



G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

July 19, 2007

The Honorable John W. Olver
Chairman
Subcommittee on Transportation, Housing and
Urban Development, and Related Agencies
Committee on Appropriations
House of Representatives

Subject: Transportation Disadvantaged: Progress in Implementing the New Freedom Program Has Been Limited, and Better Monitoring Procedures Would Help Ensure Program Funds Are Used as Intended

Dear Mr. Chairman:

The Americans with Disabilities Act (ADA) of 1990 seeks to ensure equal opportunity for persons with disabilities in employment, transportation, and other matters. ADA sets minimum standards for the accessibility of public transportation systems. For example, for persons unable to use a fixed-route bus or rail system due to disability, transit systems must provide service within three-quarters of a mile of the fixed-route service and during the same hours as the fixed-route service.¹ In February 2001, the Bush Administration announced the New Freedom Initiative, a comprehensive program intended to extend and enhance efforts begun under ADA to help bring Americans with disabilities into mainstream life. According to the U.S. Census Bureau, in 2005 there were about 40 million noninstitutionalized persons over the age of 5 with one or more disabilities.

In August 2005, the Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) authorized the New Freedom program, to be administered by the Department of Transportation's Federal Transit Administration (FTA). This program is designed to support new public transportation services and public transportation alternatives beyond those required by ADA. Congress appropriated \$77.2 million for the New Freedom program in fiscal year 2006 and \$81.0 million in fiscal year 2007. Program funds are distributed through grants from FTA to entities designated by state governors, and these grants may be used for operating

¹This is known as complementary paratransit service because it is comparable to the level of service provided to individuals who use the fixed-route service.

support or capital projects. Operating and capital project grants require state/local matching funds. Projects eligible for New Freedom grants must be derived from a locally developed coordinated public transit-human service transportation plan (coordinated plan) with input from a wide variety of state and local entities, human service agencies, consumer groups, and others.

On May 4, 2007, we briefed your staff on the work you requested related to FTA's New Freedom program. Enclosure I contains the detailed briefing slides that were presented to your staff on May 4, 2007. The objectives of this work were to (1) determine the extent to which FTA has implemented the New Freedom program and identify concerns, if any, of selected state and local entities and (2) determine how FTA monitors program performance. To accomplish these objectives, we reviewed pertinent legislation, interim and final program guidance issued by FTA, and New Freedom grants approved by FTA, and we interviewed FTA officials in headquarters and two regions. We also interviewed officials in organizations designated as grant recipients in three large urban areas—Chicago, Illinois; Orlando, Florida; and Washington, D.C.—and in three states—Illinois, Maryland, and Virginia. We selected urban areas that had significant fiscal year 2006 New Freedom funding and, among other things, were in different phases of program implementation. The states were selected for their proximity to and relationship with the urban areas selected and their differing abilities to provide matching fund assistance. We conducted our work from December 2006 to March 2007 in accordance with generally accepted government auditing standards.

In general, we found that progress in implementing the New Freedom program had been limited and that state and local officials we spoke with identified implementation concerns. As of March 2007, FTA had awarded few grants—13 grants representing about 3 percent of funds appropriated in fiscal year 2006. FTA issued final program guidance in March 2007, after engaging in a careful and deliberate but time-consuming process of obtaining public and other stakeholder comments on interim versions of the guidance issued in March 2006 and September 2006. FTA officials conducted extensive outreach through listening groups and other mechanisms to help develop the final program guidance. FTA officials said this and compliance with the Administrative Procedures Act limited their progress in program implementation. FTA officials also told us that after consulting with some of its key stakeholders, FTA restricted project eligibility in its final program guidance by requiring that New Freedom projects be both new and beyond ADA requirements. In addition, FTA reported that few governors had designated the entities to receive program funds. Moreover, state and local officials we spoke with had made limited progress in developing coordinated plans. State and local officials also voiced concerns about the impact of matching fund requirements on project selection, the effect of limited program funding on their ability to undertake large projects, and the types of projects that qualify under the “beyond ADA” requirements.

We also found that FTA had not fully developed policies and procedures for monitoring and oversight of the New Freedom program. In particular, FTA had not included specific provisions for the New Freedom program in its triennial and state management reviews, nor had it developed guidance about reviews of grantees not

subject to triennial or state management reviews (called “spot” reviews).² FTA officials told us that they plan to develop such procedures and had already begun to develop questions on the New Freedom program to be incorporated into the agency’s existing oversight reviews. We believe that completing these procedures will be important to ensuring that funds are being used in accordance with program requirements and that recipients are being held accountable for their use of program funds. Based on our findings, we recommend that the Secretary of Transportation direct the FTA Administrator to develop and implement a plan to oversee the New Freedom program that includes adding program-specific provisions to the triennial and state management reviews and specifying the role and frequency of spot reviews.

We provided a draft of this report and the briefing slides to the Department of Transportation and FTA for comment. DOT officials, including the FTA Director of the Office of Transit Programs, generally agreed with the findings in the report and briefing slides and said they would consider the recommendation as they move forward in implementing the New Freedom program. They also noted that they have requested authority, in the President’s fiscal year 2008 budget, to use 1 percent of New Freedom program funding for oversight. We believe that it will be important for FTA to develop and implement an oversight plan for the New Freedom program, regardless of whether FTA receives specific funding for oversight of this program in its fiscal year 2008 budget.

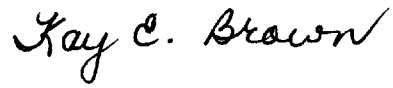
As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 10 days from the report date. We will then send copies of this report to the Chairmen and Ranking Minority Members of the Senate and House Subcommittees with jurisdiction over FTA matters. We will also send copies to the Secretary of Transportation and the Administrator of the Federal Transit Administration and other interested parties. In addition, the report will be available at no cost on the GAO Web site at <http://www.gao.gov>.

If you or your staff have questions about this report, please contact me at brownke@gao.gov or at (202) 512-7215. Contact points for our offices of

²Triennial reviews are conducted at least once every 3 years on urbanized area formula grantees to evaluate formula grant management performance and grantee compliance with FTA and other federal government requirements. State management reviews assess states’ implementation and management of the Elderly and Persons with Disabilities program, the Nonurbanized Area Formula program, and other programs to ensure they are being administered in accordance with FTA’s requirements and are meeting program objectives. Triennial and state management reviews are part of FTA’s established program oversight mechanisms.

Congressional Relations and Public Affairs may be found on the last page of this report. Individuals making key contributions to this report are listed in enclosure II.

Sincerely yours,

A handwritten signature in black ink that reads "Kay E. Brown". The signature is written in a cursive style with a large, stylized 'K' and 'B'.

Kay E. Brown,
Acting Director, Physical Infrastructure Issues

Enclosures 2



**Transportation Disadvantaged: Progress in
Implementing the New Freedom Program Has
Been Limited, and Better Monitoring Procedures
Would Help Ensure Program Funds Are Used as
Intended**

**Briefing for the Subcommittee on Transportation,
Housing and Urban Development, and Related Agencies,
House Committee on Appropriations**

May 4, 2007

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Overview

- Introduction
- Objectives, Scope, and Methodology
- Results in Brief
- Background
- Results
- Conclusions
- Recommendations
- Agency Comments and Our Evaluation
- Appendix I

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Introduction

- The Americans with Disabilities Act (ADA) of 1990, enacted in July 1990, prohibits discrimination against, and ensures equal opportunity for, persons with disabilities in employment, transportation, and other matters. ADA sets minimum standards for the accessibility of public transportation systems. For example, transit providers must provide complementary paratransit service^a within $\frac{3}{4}$ of a mile of a fixed-route transit service and during the same hours as the fixed-route service for persons with disabilities.
- In February 2001, the Bush Administration announced the New Freedom Initiative, a comprehensive program initiative intended to extend and enhance efforts begun under ADA to help bring Americans with disabilities into mainstream life.
- According to the U.S. Census Bureau, there were about 40 million noninstitutionalized persons over the age of 5 with one or more disabilities in 2005.
- In August 2005, the Safe, Accountable, Flexible, Efficient Transportation Equity Act—A Legacy for Users (SAFETEA-LU) authorized the Federal Transit Administration's (FTA) New Freedom program (49 U.S.C. § 5317). This program is designed to support new public transportation services and public transportation alternatives beyond those required by ADA, such as complementary paratransit service beyond $\frac{3}{4}$ mile of a fixed-route service.

^aTo comply with the ADA, transit agencies must provide "complementary" paratransit or other special services—for people who are unable to use the fixed-route bus and rail services due a disability—that are comparable to the level of service provided to individuals who use the fixed-route system.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Introduction (cont.)

- Congress appropriated for the New Freedom program \$77.2 million in fiscal year 2006 and \$81.0 million in fiscal year 2007.
- Program funds are distributed through grants from FTA to entities designated by state governors.
- Grantees may provide transportation service themselves or through third parties (called “subrecipients”).
- Grants may be used for operating support or capital projects and require state/local matching funds.
- Projects eligible for New Freedom grants must be derived from a locally developed coordinated public transit-human service transportation plan (called a “coordinated plan”) with input from a wide variety of state and local entities, human service agencies, consumer groups, and others.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Objectives, Scope, and Methodology

Objectives

- Determine the extent to which FTA has implemented the New Freedom program and identify concerns, if any, of selected state and local entities.
- Determine how FTA monitors program performance.

Scope and Methodology

- We reviewed pertinent legislation, interim and final program guidance, and New Freedom grants approved by FTA and interviewed FTA officials in headquarters and two regions. We also interviewed officials in organizations designated as grant recipients in three large urban areas—Chicago, Illinois; Orlando, Florida; and Washington, D.C.—and in three states (Illinois, Maryland, and Virginia). (See app. I for more detail.)
- We selected large urban areas that (1) had significant fiscal year 2006 New Freedom funding and were in different phases of program implementation and (2) were among the highest in initial program spending. We selected states for their proximity and their relationship with the urban areas selected and their differing abilities to provide matching fund assistance for New Freedom projects. Our results for these selected areas cannot be generalized to the nation as a whole.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Results in Brief

- Progress in implementing the New Freedom program has been limited and the state and local officials we spoke with identified implementation concerns.
 - Progress at the federal level
 - Few grants have been awarded. As of March 2007, FTA had awarded a total of 13 New Freedom grants that, together, represent about 3 percent of funds appropriated in fiscal year 2006.
 - FTA issued final program guidance for the New Freedom program in March 2007.
 - FTA revised its guidance to restrict project eligibility.
 - Progress at the state/local level
 - Few governors had reported to FTA the entities to receive program funds as of March 2007.
 - Officials we spoke with had made limited progress in developing coordinated plans.
 - The state and local entities we spoke with had concerns about
 - Program matching fund requirements and their impact on project selections.
 - Limited federal money for the New Freedom program and the effect of funding limitations on their ability to fund large projects.
 - The types of projects that qualify under the “beyond ADA” requirements of the New Freedom program.
- FTA has not yet fully developed policies and procedures for monitoring and oversight of the New Freedom program. FTA has taken steps to develop such policies and procedures. However, several gaps could limit program oversight and monitoring, including triennial and state management reviews that do not yet include specific provisions for New Freedom and unclear FTA guidance about the role of spot reviews.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Background

New Freedom Program Funding:

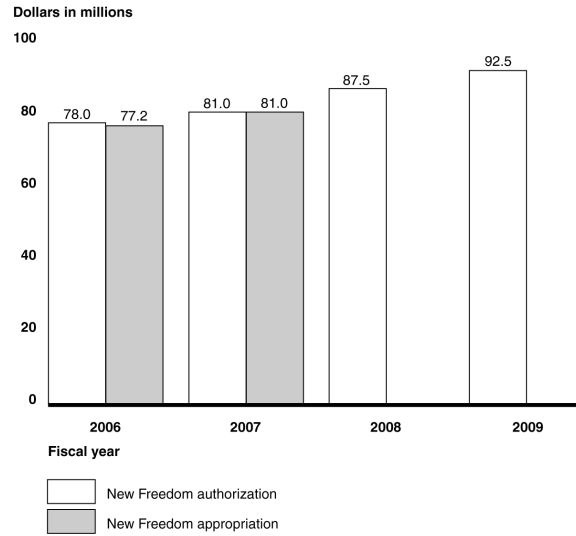
- Authorized by SAFETEA-LU for 4 years (fiscal years 2006-2009) at \$339 million (see fig. 1).
 - Congress appropriates funds for the program annually--\$77.2 million for fiscal year 2006 and \$81.0 million for fiscal year 2007.
 - FTA apportionments annual appropriations to three types of areas (see fig. 2):
 - 60 percent to large urbanized areas (populations of 200,000 or more),
 - 20 percent to small urbanized areas (populations of 50,000 to less than 200,000), and
 - 20 percent to other than urbanized areas (populations of less than 50,000).
 - Apportionments are based on the number of persons with disabilities in each area divided by the total number of persons with disabilities in each area nationwide (see fig. 3). For example:
 - Large urbanized area (population of 200,000 or more):
Population of persons with disabilities in each large urbanized area divided by total population of persons with disabilities in all large urbanized areas nationwide.
 - Small urbanized area (population of 50,000 to less than 200,000):
Population of persons with disabilities in each small urbanized area divided by total population of persons with disabilities in all small urbanized areas nationwide.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Background (cont.)

Figure 1: SAFETEA-LU Authorizations and Appropriations for the New Freedom Program in Fiscal Years 2006 to 2009



Source: FTA.

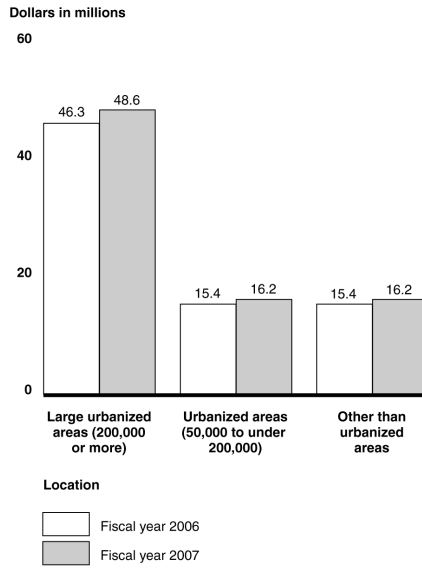
Note: The appropriation for FTA's fiscal year 2006 programs required a 1 percent rescission, leaving \$77.2 million available for apportionment to the New Freedom program.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Background (cont.)

Figure 2: FTA's Apportionment of New Freedom Funds by Area (\$77.2 million in Fiscal Year 2006; \$81.0 million in Fiscal Year 2007)



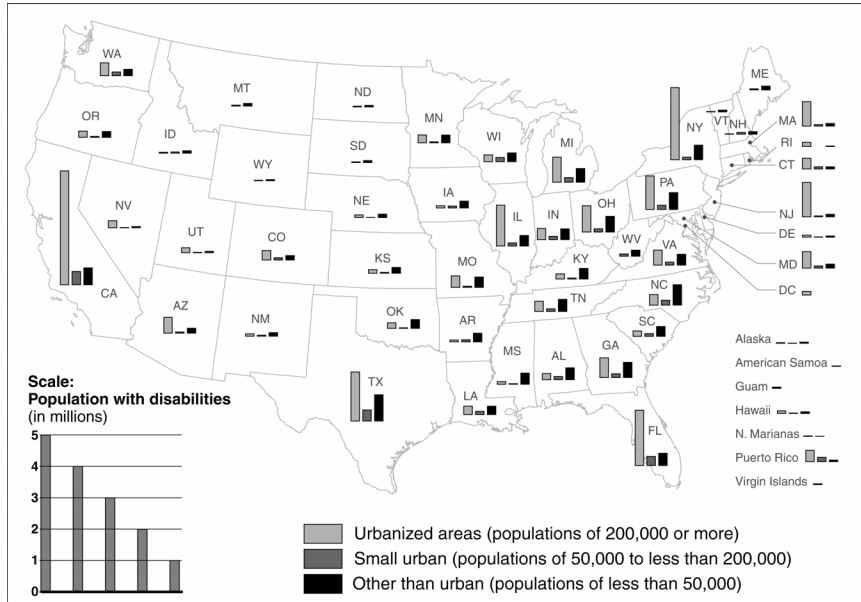
Source: FTA.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Background (cont.)

Figure 3: Distribution of Persons with Disabilities in Large Urbanized, Small Urbanized, and Other Than Urban Areas, as Used by FTA for Fiscal Year 2006 Apportionments.



Source: GAO analysis of FTA data.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Background (cont.)

New Freedom Program Funding (cont.)

- While large urbanized areas receive program funds directly, states receive program funds for small urbanized and other than urbanized areas. According to FTA, it does not allow states to suballocate funds among specific small urbanized areas without a competitive process.
- State and local matching fund requirements: 20 percent for capital projects; 50 percent for operating assistance. Matching funds can come from other federal, non-Department of Transportation funds such as Medicaid and employment training programs.
- Up to 10 percent of program funds may be used for administration with no match required.
- Under FTA guidance, grantees have 3 years to obligate New Freedom funds for a given fiscal year (the fiscal year of apportionment plus 2 years). For example, fiscal year 2006 funds would remain available for obligation through the end of fiscal year 2008.



Major Elements of FTA's New Freedom Program (see fig. 4).

- Governors designate recipient agencies (called "designated recipients").
 - Local entities (e.g., transit agencies or metropolitan planning organizations) are designated recipient agencies for large urbanized areas.
 - State agencies (e.g., state departments of transportation) are designated recipients for small urbanized and other-than-urbanized areas.

- Designated recipients are expected to
 - Select projects from coordinated plans. Under FTA program guidance, organizations other than designated recipients may prepare the coordinated plans.
 - Conduct areawide (in urbanized areas with populations of over 200,000) or statewide (in small urban and other than urbanized areas) solicitations for grant applications.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Background (cont.)

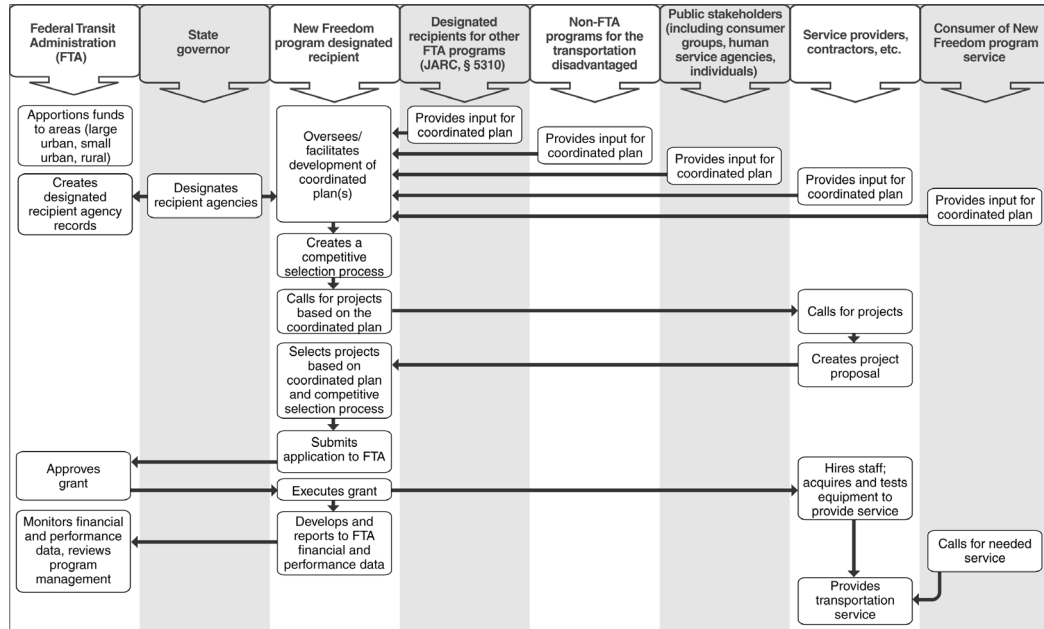
- Select projects for grant awards through a competitive process and certify that the selected projects were derived from a coordinated plan. However, FTA final program guidance allows designated recipients to establish alternative arrangements to administer and conduct the competitive selection process. This is intended to minimize the potential for conflicts of interest when the designated recipient also competes for program grants.
- Ensure program funds are distributed fairly and equitably through the competitive selection process.
- Submit applications to FTA for New Freedom grants.
- Report to FTA about use of program funds.
- Monitor subrecipients' use of program funds.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Background (cont.)

Figure 4: Major Elements of FTA's New Freedom Program.



Source: GAO analysis of FTA data.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Background (cont.)

Planning Process and Coordinated Plans:

- Fiscal year 2006 grants could be made without a formal coordinated plan. Coordinated plans are required by law in fiscal year 2007 and beyond. Fiscal year 2007 coordinated plans are expected to address at least three elements—available services, service needs, and strategies to address service gaps. FTA also expects coordinated plans to meet a fourth element—relative priorities for implementation—by fiscal year 2008.
- Coordinated plans should
 - Identify needs, resources, service gaps, service overlaps, and priorities.
 - Be coordinated with a wide array of transportation, human service, and consumer groups.
 - Include service needs that will be funded under FTA's Job Access and Reverse Commute (JARC) and the § 5310 (Elderly and Persons with Disabilities) programs.
 - Include consideration of other programs for transportation disadvantaged populations (for example, Temporary Assistance for Needy Families or Medicaid recipients).

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Results – Extent of New Freedom Program’s Implementation and Concerns Expressed

Implementation of New Freedom program has been limited.

Progress at the federal level

- *Few grants have been approved by FTA since the program was created.* As of March 2007, FTA had approved a total of 13 grants (see table 1).
 - 4 were for the 10 percent administrative funds only.
 - 9 were for a mix of service projects and administrative/planning uses.
 - Largest commitment of funds for service projects appears to be in Iowa to purchase additional buses and provide operating support (\$243,559).

- *A small portion of program funds has been committed.* The 13 grants receiving FTA approval represent about 3 percent of the fiscal year 2006 funds appropriated for the New Freedom program (\$2.5 million out of \$77.2 million appropriated). FTA apportioned fiscal year 2007 New Freedom funds on March 23, 2007.

- *Final program guidance was issued by FTA in March 2007.*
 - Prior interim guidance issued in March 2006 and September 2006.
 - Interim guidance allowed early grants and was used by FTA to solicit program comments.
 - In general, FTA’s implementation of the New Freedom program has been careful and deliberate. Among other things, FTA has conducted extensive outreach through listening sessions and held focus groups to help develop final program guidance.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Results – Extent of New Freedom Program’s Implementation and Concerns Expressed (cont.)

Table 1: FTA New Freedom Program Grant Approvals (Federal Funds Only), as of March 1, 2007

Recipient	Extend Service	Mobility Management ^a	Administration	FTA Approved
1 California State Department of Transportation	\$190,585	\$312,254	\$236,977	\$739,816
2 LYNX/Central Florida Regional Transportation Authority, Orlando, Florida	88,379	195,000	31,487	314,866
3 Ventura County Transportation Commission, Ventura, California	55,164	0	0	55,164
4 South Coast Area Transit, Oxnard, California	60,000	0	0	60,000
5 City of Shreveport, Shreveport, Louisiana	70,851	0	7,872	78,723
6 City of Albuquerque, Albuquerque, New Mexico	0	0	14,700	14,700
7 City of Santa Fe, Santa Fe, New Mexico	51,249	0	0	51,249
8 Texas Department of Transportation	0	0	139,642	139,642
9 Texas Department of Transportation	0	0	107,024	107,024
10 Iowa Department of Transportation	123,788	0	0	123,788
11 Iowa Department of Transportation	243,559	0	0	243,559
12 Regional Transportation District, Denver, Colorado	144,000	328,048	0	472,048
13 Ohio Department of Transportation	0	0	104,567	104,567
Totals:	<u>\$1,027,575</u>	<u>\$835,302</u>	<u>\$642,269</u>	<u>\$2,505,146</u>

a/ Mobility management can include coordinating service for persons with disabilities, older adults, and low-income persons; supporting local coordination policy bodies; or creating one-stop call centers for eligible travelers.

Source: FTA.



Results – Extent of New Freedom Program’s Implementation and Concerns Expressed (cont.)

Progress at the federal level (cont.)

- *FTA revised its program guidance to restrict project eligibility.*
 - Interim guidance in March 2006 indicated New Freedom projects needed to be either new or beyond ADA requirements.
 - Interim guidance issued in September 2006 required that New Freedom projects be both new and beyond ADA requirements.
 - Final guidance issued in March 2007 requires that New Freedom projects be both new and beyond ADA requirements.

Progress at the state/local level

- *Few official designated recipients reported to FTA by state governors.* As of March 2007, FTA reported that state governors had designated 24 recipients for the 207 areas—states, territories, and large urbanized areas (population of 200,000 or more)—eligible to receive program funds.



**Results – Extent of New Freedom Program’s
Implementation and Concerns Expressed (cont.)**

Progress at the state/local level (cont.)

- *Limited development of coordinated plans and competitive selection procedures in areas we visited.*
 - Officials in all three large urban areas and in the three states we contacted were still developing formal coordinated plans. Officials in all three large urban areas said they expect to have such plans developed during fiscal year 2007. In one state (Illinois), planning regions that did not exist before were created to facilitate preparation of the coordinated plans in small urbanized areas. Illinois is also hiring Regional Coordinators to facilitate the preparation of coordinated plans for small urban areas.
 - Similarly, officials in all three large urban areas and in the three states said they were still developing procedures to competitively select projects for New Freedom funding.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Results — Extent of New Freedom Program's Implementation and Concerns Expressed (cont.)

Concerns of State/Local Entities We Spoke With

- *Program matching fund requirements may affect project selection.* According to state and local officials we spoke to, some organizations may not be able to obtain matching funds. Among the specific issues mentioned by these officials were.
 - Availability of state assistance. Some states plan to provide matching funds but, others cannot or will not. For example, Maryland officials said state assistance is available for matching funds for New Freedom projects. However, officials with the designated recipient for the Washington, D.C., metropolitan area and the state of Virginia told us that such assistance is not expected to be available in Virginia.
 - Need to reprogram funds from existing uses. Some officials told us that human service agency (e.g., Medicaid) budgets have no extra money that could be used for projects funded by New Freedom, and that matching funds would have to come from funds provided for existing services and projects.
 - Potential restrictions on the use of matching funds from other federal programs. Some officials told us that some human service programs (e.g., Medicaid) may either have restrictions on the use of their funds for transportation projects or funds could be slated for other, nontransportation uses and thus not be available for matching fund purposes.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Results — Extent of New Freedom Program's Implementation and Concerns Expressed (cont.)

Concerns of State/Local Entities We Spoke With (cont.)

- *Funding large projects will be difficult with the limited federal program funds available for the New Freedom program.* Officials from all three large urban areas and all three states we spoke with said program funds were limited and this might make it difficult to fund large projects. Some officials told us that to cope with this situation they might
 - Combine fiscal year 2006 and fiscal year 2007 New Freedom funds.
 - Forgo the option to use 10 percent of program funds for administration and instead use the funds for services.
 - Select projects that are eligible for funding from multiple transportation programs (e.g., eligible for both New Freedom and JARC). Note: According to FTA, separate grants would be needed to receive funds for each program. Also, FTA's final program guidance of March 2007 states that provisions in SAFETEA-LU do not permit "pooling" of funds for programs like JARC and New Freedom.
- *The types of projects that qualify under the "beyond ADA" requirement of the New Freedom program.* Officials in two of the three large urban areas and in all three states told us they were uncertain about what types of projects would qualify for New Freedom funding under the "beyond ADA requirements" criteria. Officials in one large urban area (Chicago) did not indicate a problem with this requirement.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Results — How FTA Monitors Program Performance

- FTA has not yet fully developed policies and procedures for monitoring and oversight of the New Freedom program.
- However, FTA has taken steps to develop such policies and procedures. According to FTA:
 - Existing oversight mechanisms will be revised to incorporate New Freedom requirements. These mechanisms include:
 - Triennial reviews of entities receiving capital grants under FTA's urbanized area formula program (49 U.S.C. § 5307), such as transit agencies.
 - State management reviews of state agencies.
 - FTA will design spot reviews of designated recipients not covered by either triennial or state management reviews. Spot reviews will assess the accuracy and adequacy of a recipient's management of the New Freedom program.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Results — How FTA Monitors Program Performance (cont.)

- Several gaps could limit program oversight and monitoring:
 - *Current triennial and state management review procedures do not yet include specific provisions for the New Freedom program.* These procedures would need to include compliance with both statutory and regulatory requirements of the New Freedom program, including whether program funds have been distributed fairly and equitably through the competitive selection process.
 - *FTA's guidance is unclear about the role of spot reviews.* For example, the guidance is unclear about whether spot reviews will be more or less frequent than the current cycle for triennial reviews and state management reviews. In addition, at the time of our work, FTA had not yet developed a plan for implementing spot reviews.
- According to FTA, it plans to start developing oversight requirements now that it has issued final guidance for implementing the New Freedom program. This would include adding New Freedom program questions to the state management reviews and the triennial reviews. FTA also said it plans to develop written guidance on spot reviews; however, no date has been set for completing these activities.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Results — How FTA Monitors Program Performance (cont.)

- We have previously reported that performance reporting and oversight are important for establishing accountability and evaluating performance. Performance data allow agencies to share effective approaches, recognize problems, look for solutions, and develop ways to improve results. Oversight can help ensure that program funds are being used for their intended purposes and that recipients can be held accountable for their use of program funds.
- In November 2006, we reported that monitoring gaps may limit FTA's ability to oversee the JARC program. As with New Freedom, FTA proposed to monitor JARC recipients through triennial reviews, state management reviews, and spot reviews but had not worked out the details. We recommended that FTA (1) update its guidance for state management and triennial reviews to cover JARC topics and (2) specify how frequently FTA will perform spot reviews of designated recipients that are not subject to state management reviews or triennial reviews. See GAO, *Federal Transit Administration: Progress Made in Implementing Changes to the Job Access Program, but Evaluation and Oversight Processes Need Improvement*, GAO-07-43 (Washington, D.C.: Nov. 17, 2006). DOT concurred with our recommendation to update triennial and state management reviews for JARC criteria. DOT partly concurred with our recommendation to perform spot reviews, saying that it could not totally concur due to uncertainties about funding for JARC project management oversight. The agency requested JARC project oversight activity funding for fiscal year 2008.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Conclusions

- Progress in implementing the New Freedom program has been limited, it is early in the process, and program recipients have not yet fully developed some key elements of the program, such as coordinated plans. Developing key elements will be important for the program's success.
- FTA lacks fully developed procedures for monitoring the New Freedom program but says procedures will be developed now that program guidance is finalized. Until these procedures are in place, it will be difficult to ensure that funds are being used in accordance with program requirements and that recipients are being held accountable for their use of program funds. Developing these procedures now will be important before the program fully ramps up and funding commitments substantially increase.



Recommendation

We recommend that the Secretary of Transportation direct the Administrator, FTA, to take the following action:

- Develop and implement a plan to provide oversight for the New Freedom program that would include:
 - Adding program-specific provisions for existing oversight mechanisms, such as triennial reviews and state management reviews, and
 - Specifying the role and frequency of spot reviews to ensure coverage for those designated recipients that are not subject to current reviews.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Agency Comments and Our Evaluation

We provided a draft of this briefing to the Department of Transportation for review and comment. Officials from the Department and FTA generally agreed with the briefing's findings, providing some technical clarifications that were incorporated as appropriate. Those officials also said that they would consider the recommendations as they move forward in implementing the New Freedom program. In particular, FTA officials said that FTA intends to include questions about the New Freedom program in its triennial and state management reviews and that it will conduct oversight of the New Freedom program. To enable FTA to conduct more extensive oversight of the New Freedom program in the future, FTA has included in the President's fiscal year 2008 budget a request for authority to use 1 percent of New Freedom program funding for oversight.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Appendix I - Scope and Methodology

- Reviewed pertinent federal legislation and FTA's New Freedom interim and final program guidance.
- Analyzed apportionment data for fiscal year 2006 and 2007 and grants approved by FTA as of March 2007.
- Interviewed FTA New Freedom program officials in headquarters and Regions IV (Atlanta) and V (Chicago).
- Interviewed officials from
 - Three designated recipient agencies in large urbanized areas (Chicago, Illinois; Orlando, Florida; and Washington, D.C).
 - Three states (Illinois, Maryland, and Virginia).
 - Three metropolitan planning organizations in Chicago, Orlando, and Washington, D.C.
 - Selected consumer groups representing persons with disabilities.

Enclosure I: GAO Briefing to House Subcommittee (cont'd)



Appendix I - Scope and Methodology (cont.)

- We selected large urbanized areas that (1) had significant fiscal year 2006 New Freedom funds and were in different phases of program implementation, including different stages of preparing and processing grant applications, and (2) were among the highest in initial program spending.
- We selected three states for their proximity to two of the large urban sites selected (Chicago and Washington, D.C.), expecting that these states might play a role in selecting projects for the New Freedom program. Furthermore, regardless of their role in project selection, these states would need to include New Freedom projects selected in the large urban areas we chose in their state transportation improvement programs. In addition, the states differed in their abilities to provide matching fund assistance for New Freedom projects.
- Our results for these selected areas may not be generalized to the nation as a whole.
- We conducted our work from December 2006 through March 2007 in accordance with generally accepted government auditing standards.

Enclosure II: Contact and Staff Acknowledgments

GAO Contact

Kay Brown, (202) 512-7215 or brownke@gao.gov

Staff Acknowledgements

In addition to the contact named above, Rita Grieco, Assistant Director; Ashley Alley; Richard Calhoon; H. Brandon Haller; Richard Jorgenson; and Joshua Ormond made key contributions to this report.

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

GAO's Mission

The Government Accountability Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday, GAO posts newly released reports, testimony, and correspondence on its Web site. To have GAO e-mail you a list of newly posted products every afternoon, go to www.gao.gov and select "Subscribe to Updates."

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. Government Accountability Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
TDD: (202) 512-2537
Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Gloria Jarmon, Managing Director, JarmonG@gao.gov (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, D.C. 20548

Public Affairs

Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, D.C. 20548