

---

# *Office of Inspector General*

# *Audit Report*

---

## **COMPLETING A GRANTS MANAGEMENT FRAMEWORK CAN ENHANCE FRA'S ADMINISTRATION OF THE HSIPR PROGRAM**

*Federal Railroad Administration*

*Report Number: CR-2012-178*

*Date Issued: September 11, 2012*





# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **ACTION:** Completing a Grants Management  
Framework Can Enhance FRA's Administration of  
the HSIPR Program  
Federal Railroad Administration  
Report Number: CR-2012-178

Date: September 11, 2012

From: Mitchell Behm   
Assistant Inspector General for Rail, Maritime and  
Economic Analysis

Reply to  
Attn. of: JA-50

To: Federal Railroad Administrator

In the 3 years since it set up the High Speed Intercity Passenger Rail Program (HSIPR), the Federal Railroad Administration (FRA) has awarded and obligated over 95 percent of the program's \$10.1 billion in grant funds<sup>1</sup>—\$8 billion of which was appropriated by the American Recovery and Reinvestment Act of 2009 (ARRA). HSIPR gave FRA significant new grant-making and oversight duties, presenting unique challenges for the Agency. Strict funding deadlines for HSIPR grant funds, especially those that ARRA provides, have further challenged the Agency in awarding and obligating the funds.

According to the Government Accountability Office (GAO) and others, promising practices in grants management call for a comprehensive framework to be in place before an agency awards funds to grantees. As part of our ongoing ARRA oversight, we assessed FRA's grants management framework in the following areas: (1) policies, procedures, and guidance; (2) workforce adequacy; and (3) program performance mechanisms.

To conduct our work, we met with officials from FRA and the Office of the Secretary of Transportation (OST); reviewed and analyzed policies, procedures, and practices in place and under development; and analyzed supporting documentation. We interviewed a sample of 12 of the 38 HSIPR grant

---

<sup>1</sup> Though it has legally obligated the funds, FRA has stated that disbursement will not occur until grantees secure and implement all required agreements among project stakeholders for their projects.

recipients—accounting for 90 percent of awarded HSIPR funds—regarding their experiences with program administration. We also administered surveys to two groups of FRA’s HSIPR personnel—its four grant managers and nine regional managers—regarding their experiences with program administration. We performed our work from March 2011 through June 2012 in accordance with generally accepted Government auditing standards.

## RESULTS IN BRIEF

FRA recently completed its *Grants Management Manual*—which sets forth the policies and procedures for HSIPR grants management. The manual includes chapters on grant solicitation, administration, oversight, and closeout. However, in an effort to meet ARRA timelines and other requirements, FRA obligated \$9.6 billion in grant funds while simultaneously developing its grant management policies and procedures. The manual also provides some guidance on how to manage HSIPR grants; however, FRA determined that additional guidance on standard operating procedures is needed to help ensure HSIPR program staff and grantees comply with the policies and procedures. The Agency established workgroups to develop this guidance but did not establish timelines for all of the workgroups to complete the additional guidance. Further, FRA has not provided these workgroups with comprehensive grantee feedback on how to improve the grant administration program. Such information would help the workgroups develop guidance that meets the grantees’ needs.

Insufficient staffing and training further undermine FRA’s efforts to effectively administer and ensure the accountability of HSIPR grant funds across all its active programs. FRA received congressional authorization for 51 HSIPR personnel, and as of March 2012 had 39 personnel on board. FRA officials cited difficulty in hiring candidates with appropriate expertise to fill specialized positions, such as grant managers. FRA is currently working to fill the vacancies, and with OST assistance, is updating its workforce plan and looking for ways to address its staffing shortages. However, for its current staff, FRA has not developed a comprehensive training curriculum on the policies, procedures, and guidance for HSIPR grants administration—largely because the Agency only recently completed its *Grants Management Manual*. FRA also does not require personnel to complete fraud awareness training.

FRA also lacks effective mechanisms for assessing program and grantee performance. While FRA has outlined HSIPR goals in several documents—including the Agency’s strategic plan for high speed rail and its fiscal year 2013 budget request—the goals are inconsistent across these documents. For some goals, the inconsistencies cannot be reconciled, making it difficult for grant

managers and decision makers, including Congress, to know what goals the program is to achieve. Moreover, the goals' performance measures are not specific enough to determine overall program progress. For example, one HSIPR goal is to upgrade existing intercity passenger rail corridors to improve reliability, speed, and frequency of existing services. However, the goal does not include measures that indicate progress, such as anticipated trip time improvements, additional trains, and ridership gains. FRA mechanisms for assessing grantee performance are similarly weak. For example, the Agency does not capture data on grantees' performance and compliance, such as the extent to which grantees meet submission deadlines for required grant documentation and progress reports. FRA is developing a monitoring tool to capture such data. Finally, FRA's interim plan for monitoring grantee performance and compliance did not include timeframes or required resources. Consequently, FRA did not conduct performance and compliance reviews as planned, though the Agency completed its final plan in March 2012.

We are making five recommendations to FRA to improve HSIPR grant fund administration and accountability.

## **BACKGROUND**

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA)<sup>2</sup> greatly expanded FRA's role in developing and managing the Nation's rail system, including creating the HSIPR grant program. The Agency was tasked with awarding, obligating, and disbursing \$10.1 billion in ARRA and Department of Transportation (DOT) funds, some of which were authorized by PRIIA (see Table 1) and totaled nearly four times its entire operating budget request for fiscal year 2010.

---

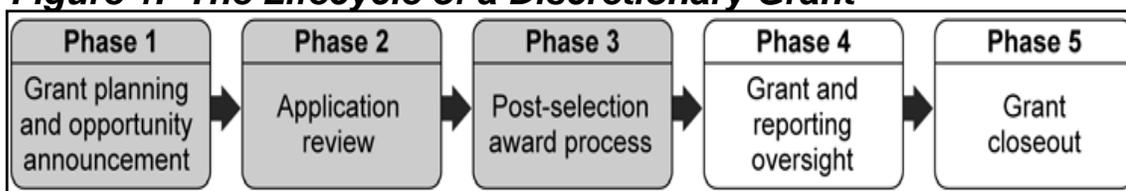
<sup>2</sup> P. L. No.110-432 Div. B.

**Table 1. FRA's HSIPR-Related Grant Initiatives**

Initiative	Source Statute	Funding
Intercity Passenger Rail Service Corridor Capital Assistance Program	PRIIA	\$1.9 billion authorized from FY2009-FY2013
High Speed Rail Corridor Development Program	PRIIA	\$1.5 billion authorized from FY2009-FY2013
Congestion Grant Program	PRIIA	\$325 million authorized from FY2010-FY2013
Discretionary grant programs to develop and enhance high speed rail corridors and intercity passenger rail services	ARRA appropriations	\$8 billion appropriated with obligation deadline of Sept. 2012
Funds specified through DOT's annual fiscal year appropriations	DOT appropriations	\$2.1 billion appropriated to DOT in FY2010

Source: OIG analysis

HSIPR grants go to eligible States and high speed rail authorities for projects that focus on one or more of three objectives: constructing new high speed rail corridors, upgrading high speed rail services on existing intercity passenger rail corridors, and planning future high speed rail services.<sup>3</sup> As a discretionary grants program,<sup>4</sup> HSIPR requires FRA's grant managers and regional managers<sup>5</sup> to carry out responsibilities in the lifecycle phases of discretionary grants management (see Figure 1)—which the Agency has had little experience with.

**Figure 1. The Lifecycle of a Discretionary Grant**

Source: GAO, *FMCSA: Additional Actions Needed to Strengthen Grants Management*, GAO-12-158. December, 2011.

To carry out these responsibilities, FRA developed a management framework aimed at establishing policies and procedures, a workforce structure, performance

<sup>3</sup> *High Speed Intercity Passenger Rail Program*, Federal Railroad Administration, U.S. Department of Transportation.

<sup>4</sup> Grants are often classified by their methods of fund allocation—either as formula grants or discretionary grants. Agencies allocate funds to formula grants through distribution formulas prescribed by statute or administrative regulation. Agencies award discretionary grants on a competitive basis to eligible applicants.

<sup>5</sup> Grant managers handle the numerous administrative and monitoring tasks associated with the grants, such as reimbursement requests, site visits for grant monitoring, and reviewing grant files for compliance, while they simultaneously support non-HSIPR grant programs. Regional managers serve as grantees' primary points of contact throughout the grants' lifecycles.

measurements, and grant oversight. GAO's Federal grants management reviews, DOT's *Financial Assistance Guidance Manual*, and other sources cite promising practices that an agency should incorporate in a grants management framework to ensure accountability of grant funds (see Table 2).

**Table 2. Promising Practices in Grants Management**

Practice	Key Objectives of Each Practice
Establish policies and procedures to support the grants management lifecycle.	<ul style="list-style-type: none"> <li>• To develop a grants management process guided by standardized and transparent policies and procedures.</li> <li>• To establish communication channels and knowledge libraries, such as frequently asked questions, to assist grantees.</li> </ul>
Establish a grants management workforce and organizational structure.	<ul style="list-style-type: none"> <li>• To establish a workforce that is adequately sized, trained, and familiar with statutory and regulatory requirements, as well as departmental processes.</li> </ul>
Establish performance measurements to assess program progress.	<ul style="list-style-type: none"> <li>• To establish programmatic goals to provide a guide for the grant management lifecycle.</li> <li>• To establish performance measures to track progress toward achievement of programmatic goals.</li> </ul>
Establish oversight programs to manage grantee performance.	<ul style="list-style-type: none"> <li>• To ensure the grant program meets programmatic goals.</li> <li>• To ensure adherence to grant terms, as well as applicable statutory and regulatory requirements.</li> <li>• To develop a centralized grants management information system for agency and grantee use.</li> <li>• To rate project risk based on adequacy of grantee systems such as internal controls and financial management.</li> </ul>
Develop a plan for grant program assessment and adjustment. <sup>a</sup>	<ul style="list-style-type: none"> <li>• To identify opportunities to improve grant program performance and effectiveness.</li> <li>• To design and implement programmatic changes, as needed, to the future grants management process.</li> </ul>

Source: OIG analysis

<sup>a</sup>As HSIPR is not mature enough to warrant review of FRA's program assessment and adjustment, we did not assess this component.

## **FRA RECENTLY COMPLETED KEY HSIPR POLICIES AND PROCEDURES BUT CONTINUES TO LACK GUIDANCE**

FRA recently completed its *Grants Management Manual*, which puts forth HSIPR program policies and procedures. However, for the first 3 years of the program, grants were administered without complete policies and procedures. While the Agency has established workgroups to complete the development of guidance for following HSIPR policies and procedures, staff and grantees continue to lack complete guidance to navigate HSIPR's complex requirements.

## **HSIPR Staff Have Managed Funds With Incomplete Policies, Procedures, and Guidance**

Since 2009, FRA has administered HSIPR grants without complete policies and procedures to ensure effective grants management. The Agency began drafting its *Grants Management Manual* in April 2010, with the help of private industry consultants. It released the complete manual in April 2012, 2 years after the effort began and almost 3 years after it assumed responsibility for administering HSIPR funds. During this time, the Agency obligated nearly \$9.6 billion of HSIPR funds. According to FRA officials, the Agency chose to prioritize HSIPR grant awards and obligations over the manual's completion due to staff constraints.

A key chapter in the manual, which was more than 75 percent incomplete until March 2012, provides critical guidance to grant managers on their roles and responsibilities for ensuring grantees comply with grant terms. In some cases of noncompliance, the manual calls for the temporary withholding of payments to the grantee; in more severe cases, the manual calls for potential suspension of a grant. The manual also suggests interim procedures grant managers may take to address less severe forms of grantee noncompliance, such as late submissions of required grant documentation. The recent completion of these procedures should help provide accountability and minimize the risk that HSIPR funds—the majority of which remain to be disbursed—will be misused or mismanaged. The manual's chapter that addresses the HSIPR grant monitoring process also remained incomplete until FRA finalized its monitoring plan in March 2012. FRA issued an interim plan in March 2011, but it did not integrate it into the manual—even though some HSIPR projects have entered the monitoring stage of the grant lifecycle. Furthermore, the interim plan did not include important components, such as information on monitoring timeframes and allocating staff to conduct site visits and execute other duties.

According to FRA officials, several documents the Agency considers to be guidance—including the September 2010 draft version of the manual, the interim monitoring plan, and its “Deliverable Review Guidebook”<sup>6</sup>—were provided to grant personnel. However, according to our survey of FRA staff responsible for administering HSIPR grants, five of the nine regional managers and three of the four grant managers stated that FRA did not provide enough guidance to help them successfully execute their required duties (see Figure 2).

---

<sup>6</sup> The guidebook contains a list of documents that grantees submit to FRA, and outlines FRA's responsibilities for document review and how long reviews should take.

**Figure 2. Results Based on Responses to Selected Survey Questions**



Source: OIG Survey

Regional and grant managers' survey responses also indicated that the Agency's guidance needs more detail. For example, of the four regional managers who stated that FRA had provided them with guidance, three indicated that FRA could provide more to help them successfully execute duties, including more detailed standard operating procedures and guidance for completing statements of work and clarifying team members' roles and responsibilities. Two grant managers indicated that FRA could provide more guidance related to financial management and a clear grantee reimbursement process. A lack of comprehensive guidance undermines FRA's policies and procedures for ensuring grantees comply with grant terms and use HSIPR funds appropriately.

### **HSIPR Grantees Have Similarly Operated With Limited Guidance from FRA**

FRA guidance to help HSIPR grantees complete required documentation, including grant applications, has also been limited. While FRA provides general grant application guidance to HSIPR grantees through its Notice of Funding Availability<sup>7</sup> announcements and Webinars on the application process, the guidance does not explain how to navigate the complex grant lifecycle process, which could result in inefficiencies, mismanagement, and ultimately project delays. For example, one grantee indicated that due to a lack of detailed guidance,

<sup>7</sup> A Notice of Funding Availability formally announces the availability of Federal funding and solicits grantee applications.

his State had to draft 10 iterations of a statement of work<sup>8</sup> in order to meet FRA's application requirements. Overall, 9 of the 12 grantees we interviewed indicated that FRA could have provided more guidance to help them develop the required application documentation.

FRA regional and grant managers also noted areas in which FRA could provide grantees more assistance. For example, seven regional managers informed us that grantees could use more guidance on the Agency's requirements for grant obligation, such as project scope, schedule, and budget, as well as general grant management practices. Furthermore, several grant managers told us that grantees have had trouble completing required reports and forms correctly and in a timely manner due to the lack of detailed guidance.

At the same time, FRA does not have a systematic grantee feedback process to help improve HSIPR administration. Grantees have provided feedback to FRA on their projects' status at the Standing Committee on Rail Transportation's annual conference,<sup>9</sup> and during biweekly conference calls coordinated with the American Association of State Highway and Transportation Officials (AASHTO).<sup>10</sup> However, FRA does not have a survey or other formal process in place to receive feedback from HSIPR grantees and participating transportation associations. Eight of the 12 grantees we spoke with stated that FRA has not solicited feedback from them, while the other 4 stated that FRA informally solicited feedback during meetings and conference calls. FRA informed us that it plans to solicit feedback during its grants monitoring site visits, but the Agency is in the early stages of its monitoring program's implementation and has conducted only 4 of 22 planned site visits. Comprehensive grantee feedback could help the Agency identify administrative problems and needed improvements.

### **FRA Workgroups Have Been Tasked With Developing Guidance for HSIPR Staff and Grantees**

In June 2011, FRA created three workgroups to help identify and develop standard operating procedures, templates for required documents, and technical guidance for use by both its grants staff and grantees. Table 3 summarizes these workgroups, their deliverables, and their progress. According to FRA officials, the

---

<sup>8</sup> A Statement of Work describes the programmatic aspects of a grant project, including the project itself, a work schedule, deliverables, and any stipulations that require a grantee to complete and submit environmental documentation.

<sup>9</sup> The committee addresses all policy, regulatory, safety and enforcement issues that impact the ability of States to develop and maintain their portions of an efficient rail network. The annual conference brings together members of the transportation community and other stakeholders.

<sup>10</sup> AASHTO is a nonprofit, nonpartisan association that represents highway and transportation departments in the States, the District of Columbia, and Puerto Rico.

Agency plans to use the HSIPR grants management guidance that the workgroups develop to help administer its other grant programs.

**Table 3. FRA's Workgroups on HSIPR Program Guidance**

<b>Technical Assistance</b>	Work to prioritize 21 subject areas on which FRA needs guidance and to develop associated policies and procedures.	No timeline or target dates have been set for completion.
<b>Business Processes</b>	Develop best practices for business processes, focusing primarily on communications and program management.	No timeline or target dates have been set for completion.
<b>Monitoring</b>	Develop a formal HSIPR monitoring plan.	FRA completed its formal plan in March 2012.

Source: OIG analysis

FRA's monitoring workgroup met its March 2012 target for completing a formal HSIPR monitoring plan. However, the Technical Assistance and Business Processes workgroups continue their efforts, and FRA officials have not established timelines for completing this work, which is critical to ensure missing guidance is developed and implemented in a timely manner.

## **FRA'S HSIPR STAFF NUMBERS AND TRAINING FALL SHORT OF THE AGENCY'S IDENTIFIED NEEDS**

FRA has also been challenged to establish a viable HSIPR workforce. Currently, FRA has less than half of the staff it determined were needed to successfully implement and operate HSIPR. FRA officials cited difficulty in hiring qualified candidates for critical program roles. In addition, FRA has not developed a comprehensive training curriculum for personnel who administer HSIPR grants.

### **Key HSIPR Workforce Positions Remain Open**

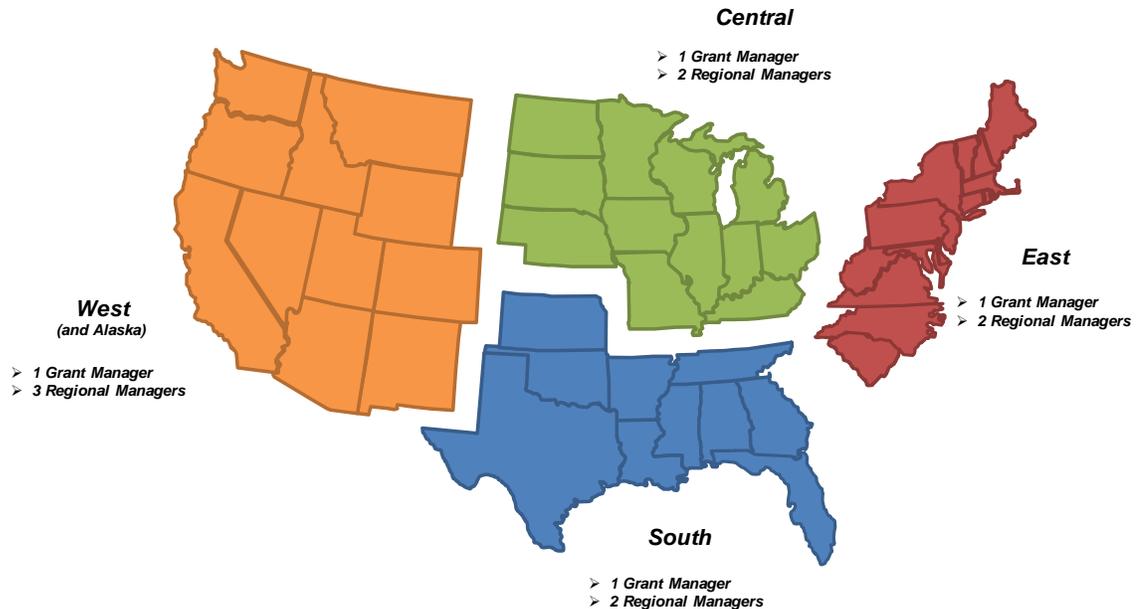
In 2009, FRA began conducting a workforce assessment, following best practices in workforce planning, and determined that it needed 86 staff to effectively administer and oversee HSIPR grants.<sup>11</sup> Congress authorized 51 positions, which the Agency based its updated workforce plans on, and as of March 2012, FRA had

<sup>11</sup> FRA has defined three staffing levels at which HSIPR can operate: Full Operations would allow management that includes coordinated operations with a clear national perspective, and leadership and strategic management; Basic Operations would allow management that employs a level of coordination, partnership, and capacity building less than full operations, with a moderate level of formal monitoring; Constrained Operations requires management to emphasize financial stewardship and focus on compliance rather than partnering, capacity building, and cross-project coordination.

39 personnel in the Office of Passenger and Freight Programs (RPD-10)—the division primarily responsible for HSIPR.<sup>12</sup>

For full HSIPR operations, FRA determined it needed eight grant managers, who assume some of the greatest responsibility for the program. To date, FRA has hired four grant managers—one for each of its regions (see Figure 3).

**Figure 3. Map of FRA’s HSIPR Grant Management Regions**



Source: OIG’s reconstruction based on an FRA map

FRA has attempted to hire at least one more grant manager, but officials stated that while a recent announcement for a grant manager attracted many applicants, they continue to experience challenges finding qualified candidates. In the meantime, FRA’s four grant managers continue to oversee a HSIPR grant workload that FRA has determined requires twice as many managers, as well as carry out their oversight duties for other grant programs. Including HSIPR, FRA’s grant managers oversee nine active grant programs, containing 315 individual grants totaling approximately \$16.3 billion in funding (see Table 4). Grant and regional manager responsibilities for these programs are assigned by geographic region.

<sup>12</sup> FRA’s Office of Passenger and Freight Programs in the Office of Railroad Policy and Development provides financial assistance, quantitative analysis, environmental research, project reviews, research and development, and technical assistance, and supports development of intercity passenger rail policy.

**Table 4. Grant Programs Managed by FRA’s RPD-10 Grant Managers**

Grant Program	Number of Active Grants	Value of Grants (in Millions)
High-Speed Intercity Passenger Rail Program (HSIPR)	151	\$10,089
Amtrak (Operating and Capital)	14	5,650
Transportation Investment Generating Economic Recovery (TIGER)	15	240
Alaska Railroad	11	149
Rail Safety Technology Program (RSTP)	8	43
Rail Line Relocation and Improvement (Competitive and Congressionally-directed)	73	89
Rail Line Rehabilitation and Repair (Disaster Assistance)	22	19
Intercity Passenger Rail (Pre-PRIIA)	21	28
<b>Totals</b>	<b>315</b>	<b>\$16,307</b>

Source: OIG’s analysis of FRA data

With OST’s help, FRA updated its workforce plan to determine HSIPR administrative capabilities with staffing numbers at and below those required to make HSIPR fully operational. As part of this process, FRA determined the effect of various budget scenarios on the amount of assistance the Agency can offer HSIPR grantees and the levels of grant administration and oversight it can provide. FRA officials informed us that the Agency’s baseline goal is to meet its fiduciary duties and oversight responsibilities over Federal grant funds.

### **FRA Does Not Offer a Comprehensive Training Curriculum for HSIPR Grants Personnel**

In response to our survey, FRA’s regional and grant managers expressed the need for more training, with three of the nine regional managers stating they had not received training to help them execute their duties. While training on FRA’s grant policies and procedures depended on the completion of its *Grants Management Manual*, FRA officials informed us that HSIPR personnel have been required to attend Agency-provided training sessions on certain topics such as grant monitoring and applicant outreach. Officials also stated that grant managers and other personnel have access to external training opportunities. For example, several grant managers are receiving certification in grants management at an offsite training workshop.

However, other available grants management training is not required. Notably, FRA has not required HSIPR personnel to take its fraud awareness training. This

training can help staff recognize common fraud schemes, such as conflicts of interest or false statements, claims, and certifications. Staff insufficiently trained in fraud awareness places HSIPR and other grant funds at risk for fraud, waste, and abuse, and makes it difficult for FRA to be sure that all personnel can identify and prevent the abuse of Federal grant funds.

With the recently completed *Grants Management Manual*, FRA has the program policies in place that are key to informing the development of a comprehensive training curriculum. One survey respondent stated that once program policies and procedures are complete, FRA should offer training to ensure that all regional managers and other staff are knowledgeable on new policies and procedures.

### **FRA LACKS CLEAR HSIPR GOALS, EFFECTIVE PROGRAM MEASURES, AND COMPLETE MONITORING MECHANISMS**

FRA's HSIPR goals, which are outlined in several documents, lack the thoroughness needed to ensure grant managers and decision makers, including Congress, understand the goals the program aims to achieve. Moreover, FRA's approach to achieving its HSIPR goals has several weaknesses. First, FRA generally lacks performance measures needed to assess the program's progress in achieving its goals. Second, the Agency's tool for HSIPR grantee performance and compliance monitoring is still in the early stages of development and implementation. Finally, the Agency's interim HSIPR grants monitoring plan, in place since March 2011, did not include timeframes or required resources.

Between April 2009 and February 2012, FRA issued 10 documents containing strategic and performance goals for HSIPR. However, some of the goals across these documents are ineffective. For example, FRA defined one goal as the percentage of available HSIPR funds obligated to date. While this goal might help the Agency manage funding deadlines, it cannot help determine the extent to which HSIPR is achieving its intended results. In addition, many goals are inconsistent across FRA's planning documents, and some cannot be reconciled. Table 5 provides some examples of these inconsistencies across selected FRA documents.

**Table 5: Examples of Goals across FRA Planning Documents**

<b>Goal</b>	<b>Planning Documents</b>				
	<b>FRA Web Site</b>	<b>DOT Assessments of FRA Performance</b>	<b>DOT Performance Plans</b>	<b>FRA Initial Response to Draft Grants Report</b>	<b>FY2013 FRA Budget Request</b>
Build new HSIPR corridors	•				
Improve reliability, speed, and frequency of rail passenger service	•				
Lay groundwork through planning efforts	•				
Improve employment, safety, livability, and travel time		•			
Improve ridership, reliability, and market share for rail passenger service		•			
Monitor and improve grantee performance		•		•	
Obligate funds		•			
Provide FRA training and technical assistance to grantees		•			
Decrease fuel consumption			•	•	
Increase convenient access to passenger rail service				•	•
Increase HSIPR construction starts			•	•	•
Increase HSIPR ridership			•	•	•
Increase number of corridors that meet performance/service standards				•	
Increase number of stations that meet standards				•	
Improve rail transportation experience					•
Establish HSIPR capability			•		
Promote U.S. based manufacturing and technical standards for rail equipment			•		

Source: OIG analysis

In addition to lacking clear goals, FRA has not established meaningful performance measures. For example, FRA has not established performance measures to assess progress in achieving its goal to improve reliability, speed, and frequency of existing services, such as anticipated trip time improvements, additional trains, and ridership gains. The lack of clear goals and meaningful performance measures inhibits FRA's ability to set priorities, make the best use of its available resources, and assess future staffing and resource needs.

FRA also lacks an effective tool to help grant managers track, manage, and monitor grantee compliance with documentation requirements, including Federal Financial Reports and various ARRA requirements for reporting and certification. For example, FRA's current tool does not identify how many days a deliverable is overdue—key information for determining the severity of noncompliance. Instead, the data field only captures the date that a grantee submits a progress report; it does not indicate whether the submission was on time or late. Several grant managers we surveyed indicated that it would be useful for FRA staff to have a system that serves as a central database to manage grant documents. One grant manager noted that the lack of a centralized database in which all grants can be managed from award to close-out diminishes the program's efficiency and oversight. According to FRA officials, a more comprehensive project management tool to track and monitor grantees is under development.

In March 2011, the Agency released its interim plan to guide performance and compliance monitoring.<sup>13</sup> However, the interim plan did not include information on monitoring timeframes, responsibilities for monitoring personnel, and other components to ensure monitoring activities were completed. As of January 2012, FRA had conducted only 4 of 22 site visits called for in the interim plan due, in part, to a lack of a strategy for deploying its monitoring staff. Given FRA's staffing challenges, details such as timeframes and personnel responsibilities are especially important to help the Agency strategically allocate resources to keep monitoring activities on track.

## **CONCLUSION**

In the current Federal budget environment in which a myriad of programs and projects vie for limited Federal funds, accountability for taxpayer dollars tops the list of priorities that agencies must balance. A comprehensive grants management framework facilitates effective grants administration and accountability of large Federal grants. While FRA has completed portions of its framework, it continues

---

<sup>13</sup> FRA has defined two types of monitoring: routine monitoring and scheduled monitoring. The Agency describes routine monitoring as day-to-day activities to track progress, manage the grant award, and identify potential grant concerns. Scheduled monitoring consists of periodic, scheduled desk reviews and site visits to assess grantee compliance and programmatic review elements.

to lack the policies, procedures, training, and measurable performance goals needed to ensure grant funds are appropriately awarded and obligated and to hold grantees accountable for the significant public investment in HSIPR. Until FRA completes its grants management framework, HSIPR Program funds will remain at risk for misuse.

## **RECOMMENDATIONS**

Before awarding, obligating, and disbursing additional grant funds, the Federal Railroad Administrator should take the following actions to complete a comprehensive framework for effectively administering the HSIPR program:

1. Establish milestones for the Agency's Technical Assistance and Business Processes workgroups to complete guidance on grant management policies and procedures.
2. Establish a process for HSIPR grantees to provide standardized feedback on the program.
3. Develop a comprehensive grants management training curriculum for HSIPR staff that includes a required fraud training component.
4. Establish clear program goals that contain measures to assist managers and decision makers in assessments of HSIPR goal achievement and overall program progress.
5. Develop a standardized mechanism for collecting and tracking HSIPR grantee performance and compliance metrics.

## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

We provided a draft of our report to FRA on June 15, 2012, and on August 16, 2012, received FRA's full response, which can be found in its entirety in the appendix of this report. FRA concurred with all five of our recommendations, and provided target action dates for completing recommendations 1, 2, 3 and 5. With regard to recommendation 4, FRA stated that they currently provide program performance reports to the Office of the Secretary that include scorecard reviews with cohesive performance measures, and therefore requested that the recommendation be closed. To close this recommendation, we are requesting that FRA provide copies of the performance reports referenced in its response to allow us to verify that they have resolved the issues identified in our report.

## **ACTIONS REQUIRED**

We consider FRA's planned actions and target dates for recommendations 1, 2, 3 and 5 reasonable and, therefore, resolved but open pending completion of the planned actions, and subject to follow-up provisions in accordance with DOT Order 8000.1C. We request that within 30 days of this report, FRA provide in writing the cohesive goals and measures referenced in its response, at which time we will determine whether or not additional actions are required.

We appreciate the courtesies and cooperation of FRA representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-9970 or Toayoa Aldridge, Program Director, at (202) 366-2081.

#

cc: Audit Liaison, OST, M-1  
Audit Liaison, FRA, RAD-43

## EXHIBIT A. SCOPE AND METHODOLOGY

We conducted our audit work from March 2011 through June 2012 in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To evaluate FRA's grants management framework for HSIPR administration, we interviewed FRA officials and grant recipients and reviewed FRA's grants program policies and guidance to define the current framework. We compared FRA's grants management framework to a set of promising practices in grants management. To develop this set of practices, we reviewed federally recognized practices from organizations with responsibilities for, or expertise in, grants management and oversight. These documents are noted in Table A.

***Table A. Guidance and Reports Used To Identify Recommended Grant Management Practices***

<b>Source</b>	<b>Guidance or Report</b>
Office of Personnel Management	Human Capital Assessment and Accountability Framework (HCAAF)
Department of Transportation	Financial Assistance Guidance Manual (March 2009)
Domestic Working Group	Grant Accountability Project, Guide to Improving Grant Accountability (October 2005)
Department of Justice, OIG	Improving the Grant Management Process (February 2009)
Government Accountability Office	Grants Management, Additional Actions Needed to Streamline and Simplify Processes, GAO 05-335 (April 2005)
	Grants Management, Enhancing Performance Accountability Provisions Could Lead to Better Results, GAO 06-1046 (September 2006)
	Standards for Internal Control in the Federal Government, GAO/AIMD-00-21.3.1 (November 1999)

Source: OIG Analysis

To assess FRA's policies, procedures and guidance for HSIPR's administration, we met with officials from FRA and the OST; reviewed and analyzed policies, procedures, and practices in place and under development; and analyzed supporting documentation. We also administered surveys to FRA's four HSIPR

grant managers and nine regional managers, regarding their experiences with HSIPR’s administration.

We also interviewed a sample of 12 of the 38 HSIPR grant recipients regarding their experiences with program administration (see Table B). We selected our sample based on two criteria—total funds awarded and number of individual grants awarded. We selected the seven with the highest totals, which accounted for more than 80 percent of the HSIPR funds awarded. We selected an additional five from the remaining grantees with highest total numbers of individual grants awarded, irrespective of their funding amounts. All together, the grantees we spoke with accounted for 90 percent of total HSIPR funds awarded. In addition to these interviews, we conducted an interview with AASHTO to understand grantees’ experiences in the aggregate.

**Table B. Grantees Interviewed**

<b>Grantee Interviewed</b>	<b>Number of Grants Received</b>	<b>Percentage of Total HSIPR Funding</b>	<b>Cumulative Percentage of Total HSIPR Funding</b>
California High Speed Rail Authority	8	39%	39%
Illinois Department of Transportation	6	17%	56%
Washington State Department of Transportation	6	8%	64%
North Carolina Department of Transportation	5	6%	69%
New York State Department of Transportation	13	5%	75%
National Passenger Rail Corporation (Amtrak)	1	4%	79%
Michigan Department of Transportation	8	4%	83%
California Department of Transportation	27	3%	87%
Missouri Department of Transportation	12	0.5%	87%
Oregon Department of Transportation	7	0.2%	87%
Pennsylvania Department of Transportation	5	0.7%	88%
Iowa Department of Transportation	4	2%	90%

Source: OIG

To determine the extent to which FRA’s grants management framework for HSIPR ensures an adequately sized workforce, we interviewed officials from FRA’s Office of Human Resources and Office of Railroad Policy and Development, DOT’s Automated Staffing Group, and OST’s Human Resources Systems Division regarding FRA’s development of its workforce plan. To independently verify FRA’s workforce composition, we used DOT’s Federal Personnel Payroll System and DOT’s Monster Government Solutions platform.

## **Exhibit A. Scope and Methodology**

To determine the extent to which FRA has established performance mechanisms for HSIPR, we reviewed the Agency's primary planning documents for high speed rail. We also consulted prior OIG and GAO work to identify previous assessments and recommendations regarding FRA's HSIPR performance goals and measures. We reviewed Federal guidance on the setting of performance goals and measures, including the Government Performance and Results Act of 1993 (GPRA), the GPRA Modernization Act of 2010, and OMB's Circular A11 (2011). Finally, we reviewed FRA's HSIPR grant monitoring plan and associated monitoring tools to determine the extent to which mechanisms are in place to ensure program performance and compliance.

**EXHIBIT B. MAJOR CONTRIBUTORS TO THIS REPORT**

<b>Name</b>	<b>Title</b>
Toayoa Aldridge	Program Director
Amanda Seese	Project Manager
Keith Klindworth	Senior Analyst
Aaron Schwarz	Analyst
James Quinn	Analyst
Michael Day	Analyst
Karen Sloan	Communications Officer
Susan Neill	Writer/Editor
Petra Swartzlander	Senior Statistician
Megha Joshipura	Statistician
William Savage	IT Specialist



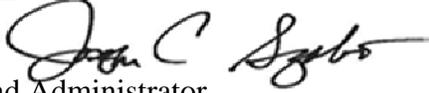
U.S. Department  
of Transportation

Federal Railroad Administration

# MEMORANDUM

Subject: **INFORMATION:** Completing a Grants Management Framework Can Enhance FRA's Administration of the HSIPR Program

Date: August 16, 2012

From: Joseph Szabo   
Federal Railroad Administrator

To: Mitch Behm  
Assistant Inspector General for  
Rail, Maritime, and Economic Analysis

Reply to the  
Attn of: ROA-03

In the three years since Congress enacted the American Recovery and Reinvestment Act (ARRA) and fiscal year 2010 Department of Transportation appropriations act, FRA has established one of the largest discretionary infrastructure investment programs in U.S. history, while constrained by unprecedented resource constraints and time limitations. In so doing, FRA identified worthy projects, obligated almost \$10 billion in project funding, used innovative and appropriate risk management practices, and began effective grant oversight. The Nation is already seeing tangible results from these investments: 27 projects (totaling \$1.5 billion in project funding) in 14 States are under construction or complete. Additionally, another 19 projects (totaling \$1.3 billion in project funding) in three additional States and the District of Columbia will likely begin construction before the end of December 2012.

FRA overcame challenges facing the High-Speed Intercity Passenger Rail (HSIPR) program by prioritizing aspects of program development and ensuring that oversight measures were in place at the appropriate stage of the program and for each project. FRA recognized early on that resource and time constraints would preclude a typical implementation approach of sequentially writing grant management policies and processes. As such, FRA first established the HSIPR program's vision, goals, and funding parameters, and then focused on project selection, obligation, and prioritized, post-award grant management process deployment. FRA is now engaged in continual business process improvement and refinement of policies and procedures to best achieve the program's goals for taxpayers and stakeholders.

The OIG's draft report focuses on some grant management practices that FRA had not fully documented during the audit period of review, without taking issue with the quality of FRA's grant management practices. FRA has since documented its oversight practices at every stage of the grant lifecycle, hired and trained several new grant managers, and has continued to execute its risk-based monitoring plan.

## **FRA Grant Management Strategy Focused on Critical Needs First**

To overcome resource and time challenges, FRA prioritized HSIPR program development to ensure that oversight measures were in place at the appropriate stage of the program and for each project. Focusing on the most critical needs first, FRA built the HSIPR program's requirements and investment goals, conducted outreach, developed application guidelines, established the application process, and identified investment priorities. In seven Notices of Funding Availability beginning in June 2009, FRA articulated its approach to administering the HSIPR program. FRA worked with grantees to develop tools and resources, such as statement of work templates. FRA staff conducted thorough reviews of required documents to ensure accurate and complete scope, schedule, and budget documents were in place. In its review of the HSIPR program grant application process, the Government Accountability Office (GAO) reported that, "FRA established a fair and objective approach for distributing [HSIPR funds] and substantially followed recommended discretionary grant award practices used throughout the government."

FRA used lessons learned from other grant-making agencies to establish robust grant management processes. In September 2010, FRA issued its Grants Management Manual (Manual) when it had obligated less than nine percent of program funding to grantees. The Manual documented critical processes in the grant-management lifecycle. The Manual also identified areas that, while not immediately critical given the stage of projects and the program, would be necessary later in the grant lifecycle, such as grant closeout and escalation of long-term or serious compliance issues.

In March 2011, FRA issued its Interim Monitoring Plan (Interim Plan) as a companion to the Manual. The Interim Plan outlined requirements and a risk-based approach to selecting HSIPR projects for monitoring, and created a schedule for conducting desk and site reviews of 24 projects, or 99% of obligated funding and 71% of HSIPR grant recipient agencies at the time the plan was issued. Based on the Interim Plan, FRA has now completed site visits in California, Illinois, Maine, Michigan, North Carolina, and Vermont, monitoring over \$3.1 billion in project funds.

Continuing to develop the HSIPR program according to its critical-needs-first approach, FRA has issued further guidance and oversight materials since OIG's audit review period, including:

- **Deliverable Review Guidebook, December 2011**, which assigns responsibilities and identifies required actions and their durations.
- **Project Management Tool and Database, January 2012**, which assist staff in efficiently tracking deliverables and other requirements. FRA has mapped the nearly 3,000 HSIPR program reports and deliverables from the funded projects' statements of work and grant agreements. This tool will subsequently enable management of a broad set of tasks, integrating project management and oversight practices that exceed typical grant administration practices.
- **Long-Term Monitoring Plan, March 2012** (issued in advance of FRA's first major construction season), which refines FRA's risk-based approach to selecting grants for

## **Appendix. Agency Comments**

onsite, intensive monitoring and establishes the detailed processes, templates, and checklists for desk and onsite monitoring.

### **FRA Provides Extensive Outreach to Grantees**

Outreach, especially to potential grantees, has been a cornerstone of FRA's HSIPR program implementation since inception. FRA's communications approach fosters the success of complex Federal rail infrastructure investments and takes into account the multi-faceted nature of many HSIPR projects. FRA will continue to conduct and refine its grantee outreach process to provide a meaningful and effective method of interaction with grantees in subsequent phases of the program.

FRA has provided varied and extensive guidance to grantees and has ensured an effective dialogue to address questions, concerns, and to further improve the program. GAO reported that FRA "conducted extensive outreach to potential applicants, including participating in biweekly conference calls, providing several public presentations on the program, and conducting one-on-one site visits with potential applicants." Moreover, GAO noted that the "applicants [GAO] spoke with praised FRA's communication and stated that FRA officials did a good job providing information and answering questions during the period leading up to the pre-application and application deadlines." After each round of funding, FRA made feedback available to applicants. FRA created customer service leads and, later, regional teams to offer technical assistance and address grantee concerns. These teams have developed relationships with grantees and are in constant communication with them, often on a daily basis.

FRA also has established methods for grantees to interact with FRA more generally regarding the program and program management. For example, FRA conducts monthly stakeholder outreach calls to identify questions and concerns, address issues, and share best practices. FRA also formally surveyed grantees about how to tailor the outreach calls to their needs. Additionally, FRA's Monitoring Plan elicits grantee feedback about FRA performance, which FRA then uses to improve processes and resources.

### **FRA Staffing and Training Strategy Tracks Critical Needs First**

FRA built its grant and project management organization carefully and strategically. Due to the complexity of many of the rail infrastructure projects, FRA deploys integrated regional teams to oversee project development and delivery across all programs, which include staff with expertise in engineering, environmental analysis, legal review, safety assurance, and grant management. Regional team leads meet as a group at least weekly to review project progress, make related decisions, and address open issues or recommendations. FRA also oversees service contractors for additional, targeted technical expertise and program support delivered to grant recipients.

As more projects move into execution, FRA continues to fill its allocated positions, remaining focused on recruiting individuals with relevant expertise and talent. As of August 2012, 86 percent of the allocated positions for the Office of Passenger and Freight Programs (the HSIPR program lead office) are staffed. FRA has filled six of seven full-time grant manager positions.

## **Appendix. Agency Comments**

Each manager has, or will soon have, an industry certificate (reflecting approximately 120 hours of training) and a minimum of 3 years of related experience.

FRA provides staff training in advance of each major HSIPR implementation stage, such as application review and monitoring. As it continues to develop project management tools and resources, FRA also provides additional training and refresher opportunities to ensure effective implementation of program requirements. For example, in June 2011, FRA convened a fraud awareness training session led by OIG experts for grant managers, regional managers, other FRA staff, and grantees. Following its critical-path program implementation processes, FRA will ultimately consolidate its training activities into an overall curriculum.

### **FRA Uses Organizational and Project Goals and Performance Measures**

Through a combination of tools, FRA has a system of goals, requirements, and performance measures to monitor achievement at the national and project levels. First, consistent with the GPRA Modernization Act, FRA reports on and discusses its HSIPR program performance relative to established goals about every 8 weeks with the Office of the Secretary of Transportation. These scorecard reviews include discussions of safety data, HSIPR program accomplishments, pending rulemakings, and sustainability efforts. Moreover, for fiscal years 2012 and 2013, the Department of Transportation included HSIPR construction among its agency priority goals. FRA reports quarterly on this measure.

In addition, regarding project and grantee performance, FRA tracks obligations, outlays, and construction, as well as major milestones, including NEPA and project completion. Through its Project Management Tool and Database, FRA routinely tracks each project against the performance and milestone goals established in the statements of work. Additionally, FRA's July 2012 version of the Project Management Tool enables enhanced tracking of deliverables, facilitates the deliverables review process, and allows grants management staff to anticipate and plan their workloads. FRA also monitors the status of State rail planning efforts across the country.

---

### **OIG Recommendations and FRA Responses**

**OIG Recommendation 1:** Establish milestones for the agency's technical assistance and business process workgroups to complete guidance on grant management policies and procedures.

**FRA Response: Concur.**

With FRA's release of the Manual in March 2012, its business process workgroup completed its goal to establish comprehensive guidance on grant management policies and procedures. FRA will continue to build its Project Management Tool to support the processes outlined in the Manual. FRA will release the next version of the Project Management Tool in October 2012, enabling more efficient tracking of grantee compliance with grant terms and

### **Appendix. Agency Comments**

conditions. FRA is developing a plan for delivering long-term training and technical assistance to grantees and stakeholders, which will be available in November 2012.

**OIG Recommendation 2:** Establish a process for HSIPR grantees to provide standardized feedback on the program.

**FRA Response: Concur.**

By October 2012, FRA will establish a web-based inquiry/communication mechanism that grantees and other stakeholders may use to provide anonymous feedback on our program management processes. FRA will continue using existing information-sharing and grantee feedback channels, in addition to daily contacts the grantees have with FRA regional teams. These feedback channels include monthly conference calls with grantees, the grant management electronic mailbox, and the section in the monitoring checklist that solicits grantee feedback on FRA. FRA will also continue to make the best possible use of other opportunities for feedback, such as the February 2011 grantee feedback survey, the November 2011 institutional stakeholder meeting, and interactive sessions at other industry events.

**OIG Recommendation 3:** Develop a comprehensive grants management training curriculum for HSIPR staff that includes a required fraud training component.

**FRA Response: Concur.**

By December 2012, FRA will issue a training program for project-focused staff, highlighting grant management practices and fraud prevention and awareness. FRA has already conducted extensive training for its grant and regional teams on application review, post-award monitoring, grantee deliverable review and tracking and fraud awareness. Further, all FRA grant managers have completed or are in the process of completing external grants management training that generally requires 120 hours of course work.

**OIG Recommendation 4:** Establish clear program goals that contain measures to assist managers and decision makers in assessments of HSIPR goal achievement and overall program progress.

**FRA Response: Concur.**

As described above, consistent with the GPRA Modernization Act, FRA has established clear program goals and measures for the HSIPR program and projects. FRA provides management with reports on these measures, and discusses its program performance relative to established goals about every eight weeks with the Office of the Secretary of Transportation. These scorecard reviews include discussions of safety data, HSIPR program accomplishments, pending rulemakings, and sustainability efforts. Moreover, for fiscal years 2012 and 2013, the Department of Transportation included HSIPR construction among its agency priority goals. FRA reports quarterly on this measure.

The presentation in the OIG draft report that gave rise to this recommendation included a survey of documents that FRA used for various purposes, audiences, and at varying times during the development and implementation of the HSIPR program. As such, this approach may have resulted in the draft report's asserting the need for more cohesive performance measures. FRA believes that such cohesive performance measures currently exist. FRA will continue to report on its established measures and goals, and to work with the Office of the Secretary to ensure FRA's continued commitment to providing useful information on the status of the HSIPR program. No further action is planned with specific regard to this recommendation and we request that it be closed.

**OIG Recommendation 5:** Develop a standardized mechanism for collecting and tracking HSIPR grantee performance and compliance metrics.

**FRA Response: Concur.**

The October 2012 version of FRA's Project Management Tool will enable more efficient tracking of grantee compliance with grant terms and conditions, in addition to its existing capability to track the more than 3,000 deliverables related to funded projects. Additionally, FRA has implemented a complementary database that documents compliance with grantee reporting requirements.

---

We appreciate this opportunity to offer additional perspective on the OIG draft report. We also appreciate the courtesies of the OIG staff in conducting this review. Please contact Rosalyn G. Millman, FRA Planning and Performance Officer, at 202.493.1339 with any questions or if we might be of further assistance.