

November 1991

# MASS TRANSIT GRANTS

## Improved Management Could Reduce Misuse of Funds in UMTA's Region IX



---

---



**Resources, Community, and  
Economic Development Division**

B-242905.4

November 15, 1991

**Congressional Recipients**

In January 1990 GAO began a special audit effort to help ensure that areas vulnerable to fraud, waste, abuse, and mismanagement are identified and that appropriate actions are taken. This effort focuses on 16 areas, 1 of which is the Urban Mass Transportation Administration's (UMTA) grants program, within the Department of Transportation.

This report presents the results of one of several assignments we are conducting at UMTA and examines (1) the compliance with federal regulations of selected grant recipients in UMTA Region IX, headquartered in San Francisco, California, and (2) the effectiveness of UMTA's oversight of Region IX's grantees. Earlier this year we reported the results of our review of UMTA Region III (Mass Transit Grants: Scarce Federal Funds Misused in UMTA's Philadelphia Region, GAO/RCED-91-107, June 13, 1991) and plan to report on UMTA Regions II (New York, New York) and IV (Chicago, Illinois) later this year.

We are sending copies of this report today to the Secretary of Transportation; the Administrator, Urban Mass Transportation Administration; UMTA's Region IX Manager; and the Director, Office of Management and Budget. Copies of the report will also be sent to others upon request.

This work was performed under the direction of Kenneth M. Mead, Director, Transportation Issues, who may be reached at (202) 275-1000. Other major contributors are listed in appendix VII.



J. Dexter Peach  
Assistant Comptroller General

---

B-242905.4

List of Recipients

The Honorable John Glenn  
Chairman, Committee on Governmental Affairs  
United States Senate

The Honorable Donald W. Riegle, Jr.  
Chairman, Committee on Banking,  
Housing, and Urban Affairs  
United States Senate

The Honorable Alan Cranston  
Chairman, Subcommittee on Housing and  
Urban Affairs  
Committee on Banking, Housing, and  
Urban Affairs  
United States Senate

The Honorable Barbara Boxer  
Chair, Government Activities  
and Transportation Subcommittee  
Committee on Government Operations  
House of Representatives

The Honorable Cardiss Collins  
House of Representatives

---

---

---

# Executive Summary

---

## Purpose

Recent large financial losses in federally administered savings and loan and housing programs have raised questions about the adequacy of management and internal controls protecting federal programs. In response, GAO initiated reviews of 16 federal programs that appeared vulnerable to fraud, waste, abuse, or mismanagement, including the Urban Mass Transportation Administration (UMTA), which oversees approximately \$34.5 billion in active grants. This report presents the results of one of several assignments GAO is conducting at UMTA and examines (1) compliance with federal requirements by selected grantees in UMTA Region IX, San Francisco, California, and (2) the effectiveness of the region's oversight of grantees' compliance with federal requirements.

---

## Background

The Urban Mass Transportation Act of 1964, as amended, authorizes UMTA to award mass transit grants and monitor grantees to ensure that federal requirements are met. Typically, grant recipients are local transit authorities or state and local transit administrations. Region IX administers about \$4 billion, or 11 percent of UMTA's total active grants, awarded to 77 grantees primarily in California, Hawaii, and the Pacific territories. Grant recipients certify that they have adequate management systems to comply with federal requirements and appropriately use federal funds. UMTA has various mechanisms to monitor grantees' compliance, including triennial reviews, quarterly progress and financial reports, annual audits, and grant close-out reviews.

---

## Results in Brief

The majority of Region IX recipients did not have adequate management controls to ensure compliance with federal grant requirements and to safeguard funds. Since the beginning of fiscal year 1988, annual audits conducted by public accounting firms identified financial, procurement, and property management weaknesses at over half of Region IX's grant recipients. In addition, the Department of Transportation's Office of Inspector General (OIG) identified about \$84 million wasted, misspent, or mismanaged by eight Region IX grantees, including instances of double billing and missing property. Region IX recovered about \$10 million and agreed to alternative actions on about \$59 million but did not routinely compel grantees to correct the underlying management deficiencies.

Region IX did not effectively use its monitoring tools and enforcement authorities to correct existing problems and prevent future abuses. GAO found that the region did not (1) review and follow up on quarterly project and financial reports, the most timely source of information on

grantee activity; (2) verify compliance with federal requirements during triennial reviews; and (3) promptly close grants on completed projects that may have precluded the use of about \$1.2 million for transit projects elsewhere. Furthermore, the region awarded almost \$540 million to grantees that it knew were out of compliance on existing grants.

According to Region IX officials, limited staff resources prevented closer monitoring, and the region's oversight was consistent with UMTA's philosophy of relying on grantees to adhere to federal requirements and protect federal funds. However, the extent and nature of deficiencies in Region IX raise serious concerns about UMTA's reliance on grantees' assurances to safeguard funds and highlight the need for closer UMTA oversight. By not ensuring that grantees have adequate internal controls and not using oversight tools to force corrective actions, Region IX is allowing federal mass transit funds to be vulnerable to fraud, waste, and abuse.

---

## Principal Findings

---

### Inadequate Management Controls Increase Vulnerability to Misuse of Funds

Grantees have the primary responsibility to safeguard federal transit funds. GAO found that over half of Region IX's grantees did not have adequate management systems. An analysis of annual audits conducted by independent accounting firms and OIG reports since October 1987 disclosed long-standing deficiencies in Region IX grantees' management systems. The OIG identified \$84.2 million in Region IX grants that had been wasted, misspent, or mismanaged, including almost \$40 million that grantees used to purchase more buses than UMTA guidelines allowed. Annual audits identified numerous deficiencies in grantees' abilities to track cash flows or account for purchased or contracted goods and services. Inadequate financial controls resulted in one grantee's billing both UMTA and the state \$56,000 for the same equipment and another grantee's charging UMTA about \$50,000, in violation of federal rules, for interest expenses.

Region IX has recovered some funds identified as misspent—about \$10 million from OIG and \$6 million from annual audit findings. However, the region did not compel grantees to correct the underlying management deficiencies that allowed the improper expenditures. Between 1988 and 1990 UMTA awarded almost \$540 million in new grants to three transit authorities that had financial and other management deficiencies.

---

According to a regional official, UMTA's preaward procedures do not include a compliance review of existing grants before new grants are awarded. Such a review could provide UMTA with important information to evaluate grantees' legal, financial, and technical capabilities to carry out transit projects. UMTA's failure to consider compliance problems in its award process could convey to grantees that UMTA's rules and regulations are not important.

---

### Region IX Did Not Use Certain UMTA Monitoring Tools

Region IX did not consistently use UMTA's monitoring tools to detect and prevent grantees' performance problems. Region IX staff did not routinely review quarterly progress and financial reports to determine current project status and address potential delays or cost overruns. Triennial reviews did not test grantees' management systems to ensure that funds were properly spent. GAO has repeatedly recommended that triennial reviews should include such testing. In a 1990 report the OIG raised concerns about UMTA's triennial reviews when it found that one of the region's largest grantees had not reimbursed UMTA \$3.2 million for 159 buses retired before the end of their service life. The OIG found that the grantee did not have controls to protect the federal investment in buses and that UMTA's triennial review had not been detailed enough to discover the deficiency.

Also, Region IX did not promptly close out grants or ensure that grantees completed all agreed-upon work. At the end of fiscal year 1990, the region had a backlog of about 70 grants ready to be closed, including 36 with unspent balances totaling \$1.2 million. Several were completed in 1986 or earlier. The region had difficulty locating staff familiar with the older projects, which further impeded an accurate final accounting. Regional staff acknowledged that several projects had been closed without confirmation that work was completed, products delivered, and funds appropriately used. A timely and full reconciliation is important to ensure the appropriate use of federal funds and prompt return of any unused funds for other transit projects. According to the Special Assistant, Office of Chief Counsel, UMTA identified the close-out of completed and/or inactive grants as a priority issue but did not specify the actions that UMTA would take.

Region IX officials noted that limited staff has prevented closer monitoring and that hiring additional staff in fiscal years 1991 and 1992 and increasing the use of contractors to oversee construction and to perform triennial reviews will strengthen UMTA's oversight. However, increased resources alone cannot correct grantee mismanagement and waste. The



---

region must target its efforts to ensure that grantees have effective management systems and deficiencies are quickly detected and corrected.

---

## Recommendations

GAO recommends that the Administrator, UMTA, improve Region IX's grant oversight by (1) ensuring that all grantees have adequate management control systems; (2) using quarterly progress and financial reports to identify cost, schedule, and performance problems; (3) ensuring that grant close-outs are conducted promptly; (4) strengthening triennial reviews to evaluate, analyze, and test compliance with federal regulations; and (5) resolving significant performance problems on existing grants before awarding new grants.

---

## Agency Comments

The Department of Transportation (DOT) concurred with GAO's objective of ensuring compliance with federal requirements and the proper use of funds but was concerned about the evidence used to support the conclusions reached. For example, DOT stated GAO implies the existence of widespread procurement and property management problems on the basis of findings at only 20 percent of the region's grantees, and ignores the fact that such problems had not been identified at 80 percent of the grantees. GAO recognizes DOT's position but believes that noncompliance rates of 20 percent constitute widespread problems. In addition, DOT did not recognize in its comments that over 50 percent of the region's grantees had deficiencies in financial management systems. DOT also noted that UMTA already has policies for most of GAO's recommendations. GAO does not dispute that on paper this is true, but GAO's review found that the policies and procedures often are not being implemented in Region IX and that, as a result, the region's grants are vulnerable to fraud, waste, and abuse. Although UMTA has recently taken action to augment its oversight, GAO believes that UMTA should also implement GAO's recommendations to more actively oversee grantees' management systems and operations to ensure that federal mass transit funds are used wisely and appropriately.

DOT also raised concerns about the presentation of certain data in a draft of this report. GAO has made clarifications to reflect these comments. Detailed discussions of DOT's comments on GAO's recommendations are included at the end of chapters 2 and 3, and DOT's written comments and GAO's responses are included as appendix VI.

# Contents

---

<b>Executive Summary</b>		4
<hr/>		
<b>Chapter 1</b>		10
<b>Introduction</b>	Grant Management and Oversight Responsibilities	10
	Federal, State, and Local Entities Review Grantees' Activities	11
	UMTA's Grant Oversight Is Materially Weak	12
	Objectives, Scope, and Methodology	13
<hr/>		
<b>Chapter 2</b>		15
<b>Inadequate Controls Increase Vulnerability to Waste and Mismanagement by Region IX Grantees</b>	Grantees' Financial Management Systems Did Not Protect Federal Funds	15
	Some Grantees' Procurement Systems Do Not Comply With Federal Regulations	16
	Some Grantees Do Not Properly Protect Federally Funded Property	17
	Conclusions	18
	Recommendation	18
	Agency Comments and Our Evaluation	18
<hr/>		
<b>Chapter 3</b>		20
<b>Region IX Has Not Exercised Adequate Oversight of Grantees' Activities</b>	Region IX's Oversight Did Not Generally Detect Grantee Performance Problems	20
	Enforcement Actions Seldom Used	24
	Additional Grants Awarded Despite Noncompliance	25
	Conclusions	26
	Recommendations	26
	Agency Comments and Our Evaluation	27
<hr/>		
<b>Appendixes</b>		
	Appendix I: UMTA Grant Programs	30
	Appendix II: Grantee Certifications and Assurances	31
	Appendix III: Previous GAO Reports on UMTA	33
	Appendix IV: Grant Activity for Six Selected Region IX Grantees	35
	Appendix V: Office of Inspector General Reports for Region IX, October 1987-September 1991	36
	Appendix VI: Comments From the Department of Transportation and Our Responses	38
	Appendix VII: Major Contributors to This Report	49

---

**Table**

**Table 1.1: UMTA Region IX Grants by State/Territory as  
of March 31, 1991**

10

---

**Abbreviations**

DOT	Department of Transportation
GAO	General Accounting Office
OIG	Office of Inspector General
SEPTA	Southeastern Pennsylvania Transportation Authority
UMTA	Urban Mass Transportation Administration

# Introduction

The Urban Mass Transportation Administration (UMTA) provides financial assistance to local transit authorities or state and local transit administrations for planning, constructing, and operating the nation's mass transit systems (app. I describes UMTA's grant programs). Since its inception in 1964, UMTA has provided over \$67 billion in transit grants and currently administers over 4,000 grants totaling nearly \$35 billion through its 10 regional offices. UMTA Region IX, headquartered in San Francisco, California, is responsible for over 450 grants totaling about \$4 billion (or about 11 percent of UMTA's grant activity) in California, Hawaii, Guam, and other Pacific territories.<sup>1</sup> Table 1.1 shows the number and value of grants administered by Region IX.

**Table 1.1: UMTA Region IX Grants by State/Territory as of March 31, 1991**

Dollars in millions			
State/territory	Number of grants	Number of grantees	Value of grants
California	405	71	\$3,892.3
Hawaii	27	3	82.1
Government of Guam	10	1	1.5
Government of American Samoa	9	1	0.4
Commonwealth of the Northern Mariana Islands	3	1	0.1
<b>Total</b>	<b>454</b>	<b>77</b>	<b>\$3,976.4</b>

Source: GAO's presentation of data from UMTA's Grant Management Information System.

## Grant Management and Oversight Responsibilities

Grantees are generally responsible for managing their day-to-day operations and activities. The Urban Mass Transportation Act of 1964, as amended, and UMTA regulations require grantees to provide a number of assurances concerned with protecting federal funds and establishing accountability for compliance with federal requirements. These requirements track those provided in the uniform grant regulations contained in the Common Rule.<sup>2</sup> An UMTA grantee must submit a one-time certification ensuring compliance with federal requirements to establish accountability for carrying out the grant agreement and properly using federal funds (app. II details grantee certification requirements).

<sup>1</sup>Arizona and Nevada are in Region IX, but UMTA has given Region VIII in Denver, Colorado, responsibility for administering grants in those states.

<sup>2</sup>The Common Rule, published in March 1988 by the Office of Management and Budget, established uniform administrative requirements for federal grants with state and local entities.

With each new grant, a grantee must submit a statement of continuing validity of its one-time certification and any additional assurances not included in previous submissions. A grantee must also annually provide UMTA additional operating and planning information, such as transportation improvement plans and equal opportunity employment goals.

UMTA is responsible for overseeing grantee compliance with federal requirements and the proper use of federal funds. UMTA's monitoring, which is primarily performed by regional office staff, is based on

- progress reports that provide project status and identify potential delays;
- financial reports that track expenditures and identify cost overruns;
- reviews at least every 3 years, generally referred to as triennial reviews, of grantee compliance with statutory and administrative requirements in 19 specific areas required in UMTA circulars and other guidance;
- single annual audits required by the Single Audit Act of 1984 that include, among other things, an assessment of internal controls to provide reasonable assurance that a grantee is adequately managing federal funds; and
- close-out reviews to determine, among other things, the allowability of costs incurred and whether the grantee delivered the agreed-upon project.

In addition, UMTA uses contractors to provide engineering and technical supervision of large construction projects and oversight of grantees' procurement, safety, and financial management systems. The Urban Mass Transportation Act and UMTA regulations give UMTA authority to reduce, withhold, or suspend federal funds from grantees when federal requirements are not met and seek reimbursement when funds are misspent or mismanaged.

---

## Federal, State, and Local Entities Review Grantees' Activities

The Department of Transportation's (DOT) Office of Inspector General (OIG) provides some audit coverage of UMTA programs and grantees' internal and financial controls, particularly for new grantees with major projects or those that have had previous difficulties administering UMTA funds. OIG audits may focus on an individual grantee or a specific UMTA program or involve many grantees. The audits may be self-initiated or in response to UMTA's request. Between October 1987 and September 1991, the OIG issued 112 UMTA-related reports. Of these, 11 were on Region IX grantees, including 5 that identified wasted, misspent, or mismanaged federal transit funds.

Because most transit operators receive state funds in addition to UMTA funds, they are also subject to state oversight. During 1990, for example, state and local sources provided \$2.3 billion to California transit agencies, accounting for over 77 percent of the agencies' total operating and capital expenditures. The state requires an annual financial and compliance audit and triennial performance reviews for all grantees receiving funds from state gas tax revenues. The federally required single annual audit is often used to meet the state's requirements. The California triennial review is intended to assess and verify transit agencies' statements on efficiency, effectiveness, and economy of operations.

Regional and local planning organizations that coordinate and plan transportation development may also perform some monitoring of transit agencies. This is true in California, where the metropolitan planning organizations serve as a clearinghouse for much of UMTA's funding to California grantees. As part of their responsibilities, the regional organizations ensure that the transit operators' projects are compatible with regional plans. In addition, a local or regional planning agency must ensure that transit operators are complying with state regulations and submitting required audits, such as the annual financial and compliance audits.

---

## UMTA's Grant Oversight Is Materially Weak

On the basis of our previous UMTA work and that of the OIG, DOT identified UMTA's oversight of grantees as a material internal control weakness in its fiscal years 1989 and 1990 reports to the President and the Congress required by the Federal Managers' Financial Integrity Act of 1982, as amended. (See app. III for previous GAO reports on UMTA.) DOT cited UMTA's ever-growing workload and shrinking staff as causes of the oversight problems. According to DOT, UMTA had a 27-percent reduction in staff size over the 9 years ending in fiscal year 1990. DOT's 1990 report identified an action plan to improve the situation and noted that additional resources would be needed in fiscal years 1991 and 1992 to correct the weakness. UMTA received 14 additional staff and authority to expand its use of contractor-provided oversight in fiscal year 1991 and requested 31 additional staff for fiscal year 1992. Region IX received 3 of the 14 positions in 1991 and uses contractors to oversee technical matters and to perform about 60 percent of its triennial reviews.

## Objectives, Scope, and Methodology

We initiated a review of UMTA's oversight of federal transit grants in response to the Comptroller General's interest in determining whether mass transit programs were vulnerable to fraud, waste, and mismanagement similar to the problems found in the Department of Housing and Urban Development and in the savings and loan industry. This report presents the results of one of several assignments involving UMTA and focuses on oversight activities in UMTA Region IX. Our objectives were to examine (1) compliance with federal grant requirements by selected grantees in the region and (2) the effectiveness of Region IX's monitoring of grantees.

To assess grantees' compliance with UMTA and federal grant requirements, we reviewed the results of all single annual audits submitted by Region IX grantees from 1988 through 1990 and categorized their results as financial management, procurement, or property management findings. We discussed our assessment of audit findings with regional staff and contacted a Federal Bureau of Investigation official in San Francisco to discuss fraud cases involving a local transit operator. We also reviewed the Urban Mass Transportation Act of 1964, as amended, other applicable federal regulations, and UMTA circulars and publications.

We also interviewed OIG officials and reviewed their audit reports for Region IX from October 1987 through September 1991 to identify major findings of noncompliance and wasted, misspent, or mismanaged funds. The OIG bases its findings on criteria that it believes are clearly prescribed by law. Some OIG findings relate to requirements that UMTA or the transit authorities believe may not be needed or are subject to differing interpretations. Although we did not conduct an in-depth review of the methodology that the OIG used or independently verify its findings, the OIG implemented our 1987 recommendations to improve the conduct of audits and received a satisfactory peer review in 1990.<sup>3</sup> We concluded it was acceptable to use the OIG's information.

It was not our purpose to assess the methodology used in single annual audits or OIG reports. Rather, we used the audits and reports to identify weaknesses in grantees' internal controls and UMTA's oversight. Our work focused on actions taken by UMTA to ensure grantees' compliance

<sup>3</sup>Inspectors General: Compliance With Professional Standards by the Transportation Inspector General (GAO/AFMD-87-28, Aug. 10, 1987) and a May 29, 1990, memorandum—Report on the External Quality Review of the Department of Transportation's Office of Inspector General's Audit Organization—conveying the results of a peer review conducted by the Inspector General, U.S. Department of Housing and Urban Development.

and corrective actions. We also reviewed UMTA collections and enforcement actions for Region IX grantees. We discussed the OIG's findings and actual collections, as well as UMTA monitoring and grantee compliance, with Region IX, OIG, and state officials.

To further assess UMTA monitoring and grantee compliance, we reviewed Region IX files covering fiscal years 1988 through 1990 for 75 active grants to six grantees, representing almost 50 percent of the region's outstanding funds.<sup>4</sup> We selected the grantees based on their size and location and on discussions with regional staff. The six included two large, two medium, and two small grantees, based on fleet size and value of grants, with one in each set from northern and southern California (see app. IV). In our review of these files, we documented all certifications and evidence of the region's monitoring activities. We also obtained copies of the single annual audits submitted by, and the state-conducted reviews performed for, the six grantees between 1988 and 1990. We met with California State Controller's Office and Department of Transportation officials to obtain information on their monitoring of transit operators. We also contacted metropolitan planning organizations in northern and southern California to discuss grant monitoring issues and obtain information on local and regional monitoring efforts.

We obtained written comments from DOT and oral comments at a meeting with DOT, UMTA, and OIG officials on a draft of this report. Both sets of comments have been incorporated in the report where appropriate. In addition, DOT's written comments and our responses appear in appendix VI. We conducted our work between September 1990 and September 1991 in accordance with generally accepted government auditing standards.

---

<sup>4</sup>The six grantees were the Southern California Rapid Transit District, Bay Area Rapid Transit District, Omnitrans, Central Contra Costa County Transit Authority, City of Gardena, and City of Vallejo.



# Inadequate Controls Increase Vulnerability to Waste and Mismanagement by Region IX Grantees

Although grantees should be the first line of defense in detecting and preventing waste and mismanagement, we found that over half of Region IX grantees did not have adequate management controls and that when controls and procedures did exist they were often not followed. Our review of more than 200 findings reported in single annual audits covering 76 of the region's grantees disclosed deficiencies in grantees' financial, procurement, and property management systems.<sup>1</sup> We found, for example, that grantees often could not properly account for or track cash flows, purchased or contracted goods and services, and federally funded property. Also, since the beginning of fiscal year 1988, the OIG identified millions in wasted, misspent, or mismanaged funds.

## Grantees' Financial Management Systems Did Not Protect Federal Funds

Grantees certify that they will use federal funds in a manner that is consistent with applicable regulations and their grant agreements. However, between October 1987 and September 1991, single annual audits and OIG reports (see app. V) identified numerous financial control weaknesses and misuses of federal funds among Region IX grantees.

Single annual audits identified financial management deficiencies in over half of Region IX grantees. In these instances the grantees' financial controls were not adequate to ensure that UMTA funds were spent in accordance with federal grant requirements. For example, an audit of the City of Fairfield, California, disclosed that, because its financial system did not prevent double billing or identify ineligible costs, the city had charged both UMTA and the state \$56,000 for the purchase of hydraulic equipment, which was eligible only for state funds. Another audit found that the financial management system at the Bay Area Rapid Transit District had allowed the district to charge UMTA about \$49,250 for interest on capital leases, although UMTA regulations prohibit funding such interest.

Financial control weaknesses identified in OIG audits during this period include the following examples:

- The OIG found that the Santa Clara County Transportation Agency spent \$6.1 million for land and construction of a transit mall and other enhancements that were not included in the grant agreement. The

<sup>1</sup> Although the region had 80 active grantees at the end of fiscal year 1990, only 76 submitted single audits between 1988 and 1990. In two cases, transit authorities held active grants but did not receive federal funds. For the remaining two cases—Guam and the Northern Mariana Islands—the Department of the Interior informed UMTA that additional funds should not be provided until the grantees submitted their single annual audit reports. (As of March 31, 1991, Region IX had 77 grantees.)

grantee also double billed UMTA and did not have supporting documents for the construction costs. Furthermore, the grantee drew down federal funds before they were needed, resulting in \$300,000 in lost interest. Although UMTA recovered the misspent funds, the OIG indicated that an improved financial management system could have prevented these ineligible and inappropriate expenses.

- The OIG also found that the San Francisco Municipal Railway charged \$4.1 million for ineligible design and consultant costs, charged UMTA twice for some costs, and did not obtain UMTA's approval for overtime and other excessive labor charges. The OIG noted that the grantee's accounting procedures were not adequate to prevent unjustified design costs, unallowable consultant costs, and duplicate charges. The grantee reimbursed UMTA about \$1.2 million, and UMTA allowed the grantee to take alternative corrective actions for \$.6 million.
- The OIG reported that ineffective controls also allowed the Bay Area Rapid Transit District to bill UMTA \$4.3 million for ineligible labor, contract, and property-related costs. The grantee subsequently refunded the misspent funds and \$250,000 in interest resulting from retaining an average of \$450,000 in unused funds between fiscal years 1985 and 1987. The OIG also found that grants were not closed in a timely manner, which resulted in \$550,000 in unauthorized charges for equipment and construction that UMTA had prohibited. According to the OIG, untimely grantee reporting and poor financial management procedures allowed these abuses.

## Some Grantees' Procurement Systems Do Not Comply With Federal Regulations

Deficiencies in grantees' procurement systems were detected both in single annual audits and OIG reports between 1988 and 1990. Despite grantees' certifications that their procurement systems complied with applicable regulations, the audits showed that some grantees did not have effective procedures or controls to prevent noncompliance with federal procurement regulations.

Annual audits identified procurement system deficiencies in about 22 percent of Region IX grantees—30 procurement problems involving 17 grantees. For example, one annual audit disclosed that the San Francisco Public Utilities Commission received over \$80,000 from UMTA for ineligible equipment and service purchases. According to the audit report, the Commission did not have documentation to support the procurement costs and had not complied with federal contracting procedures in soliciting bids for the purchases.

In addition, the OIG found that the procurement systems at the Alameda-Contra Costa Transit District and the Southern California Rapid Transit District had allowed the districts to charge UMTA almost \$170,000 for extended warranties and service agreements, which are not eligible uses of federal funds. The districts reimbursed UMTA about \$33,000. The OIG also found that the Bay Area Rapid Transit District's procurement procedures did not comply with federal laws regarding minority business participation in federally funded contracts. As a result, the district had accepted an unqualified contractor as a minority business.

## **Some Grantees Do Not Properly Protect Federally Funded Property**

Both single annual audits and OIG reports of Region IX grantees also identified instances of noncompliance with federal property management requirements and misuses of federal property. Annual audits found 27 property management weaknesses involving 16 grantees. Several audits found that grantees had sold federally funded equipment and had not reported the sales to UMTA or reimbursed UMTA for the federal share of the sales in a timely manner. In one instance, the Alameda-Contra Costa Transit District failed to report sales with a federal share of almost \$26,000. Other property management deficiencies, including inadequate grantee controls over fixed assets and grantees' failure to perform required physical inventories, made it impossible to determine whether UMTA-funded property was used as intended, lost, or even stolen.

Waste and mismanagement involving federally funded assets identified by the OIG include the following examples:

- The Alameda-Contra Costa Transit District did not have adequate controls over federally funded property and, as a result, could not provide information on the condition, use, and location of assets with a federal share of \$93 million. These property management deficiencies continued even though an OIG report, annual audits, and triennial reviews over the previous 4 years had brought these deficiencies to UMTA's and the grantee's attention.
- Four grantees (Southern California Rapid Transit District, Orange County Transit District, San Francisco Municipal Railway, and Central Contra Costa Transit District) did not have adequate property management systems to ensure that the size of their bus fleets complied with UMTA's guidelines. As a result, they had used \$39.9 million in federal funds inappropriately to purchase more buses than their service needs warranted. Earlier triennial reviews had identified the excesses, but UMTA had not ensured that corrective action was taken.

- The Bay Area Rapid Transit District's property management system could not account for \$2.2 million in missing, unserviceable, or unneeded property. Moreover, according to the OIG, the district did not properly conduct physical inventories, update property records, or follow property disposition requirements.

---

## Conclusions

The weaknesses found in financial, procurement, and property management systems indicate that Region IX's transit funds are vulnerable to waste and mismanagement because grantees do not have adequate systems to ensure compliance with federal requirements. In each of the examples identified in the single annual audits and OIG reports, grantees had certified that they had financial, procurement, and property management systems and procedures adequate to ensure that funds would be appropriately managed and used. Given the extent and nature of the management deficiencies occurring at grantees that have certified their intent and ability to comply with federal requirements and use funds properly, such assurances cannot be relied on unless UMTA verifies that adequate management controls are actually in place.

---

## Recommendation

To improve the reliability of grantee certifications and minimize the vulnerability of mass transit grants to waste and mismanagement, we recommend that the Administrator, UMTA, direct the Region IX Manager to ensure that all grantees have management control systems that adequately account for and protect federal mass transit investments. To achieve this, UMTA could verify the adequacy of grantees' systems. However, if UMTA determines that resource limitations would preclude the timely discharge of this function, it could request independent verification by state audit entities or require grantees to provide verification of their systems by independent public accounting firms to be eligible for UMTA grants.

---

## Agency Comments and Our Evaluation

DOT noted that UMTA employs a multi-tiered system to ensure grantee compliance, including a mix of the three recommended options. DOT recognized that improvements are possible and told us that UMTA is taking steps to implement additional measures to ensure grantee compliance. DOT also noted that the federalism requirements established by Executive Order 12612 support placing maximum reliance on grant recipients with minimal intrusion by DOT. UMTA's reliance on grantees would be appropriate if grantees had demonstrably strong management control

---

**Chapter 2**  
**Inadequate Controls Increase Vulnerability**  
**to Waste and Mismanagement by Region**  
**IX Grantees**

---

systems, but this is not the case. We believe that regionwide procurement, property management, and financial management system deficiencies of 22, 21, and 51 percent, respectively, are in fact serious and constitute a widespread problem. Given these significant levels of grantee systems' shortcomings, UMTA needs to play a more active role in ensuring that grant recipients have the management systems to ensure that scarce federal mass transit resources are used wisely and appropriately. The purpose of our recommendation is to suggest mechanisms by which UMTA can achieve this objective.

# Region IX Has Not Exercised Adequate Oversight of Grantees' Activities

Despite the fact that annual audits and OIG reviews of Region IX grantees found management deficiencies that resulted in the waste or misuse of millions of dollars of federal transit funds, the region has not consistently used UMTA's monitoring tools to detect and prevent grantee performance problems. Region IX has not routinely reviewed grantees' quarterly progress and financial reports, which identify, among other things, project delays or cost overruns and provide the most timely information on grant activity. The region's triennial reviews of grantee compliance with statutory and administrative requirements were superficial and did not include testing to verify that grantees had adequate management controls to safeguard funds. The region also closed several grants without confirming that work was completed, products were delivered, and funds appropriately used. In addition, at the end of 1990 the region had a backlog of 70 completed grants that were ready to be closed out, including 36 with unspent balances totaling \$1.2 million.

When the region became aware of misspent funds, it pursued reimbursement. Of the \$84.2 million that the OIG has identified since the beginning of fiscal year 1988 as wasted, misspent, or mismanaged by Region IX grantees, the region has recovered about \$10 million and taken alternative corrective actions on about \$59 million.<sup>1</sup> However, the region did not routinely pursue grantees to correct the underlying management deficiencies that caused the funds to be misspent. Region IX officials said that their oversight was consistent with UMTA's philosophy of assigning grantees primary responsibility for adhering to federal requirements and that limited staff resources prevented closer monitoring.

## Region IX's Oversight Did Not Generally Detect Grantee Performance Problems

Region IX's grant monitoring was often not sufficient to detect grantee performance problems that resulted in noncompliance and wasted and mismanaged funds. Triennial reviews included little or no testing to ensure that grantees had adequate controls to properly manage grants. In addition, because the region did not follow UMTA guidance on quarterly reports and close-out reviews, it missed opportunities to identify inadequate grantee performance using those mechanisms.

<sup>1</sup> According to OIG officials, alternative corrective actions will vary depending on the nature of their findings. For example, when the OIG recommended recovery of about \$20 million from the Southern California Rapid Transit District for bus purchases that exceeded UMTA guidelines, UMTA proposed, and the OIG agreed, to reduce the District's future bus grants as an alternative action.

---

## Region IX Did Not Use Quarterly Reports

Region IX did not use its most timely source of information—quarterly progress and financial reports submitted by grantees—to monitor performance. UMTA guidance calls for grantees to submit quarterly reports that include, among other things, reasons for cost overruns and project delays. According to Region IX officials responsible for grant oversight, regional staff did not routinely use the quarterly reports to monitor grantees' activities. Our review of progress reports submitted by six grantees (that have been awarded almost 50 percent of the region's outstanding funds) showed no indication that program managers used the information. As a result, the region missed opportunities to detect and correct problems before funds were wasted or mismanaged.

For example, although the Southern California Rapid Transit District informed Region IX in a 1988 quarterly financial report that it had used UMTA funds to purchase new buses to replace older UMTA-funded buses, which it was removing from service, the region did not use that information. Specifically, it did not determine whether the older buses had achieved the service life required by UMTA or whether UMTA was due a refund for the remaining value of the replaced buses. Subsequently—in June 1990—the OIG found that the Southern California Rapid Transit District owed UMTA \$3.2 million for 159 prematurely replaced buses.

In commenting on a draft of this report, DOT noted that current UMTA policies do not require staff to annotate or otherwise document that they have reviewed quarterly reports and that examining the reports cannot convey a sense of the manner in which the documents were used. However, regional officials responsible for grant oversight told us that the reports could be helpful in keeping up to date on grantee activities but that, because of the region's limited staff and large work load, they did not have time to routinely review and follow up on them.

---

## Triennial Reviews Did Not Test Grantees' Compliance With Federal Requirements

Region IX officials told us that triennial reviews are their primary oversight mechanism and are intended to cover overall compliance with statutory and regulatory requirements. We found, however, that Region IX's triennial reviews consisted of an examination of grantees' certification statements with little or no analysis or testing for compliance to ensure, for example, that procurement actions were competitive or that grantees had adequate controls over federally funded inventories.

Although Region IX's approach to triennial reviews is consistent with UMTA headquarters guidance, it is short of that called for in the Urban Mass Transportation Act. The act states that the triennial review is to

be “. . . a full review and evaluation of the performance of a [grant] recipient in carrying out the recipient's program, with specific reference to compliance with statutory and administrative requirements . . . .” However, UMTA guidance for triennial reviews focuses primarily on grantee self-assurances and makes extensive use of existing documents and reports, with little on-site inspection or generation of new data.

We first reported our concerns about the limited scope of the triennial reviews in 1989.<sup>2</sup> We recommended that triennial reviews include (1) testing to ensure that proper procedures were in place and being followed, (2) more detailed grantee-specific information, and (3) problem follow-up. Our current work, including a June 1991 report on UMTA Region III grant oversight, shows that UMTA's triennial reviews still do not include enough information to evaluate a grantee's compliance with statutory and administrative requirements.<sup>3</sup>

In addition, in a June 1990 report, the OIG identified inadequacies in Region IX's triennial reviews. The report disclosed that the Southern California Rapid Transit District did not have the property management controls necessary to ensure that it properly protected the federal investment in buses and that UMTA's 1987 triennial review had not been detailed enough to discover that the district had not reimbursed UMTA \$3.2 million for the federal share of the prematurely retired property. UMTA requires grantees to reimburse the federal share when buses are retired before the end of normal service life. Yet, Region IX's files for the 1987 triennial review contained no indication that the grantee's controls to prevent prematurely retired property were discussed. In commenting on a draft of this report, UMTA's Special Assistant, Office of Chief Counsel, told us that in 1990 the OIG had offered to have its auditors accompany UMTA on a number of triennial reviews and make recommendations on improvements needed to address the OIG's concerns. In our August 28, 1991, meeting to discuss a draft of this report, the special assistant said that UMTA would accept the OIG's offer.

Recently UMTA began hiring contractors to perform triennial reviews. According to regional officials, in fiscal years 1990 and 1991, contractors conducted over 62 percent (25 of 40) of Region IX triennial reviews.

<sup>2</sup>Mass Transit Grants: UMTA Needs to Improve Procurement Monitoring at Local Transit Authority (GAO/RCED-89-94, Mar. 31, 1989) and Mass Transit Grants: UMTA Needs to Increase Safety Focus at Local Transit Authority (GAO/RCED-90-41, Dec. 1, 1989).

<sup>3</sup>Mass Transit Grants: Scarce Federal Funds Misused in UMTA's Philadelphia Region (GAO/RCED-91-107, June 13, 1991).



Contracted triennial reviews could free regional staff to perform other monitoring and provide the region greater opportunity for testing the adequacy of grantees' management systems and identifying deficiencies that need to be corrected. However, these triennial reviews may not provide more comprehensive coverage because contractors use UMTA's existing guidance, which we believe is too narrowly scoped to assess grantees' systems. UMTA paid an average of \$17,000 for each of the 13 contracted reviews performed in Region IX in 1990 but has not compared the cost of contracting for these reviews to using UMTA staff.

Regional staff pointed out that the triennial review was frequently the only opportunity to have face-to-face contact with grantees and that this contact is lost when reviews are performed by contractors. The staff also said that triennial reviews improved oversight by allowing the program manager to see some projects first hand and meet directly with grantee staff. To help meet these goals, regional management said that they wanted program managers to accompany contractors on the triennial review site visits as much as possible.

In commenting on a draft of this report, DOT noted that triennial reviews are intended to complement, not replace, audit functions more properly performed by those trained to do so. DOT also stated that the triennial review should not duplicate or replace the single annual audit or other UMTA compliance reviews.

---

### Close-Out Reviews Were Generally Late and Not Comprehensive

During fiscal year 1990 Region IX closed out 119 grants, initially awarded for \$604 million for operating assistance, purchasing real estate and equipment, and constructing facilities. However, the region did not use UMTA's close-out procedures to ensure that grantees completed all work as agreed in the grants. UMTA guidelines describe close-outs as "... the process by which UMTA determines that all responsibilities and work by the grantee have been completed and the associated financial records are closed."

Region IX's process has emphasized closing out financial records rather than ensuring that grantees have completed the agreed-upon activities. Regional program managers told us that, because of competing demands on their time, they did not review the grants at the time of close-out to ensure that all work was completed, all products were delivered, and funds were appropriately used. A timely and full reconciliation of a grant is important because UMTA may be due reimbursement for the portion of the grant for which work was not completed, regardless of

whether financial records indicated that the funds had been spent. The returned funds would then be available for other transit needs.

Of the 119 grants closed in 1990, 15 had been completed in 1986 or earlier. Regional staff said that often a clear "paper trail" did not exist and, because they could not locate grantee staff familiar with projects that were completed years earlier, several projects have been closed even though unanswered questions existed. They noted that if program managers are to effectively evaluate performance and the accuracy of final accounting on a grant it would be much easier if grants were closed out soon after projects were completed. Region officials told us that they give priority to closing out grants with unspent funds. However, the region had a backlog of about 70 grants waiting to be closed at the end of fiscal year 1990, including 36 with unspent funds totaling \$1.2 million. Region IX management pointed out that the region has made big reductions in the backlog of close-outs, noting that the backlog exceeded over 300 cases in the mid-1980s. In addition, the Special Assistant, Office of Chief Counsel, told us that UMTA headquarters has identified the close-out of completed and/or inactive grants as a priority for the agency but has not specified the actions that would be taken to address this issue.

---

## Enforcement Actions Seldom Used

According to regional officials, when they became aware of misspent funds, they actively pursued reimbursement. They told us that they would first request voluntary reimbursement by letter. If they did not receive a response, they would send a second letter reminding the grantee of UMTA's authority to suspend, terminate, or recover grant payments. If the grantee again failed to respond, the region would withhold funds. The region recovered about \$9.8 million of the \$84.2 million identified as wasted, misspent, or mismanaged by the OIG since October 1987. In addition, UMTA has agreed to take alternative corrective actions for \$59.1 million.

However, the region seldom took action to compel grantee compliance with federal requirements. Although management deficiencies were identified at over half of the region's 80 grantees, we found that Region IX had notified only 10 grantees that they risked losing federal funds if they did not correct performance deficiencies. Between fiscal years 1988 and 1990, the region temporarily withheld funds from six grantees. According to regional officials, this action was taken because the grantees did not respond to repeated requests for corrective actions or

because the problems involved politically sensitive issues, such as the disturbance of Indian burial sites.

In addition, Region IX did not ensure that grantees correct deficiencies identified in audits and, as a result, funds continue to be misspent. Regional officials stated that they notify grantees of the need to correct deficiencies. However, OIG reports and annual audits over a 3-year period for six grantees we reviewed identified 36 deficiencies; of those, 14 had been identified in earlier reports but had not been corrected. These repeat deficiencies included inadequate contract auditing procedures, late financial reporting, and billing deficiencies resulting in over \$264,000 of misspent UMTA funds.

In commenting on a draft of this report, DOT pointed out that UMTA has a number of enforcement tools, ranging from notice letters to payment termination, when a grantee violates its agreement. Termination is one of the most extreme tools and, according to DOT, is appropriate only in the most intransigent cases. Therefore, within the context of a spirit of cooperation, UMTA uses a progression of enforcement tools, including using alternate cash management techniques, imposing additional requirements, and suspending funds, until compliance is achieved.

---

## Additional Grants Awarded Despite Noncompliance

Between 1988 and 1990 UMTA awarded almost \$540 million in new grants to Southern California Rapid Transit District, Bay Area Rapid Transit District, and Omnitrans even though the grantees had not submitted required reports and had billed UMTA for ineligible costs. For example, the Bay Area Rapid Transit District continued to receive new funds although it had not corrected a long-standing deficiency in its financial accounting system that resulted in its charging UMTA \$4.3 million for unallowable labor, contract, and other costs that UMTA and the District had agreed would not be covered under the grant. Although the District reimbursed UMTA for the inappropriate charges, a subsequent annual audit found that the grantee's financial controls over contracting were still deficient and billing errors still occurred.

According to the Assistant Regional Manager, UMTA rarely denies new grants to transit authorities that are not in compliance on an existing grant because UMTA's preaward procedures do not require consultation with the grant management staff to ensure that compliance issues are resolved before awarding new grants. In addition, the Special Assistant, Office of Chief Counsel, told us that UMTA has a continuing relationship with most of its major grantees and that problems in a particular project

---

or system of controls are generally worked out in a cooperative spirit over time, under the presumption that local officials are attempting in good faith to comply with federal requirements.

---

## Conclusions

Region IX is not using information that would allow it to better determine whether grantees have the legal, financial, and technical capability to manage transit projects. It does not review and follow up on quarterly progress and financial reports, rendering such information useless for monitoring purposes and, more importantly, missing opportunities to detect and correct problems before funds are misspent. The region's superficial triennial reviews cannot ensure that grantees have adequate systems to manage projects, and its late and incomplete grant close-outs may preclude a final opportunity to detect wasted or mismanaged funds.

In addition, the region's preaward procedures do not include a compliance review of existing grants before new grants are awarded. Such a review could provide UMTA with important information to evaluate grantees' legal, financial, and technical capabilities to carry out transit projects. UMTA's failure to consider compliance problems in its award process could convey to grantees that UMTA's rules and regulations are not important.

Furthermore, we believe that Region IX must take a proactive oversight approach rather than rely on grantees' assurances and use the full scope of its monitoring tools and enforcement authorities. Although the region uses contractors to oversee construction and to perform triennial reviews, such resources alone cannot correct grantee mismanagement and waste. The region must target its efforts to ensure that grantees' management systems are adequate and that deficiencies are quickly detected and corrected. Without such actions, the significant federal investment in mass transit for the region will remain vulnerable to fraud, waste, and mismanagement.

---

## Recommendations

Until grantee certifications can be shown to be reliable, UMTA Region IX should reduce its reliance on grantees' promises and increase its verification of actual performance. Therefore, we recommend that the Administrator of UMTA direct the Region IX Manager to take the following actions:

- Use progress and financial reports to identify cost, schedule, and performance problems.

- Ensure that close-out reviews are conducted promptly upon completion of a project and that they verify that products were delivered as agreed, funds were used appropriately, and federal requirements were met.
- Verify that inadequate grantee performance is corrected and, if it is not, take appropriate enforcement action to obtain compliance.
- Require that triennial reviews evaluate, analyze, and test grantee compliance with federal requirements.
- Review compliance on existing grants and resolve significant noncompliance issues before awarding new grants.

## Agency Comments and Our Evaluation

DOT noted that the first three recommendations coincide with existing policies and procedures and that UMTA's triennial review activity is adequate to meet its intended purpose in concert with other components of UMTA's oversight activities. We agree with DOT that our first three recommendations are consistent with current policy. In fact, we have recognized the interrelationship between such tools as financial and progress reports, triennial reviews, procurement reviews, and annual audits in several testimonies we presented during the spring of 1991. However, Region IX has not used these tools to effectively oversee grantees' activities, and the intent of our recommendations is for the region to use these tools in practice.

Moreover, we disagree that UMTA's triennial reviews provide a full review and evaluation of grantees' performance as required by law. In fact, UMTA has taken actions indicating that it is aware of triennial review weaknesses. To this end, UMTA's Special Assistant, Office of the Chief Counsel, told us that the Administrator convened a task force made up of senior policy, budget, and legal staff and outside experts. UMTA expects the task force to make specific recommendations for improving the adequacy of triennial review documentation by November 30, 1991. We recognize the value of UMTA's ensuring the adequacy of triennial review documentation. However, we believe that UMTA is addressing procedural rather than substantive issues and that a need exists for UMTA to analyze or test, for example, procurement actions to ensure compliance with federal requirements.

DOT also said that UMTA's accepting the recommendation to resolve all significant noncompliance issues before awarding new grants would cause unnecessary hardship on grantees and undue interference with program operations. We agree that withholding funds is an extreme action, but our recommendations are designed to prevent more problems

and call for withholding funds only in cases of significant noncompliance. For example, if a grantee receives a new grant while in significant noncompliance on an existing grant, this may send a message, whether intended or not, that compliance with federal requirements is not important or consequential. We do not believe that we should substitute our judgment for that of UMTA's in determining the noncompliance activities that would be considered significant. However, it is not clear from DOT's response which violations, if any, UMTA would consider sufficiently serious to withhold new grant awards.



# UMTA Grant Programs

The Urban Mass Transportation Act of 1964, as amended (49 U.S.C. app. 1601-1621), authorizes UMTA to provide financial assistance for mass transit primarily through the section 3 discretionary and the section 9 formula grant programs. The section 3 program is UMTA's major capital assistance program and represents approximately \$14 billion or 40 percent of outstanding UMTA grants nationwide. These funds support three types of programs: (1) modernization of older rail transit systems, (2) bus acquisition needs not met by section 9, and (3) new fixed guideway transit systems.<sup>1</sup> This program funds high-priority, one-time transit investments that are authorized by either the Congress or UMTA. Under the section 3 program, UMTA can provide up to 75 percent of eligible project costs.

Section 9 funds, representing about \$12 billion or 33 percent of outstanding UMTA grants nationwide, are apportioned using a statutory formula based on population density and other transit operating data, such as ridership and service miles. These funds can be used for (1) planning; (2) capital assistance, such as equipment and facility purchases; and (3) operating assistance. Under this program, UMTA can provide up to 80 percent for planning and capital assistance and up to 50 percent for operating costs.

Other UMTA programs serve a variety of purposes and include: section 8 grants for planning and technical studies, section 16(b) grants for elderly and handicapped transportation services, and section 18 grants for rural areas. Since February 1991 the Congress has been considering a number of proposals to reauthorize the surface transportation programs that could change a number of UMTA's programs described above. For instance, one proposal would integrate section 16(b) with the section 3 program and would decrease the maximum federal share available under section 3 and 9 programs to 60 percent.

<sup>1</sup>Fixed guideway means any public transportation facility that uses a separate right-of-way or rails exclusively for public transit services.



# Grantee Certifications and Assurances

UMTA requires numerous grantee certifications and assurances of compliance with federal requirements. UMTA categorizes these submissions into three groups: one-time, annual, and grant-specific. One-time submissions include a number of basic project assurances that are submitted once and remain on file with UMTA, needing only to be updated as necessary. Grantees must also submit various planning and operating statistics each fiscal year. Additional submissions are required with each grant application. UMTA must have current submissions meeting each applicable requirement on file before a grantee can receive funds.

## One-Time Submissions

UMTA requires one-time submissions, such as the following:

- An Opinion of Counsel that establishes the applicant's eligibility to apply for, contract for, and execute a grant.
- A list of labor unions to determine that fair and equitable arrangements are made to protect employee interests.
- Civil rights assurances to demonstrate that hiring, contracting, and other federally assisted activities are not discriminatory or exclusionary. In addition, grantees must propose a plan to maximize the participation of minority- and women-owned business enterprises.
- Standard assurances to comply with laws and administrative requirements common to all federal grant programs. Some of these requirements are the National Environmental Policy Act of 1969, Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and Flood Disaster Protection Act of 1973, as amended.
- For section 9 funds, grantees make, among others, the following certifications:
  - Their legal, financial, and technical capacity to complete the project and protect federal funds.
  - Satisfactory continuing control and maintenance of UMTA funds and property.
  - A uniform system of accounts, records, and reporting.
  - To acquire or invest in rolling stock in conformance with UMTA guidelines, including UMTA's 20-percent spare bus policy.
  - To have procurement systems that comply with federal procurement regulations. (Grantees that have not certified must submit information on noncompetitive awards and procurements exceeding \$100,000 for UMTA's preaward review, while those that have certified need only submit such contracts exceeding \$1 million.)

---

**Annual Submissions**

UMTA requires grantees to provide a number of submissions for each fiscal year in which they receive federal funds. The required information may include (1) plans relating to transportation improvement programs, including private sector involvement; (2) plans and updates to meet Civil Rights requirements and disadvantaged business participation goals; and (3) reports on factors affecting transit operations, such as ridership and revenues (required of section 9 grantees).

---

**Grant-Specific Submissions**

In addition to the one-time and annual requirements, grantees must submit information with each grant application. Some of these requirements include (1) a statement of continued validity of one-time submissions to be kept in the grantee's file, (2) a transmittal letter identifying the commitment of local funds, (3) a program outlining projects and budgets, (4) details on expenditures, and (5) a state certification to ensure compliance with provisions for notifying state organizations of proposed transit projects and state review of proposals.

# Previous GAO Reports on UMTA

---

Mass Transit: Scarce Federal Funds Misused in UMTA's Philadelphia Region (GAO/RCED-91-107, June 13, 1991).

We reported that transit grants in UMTA's Philadelphia region were vulnerable to fraud, waste, and mismanagement because grantees did not have adequate financial and other management systems to ensure compliance with federal requirements and properly use funds. We further reported that the region's monitoring had not successfully detected and corrected grantee noncompliance. The report made several recommendations to strengthen the region's oversight and minimize the risk that federal transit funds would be inappropriately spent.

Mass Transit Grants: UMTA Needs to Increase Safety Focus at Local Transit Authority (GAO/RCED-90-41, Dec. 1, 1989).

We reported that the Southeastern Pennsylvania Transportation Authority (SEPTA) had experienced an increase in bus, trolley, and streetcar accidents and injuries. We also found that UMTA had not assessed SEPTA's safety conditions and did not consider safety in approving federal funds for SEPTA projects. We also reported that we were unable to determine the specific factors that UMTA's Administrator considered in awarding discretionary grants to SEPTA because the bases for the decisions were not documented. We recommended that UMTA obtain complete and accurate information on SEPTA accidents and injuries to use, among other things, in evaluating SEPTA's safety conditions during triennial reviews and in selecting and approving projects for funding. In addition, we recommended that UMTA document its discretionary funding decisions.

Mass Transit Grants: UMTA Needs to Improve Procurement Monitoring at Local Transit Authority (GAO/RCED-89-94, Mar. 31, 1989).

We reported that SEPTA had major procurement system problems and that UMTA had not detected these problems. Our report disclosed that UMTA's triennial review of SEPTA did not include a detailed procurement assessment, yet indicated that SEPTA had complied with applicable requirements. Furthermore, single annual audits performed by public accounting firms did not include an evaluation of SEPTA's compliance with federal procurement requirements. Concluding that UMTA's monitoring procedures were inadequate to detect the weaknesses at SEPTA, we made several recommendations to better focus UMTA's monitoring to detect procurement deficiencies.

---

20 Years of Federal Mass Transit Assistance: How Has Mass Transit Changed? (GAO/RCED-85-61, Sept. 18, 1985).

We examined transit's role in helping to mitigate various social, economic, and environmental problems confronting urban areas. We found that (1) federal funds have helped reverse transit's service and ridership declines, (2) ridership gains nationwide had not increased transit's share of the commuting market, and (3) service costs had grown rapidly. We concluded that mass transit helped address a number of urban problems of congressional concern, such as traffic congestion; air pollution; energy consumption; and transportation for low-income, elderly, and handicapped persons.

UMTA Needs Better Assurance That Grantees Comply With Selected Federal Requirements (GAO/RCED-85-26, Feb. 19, 1985).

We reported that UMTA needed better assurances that grantees complied with federal requirements. We also supported UMTA's use of triennial reviews mandated by the Surface Transportation Assistance Act of 1982. During our work, UMTA could not provide us information on the focus of the reviews or how they would be conducted. Nevertheless, we believed that triennial reviews, if properly implemented, would afford UMTA an opportunity to supplement its existing oversight mechanisms for ensuring grantees' compliance with federal requirements. We recommended that UMTA (1) require triennial reviews to emphasize compliance with regulations not routinely covered by OIG and independent audits, (2) disseminate legal rulings on UMTA's regulations to increase grantees' understanding of and compliance with the requirements, and (3) establish guidelines for appropriate enforcement action when noncompliance is identified.

# Grant Activity for Six Selected Region IX Grantees

Dollars in millions		
Grantee	Number of grants	Value of grants
Southern California Rapid Transit District	27	\$1,463.4
Bay Area Rapid Transit District	21	344.0
Omnitrans	9	26.7
Central Contra Costa Transit Authority	8	13.5
City of Gardena	5	3.3
City of Vallejo	5	4.7
<b>Total</b>	<b>75</b>	<b>\$1,855.6</b>

Note: The figures are based on activity at the start of our review.

# Office of Inspector General Reports for Region IX, October 1987-September 1991

Subject	Federal funds wasted, misspent, and mismanaged	Grantees
Capital grants (R9-UM-8-126)	\$957,600	Bay Area Rapid Transit District, Oakland, California
Capital grants (R9-UM-9-120)	4,123,944	San Francisco Public Utilities Commission, San Francisco, California
Guadalupe corridor project (R9-UM-0-005)	35,821,786	Santa Clara County Transit District, San Jose, California
Capital grant funding process (R9-UM-0-127)	a	San Francisco Public Utilities Commission, San Francisco, California Stockton Metropolitan Transit District, Stockton, CA
Peak vehicle requirements (R4-UM-0-170)	43,101,812	Alameda-Contra Costa Transit District, Oakland, California Central Contra Costa Transit District, Concord, California Orange County Transit District Garden Grove, California San Francisco Public Utilities Commission, San Francisco, California Southern California Rapid Transit District, Los Angeles, California Stockton Metropolitan Transit District, Stockton, California
Property management (R9-UM-0-207)	a	Alameda-Contra Costa Transit District, Oakland, California
Warranty and service agreements (R9-UM-1-029)	169,986	Alameda-Contra Costa Transit District, Oakland, California Bay Area Rapid Transit District Oakland, California Orange Country Transit District, Garden Grove, California San Francisco Public Utilities Commission, San Francisco, California Santa Clara County Transit District, San Jose, California Southern California Rapid Transit District, Los Angeles, California

(continued)

**Appendix V  
Office of Inspector General Reports for  
Region IX, October 1987 - September 1991**

<b>Subject</b>	<b>Federal funds wasted, misspent, and mismanaged</b>	<b>Grantees</b>
Letter of credit procedures (R9-UM-8-108)	a	b
Use of force account labor and materials (R9-UM-0-156)	a	San Francisco Public Utilities Commission, San Francisco, California  Bay Area Rapid Transit District, Oakland, California  California Department of Transportation, Sacramento, California
Use of highway funds for mass transit project (R9-UM-1-020)	a	San Francisco Public Utilities Commission, San Francisco, California
Project management oversight (R9-UM-1-054)	a	Southern California Rapid Transit District, Los Angeles, California

<sup>a</sup>Report addressed procedural issue(s) and did not recommend recovery of funds.

<sup>b</sup>Report addressed regional monitoring and did not focus on specific grantee(s).

# Comments From the Department of Transportation and Our Responses



U.S. Department of  
Transportation

Assistant Secretary  
for Administration

400 Seventh St., S.W.  
Washington, D.C. 20590

September 11, 1991

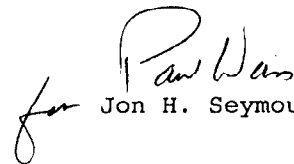
Mr. Kenneth M. Mead  
Director, Transportation Issues  
Resources, Community, and Economic  
Development Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Mead:

Enclosed are two copies of the Department of Transportation's comments concerning the U.S. General Accounting Office draft report entitled "Mass Transit Grants: Improved Management Could Reduce Misuse of Funds in UMTA's Region IX."

Thank you for the opportunity to review this report. If you have any questions concerning our reply, please call Martin Gertel on 366-5145.

Sincerely,

  
for Jon H. Seymour

Enclosures



DEPARTMENT OF TRANSPORTATION (DOT) REPLY  
TO  
GENERAL ACCOUNTING OFFICE (GAO) DRAFT REPORT  
OF AUGUST 8, 1991  
ON  
MASS TRANSIT GRANTS:  
IMPROVED MANAGEMENT COULD REDUCE MISUSE OF FUNDS  
IN UMTA'S REGION IX  
GAO/RCED-91-199

SUMMARY OF GAO FINDINGS AND RECOMMENDATIONS

The GAO draft report found that Region IX recipients did not have adequate management controls to ensure compliance with Federal grant requirements and safeguard funds. Since the beginning of fiscal year 1988, audits conducted by public accounting firms identified financial, procurement, and property management weaknesses at over half of the Region IX grant recipients, and the Office of the Inspector General (OIG) questioned the use of about \$183 million<sup>1</sup> by eight Region IX grantees. GAO recognized that UMTA Region IX has had some success in obtaining reimbursement when misspent funds were identified, but indicated that the region did not compel grantees to correct underlying management deficiencies.

GAO found that Region IX does not make sufficient use of existing monitoring tools such as quarterly progress and financial reports. GAO also identified concerns regarding the format and extent of UMTA's triennial reviews. Finally, GAO determined that the region did not promptly close out grants or use UMTA's close out procedures to ensure that grantees completed all agreed upon work.

GAO recommended that the Administrator, UMTA, improve Region IX's grant oversight by (1) ensuring that all grantees have adequate grant management control systems; (2) using quarterly progress and financial reports; (3) ensuring that grant close outs are conducted promptly; (4) strengthening triennial reviews to evaluate, analyze, and test compliance

---

<sup>1</sup>Subsequent information provided by OIG revised this figure to approximately \$14.8 million in questioned costs, and \$69.4 million in recommendations for funds put to better use.

with Federal regulations; and (5) resolving performance problems on existing grants before awarding new grants.

SUMMARY OF THE DEPARTMENT OF TRANSPORTATION POSITION

The Department appreciates GAO's efforts to ensure that Federal mass transportation programs avoid potential fraud, waste, abuse, and mismanagement through effective program oversight. We share with GAO, the objective of ensuring compliance with Federal requirements and the proper use of funds. UMTA, in conjunction with GAO and OIG efforts, has embarked upon an intensive effort over the past two years to identify areas of its program management and oversight activities that need strengthening, and make necessary changes. The Department has successfully sought increased statutory, fiscal, and personnel resources to undertake necessary actions to ensure that Federal requirements are met and that programs operate efficiently and effectively.

The Department does have a number of concerns with the draft report, including achieving a better balance between the findings and the data presented; methodology; and level of questioned costs reported; in addition to the need for better recognition of: the audit resolution process, grant management and oversight tools, and the range of enforcement tools available. There are instances where the Department believes that the draft report's presentation should more clearly reflect a balance between the evidence presented and the breadth of the conclusions. In particular, GAO's data indicate that the majority of grantees in Region IX have adequately functioning internal control systems, although this finding is not reflected in the draft. The Department also believes that GAO could have taken specific measures to independently verify the adequacy of the methodology, evidence, and logic employed by other audit entities in reaching the specific findings and conclusions contained in the draft report. Further, when citing the results of OIG, State, and local audits, GAO used amounts cited in final reports, not the amounts resulting from final audit resolution.

See comment 1.

DETAILS OF THE DEPARTMENT OF TRANSPORTATION POSITION

Report Should Balance Findings and Data

There are instances where the Department believes that the draft's findings are not in line with the data presented. For example, a section starting on page 16 is titled "Grantees Procurement Systems Do Not Comply with Federal Regulations." The support provided indicates that procurement system deficiencies were noted in about 22 percent of Region IX grantees. In other words, 78 percent, or the majority of the

Now on p. 18.

Appendix VI  
Comments From the Department of  
Transportation and Our Responses

region's grantees have procurement systems that comply with Federal regulations. The same is true for the section entitled "Grantees Do Not Properly Protect Federally Funded Property." This statement and section are founded on problems identified in audit reports for 16 of the 80 grantees in the region, or 20 percent. The Department acknowledges the significance of these concerns and the potential for improvement; however, these statements do not recognize the 80 percent of grantees in the region that are performing their property management responsibilities according to Federal regulatory requirements.

Now on p. 20.

The GAO report on page 19 concludes:

"Indeed neither the region nor the grantees ensured that the substantial Federal investment in Region IX transit projects was used appropriately, prudently, and effectively."

Again, this statement implies that there are widespread problems with procurement and property management systems in the region, while GAO has previously established that no negative findings were identified with 80 percent of the grantees in the region.

See comment 2.

OIG Questioned Costs Overstated

The GAO report indicates that OIG questioned the use of about \$183 million by Region IX grantees. In consultation with the OIG, the Department has determined that the audits identified in the GAO report actually questioned the use of \$14.8 million, and recommended that \$69.4 million could be put to better use. In response to these findings, the Department, working with the OIG through the audit resolution process, recovered or obtained credits for \$9.8 million of the questioned costs. During resolution, OIG and the Department agreed that \$5 million of questioned costs should not be recovered. Recommendations that funds be put to better use were closed out, accounting for 99.7 percent of the recommended amount. Further, the statement that Region IX recovered less than 10 cents on the dollar on OIG findings over the last three years is incorrect. Through the audit resolution process, the Department recovered all funds that UMTA and the OIG agreed should be recovered. It is the Department's understanding that the OIG has provided to GAO, a detailed accounting of this revised information, which we understand will be used to revise the draft report and Appendix 5 of the draft report.

See comment 3.

Now on p. 18.

The report, on page 16, also indicated that the Bay Area Rapid Transit District did not reimburse UMTA for \$250,000 in interest as a result of retaining an average of \$450,000 in

See comment 4.

unused funds between fiscal years 1985 and 1987. This statement is not correct. UMTA accounting records reflect that the grantee submitted a check, numbered 08992 for this amount on November 11, 1988.

Grant Monitoring and Oversight

See comment 5.

The Department uses an extensive, multi-tiered system to ensure that grantees' use of funds complies with Federal requirements. This includes grant oversight activities by UMTA, State and local audits conducted by certified private accounting firms and government entities, as well as Federal audit activities conducted by OIG and GAO. No one element of this system, such as UMTA's triennial review, was ever intended to stand alone and should not be judged on that basis. The Department maintains that while improvements are possible the system is essentially sound.

A. State and Grantee Role in Grant Oversight

See comment 6.

While chapter 2 of the GAO report correctly recognizes that grantees are the first line of defense in detecting and preventing waste and mismanagement, we disagree with GAO's interpretation of State and local audit findings as proof that the system is not working. Rather, the Department considers these audit findings to be positive proof that States are conducting objective and constructive audit activities to provide early identification of concerns regarding the adequacy of management controls. The Department considers local audits of grantees and Single Audits to be an important element of UMTA's overall program management and oversight program. These audits provide early identification of internal weaknesses, and thereby afford recipients an early opportunity to take corrective action.

B. Quarterly Progress and Financial Reports

It is UMTA policy that quarterly financial and narrative reports, required to be submitted under the common rule (49 CFR Part 18) and UMTA Circular 5010.1A, be utilized in assessing grantee financial capacity. GAO based its conclusions that the region does not use quarterly progress reports on statements by unnamed regional officials, and upon their review of progress reports submitted by 7.5 percent of the region's grantees. Unless these statements were from the Regional Administrator, or someone designated to provide statements of regional policy or procedure, these statements cannot be interpreted as conveying an accurate representation of the region's standard operating procedures. In addition, without further attribution there is no assurance that the people quoted had the responsibilities for the subject area in question. Further, current UMTA policies contain no

See comment 7.

requirement for annotating or documenting the review of these progress reports. Therefore, examining the reports cannot convey a sense of how these documents were used. Finally, a sample larger than 7.5 percent of the region's grantees would be necessary to conclude that the region does not use these reports.

C. Triennial Reviews

The Department's position is that the triennial reviews are intended to complement, but not replace audit functions more properly performed by trained auditors operating in compliance with Generally Accepted Government Auditing Standards (GAGAS). UMTA Order 9010.1A articulates the Department's perspective regarding the role of UMTA's triennial review process:

"It is not the intent of the triennial review to duplicate or replace the single annual audit or other UMTA compliance reviews. Information gathered as part of the single annual audit or other UMTA compliance reviews may be used as a point of departure for increased scrutiny of specific requirements or certification during the triennial review."

See comment 8.

The report should also more clearly articulate the Department's reliance on OIG to conduct audit activity as another critical element of the network of internal controls to ensure compliance with Federal requirements.

D. Material Weakness

GAO used the Department's reporting of UMTA grant management as a material weakness as further support that the grant oversight system is deficient. While there have been instances that fall within the parameters of Federal Managers' Financial Integrity Act (FMFIA) requirements, we believe that these are the exception rather than the rule, and that, taken in perspective of UMTA's \$3 billion per year program, UMTA's grant management system is essentially sound. The Department recognizes that to achieve optimal oversight performance, UMTA will require additional resources dedicated to grant management, and has identified, in the FMFIA reporting, its plan for accomplishing this objective. Further, additional resources for UMTA grant management oversight are included in the President's fiscal year (FY) 1992 budget.

The GAO report should more clearly recognize that, despite increased grant management responsibilities over the nine year period ending in FY 90, UMTA's staffing resources were cut by 27 percent. The report should also clarify that the Department's 1990 FMFIA report to the President and the Congress indicates that the Department has already recognized

See comment 9.

the potential for concern, and has identified an action plan for improving the situation. Finally, the FMFIA report indicates concern based on "greater risk" of problems occurring in grant management and oversight.

**Enforcement Tools**

While the GAO report correctly recognized that UMTA has the legislative authority to suspend or terminate payments when a grantee violates a grant agreement, it did not adequately recognize that payment termination is one of the most extreme tools in UMTA's enforcement arsenal. Such extreme measures are appropriate only in the most intransigent cases. A grantee's difficulties with a particular project or system of controls are resolved, over a period of time, within the context of a spirit of cooperation. Within this context, UMTA applies a progression of enforcement tools as necessary, until compliance is achieved.

UMTA has an established spectrum of enforcement tools which range from notice letters to payment termination. Between these extremes are a number of tools, which should be recognized in the draft report, including: preaward review and approval of contracts; alternate cash management techniques according to Treasury Circular 1075; imposing additional requirements beyond the Common Grant Regulation; suspension and debarment; and several sets of specialized enforcement tools for school buses, charter buses, minority business enterprises, and the Buy America regulations. As presently written, the draft report implies that UMTA should terminate payments without considering the nature of the infraction or the other enforcement tools available.

See comment 10.

**Methodological Concerns**

The Department notes the emergence, in this and the previous UMTA Region III report, of a new methodology for GAO reporting which is based largely on audit results previously reported by OIG or other audit entities. To the extent that reports relying on such methodology may emphasize the need for improvement in certain areas, we welcome such information. We are concerned, however, that such methodology recognize the changes to audit findings that occur as a result of the audit resolution process.

While we do not question the quality or integrity of OIG's work, we believe that subsequent reviews are important to ensure that circumstances have not changed, and that GAO agrees with the methodology, evidence, and logic employed in reaching audit findings before reiterating those findings in a GAO report. In particular, we note GAO's statement on page 26 of the draft:

Now on p. 13.

Appendix VI  
Comments From the Department of  
Transportation and Our Responses

"Although we did not conduct an in depth review of the methodology used by the OIG or independently verify its findings, the OIG implemented our 1987 recommendations to conduct audits and investigations in accordance with accepted standards and procedures and its performance received a satisfactory peer review in 1990. Therefore, we have no reason to question the OIG evaluations."

While the Department is pleased that OIG conforms with professional standards, we still believe that subsequent verification adds value to the process. This is consistent with the indexing and referencing procedures that GAO applies to its own findings.

See comment 11.

RESPONSE TO GAO RECOMMENDATIONS

The GAO report makes the following recommendations to the UMTA Administrator:

RECOMMENDATION: Improve Region IX's grant oversight by ensuring that all grantees have adequate management control systems that adequately account for and protect Federal mass transit investments. To achieve this UMTA could verify the adequacy of grantee systems itself. However, if UMTA determines that resource limitations would preclude the timely discharge of this function, it could request independent verification from audit entities, such as State comptrollers or the OIG, or require grantees to provide verification of their systems by independent public accounting firms to be eligible for UMTA grants.

RESPONSE: The Department uses a multi-tiered system of controls to ensure grantee compliance with Federal requirements, including a mix of the three options presented in GAO's recommendation. The Department recognizes that improvements are possible and is taking steps to implement additional measures to ensure compliance. For example, UMTA is preparing to issue regulations requiring pre- and post award audits of certain rolling stock procurements by grantees. The Department is also cognizant of the Federalism requirements established by Executive Order 12612, which provide guidance regarding the proper role of the Federal Government in its dealings with the States. This principle supports maximum reliance upon grant recipients, with minimal intrusion by the Department. However, we also believe that direct involvement by Departmental personnel in grantee oversight is critical to our ability to ensure compliance with applicable Federal requirements.

See comment 12.

RECOMMENDATION: Until grantee certification can be shown to be reliable, UMTA Region IX should reduce its reliance on grantee promises and increase its verification of actual

Appendix VI  
Comments From the Department of  
Transportation and Our Responses

performance. Therefore, we recommend that the UMTA Administrator direct the Region IX manager to take the following actions:

- a. Use progress and financial reports to identify cost, schedule, and performance problems.

See comment 13.

RESPONSE: This recommendation coincides with existing Departmental policies and procedures.

- b. Ensure that grant close out reviews are conducted promptly upon completion of a project and that they verify that products were delivered as agreed, funds were used appropriately, and Federal requirements were met.

See comment 13.

RESPONSE: This recommendation is in line with existing Departmental objectives, policies and procedures.

- c. Verify that inadequate grantee performance is corrected and, if it is not, take appropriate enforcement action to obtain compliance.

See comment 13.

RESPONSE: This recommendation is in line with existing Departmental policies and procedures.

- d. Require that triennial reviews evaluate, analyze, and test grantee compliance with Federal requirements.

See comment 13.

RESPONSE: The Department continues to believe that UMTA's triennial review activity is adequate to meet its intended purpose in concert with the other components of UMTA's overall program management and oversight activities.

- e. Review compliance on existing grants and resolve all significant noncompliance issues before awarding new grants.

See comment 13.

RESPONSE: Acceptance of this recommendation would cause unnecessary hardship on grantees and undue interference with program operation. However, UMTA will continue to employ the full spectrum of enforcement tools, as appropriate, to resolve noncompliance issues.



The following are GAO's comments on the Department of Transportation's letter dated September 11, 1991.

## GAO's Responses to the Comments of the Department of Transportation

1. See responses to DOT's detailed comments below.
2. DOT took issue with our information on deficiencies in grantees' procurement and property management systems. Specifically, DOT stated that our report implies that grantee deficiency rates of about 20 percent in these categories constituted widespread problems and suggested that our report include the reciprocal figures indicating that about 80 percent of the grantees' systems were adequate. DOT did not mention in its comments that our report also disclosed that over 50 percent of Region IX grantees had financial management system deficiencies and that these figures were based on all Region IX grantees. We believe that, taken together, procurement, property management, and financial management system deficiencies of 22, 21, and 51 percent, respectively, are in fact serious and do constitute a widespread problem. In addition, at the six grantees we examined in detail, who accounted for 50 percent of the region's outstanding grants, five had financial, three had property management, and three had procurement deficiencies.
3. The OIG uses the term "questioned costs" to describe funds for which it recommends recovery. In a draft of this report, we stated that the OIG had questioned the use of \$183 million by Region IX grantees. We had included in that figure dollars associated with procedural findings for which the OIG had made recommendations to correct management deficiencies but not recover funds. For example, we included \$93 million in UMTA-funded assets for which a grant recipient could not provide information on the assets' condition, use, or location. We revised the report to include UMTA funds that the OIG identified as wasted, misspent, or mismanaged and recommended for recovery. After reviewing subsequent documentation provided by the OIG, we have further clarified that Region IX took alternative corrective actions on about \$59 million.
4. The report has been revised to reflect this information.
5. GAO does not disagree that on paper UMTA has a wide array of grant monitoring and oversight mechanisms. The point we are illustrating is that Region IX has not effectively used these mechanisms in practice.

6. Neither the draft nor this final report makes the statement or reference that state and local audit findings are proof that the system is not working.

7. GAO did not base its conclusion on quarterly reports submitted by 7.5 percent of Region IX grantees. Rather, the information on the limited use of quarterly reports was a general statement provided by Region IX officials responsible for grant oversight and refers to all Region IX grantees, not only the six we reviewed in detail.

8. Neither our draft nor this final report suggests that triennial reviews replace audits. A further discussion of DOT's comments and our evaluation regarding triennial reviews is included at the end of chapter 3.

9. Chapter 1 has been revised to include the clarifications suggested.

10. DOT's comments and our response on the use of enforcement sanctions by UMTA are discussed at the end of chapter 3.

11. It was not our objective to verify findings in the OIG reports. The OIG implemented our 1987 recommendations to improve the conduct of audits and received a satisfactory peer review in 1990. Therefore, we concluded that it was acceptable to use the OIG's information without further verification for the purpose of this audit.

12. Our response is provided at the end of chapter 2.

13. Our response is provided at the end of chapter 3.

---

# Major Contributors to This Report

---

Resources,  
Community, and  
Economic  
Development Division,  
Washington, D.C.

John H. Anderson, Jr.  
Mary Ann Kruslicky, Assistant Director  
J. Erin Bozik, Assignment Manager

---

Los Angeles Regional  
Office

Sam Van Wagner, Regional Manager's Representative  
Timothy Fairbanks, Evaluator-in-Charge  
Lisa C. Dobson, Staff Evaluator  
Amy Finkelstein, Staff Evaluator



---

### **Ordering Information**

**The first copy of each GAO report is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.**

**U.S. General Accounting Office  
P.O. Box 6015  
Gaithersburg, MD 20877**

**Orders may also be placed by calling (202) 275-6241.**

United States  
General Accounting Office  
Washington, D.C. 20548

First-Class Mail  
Postage & Fees Paid  
GAO  
Permit No. G100

Official Business  
Penalty for Private Use \$300

---