their agencies' missions.

Through the RD&T Planning Council and Team, the Department also ensures the effectiveness of RD&T. In particular, DOT conducts annual RD&T program reviews to assess Operating Administrations' implementation of the Administration's R&D Investment Criteria.

ORGANIZATIONAL EXCELLENCE PERFORMANCE GOALS

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

ACQUISITION MANAGEMENT

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.

2005 Results. DOT met both performance measures. Thirty-five critical acquisition programs are tracked against these performance measures and they have met targets for both cost and schedule variance in FY 2005. Staying on schedule and within budget is critical to updating the air traffic system. In the last three years FAA has implemented processes for tracking and reporting variance, which have strengthened control over major acquisitions and resulted in significant performance gains.

FY 2006 Performance Forecast. DOT anticipates meeting the new performance targets in FY 2006.

Performance Measure

For major DOT systems, percentage of cost goals established in the acquisition project baselines that are met.

	2002	2003	2004	2005
Target	80	80	80	80
Actual	89.5	88	100	97

Performance Measure

For major DOT systems, percentage of scheduled milestones established in acquisition project baselines that are met.

	2002	2003	2004	2005
Target	90	80	80	80
Actual	74	78	92	92

FINANCIAL STEWARDSHIP

With fewer resources to fund important transportation projects, DOT needs to ensure that infrastructure improvements are delivered on time and within budget, and that taxpayer investments are those that yield the greatest benefits for the given costs. Infrastructure projects are not static, at any point in the process 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.

FTA

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 (identification and analysis) to estimate the likelihood and predict the impact on the project, 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 contractor and identifies and ranks the highest areas of risk. The report is then used as a guide to establish a risk mitigation plan 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.

FHWA

FHWA issued guidance defining the content and format of the financial plans for major projects, which are generally defined as projects at the $1 billion dollar and larger level. A financial plan provides a comprehensive view of the total cost of the project and reasonable assurances that there will be sufficient financial resources to complete the project as planned. Cost containment strategies are also identified in the financial plan, as well as an implementation schedule for completing the project.

Both the Government Accountability Office and the Office of Inspector General raised additional concerns about agency oversight of cost and schedule for projects funded with Federal-aid funds. To address some of these continuing concerns and lay the groundwork for building a new project management tracking system, the agency initiated an effort to develop a more formal, documented approach to project delivery oversight.

As part of its efforts to support effective program management, the Transportation Infrastructure Finance and Innovation Act (TIFIA) credit program developed formal guidance for project oversight and credit monitoring. The guidance is intended to assist the DOT and its Operating Administrations in carrying out oversight responsibilities for TIFIA-funded projects by providing a consistent approach to monitoring projects through a project's life cycle.

2005 Results. DOT met the performance target for keeping major infrastructure projects on schedule, but not the performance target for keeping projects within budget.

FHWA has approved financial plans or their annual updates for 12 major projects. Of the 12 projects that have reached the financial plan stage, 92% are within the forecasted schedule completion variance, and 75% are currently on or within allowable budget variances.

FHWA issued guidance in FY 2004 to help States improve upon their initial project estimates and has actively promoted better financial and project management practices since then. However, the initial project cost estimates for projects such as the Katy (TX) Freeway Reconstruction Project, the Oakland Bay Bridge, and the New Haven (CT) Harbor Crossing Improvement Project predate the issuance of this guidance.

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.				
	2002	**2003**	**2004**	**2005**
Target	95	95	95	95
Actual	85	88	95	95

Performance Measure				
For major Federally funded infrastructure projects, percentage that meet cost estimates established in project or contract agreements, or misss them by less than 10 percent.				
	2002	**2003**	**2004**	**2005**
Target	95	95	95	95
Actual	85	88	74	79

All three major FAA runway projects, St. Louis, Seattle-Tacoma, and Atlanta, continue on time with Seattle-Tacoma and Atlanta also within budget. Costs for the St. Louis runway rose above thresholds due to complex land acquisition and construction issues. In FY 2004, the FAA issued an amendment to the city of St. Louis to help offset the cost increases. New runways at Atlanta Hartsfield-Jackson International and Lambert St. Louis International are on schedule to open in 2006, while the new runway at Seattle-Tacoma International is on schedule to open in 2008.

All four FTA mega transit projects (active New Starts projects with Full Funding Grant Agreements (FFGA) that exceed $1 billion) are within 10% of the cost estimate of their current FFGA agreements. The four projects are: New Jersey Hudson-Bergen—MOS II Light Rail; San Juan Tren Urbano Heavy Rail; Denver Southeast Corridor Project; and, Seattle Central Link Light Rail. The FFGA for the San Juan Tren Urbano project has been amended to reflect the increased cost to complete. FTA has also been aggressively working with this grantee to ensure closeout activities such as safety and security certification are complete in accordance to FTA standards and managing the project cost and schedule to the current projected figures. FTA's four mega projects are also within 10% of the schedule milestones of the current FFGA agreements.

FY 2006 Performance Forecast. DOT expects to meet the target for major infrastructure projects that stay on schedule, but it anticipates continued difficulty in attaining the target for major infrastructure projects staying within budget.

2005 Results. DOT met its performance target for grant processing.

As of September 2005, 91% of the 2,047 grants were processed and obligated in 60 days or less. FTA implemented several key activities essential to improve processing time, including:

Performance Measure				
Percentage of transit grants obligated within 60 days after submission of a completed application.				
	2002	**2003**	**2004**	**2005**
Target	60	80	80	80
Actual	67	83	91	91

- Implemented the electronic Grants Notification System for grants that are over $1 million and processed for release to congress by the Office of the Secretary;

- Opened the Transportation Electronic Award and Management (TEAM) system for grant obligation earlier in FY 2005 as a result of monthly reconciliation of TEAM data during FY 2004;

- Worked with the Department of Labor (DOL) to develop a streamlined procedure for certifying grants in each grant amendment adding incremental funding;

- Expedited notification of certification by the DOL; and

- Resolved mid-year problems with electronic notification to DOL resulting from new computer security firewall protections.

FY 2006 Performance Forecast. DOT will meet the target for FY 2006.

ENVIRONMENTAL JUSTICE

DOT strives to ensure that transportation projects are accomplished even-handedly, so that no community or group bears a disproportionate burden. As a result, DOT has chosen to highlight Departmental Office of Civil Rights' (DOCR) Environmental Justice activities. DOCR monitors the investigation of civil rights complaints alleging that transportation programs, policies, or activities have had a disproportionately high and adverse human health or environmental effect on minority or low-income populations.

2005 Results. DOT did not meet the performance target. Environmental Justice complaints are processed by the DOCR and investigated by the relevant operating administration. Environmental justice complaints are very complex, and therefore time-consuming, compared to other external civil rights complaints. Several factors contribute to the complexity of the cases; for instance, environmental justice complaints

Performance Measure				
Percent of Environmental Justice cases that remain unresolved after one year.				
	2002	**2003**	**2004**	**2005**
Target	40	35	35	35
Actual	65	76	73	45

always involve classes and not single individuals; complaints almost always involve controversies relating to unsettled areas of the law; and they often involve time-consuming and legally difficult jurisdictional determinations. A few complaints involve projects in the planning stages that may or may not be funded. Some of the complaints involve longstanding controversies in local land use and may result in serious and fundamental community debates. For many of these complaints, DOT is considering Alternative Dispute Resolution.

The DOCR is working on a Complaint Resolution Manual to help the Operating Administrations resolve complaints more effectively and expeditiously. The manual will outline the expected steps for processing, investigating, and resolving a discrimination complaint, with the goal of promoting a more uniform approach to complaints across the Department.

FY 2006 Performance Forecast. DOT does not expect to meet the target in FY 2006.