



November 2017

# DISCRETIONARY TRANSPORTATION GRANTS

## DOT Should Take Actions to Improve the Selection of Freight and Highway Projects

# GAO Highlights

Highlights of [GAO-18-38](#), a report to congressional committees.

## Why GAO Did This Study

In December 2015, the Fixing America's Surface Transportation Act (FAST Act) authorized DOT to award \$4.5 billion in discretionary grants for fiscal years 2016 through 2020; DOT awarded \$759.2 million in fiscal year 2016.

The FAST Act required GAO to assess FASTLANE's processes for selecting grants. This report addresses: (1) the processes used to evaluate and award FASTLANE grants, (2) the extent to which DOT followed its FASTLANE evaluation plan, and (3) the extent to which the process aligned with recommended practices and DOT's own guidance for awarding discretionary grants. GAO reviewed DOT and FASTLANE documentation, analyzed FASTLANE's fiscal year 2016 data, and interviewed DOT officials and 13 FASTLANE applicants selected to include projects of varying sizes, locations, and modes.

## What GAO Recommends

GAO is making three recommendations to DOT, including that DOT develop an evaluation plan that clearly defines how review teams apply criteria, assess applications, and assign ratings, among other things before soliciting applications; and that key decisions be documented throughout the application review and selection process. DOT concurred with our recommendations.

View [GAO-18-38](#). For more information, contact Susan Fleming at (202) 512-2834 or [flemings@gao.gov](mailto:flemings@gao.gov).

November 2017

## DISCRETIONARY TRANSPORTATION GRANTS

### DOT Should Take Actions to Improve the Selection of Freight and Highway Projects

## What GAO Found

In 2016, the Department of Transportation (DOT) developed a multi-phased review and selection process for a new grant program—the Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE). DOT awarded FASTLANE grants to 18 freight and highway projects. Multiple teams of reviewers evaluated 218 applications based on an evaluation plan that outlined the criteria and process for evaluating applications. GAO found that the awarded projects addressed key program requirements, such as ensuring that at least 10 percent of awarded funds went to small projects and 25 percent to projects located in rural areas.

DOT generally followed the process outlined in the FASTLANE evaluation plan; however the plan resulted in inconsistencies and allowed for broad discretion during certain team reviews. GAO found the Technical Review Teams—teams of modal administration representatives tasked with assessing potential projects against established criteria—used different definitions when assigning technical ratings, likely contributing to scoring variances. In addition, GAO found the evaluation plan gave the Senior Review Team—a team of senior officials responsible for assembling the list of projects for consideration by the Secretary—broad discretion when assembling the list. For example, the evaluation plan and other guidance did not specify the conditions under which the Senior Review Team may take certain actions to potentially advance large projects that did not initially meet certain statutory requirements—likely affecting which projects were forwarded to the Secretary of Transportation to be considered for awards. Without defined procedures in the evaluation plan to ensure all applications are reviewed similarly, DOT may be vulnerable to questions about the integrity of the selection process.

DOT's FASTLANE review process followed some and partially followed other recommended discretionary grant award practices that GAO has previously identified based on Office of Management and Budget and other guidance. For example, DOT followed the practice of assessing applicants' capability to account for funds. However, DOT only partially followed some grant practices, including the recommended practice to document the rationale for award selections. Based on a review of FASTLANE's decision-making documentation, GAO was unable to determine the rationale for selecting the 18 awarded projects. This documentation restated the anticipated benefits of the selected projects, but did not otherwise provide insight into why some projects were selected for awards over others. Without complete documentation of the decision-making, the transparency of the application review and selection process is limited. Further, DOT did not finalize the evaluation plan prior to announcing the solicitation of applications for fiscal year 2016 grants, as required by DOT guidance. In June 2017, DOT announced a new grant program that supersedes the FASTLANE program. According to DOT officials, the solicitation of applications for the new program was also made without an evaluation plan in place, raising concerns the new program may encounter consistency and transparency issues similar to those identified in the FASTLANE program.

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## Abbreviations

DOT	Department of Transportation
FAST Act	Fixing America's Surface Transportation Act
FASTLANE	Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (grant program)
FHWA	Federal Highway Administration
FRA	Federal Railroad Administration
INFRA	Infrastructure for Rebuilding America (grant program)
MARAD	Maritime Administration
NEPA	National Environmental Policy Act
NOFO	notice of funding opportunity
TIGER	Transportation Investment Generating Economic Recovery (grant program)

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November 2, 2017

The Honorable John Thune  
Chairman  
The Honorable Bill Nelson  
Ranking Member  
Committee on Commerce, Science and Transportation  
United States Senate

The Honorable John Barrasso  
Chairman  
The Honorable Tom Carper  
Ranking Member  
Committee on Environment and Public Works  
United States Senate

The Honorable Bill Shuster  
Chairman  
The Honorable Peter A. DeFazio  
Ranking Member  
Committee on Transportation and Infrastructure  
House of Representatives

Federal transportation grants provide critical funding to help build highways, bridges, mass transit systems, and port infrastructure. The federal government awards discretionary grants (i.e., competitive grants) to nonfederal parties, including state and local governments to help achieve national objectives. According to federal spending data reported on [USAspending.gov](http://USAspending.gov), in fiscal year 2016, federal agencies awarded over \$666 billion in grants, about \$56 billion of which was awarded by the Department of Transportation (DOT). In December 2015, the Fixing America's Surface Transportation Act (FAST Act) authorized DOT to award \$4.5 billion in discretionary grants for nationally significant freight and highway projects for fiscal years 2016 through 2020.<sup>1</sup> In turn, DOT developed the Fostering Advancement in Shipping and Transportation for

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<sup>1</sup>Pub. L. No. 114-94, §1101(a)(5), 129 Stat. 1312, 1323 (2015).

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the Long-term Achievement of National Efficiencies (FASTLANE) grant program, designed to fund freight and highway projects.<sup>2</sup>

The FAST Act included a provision that we assess DOT's FASTLANE grant selection process.<sup>3</sup> This report addresses: (1) the processes used to evaluate and award FASTLANE grants and the outcomes of those processes, (2) the extent to which DOT followed its FASTLANE evaluation plan, and (3) the extent to which the process was aligned with recommended practices and DOT's own guidance for awarding discretionary grants.

To address our objectives, we reviewed agency documents including the March 2016 notice of funding opportunity (NOFO),<sup>4</sup> the FASTLANE evaluation plan, training materials provided to technical teams that conducted the reviews, and other program guidance and documents explaining the criteria and processes used for the FASTLANE grant program. We interviewed DOT officials about whether and how they applied the program's criteria and processes. We compared the FASTLANE program criteria and processes to DOT's documentation of its FASTLANE grant decisions for fiscal year 2016 and DOT's agency-wide financial assistance guidance (DOT's guidance).<sup>5</sup> As part of our review of the decision documents, we interviewed officials about the applicant data and their views on the quality of FASTLANE data. We determined that the data were sufficiently reliable for the purposes of producing descriptive statistics about the applicants and of determining whether the awards met key statutory requirements. We also interviewed DOT officials about how the requirements affected the evaluation and selection process. We did

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<sup>2</sup>On June 29, 2017, DOT announced in a new Notice of Funding Opportunity (NOFO) that the FASTLANE program was being renamed the Infrastructure for Rebuilding America (INFRA) program which we will briefly discuss later in the report. 82 Fed. Reg. 31135 (July 5, 2017). A NOFO is a notice announcing the agency is soliciting project applications to receive grant funds and includes information on the program, eligibility, and application submission and review information, among other things. This review, authorized by the FAST Act, focuses on the fiscal-year 2016 process for awarding grants authorized by the FAST Act under the FASTLANE process.

<sup>3</sup>Pub. L. No. 114-94, § 1105(a), 129 Stat. 1312, 1336 (codified at 23 U.S.C. § 117(n)(2)).

<sup>4</sup>A notice of funding opportunity (NOFO) is a notice announcing the agency is soliciting project applications to receive grant funds and includes information on the program, eligibility, and application submission and review information, among other things.

<sup>5</sup>DOT, *Financial Assistance Guidance Manual* (Washington, D.C., March 2009 and December 2016).

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not review each application to determine the extent to which the individual application aligned with selection criteria. Nor did we assess whether the projects selected by DOT for grant awards would achieve the benefits stated in the applications or evaluate the costs or the merit of the projects.

We compared GAO best practices for discretionary grant programs<sup>6</sup> to information from the 2016 NOFO, the FASTLANE evaluation plan, guidance to applicant reviewers, other program-related guidance, and statements made by DOT officials regarding their implementation of the program. Similarly, we compared DOT's guidance to the FASTLANE documents and processes. We also interviewed a non-generalizable sample of 13 FASTLANE program applicants, which we selected to provide a range of factors such as the size and location of the proposed project and the transportation mode to obtain information on the challenges they faced, if any, during the FASTLANE program's application process and the consistency of DOT's communications throughout the process. Although information obtained from these interviews cannot be generalized to all program applicants, the interviews provided insights into applicants' experiences with the program. Further details on our scope and methodology can be found in appendix I.

We conducted this performance audit from October 2016 to November 2017 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.

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## Background

States and local governments are among the eligible entities that may apply for FASTLANE grants. The program may fund large and small freight or highway projects if the awarded projects meet the statutory

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<sup>6</sup>GAO, *Intercity Passenger Rail: Recording Clearer Reasons for Awards Decisions Would Improve Otherwise Good Grantmaking Practices*, [GAO-11-283](#) (Washington, D.C.: Mar 10, 2011)



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requirements outlined in the FAST Act.<sup>7</sup> Some key statutory requirements for FASTLANE awards include:

- Ten percent of available funds are reserved for small projects. Minimum awards for individual projects are \$25 million for large projects, and \$5 million for small projects. Large projects had to meet seven additional statutory requirements in order to be eligible for selection by the Secretary.<sup>8</sup> The Secretary only had to consider these requirements for small projects. At least 25 percent of available funds are also reserved for rural areas unless DOT does not receive enough qualified rural project applicants.<sup>9</sup>
- FASTLANE grants may be used for up to 60 percent of a proposed project's future eligible costs. Total federal assistance may not exceed 80 percent of future eligible costs.<sup>10</sup>
- No more than \$500 million, in aggregate, over fiscal years 2016 through 2020 may be used to fund freight rail, water (including ports), or other freight intermodal projects.

In March 2016, DOT issued a NOFO for \$759.2 million available for award for the first round of FASTLANE grant awards (fiscal year 2016) that reflected several federal goals outlined in the FAST Act.<sup>11</sup> According

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<sup>7</sup> The minimum project size for large projects is equal to or the lesser of \$100 million or 30 percent of a state's fiscal year 2015 federal-aid apportionment. For projects in multiple states, the minimum size is equal to or the lesser of \$100 million or 50 percent of the larger participating state's fiscal year 2015 apportionment. A small project is an eligible project that does not meet the minimum project size for a large project.

<sup>8</sup>The seven statutory requirements for large projects are that the project: (1) generates national or regional economic, mobility, or safety benefits; (2) is cost-effective; (3) contributes to one or more of the goals described in 23 U.S.C. § 150; (4) is based on the results of preliminary engineering; (5) has one or more stable and dependable funding or financing sources to construct, maintain, and operate, and contingency amounts to cover unanticipated cost increases; (6) cannot be easily and efficiently completed without other federal funding or financial assistance; and (7) is reasonably expected to begin construction no later than 18 months after the date of obligation of funds for the project. 23 U.S.C. § 117(g).

<sup>9</sup> As defined by the FAST Act, the term "rural area" means an area that is outside an urbanized area with a population of over 200,000.

<sup>10</sup>For federal land management agencies that apply jointly with a state, federal funds not made available under titles 23 or 49 of United States Code may be used for the non-federal share.

<sup>11</sup>81 Fed. Reg. 10955 (Mar. 2, 2016). In November 2016, DOT issued a funding announcement for \$850 million for the second year of FASTLANE grant awards (fiscal year 2017). 81 Fed. Reg. 76688 (Nov. 3, 2016).

to DOT’s NOFO, the program provides an opportunity to address nationally or regionally significant challenges across the nation’s transportation system including: (1) improving the safety, efficiency, and reliability of the movement of freight and people; (2) generating national or regional economic benefit and an increase in the global economic competitiveness of the United States; (3) reducing highway congestion and bottlenecks; (4) improving connectivity between modes of freight transportation; (5) enhancing the resiliency of critical highway infrastructure and help protect the environment; (6) improving roadways vital to national energy security; and (7) addressing the impact of population growth on the movement of people and freight. To address these goals, DOT used six criteria to evaluate applications—four designated as merit criteria “outcomes” and two designated as “other” criteria (see table 1).

**Table 1: Criteria for Proposed Projects in the Fostering Advancements in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) Grant Program**

<b>Merit Criteria</b>	<b>Description</b>
Economic Outcomes	<ul style="list-style-type: none"> <li>Improving connectivity between freight modes of transportation.</li> <li>Improving roadways vital to national energy security.</li> <li>Facilitating freight movement across land border crossings.</li> <li>Addressing the impact of population growth on the movement of people and freight.</li> </ul>
Mobility Outcomes	<ul style="list-style-type: none"> <li>Maintaining highways, bridges, and freight infrastructure in a state of good repair.</li> <li>Enhancing the resiliency of critical surface transportation infrastructure.</li> <li>Significantly reducing highway congestion and bottlenecks.</li> </ul>
Safety Outcomes	<ul style="list-style-type: none"> <li>Achieving a significant reduction in traffic fatalities and serious injuries on the surface transportation system, as well as improving interactions between roadway users.</li> <li>Reducing the likelihood of train derailments or high consequence events.</li> <li>Improving safety in transporting certain types of commodities.</li> </ul>
Community and Environment Outcomes	<ul style="list-style-type: none"> <li>Extending benefits to the human and natural environment, or enhancing personal mobility and accessibility. This includes reducing the negative effects of existing infrastructure, removing barriers, avoiding harm to the human and natural environment, and using design improvements to enhance access (where appropriate) and environmental quality for affected communities.</li> <li>Reflecting meaningful community input provided during project development.</li> </ul>
<b>Other Criteria</b>	<b>Description</b>
Partnership and Innovation	<ul style="list-style-type: none"> <li>Demonstrates strong collaboration among a broad range of stakeholders or uses innovative strategies to pursue primary outcomes listed above including efforts to reduce delivery delays.</li> <li>Additional consideration will be given for the use of innovative and flexible designs and construction techniques or innovative technologies.</li> </ul>

Other Criteria	Description
Cost Share	<ul style="list-style-type: none"> <li>• Has one or more stable and dependable sources of funding and financing to construct, maintain, and operate the project.</li> <li>• Demonstrates that the project cannot be easily and efficiently completed without other federal funding or financial assistance available to the project sponsor.</li> <li>• Additional consideration will be given to the use of nontraditional financing, as well as the use of non-federal contributions.</li> <li>• Additional consideration may be given to the form of cost sharing presented in the application. Firm commitments of cash that indicate a complete project funding package and demonstrate local support for the project are more competitive than other forms of cost sharing.</li> </ul>

Source: Department of Transportation fiscal year 2016 notice of funding opportunity | GAO-18-38

Since 2011, we have reviewed a number of other DOT grant programs and found limited transparency in the programs' grant award processes and insufficient documentation of award decisions. The programs we reviewed include the following:

- The Transportation Investment Generating Economic Recovery (TIGER) grant program: In March 2011, we first reviewed the TIGER program and found that DOT did not document final grant award decisions and its rationale for selecting lower-rated projects over higher-rated ones. We recommended that DOT document key decisions for all major steps in the future reviews of applications, and this recommendation was implemented.<sup>12</sup> However, when we reviewed the fifth round of the TIGER program in May 2014, we found that DOT deviated from its established procedures and did not document key decisions, including decisions to advance lower-rated projects over higher-rated projects.<sup>13</sup> We again recommended that DOT document major decisions in the application evaluation and project selection process, among other things. DOT agreed with this recommendation, and it remains open pending a DOT Inspector General audit of the TIGER program.

<sup>12</sup>GAO, *Surface Transportation: Competitive Grant Programs Could Benefit from Increased Performance Focus and Better Documentation of Key Decisions*, [GAO-11-234](#), (Washington, D.C.: Mar 30, 2011).

<sup>13</sup>GAO, *Surface Transportation: Actions Needed to Improve Documentation of Key Decisions in the TIGER Discretionary Grant Program*, [GAO-14-628R](#), (Washington, D.C.: May 28, 2014).

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- The High Speed Intercity Passenger Rail grant program: In March 2011, we found that the rationales for selection decisions were too vague for us to verify whether final selection criteria had been applied. We recommended that the Federal Railroad Administration (FRA) document the substantive reasons behind award decisions to better ensure accountability of federal funds.<sup>14</sup> FRA implemented this recommendation.
  - The Hurricane Sandy transit resilience grant program: In December 2016, we found that the Federal Transit Administration (FTA) did not take sufficient steps to ensure the process was consistent or appropriately documented.<sup>15</sup> We also noted a pattern of problems with DOT discretionary grant programs and found that DOT did not have clear department-wide requirements for what should be documented when evaluating potential projects. Because of the repeated problems we found in previous programs, we recommended that the Secretary issue a directive that governs department-wide and modal administration grant programs. We also recommended that DOT determine how the evaluation process will be overseen to ensure a consistent review of applications. DOT agreed with the recommendations and has taken some actions.

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## DOT Developed Review and Selection Processes and Awarded 18 FASTLANE Grants That Met Size and Location Requirements

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<sup>14</sup>[GAO-11-283](#).

<sup>15</sup>GAO, *DOT Discretionary Grants: Problems with Hurricane Sandy Transit Grant Selection Process Highlight the Need for Additional Accountability*, [GAO-17-20](#), (Washington, D.C.: May 28, 2014).

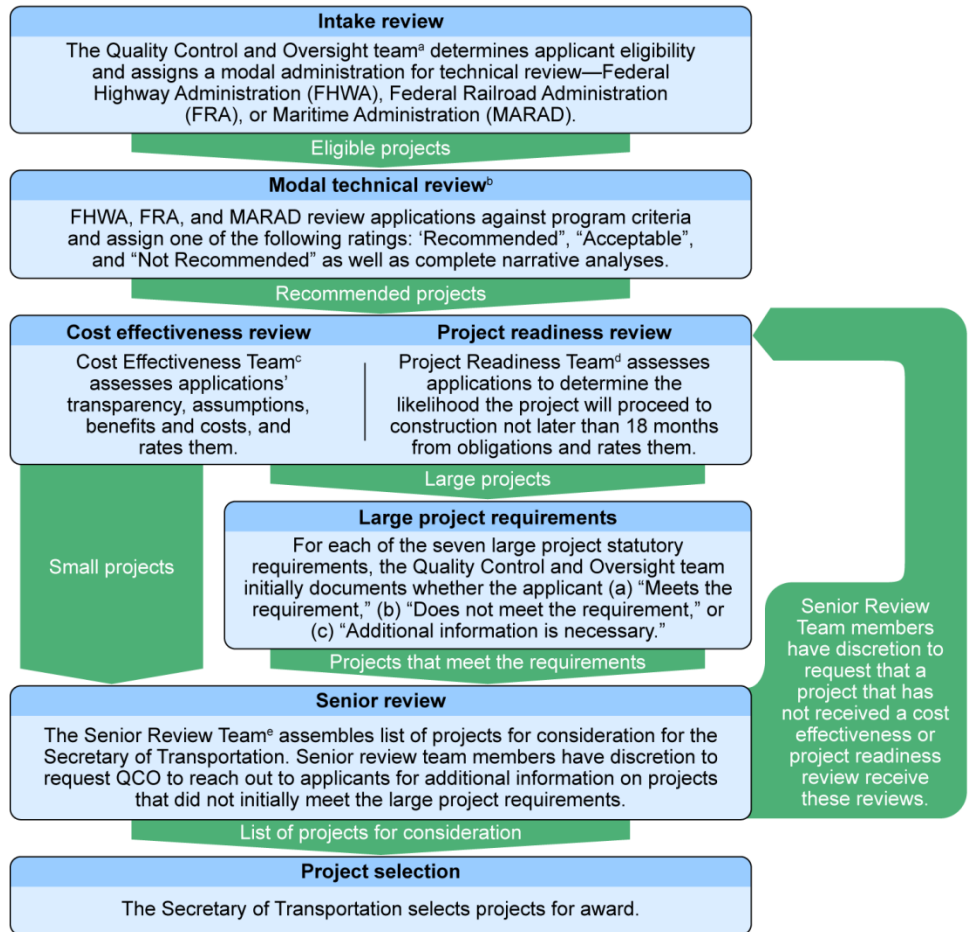
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## DOT's FASTLANE Review and Selection Processes

To review the submitted applications, DOT developed a multi-phased review process. Technical Review Teams from the Federal Highway Administration (FHWA), Maritime Administration (MARAD), and FRA assessed and rated applications. A Senior Review Team consisting of senior departmental officials then assembled a list of projects for consideration by the Secretary to consider for award. Throughout the process, a Quality Control and Oversight Team consisting of officials from the Office of the Secretary and the team leaders of the technical review teams was responsible for ensuring consistency across project evaluations and that the review teams provided appropriate documentation. DOT outlined these processes for reviewing and selecting applications in an internal May 2016 evaluation plan. More details on the evaluation process were outlined in additional FASTLANE guidance, which was issued to reviewers involved in the review and selection process (see Fig. 1).

**Figure 1: Review and Selection Process for the Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) Grant Program (Fiscal Year 2016)**



Source: GAO analysis of the 2016 FASTLANE evaluation plan and guidance. | GAO-18-38

<sup>a</sup>The Quality Control and Oversight Team consisted of officials from the Office of the Secretary and team leaders from the modal technical reviews, among others.

<sup>b</sup>Modal Technical Review Teams consisted of staff from FHWA, FRA, and MARAD.

<sup>c</sup>Cost Effectiveness Review Teams consisted of modal administration economists.

<sup>d</sup>Project Readiness Review Teams consisted of project delivery experts.

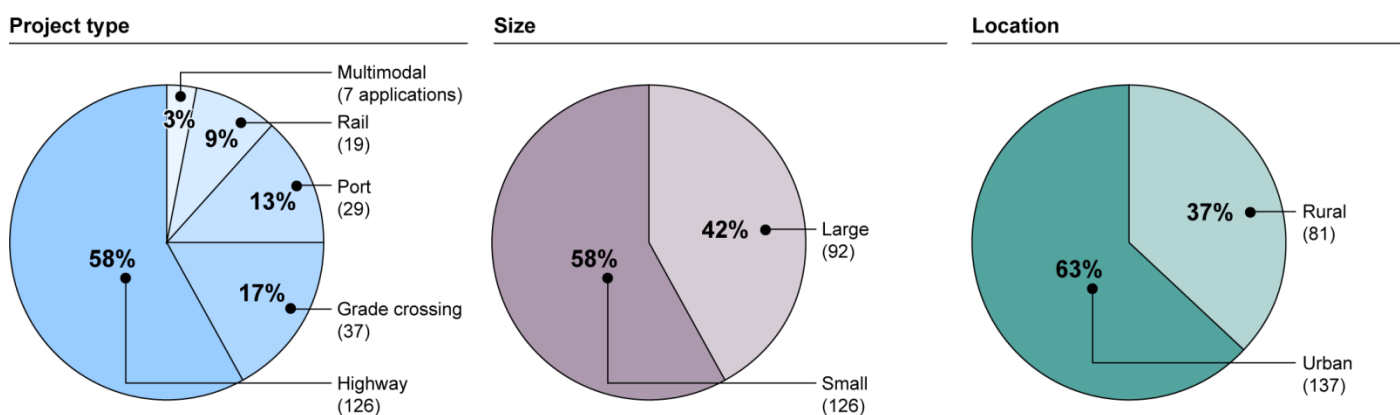
<sup>e</sup>The Senior Review Team consisted of senior departmental officials.

**Intake Review**

First, according to the evaluation plan, the Quality Control and Oversight Team undertakes the Intake Review Phase. The Quality Control and Oversight Team assesses each of the applications to determine (1)

eligibility, (2) project size (Large or Small), (3) initial highway and non-highway cost components, (4) Urban/Rural designation, and (5) the appropriate modal technical review team. DOT received 218 applications in April 2016 requesting a total of about \$9.8 billion, about thirteen times the \$759 million available for award applications. Project sponsors from 46 states and the District of Columbia submitted applications, over 37 percent of which were located in rural areas. Proposed highway projects represented the largest number of applications by project type, comprising about 58 percent. (See fig. 2) In addition, 58 percent of all proposed projects qualified as a small project, and 63 percent as an urban project.<sup>16</sup>

**Figure 2: Characteristics of Applications for the Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) Grant Program (Fiscal Year 2016)**



Source: GAO analysis of Department of Transportation information. | GAO-18-38

Of the 218 applications submitted for FASTLANE funding for fiscal year 2016, the Quality Control and Oversight Team initially identified six projects that were ineligible for funding.<sup>17</sup>

## Modal Technical Review

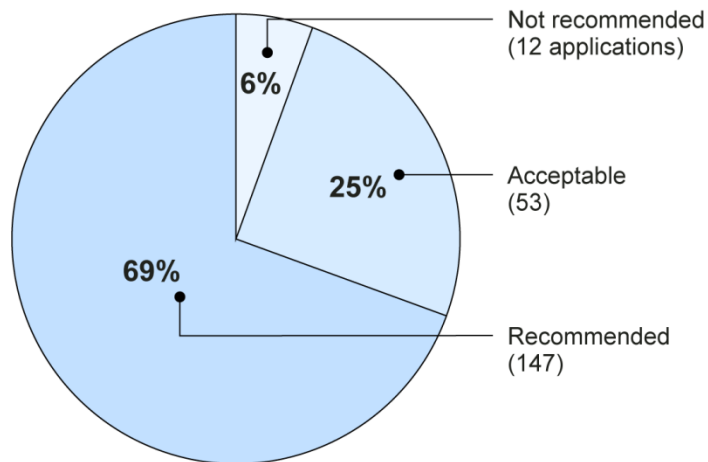
The remaining 212 eligible projects proceeded to the Technical Review phase where they were assigned to a modal team from the FHWA, FRA,

<sup>16</sup> The term “urban” means an area with a population of more than 200,000 individuals, as defined by the Bureau of the Census.

<sup>17</sup> An additional project received a technical, cost effectiveness, and project readiness review, but was later found to be ineligible because its total project costs classified it as a large project (large projects have total project costs equal to or the lesser of \$100 million or 30 percent of a state’s fiscal year 2015 federal-aid apportionment) and the project’s scope was insufficient to make a minimum \$25 million award.

and MARAD. Technical Review Teams assessed potential projects against the six DOT criteria (see table 1) and assigned one of the following ratings: “recommended,” “acceptable,” or “not recommended” as well as developed narrative analyses. These narratives describe how the application addresses each of the selection criteria. According to DOT officials, they designed the evaluation process to focus less on specific ratings and more on the overall analysis, including the narratives. Once the teams assigned their ratings, a member from the Quality Control and Oversight Team was responsible for ensuring that the analyses provided enough information for the Senior Review Team and that the ratings were assigned consistent with the program’s guidelines. If the Technical Review team rated a project as “recommended,” the project was automatically forwarded for additional reviews by Cost Effectiveness and Project Readiness Review teams.<sup>18</sup> Of the eligible 212 applications assigned to the modal technical teams for review, about 69 percent of the applications, or 147 projects, received the highest technical rating of “recommended,” and were advanced for further review (see fig 3).

**Figure 3: Modal Technical Review Ratings for Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) (fiscal year 2016)**



Source: GAO analysis of Department of Transportation information. | GAO-18-38

<sup>18</sup> The Senior Review Team may also request other projects receive a Cost Effectiveness and Project Readiness review during a later phase of the review process.



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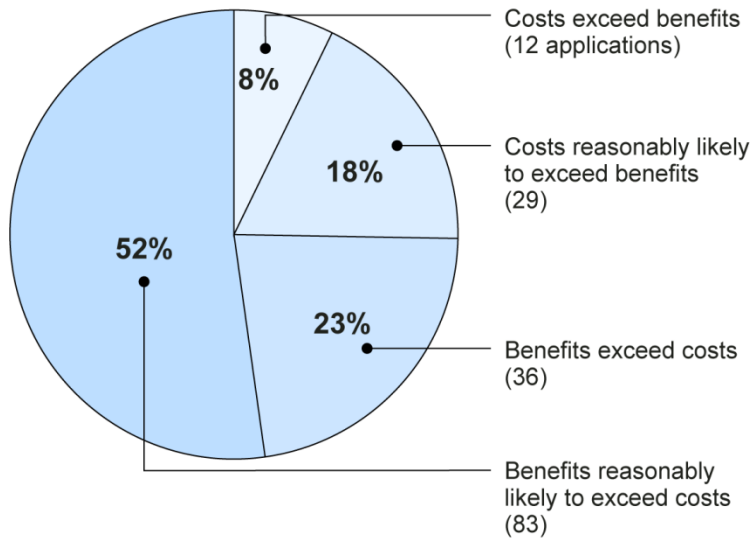
## Cost Effectiveness Review

In total, 160 applications (147 “recommended” applications, as well as 13 additional applications that were rated “acceptable”) were assessed by the Cost Effectiveness Review Team. The Cost Effectiveness reviews were primarily completed by modal administration economists and DOT officials told us they also included statisticians and a transportation analyst. As part of their review, they assigned one of four ratings: (1) benefits exceed costs; (2) benefits reasonably likely to exceed costs; (3) costs reasonably likely to exceed benefits; and (4) costs exceed benefits as well as narrative analyses.<sup>19</sup> According to staff that conducted the Cost Effectiveness reviews we interviewed, the ratings were primarily based on their assessment of uncertainty regarding the application’s stated assumptions and the Benefit-Cost Ratio estimate. However, according to DOT officials, the ratings were not intended to disqualify any project at this phase, but to provide additional information on the projects. In total, about 75 percent of the 160 applications reviewed by the Cost Effectiveness Teams were found to have “benefits exceed costs” or “benefits likely to exceed costs” (see fig 4).

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<sup>19</sup>To award a large project, the Secretary must determine that the project is cost effective. For small projects, the statute directs the Secretary to consider the project’s cost effectiveness and mobility benefits.

**Figure 4: Cost Effectiveness Ratings for Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) (Fiscal Year 2016)**



Source: GAO analysis of Department of Transportation information. | GAO-18-38

## Project Readiness Review

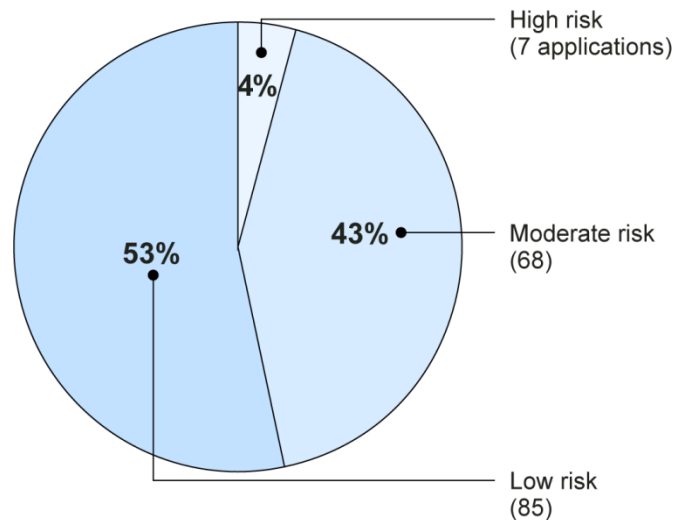
Concurrently with the Cost Effectiveness reviews, the Project Readiness Review Teams, which were comprised of modal project delivery experts, assessed the 160 applications against a number of factors to assess the likelihood the project would proceed to construction within 18 months of obligation and identify any other potential risks to the project's completion.<sup>20</sup> Members of the Project Readiness team told us they evaluated a project's readiness by evaluating the information provided in the application, such as the status of the National Environmental Policy Act (NEPA) requirements,<sup>21</sup> technical feasibility, project risks and

<sup>20</sup>To award a large project, the Secretary must determine that the project is reasonably expected to begin construction not later than 18 months after obligation. As a result, obligation must occur no later than September 30, 2019 and construction no later than March 30, 2021.

<sup>21</sup>The National Environmental Policy Act (NEPA) requires federal agencies to integrate environmental values into their decision-making processes by considering the environmental impacts of their proposed actions and reasonable alternatives to those actions. To meet NEPA requirements, federal agencies may be required to prepare a detailed statement known as an environmental impact statement. The Environmental Protection Agency reviews and comments on environmental impact statements prepared by other federal agencies.

mitigation, committed capital, and contingency reserves, among other factors. The teams then assigned one of three ratings: low risk, moderate risk, and high risk as well as prepared narrative analyses. Project Readiness Team members said low risk applications, for example, may have completed the NEPA process and sufficiently demonstrated that they were able to complete the project; a moderate risk designation meant that a project may have had potential issues of which decision-makers should be aware (e.g. there might be a high environmental risk). Further, they told us high risk project designations were reserved for severe “red flags,” such as the applicant’s needing state legislation to approve the project. In total, about 96 percent of eligible applications were found to be either “low” or “moderate” risk, as shown in figure 5. However, similar to the Cost Effectiveness reviews, DOT officials told us the ratings were not intended to disqualify any projects, but provide additional information on the projects.<sup>22</sup>

**Figure 5: Project Readiness Ratings for Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) (Fiscal Year 2016)**



Source: GAO analysis of Department of Transportation information. | GAO-18-38

<sup>22</sup>Overall, 21 projects received the highest possible scores in each of three rating categories (“recommended”, “benefits exceed costs”, and “low risk”) and 4 were awarded grants.

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## Large Project Requirements

The Quality Control and Oversight team, in addition to being involved throughout the process, used the information from the technical analyses, cost effectiveness, and project readiness reviews to assess whether large projects met the seven additional statutory requirements. A large project cannot be added to the list of consideration by the Secretary unless it satisfied all seven statutory requirements. Of the 160 projects that received the technical, cost effectiveness and project readiness reviews, 74 were considered large projects and had to meet the additional statutory requirements. For each requirement, the evaluation plan required the Quality Control and Oversight Team to document whether the project (1) meets the requirement, (2) does not meet the requirement, or (3) additional information is necessary to make a determination. According to members from the Quality Control and Oversight Team, if the teams' narratives did not provide enough information to determine whether a project met a requirement, they typically documented "additional information is necessary," and rarely documented that a project did not meet the requirement. Officials told us that for a project to be documented as not meeting a requirement, the applications generally had to explicitly state it could not meet the statutory requirement.

## Senior Review

The responsibility of the Senior Review Team was to assemble a list of projects for consideration by the Secretary. The Senior Review Team consisted of senior departmental officials from the Office of the Secretary, FHWA, FRA, and MARAD who had been requested to serve by the Secretary. Senior Review Team members had access to all applications, the narrative analyses, and the three ratings assigned by the various technical review teams. According to the evaluation plan, a Senior Review Team member could also request that a project that did not receive a cost effectiveness or project readiness review be referred to the Cost Effectiveness and Project Readiness Teams for review. Projects that did not receive such reviews initially were those rated as "acceptable" or "not recommended" during the modal administration technical review. FASTLANE guidance stated that a Senior Review Team member must provide one of the following rationales to request such a review: (1) the technical review evaluation did not take into account new or additional information that supports a different rating with regard to specific selection criteria; (2) the technical review evaluation did not properly weigh the selection criteria; or (3) the project should be considered by the Secretary for its contributions to geographic diversity among grant recipients. Of the 13 applications that were rated as "acceptable" and received cost

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effectiveness and project readiness reviews, 12 were requested to receive these reviews by the Senior Review Team.<sup>23</sup>

Of the 160 applications that received a Technical, Cost Effectiveness, and Project Readiness review, the Senior Review Team assembled a list of 130 projects (88 small projects and 42 large projects) to be considered by the Secretary for award. Under the evaluation plan, all small projects that were rated “recommended” were automatically included on the list of projects for consideration by the Secretary. For large projects that did not initially meet all seven statutory requirements based on the grant application, the Senior Review Team could provide additional information themselves or request the Quality Control and Oversight Team obtain the necessary information which could potentially enable the project application to meet the requirements. Of the 74 large projects forwarded to the Senior Review Team, 32 of the projects did not make the list of consideration because they were unable to meet all 7 requirements.<sup>24</sup>

#### Project Selection

The evaluation plan required the Secretary to present initial project selections to the Senior Review Team. At that time, Senior Review Team members could advise the Secretary on any project on the list of projects for consideration. However, the Secretary had the authority to select any eligible project for award that satisfied the statutory requirements.

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#### DOT Awarded 18 Projects That Met Statutory Project Size and Location Requirements

In September 2016, DOT announced it had selected 18 applicants to receive approximately \$759 million in funding (see table 2). All of the awarded projects received a cost effectiveness rating of “benefits exceed costs,” or “benefits were reasonably likely to exceed costs.” Similarly, all awarded projects received a Project Readiness rating of “low” or “moderate” risk.<sup>25</sup> The amount awarded to individual projects ranged from \$5 million for a small highway project to \$165 million for a large

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<sup>23</sup>The other application rated “acceptable,” according to DOT officials, was advanced to the Cost Effectiveness and Project Readiness teams prematurely before the Technical Review Team finalized the rating. In total, 11 of the 13 “acceptable” applications were eventually included on the list of projects for consideration.

<sup>24</sup>Senior Review Team members had the option of removing any large or small project from the list if they provided a criteria-based reason for doing so.

<sup>25</sup>Of the 18 projects awarded, 16 were rated as “recommended” and 2 were rated as “acceptable” by the Technical Review Teams. Six had a Cost Effectiveness rating of “benefits exceed costs” and 12 were “reasonably likely to exceed costs.” Eight had a Project Readiness rating of “moderate risk” and 10 were rated as “low risk.”

multimodal project. The two largest recipients—the Atlantic Gateway Project and the Arlington Memorial Bridge Reconstruction Project—account for about a third of the total funding awarded. Further, three out of the seven proposed projects that were characterized as “multimodal” were awarded funds.

**Table 2: Department of Transportation’s (DOT) Selections and Funding by Recipient for the Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) Grant Program (Fiscal Year 2016)**

In dollars

Project Name and Location	Urban or Rural	Project Type	Size	Award Amount
Atlantic Gateway: Partnering to Unlock the I-95 Corridor (Richmond, VA)	Urban	Multimodal	Large	165,000,000
Arlington Memorial Bridge Reconstruction Project (Washington, DC)	Urban	Highway	Large	90,000,000
US 69/75 Bryan County (Oklahoma City, OK)	Rural	Grade Crossing	Large	62,000,000
I-10 Freight CoRE (Baton Rouge, LA)	Rural	Highway	Large	60,000,000
Interstate 10 Phoenix to Tucson Corridor Improvements (Phoenix, AZ)	Rural	Highway	Large	54,000,000
SR-11 Segment 2 and Southbound Connectors (Sacramento, CA)	Urban	Highway	Large	49,280,000
South Lander Street Grade Separation and Railroad Safety Project (Seattle, WA)	Urban	Grade Crossing	Large	45,000,000
Port of Savannah International Multi-Modal Connector (Garden City, GA)	Urban	Port	Large	44,000,000
Conley Terminal Intermodal Improvements and Modernization (East Boston, MA)	Urban	Port	Large	42,000,000
I-39/90 Corridor Project (Dane, WI)	Rural	Highway	Large	40,000,000
I-390/I-490/Route 31 Interchange, Lyell Avenue Corridor Project (Albany, NY)	Urban	Highway	Large	32,000,000
Cedar Rapids Logistics Park (Ames, IA)	Rural	Multimodal	Small	25,650,000
Coos Bay Rail Line - Tunnel Rehabilitation Project (Coos Bay, OR)	Rural	Rail	Small	11,000,000
Truck Parking Availability System (TPAS) (Tallahassee, FL)	Rural	Highway	Small	10,778,237
Cross Harbor Freight Program (New York, NY)	Urban	Port	Small	10,672,590
Maine Intermodal Port Productivity Project (Augusta, ME)	Urban	Port	Small	7,719,173
U.S 95 North Corridor Access Improvement Project (Boise, ID)	Rural	Highway	Small	5,100,000

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In dollars

<b>Project Name and Location</b>	<b>Urban or Rural</b>	<b>Project Type</b>	<b>Size</b>	<b>Award Amount</b>
Strander Boulevard Extension and Grade Separation Phase 3 (Tukwila, WA)	Urban	Multimodal	Small	5,000,000
<b>TOTAL</b>				<b>759,200,000</b>

Source: GAO analysis of DOT data. | GAO-18-38

Based on our analysis, we found that the award amounts—such as the minimum a project can receive and the mix of funds awarded to rural and small projects—met the program’s statutory requirements. As shown in table 2, eight rural projects (four large projects and four small projects) received awards totaling about \$269 million, 35 percent of the total funds awarded. In addition, seven small projects received about \$75 million or 10 percent of the total funds awarded, as required by the FAST Act. According to DOT officials, large awarded projects also met the seven additional statutory requirements for large projects.<sup>26</sup> While there was no requirement to distribute awards across different modes of transportation under the FAST Act, no more than \$500 million could be awarded to non-highway projects, in aggregate, for fiscal years 2016 through 2020. Of the total funds awarded for fiscal year 2016, over \$173 million of the \$500 million was awarded to seven non-highway projects or projects with non-highway components. Further, under the FAST Act, the Secretary must consider geographic diversity during the selection process, but there were no other requirements related to geography.

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<sup>26</sup> We did not review each application to independently determine if applications aligned with the statutory requirements or if the applications would achieve their stated benefits or costs. However, we did review DOT’s documentation on its evaluation of statutory requirements, and whether DOT determined that requirements were met. We also interviewed DOT officials who commented on how the requirements affected the evaluation and selection process.

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## DOT's Review Teams Followed the FASTLANE Evaluation Plan, but the Plan Resulted in Technical Review Inconsistencies and Allowed the Senior Review Team Broad Discretion

Based on our review of the available documentation and interviews with DOT officials, we found DOT generally followed the application review process outlined in the evaluation plan. For example, the review teams conducted the required reviews at the appropriate times and provided ratings and narratives, when required. The FASTLANE evaluation plan, according to DOT officials, was intended to provide flexibility for the Secretary to select from a large list of projects assembled by the Senior Review Team. We found the 18 awarded projects were selected from the 130 projects provided to the Secretary by the Senior Review Team. Officials said this large list of projects was to ensure that the Secretary had enough options to meet the statutory requirements. DOT officials also told us the design of the process ensured that the staff's responsibility was to provide information to decision-makers at the highest level of review and not to disqualify projects. For example, the technical review teams were given fewer rating categories that, according to DOT officials, were "less precise" than the TIGER grant program to provide additional flexibility to the Secretary to be able to meet the program's statutory requirements.<sup>27</sup> However, we found that the intended flexibility outlined in the evaluation plan and the discretion provided to the Senior Review Team by the evaluation plan and other guidance may have contributed to inconsistencies in assigning ratings and some differences in how applications were reviewed.

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## Technical Review Team Ratings

The evaluation plan did not state how technical review teams should apply the technical rating definitions; allowing the three technical review teams from FHWA, MARAD, and FRA to apply DOT's selection criteria differently when assigning technical ratings, contributing to scoring variances. FASTLANE guidance for reviewers provided uniform definitions for the three rating categories, each of which hinged on the extent to which the project aligned with the selection criteria. (See table 3). As discussed earlier, the three technical review teams reviewed applications and assigned each project one of three ratings. The evaluation plan provided each team with the flexibility to design its structure and organization differently to accommodate differences in the number of applications and number of evaluators available and according to DOT officials, possible distinctions in project types.

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<sup>27</sup>Specifically, the TIGER grant program and the Hurricane Sandy transit resilience grant program: selected from four rating categories, which included a "highly recommended" category.



**Table 3: Technical Rating Definitions for the Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) Grant Program (Fiscal Year 2016)**

Rating	Description
Recommended	The project aligns well with the selection criteria.
Acceptable	The project aligns with the selection criteria.
Not Recommended	The project does not align with the selection criteria.

Source: DOT FASTLANE guidance | GAO-18-38

However, the technical review teams used different technical rating definitions when applying ratings during the evaluation processes. The evaluation plan and other FASTLANE guidance for reviewers did not state how technical review teams should determine whether a project “aligns well,” “aligns,” or “does not align” with the selection criteria. For example, for each of the ratings, the evaluation plan and FASTLANE guidance for reviewers did not state how many of the six selection criteria an applicant must meet to receive a “recommended,” “acceptable,” or “not recommended” rating. (See table 1.) According to DOT’s guidance, the structure of the evaluation process must be clearly defined in order for reviewers to apply the rating system accurately and fairly, and the evaluation plan should include information relative to the procedure to ensure an objective evaluation. For the FASTLANE program, DOT officials told us FHWA, MARAD, and FRA each crafted their own evaluation processes to account for the unique aspects of the various transportation modes; this process was intended to help ensure that projects were compared against other projects of the same mode consistently. To monitor consistency, the Quality Control and Oversight Team also reviewed the analyses and ratings. However, we found that the technical rating definitions were not clearly defined and that the technical teams for the three modal administrations applied the selection criteria inconsistently when rating applications.

- FRA: FRA’s technical review team members told us that they rated applications “recommended” if the rail project met one or more of the six criteria. They rated potential projects “acceptable” if raters could not connect the project to any of the criteria, and “not recommended” ratings were reserved for applications that lacked enough information for the team to be able to make a determination.
- MARAD: MARAD’s technical review team members—which consisted of five people—told us they generally required at least three of the six

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criteria to be met in order to assign a “recommended” rating. They explained that each reviewer assessed each application individually and rated each of the six criteria “recommended,” “acceptable,” or “not recommended.” An individual reviewer’s overall rating for the project was “recommended” if three or more criteria were “recommended.” After the reviewers determined their individual overall ratings, they determined a consensus rating—for example, if three out of five reviewers rated an application as “acceptable” then the final rating was “acceptable.”

- FHWA: FHWA’s technical review team members told us that their rating process was changed after they began reviewing projects. Originally, FHWA officials said an application needed to specifically mention freight benefits in order to receive a “recommended” rating. However, officials also said the Quality Control and Oversight Team intervened and redefined FHWA’s definitions of “recommended” and “acceptable.” After the change, FHWA technical review team members said projects had to “strongly meet” one of the six selection criteria or meet multiple criteria to a lesser degree. For example, they told us stronger cases could be made for projects that produced regional and national benefits. “Acceptable” projects met one criterion and “not recommended” projects failed to meet any criteria.

Because of these inconsistencies, projects reviewed by MARAD faced a higher barrier to being rated “recommended” as they had to meet multiple selection criteria to receive that rating (see table 4). This relatively high bar may have contributed to the lower percentage of MARAD-reviewed projects being automatically forwarded for the additional analysis required to be considered by the Secretary for award.<sup>28</sup>

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<sup>28</sup>Quality Control and Oversight officials told us that MARAD’s scores were lower because it was more difficult for port projects to demonstrate their benefits to the National Highway System. However, when we spoke to MARAD officials they told us that they required more than one criterion to be met to get a “recommended” rating.

**Table 4: Technical Review Ratings by Mode (Fiscal Year 2016)**

Header	Total Applicants	Recommended	Acceptable	Not Recommended
MARAD	32	13 41 percent	18 56 percent	1 3 percent
FRA	47	32 68 percent	12 26 percent	3 6 percent
FHWA	133	102 77 percent	23 17 percent	8 6 percent

Source: GAO analysis of DOT data. | GAO-18-38

Note: Percentages are rounded to the nearest percent.

## Senior Review Team Assessments

We found the Senior Review Team took different actions when assessing large projects; however, the evaluation plan and other guidance did not clearly specify the conditions in which these actions could be taken. More specifically, the evaluation plan and other guidance intended for the Senior Review Team to exercise broad discretion when deciding to take certain actions for large project applications that did not initially meet the large project statutory requirements. As we previously discussed, a large project cannot be added to list of projects for consideration unless it satisfies all seven statutory requirements. Overall, the Quality Control and Oversight Team determined nine out of the 74 large project proposals that received technical, cost effectiveness, and project readiness reviews were determined to clearly meet all seven statutory requirements based on the information documented in those reviews. These nine projects were subsequently put on the list of projects for consideration. However, a Senior Review member could add a project to the list that the Quality Control and Oversight Team determined did not meet one or more of the requirements by: (1) providing additional information themselves sufficient to meet the requirements or (2) requesting the Quality Control and Oversight Team to reach out to the applicant to seek such information. Quality Control and Oversight Team members said they refrained from communicating with applicants regarding additional information related to the statutory requirements unless specifically requested to do so by the Senior Review Team. They also said they were hesitant to disqualify applicants because, in part, they were directed to provide the most project options to senior leadership during the Senior Review Team meetings.

In addition, according to DOT's funding announcement, DOT may award funds for a component of a larger project if that component meets all of the eligibility requirements. We found the Senior Review Team took steps to remove specific components of some large projects proposals from funding consideration so the project could meet one or more of the

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statutory requirements. More specifically, the Senior Review Team advanced components of five large projects. DOT officials told us that the Senior Review Team had discretion in deciding whether to separate or otherwise modify the components of any project proposal and that other project proposals may have also been able to be eligible if modified.<sup>29</sup> The Senior Review Team advanced two large projects to the list of consideration by the Secretary after the team removed certain components from the applications that did not meet one or more of the large project statutory requirements. According to the Senior Review Team documentation:

- The Senior Review Team removed the planning component, which was one of four project elements in order for the project to meet two of the statutory requirements: (1) the project is reasonably expected to begin construction within 18 months and (2) the project is based on the results of preliminary engineering.
- For another project, the Senior Review Team considered separating the large project into multiple, independent small projects, in part, because the Cost Effectiveness Team identified certain components as not cost effective. The Quality Control and Oversight Team also found that an engineering component of the large project proposal would not be able to meet one or more of the statutory requirements. Consequently, the Senior Review Team added the application to the list of projects for consideration as an integrated large project, but removed the engineering component.<sup>30</sup>

The Senior Review Team analyzed the other three large project proposals in terms of their independence as small projects. For example, the Senior Review Team separated a large project into two independent small project proposals, in part, because as a large project all of its components initially did not meet some of the large project requirements. The Senior Review Team decided to examine its components separately and split the project into two independent small projects: one for construction and one for planning. Consequently, the construction project

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<sup>29</sup>Officials told us not all large project applications or their evaluations identified specific components.

<sup>30</sup>The original project included highway and rail components; however, the technical review team determined that the rail components were not cost effective on their own. Evaluated as one large project, however, the Senior Review Team determined that the entire project was cost effective. The engineering component was removed because it could not meet the 18-month statutory timeframe to begin construction.

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received one of the small project awards. In another example, after six of seven components of a large project were unable to meet the cost effectiveness requirement, the Senior Review Team added the remaining component as a small project to the list of consideration. However, this project did not receive an award.

Based on our review of DOT's documentation, we found the Senior Review Team added an additional 33 large project proposals to the list of projects for consideration by requesting or providing additional information or by modifying the project proposals.<sup>31</sup> However, it is unclear if any other projects would have been able to meet the statutory requirements if similar actions had been taken and, consequently, been added to the list of projects for consideration by the Secretary. For example, some applications with high ratings in all three technical categories were not included on the list of projects for consideration because one or more large project requirements received an "additional information is necessary" but the Senior Review Team took no further action. One such project, for example, had ratings of "recommended," "benefits exceed costs," and "low risk," but received no follow up to obtain additional information regarding one of the statutory requirements. On the other hand, for one awarded project, DOT obtained additional information regarding two statutory requirements and, later, modified the project proposal by removing a specific component so it could meet another two of the statutory requirements.

The lack of clearly defined procedures for the review teams and the discretion given to the teams by the evaluation plan and other guidance likely contributed to differences in how certain applications were reviewed, possibly affecting which projects were ultimately forwarded to the Secretary. According to internal control standards, it is important to clearly define the procedures and mechanisms that enforce management's directives to achieve its objectives in accordance with internal control standards.<sup>32</sup> DOT guidance also states an objective

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<sup>31</sup>According to DOT officials, a large number of projects did not explicitly address the specific requirement requiring applicants to demonstrate that their project cannot be easily or efficiently completed without federal funding in their application. As a result, the Under Secretary of Transportation for Policy requested the Quality Control and Oversight Team reach out to all applicants that did not initially meet this statutory requirement. After this communication, 17 applicants were added to the list.

<sup>32</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014)

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review is essential to ensuring a selection of applicants that best meet the needs of the program consistent with the published selection criteria. The guidance states such objectivity is essential to provide assurance to the public that the evaluation process is impartial and fair. Without defined procedures to ensure all applications are review similarly, DOT may be vulnerable to questions about the integrity of the process.

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## DOT's FASTLANE Process Did Not Fully Align with Recommended Discretionary Grant Practices or Its Own Guidance

In comparing DOT's FASTLANE grant award process to recommended practices for awarding discretionary grants, we found that DOT followed three recommended practices and partially followed three other practices. Specifically, we found that DOT followed the recommended practices: (1) of communicating with potential applicants prior to the competition, (2) of developing a technical review panel with certain characteristics, and (3) of assessing applicants' capabilities to account for funds. DOT partially followed the recommended practices: (1) of having a plan for administering the technical review, (2) of notifying applicants of awards decisions, and (3) of documenting the rationale for award decisions. However, for one of those practices—documenting the rationale for awards decisions—DOT's documentation of officials' decision-making at critical stages of the application review process was limited. While documentation from the technical reviews and notes from the Senior Review Team meetings existed, they provided insufficient insight into the decisions to include certain projects and not others on the list of 130 projects for consideration to the Secretary. The limited documentation ultimately limited the transparency around the Secretary's final selection of the 18 projects that received awards. Further, the FASTLANE processes did not fully follow DOT's guidance. For example, DOT did not develop the evaluation plan for the FASTLANE program prior to issuing a NOFO.

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## DOT Followed Some Recommended Practices but Did Not Fully Follow Others

Our prior work identified six recommended practices for awarding discretionary grants across the federal government based on our review of grantmaking policies and guidance used by the Office of Management and Budget and four other federal agencies, including DOT (see table 5).<sup>33</sup> Following these practices can help ensure a fair and objective evaluation during selection of discretionary grant awards.

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<sup>33</sup>The other agencies were the Departments of Commerce, Education, and Labor. See [GAO-11-283](#).

**Table 5: Department of Transportation’s (DOT) Use of Recommended Discretionary Grant Practices to Award Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) Grants (Fiscal Year 2016)**

Practice	Attributes of practice	DOT followed
Communicate with potential applicants prior to the competition	Provide information prior to making award decisions on available funding; key dates; competition rules (i.e., eligibility, technical review of application; and selection criteria); funding priorities; types of projects to be funded; outreach efforts to new applicants and pre-application assistance.	Yes
Develop a technical review panel with certain characteristics	Use a technical review panel consisting of reviewers who hold relevant expertise, do not have conflicts of interest, apply the appropriate criteria, and are trained.	Yes
Assess applicants’ capabilities to account for funds	Assess applicants’ abilities to account for funds by determining if applicants meet eligibility requirements, checking previous grant history, assessing financial management systems, and analyzing project budgets.	Yes
Plan for administering the technical review	Develop a plan for the technical review that describes the number of panels and reviewers and includes methods for assigning applications to review panels, identifying reviewers, recording the results of the technical review, resolving scoring variances across panels, and overseeing the panel to ensure a consistent review.	Partially
Notify applicants of awards decisions	Notify unsuccessful and successful applicants of selection decisions in writing and provide feedback on applications.	Partially
Document rationale for awards decisions	Document the rationale for awards decisions, including the reasons individual projects were selected or not selected and how changes made to requested funding amounts may affect applicants’ ability to achieve project goals.	Partially

Source: GAO analysis of federal agency guidance and the FASTLANE evaluation and selection process. | GAO-18-38

Note: Based on our assessment of whether DOT followed the practice: “Yes”= agency addressed all attributes of the practice; “Partially”= agency addressed some, but not all attributes of the practice; and “No”= agency did not address any attributes of the practice.

DOT’s FASTLANE grant award process followed three recommended practices for awarding discretionary grants.

- *Communicate with potential applicants prior to the competition:* DOT issued a NOFO to notify the public about the \$759.2 million available for award in 2016. The announcement provided information, for example, on key dates, eligibility information, an overview of the selection criteria and competition rules, as well as DOT contact information for potential applicants to obtain additional information. To help potential applicants understand application requirements, DOT

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conducted webinars on how to apply for a FASTLANE grant and how to develop estimates of benefits and costs for projects. Most of the applicants we spoke with (11 of 13) told us that the NOFO provided adequate information for them to determine whether they should apply. For example, one applicant told us that the NOFO was clear and helped the organization decide to submit an application. That applicant also attended both webinars and said that they were very informative, particularly the question and answer sessions.

- *Develop a technical review panel with certain characteristics:* DOT assembled technical review panels that included transportation specialists in rail, maritime, and highways; economists; environmental specialists; and project delivery experts. All technical review teams received training, and DOT established team leads to ensure that reviewers applied the appropriate criteria when reviewing applications. DOT required reviewers to sign conflict-of-interest and nondisclosure agreements to help assure a fair review consistent with DOT guidance.
- *Assess applicants' capabilities to account for funds:* The Quality Control and Oversight team assessed whether applicants met eligibility requirements as outlined in the FAST Act during the intake review phase. The NOFO also required applicants to show evidence of the viability and completeness of the project's financing package and to submit a detailed project budget containing a breakdown of how the funds would be spent. The Project Readiness Team assessed this information, including whether there was evidence of the applicant's ability to manage the grants and whether the applicant was an experienced federal grantee.

In addition, we found DOT partially followed the practices of planning for administering the technical review and notifying applicants of awards decisions.

- *Plan for administering the technical review:* DOT developed an evaluation plan for the technical review that outlined the review panels' roles, how applications would be assigned for review, and how results would be recorded. However, as discussed earlier, we found the evaluation plan did not specify how technical criteria were to be applied, allowing for varied scoring methods across review panels and other differences.
- *Notify applicants of awards decision:* DOT did not inform unsuccessful applicants as called for by the recommended practice. Similar to the recommended practice, DOT's guidance requires that unsuccessful applicants be notified of their status. However, DOT officials said that



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by the time selections had been finalized (after they had notified the authorizing congressional committees of proposed selections) DOT had received dozens of requests for debriefings from applicants who learned from a Congress member that their project was not among those proposed for selection. DOT officials said that at the time, it was not apparent that a notification was necessary because information on the selected projects had already been made public. Consequently, DOT did not notify unsuccessful applicants in writing or otherwise. *Federal Internal Control Standards* states that management should communicate quality information externally through external lines so that internal parties can achieve their objectives.<sup>34</sup> Instead of a formal notification, DOT offered to provide feedback to applicants if requested. However, one applicant specifically stated that the organization did not know that it could receive feedback on the applications, and another said that it would have been helpful if this had been explained in the NOFO. Timely and substantive feedback can help applicants determine whether to expend the resources to apply in future rounds and to better appropriate time and resources necessary to reapply (e.g., hiring contractors to complete the application). In contrast, when we reviewed the High Speed Intercity Passenger Rail grant program, we found that FRA sent letters to individual applicants regarding its decision, and if the application was not selected, a brief explanation was provided.<sup>35</sup> DOT officials for the FASTLANE grant program acknowledged that this is an area that they may want to revisit in the future.

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DOT Did Not Fully Document Project Selection Rationales or Fully Align the Program with DOT's Guidance, Limiting Transparency

Although DOT partially followed the recommended discretionary grant practice for agencies to document the rationale for award selection, the practice was limited. Based on our analysis of the available FASTLANE documentation from the Technical Review and Senior Review Teams and documentation related to the Secretary's decisions, we were unable to determine the rationale for the final selection of 18 projects for award. Specifically, the documentation provided limited insight into why the 18 awarded projects were selected over other projects on the list of consideration forwarded to the Secretary. In addition, we found that DOT's FASTLANE selection process did not fully adhere to DOT's guidance. According to DOT's guidance, awards should be given to applicants most likely to achieve the intended public purpose. However,

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<sup>34</sup>[GAO-14-704G](#).

<sup>35</sup>[GAO-11-283](#).

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## Senior Review Team and the Secretary's Decision-making Documentation

DOT officials told us that project selection was not based on project ratings, but rather was determined by the Secretary, who could choose any of the projects on the list of projects for consideration. In addition, limiting the technical review ratings to three possible ratings categories (i.e., “recommended,” “acceptable,” and “not recommended”)—combined with DOT officials’ statements that the FASTLANE program was focusing less on specific ratings and more on narrative analyses —made it more difficult to readily distinguish among the majority of applications and determine which projects were the most likely to achieve the intended public purpose.<sup>36</sup> Lastly, DOT’s technical review process shifted the decision-making to higher levels of review—the Senior Review Team and the Secretary. The process as designed, intended the Secretary to have broad flexibility to select projects for awards from any of the 130 projects on the list of consideration. However, taking this approach for selecting projects for awards increases the importance of documenting the decision-making at the higher levels of review.

Documentation from the Senior Review Team—which summarized three Senior Review Team meetings and as outlined in DOT guidance—provides little insight into ultimate project selections. Documentation of rationales requesting that some lower-rated projects receive further review were generally vague statements of a project’s anticipated benefits instead of one of the three rationales outlined in guidance to the team.<sup>37</sup> For example, one project was advanced for further review because a senior review member stated, “the applicant has been a good partner,” and “the project should be advanced based on mobility and safety benefits.” Another project was forwarded because a Senior Review Team member said it should be advanced “due to its mobility and safety benefits;” no other documentation was provided. Of 12 total “acceptable”

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<sup>36</sup>The FASTLANE program rated the majority of the project applications (147 or 69 percent) as “recommended” (see fig 3). However, applications for the TIGER grant program and the Hurricane Sandy Resiliency Grant program contained four technical ratings categories including an additional rating category of “highly recommended,” a higher standard, which could provide some additional insight into the decision-making.

<sup>37</sup>As stated earlier, members could request that a project rated “acceptable” or “not recommended” receive cost effectiveness and project readiness reviews to support being added to the list of projects for consideration by the Secretary. Guidance for the Senior Review Team stated that in order to do this, the team member must provide one of the following rationales: (1) the technical review evaluation did not take into account new or additional information that supports a different rating with regard to specific selection criteria; (2) the technical review evaluation did not properly weigh the selection criteria; or (3) the project should be considered by the Secretary for its contributions to geographic diversity among grant recipients.

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project proposals that Senior Review Team members forwarded for cost effectiveness and project readiness reviews, only 3 included rationales that specifically referred to deficiencies in the original technical review evaluation. DOT officials said that these meeting summaries occasionally reverted to “short hand” but essentially equated to a conclusion that the initial evaluation did not properly weigh the benefits. Without clear documentation of Senior Review Team rationales—including information indicating the information that was found to be insufficient and why in previous reviews—there is limited insight into how the final project selections were made.

On two other occasions, according to DOT meeting notes, the Senior Review Team met with the Secretary to advocate for specific projects that the Secretary should consider for awards. The minutes state anticipated benefits of the projects that each Senior Review Team advocated, but do not indicate why these projects, according to DOT’s guidance, “best address the program requirements and are, therefore, most worthy of funding.” Nor do the minutes indicate how individual Senior Review Team members chose the projects they highlighted. One DOT official told us that Senior Review Team members used their broad expertise when advocating for specific projects. However, DOT officials told us that Senior Review Team members were no longer with the agency and no one remaining at DOT could provide any additional insight into how these final selection decisions were ultimately made.<sup>38</sup> As a result, we were unable to determine whether selection decisions made by the Secretary best met the goals of the program. According to DOT’s guidance, awards should be given to applicants most likely to achieve the intended public purpose. The documentation supporting the Secretary’s project selection decision describes the anticipated benefits of selected projects; however, the documentation does not provide insight as to why the Secretary selected the specific 18 projects out of the 130 eligible projects.

Without complete documentation, there is limited transparency of the application review and selection process. As previously discussed, the review process also included fewer technical rating categories. The fewer categories made it more difficult to readily distinguish among the majority of applications. Furthermore, DOT officials said that the technical reviews

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<sup>38</sup>We spoke to one remaining DOT official who was present at Senior Review Team meetings, but this person advised on legal matters, not technical matters, and could not provide additional information on how projects were selected other than what was presented in the FASTLANE documents we reviewed.

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were designed to provide information to decision-makers, not to disqualify projects, resulting in forwarding as many projects as possible to the Secretary. However, by shifting the final decision-making to the Secretary it increased the importance of documenting decision-making at those higher levels of review to help better understand the rationale for why projects were selected or not selected to receive awards. For example, better documentation of the recommendations made by the Senior Review Team could have helped ensure a more transparent selection process.

Past discretionary grant programs we reviewed applied various approaches to increase the transparency of the Secretary's rationale for selecting projects for awards. For example, past discretionary grant programs had Senior Review Teams provide a list of recommended projects to the Secretary based on objective criteria, ranked potential projects in tiers or categories, or presented documented funding scenarios or strategies for the Secretary's consideration. While we cited some problems with documentation in these programs, the project selection processes did provide some insight into the final selection rationales. For example:

- During our review of the TIGER program, we reported that the Senior Review Team conducted a series of meetings that occurred over about 2 months. In each meeting, the review team evaluated about 6 to 12 projects, discussed project strengths and weaknesses, identified areas for clarification or follow-up and ranked each project in a tier based on the likelihood that DOT would fund the project. At the conclusion of its assessment, the Senior Review Team developed a memo with a list of projects that it recommended for award.<sup>39</sup>
- During our review of the Hurricane Sandy transit resilience grant program, we reported that the FTA Administrator provided the Secretary with funding scenarios that funded "highly recommended" projects and various strategies for using remaining funds. The Secretary chose to fund all "highly recommended" projects and various "recommended" projects based on one of the strategies recommended by the Senior Review Team.<sup>40</sup>

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<sup>39</sup>[GAO 11-234](#).

<sup>40</sup>[GAO-17-20](#).

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- During our review of the High Speed Intercity Passenger Rail grant program, we reported that FRA senior officials recommended projects to the Secretary based on technical review scores and selection criteria, and the Secretary concurred with the recommendations.<sup>41</sup>

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### DOT Did Not Develop the FASTLANE Evaluation Plan In Accordance with DOT Guidance and Has Yet to Develop a Plan for the INFRA Program

DOT did not finalize the FASTLANE evaluation plan prior to publishing the NOFO as required by DOT guidance. DOT's guidance states that grant programs should finalize the evaluation plan prior to publishing a NOFO and make no subsequent changes to the plan after the announcement. When DOT issued its NOFO, the agency was still developing the evaluation plan and did not provide the evaluation plan to its reviewers until May 2016. DOT officials stated that the staff began developing the evaluation plan concurrent with the development of the NOFO, but the evaluation plan was not finalized until later, following approval by the Office of the Secretary. We also noted this problem in the Hurricane Sandy transit-resilience grant program.<sup>42</sup> On November 14, 2016—approximately 2 months after fiscal year 2016 FASTLANE grant awards were officially announced— DOT opened the applications for the second round of FASTLANE grants for fiscal year 2017. Applications were due about a month later.<sup>43</sup>

On June 29, 2017, after DOT applications for the second funding round were closed, DOT announced that the FASTLANE program was being superseded by a new grant program—the Infrastructure for Rebuilding America (INFRA) program. Similar to the FASTLANE program, DOT officials told us that they had not yet developed an evaluation plan, contrary to DOT's guidance. The lack of an evaluation plan raises the possibility that the INFRA program may encounter some of the same issues we identified with consistency and transparency in the FASTLANE program. The INFRA program will award approximately \$1.5 billion in grants for fiscal years 2017-2018. DOT is currently accepting the initial round of applications for INFRA. According to the new INFRA NOFO, the

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<sup>41</sup>[GAO-11-283](#).

<sup>42</sup>[GAO-17-20](#). In the report we noted preparing the plan before the NOFO goes out helps to ensure a consistent evaluation process, but FTA did not develop the plan until 2 months after the funding announcement. We also found that DOT did not have clear department-wide requirements for what should be included in the evaluation plan to ensure a consistent evaluation of proposals and recommended that DOT develop those requirements.

<sup>43</sup>FASTLANE Round 2 applications were due December 15, 2016.

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program is derived from the same statutory requirements in the FAST Act as the FASTLANE program, but creates new selection criteria.<sup>44</sup> DOT officials told us that some small projects will be awarded in 2017 based on the FASTLANE NOFO and on August 2, DOT notified Congress of 10 proposed grants for fiscal year 2017 totaling almost \$78.9 million. However, all large projects would instead be awarded in fiscal year 2018, along with additional small projects under the INFRA program. According to the NOFO, large project applicants can resubmit their previous FASTLANE applications, but must also explain how the project competitively addresses the new INFRA grant criteria.<sup>45</sup> Applications will close for the initial round of applications for the INFRA program on November 2, 2017.

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## Conclusions

Funding for highways and freight projects is highly competitive, as demonstrated by the over 200 applications submitted to the FASTLANE program. Accordingly, it is critical that the application review and selection process be consistent and transparent. However, the FASTLANE evaluation plan, which guides the application and review process, provided a great amount of flexibility that resulted in scoring variances and allowed review teams broad discretion in the application review process. Furthermore, the application review and selection process resulted in a large number of applications—130 projects—being forwarded to the Secretary for award consideration. Ultimately, the Secretary chose 18 projects for awards. However there was limited documentation of the rationale for the decision-making in the review process, especially of the Senior Review Team’s assessments, and it is not clear why some projects were ultimately selected for award over others.

Given the number of projects forwarded to the highest level of review and the limited number of projects that received awards, it is even more important that application selection process be transparent. Developing an evaluation plan, before the solicitation of applications, that includes detailed guidance on how applications are to be reviewed; that details

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<sup>44</sup>82 Fed. Reg. 31135 (July 5, 2017). The merit criteria for the INFRA program are: national and regional economic vitality, leveraging of federal funding, performance and accountability, and potential for innovation—which includes safety, environmental review and permitting, and project delivery approach.

<sup>45</sup>DOT’s 2016 financial assistance guidance states that the evaluation plan should be developed prior to the announcement, and could be updated under certain circumstances.

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how applicants are to be notified of the selection results; and that reflects thorough documentation of the decision-making rationale for selecting projects for awards may help to ensure the application review and selection process is consistent and transparent. DOT recently announced that the FASTLANE program is being superseded by a new program—the INFRA program—and the agency is currently accepting project applications. However, DOT does not have an evaluation plan in place for the new program. Developing an evaluation plan that addresses the causes of inconsistencies and limited transparency we found in the FASTLANE application review and selection process could enhance the credibility of DOT award decisions and bring stability to the process for awarding grants authorized by the FAST Act.

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## Recommendations for Executive Action

We are making the following three recommendations to DOT:

The Secretary of Transportation should develop an evaluation plan for the INFRA program in advance of issuing the notice of funding opportunity and ensure the program’s evaluation plan clearly defines how all review teams should apply criteria, assess applications, and assign ratings to ensure that all applications are consistently reviewed. (Recommendation 1)

The Secretary of Transportation should ensure all program applicants be notified in writing of the outcomes of the application selection process. For unsuccessful applicants, the notification should include a brief explanation of the decision. (Recommendation 2)

The Secretary of Transportation should require INFRA program teams document their decision-making rationale throughout all levels of review in the application selection process. (Recommendation 3)

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## Agency Comments

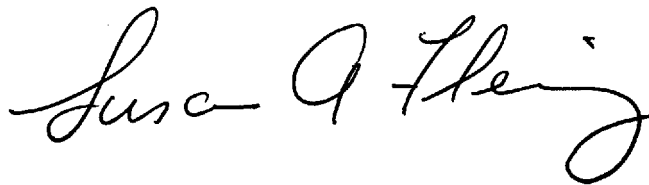
We provided a draft of this report to DOT for review and comment. DOT responded with a letter in which it agreed with our recommendations and emphasized its commitment to improve the Infrastructure for Rebuilding America program. This letter is reprinted in appendix II.

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We are sending copies of this report to appropriate congressional committees and to the Secretary of Transportation. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-2834 or [flemings@gao.gov](mailto:flemings@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who contributed to this report are listed in appendix III.

A handwritten signature in black ink that reads "Susan A. Fleming". The signature is written in a cursive style with a large, looping 'S' and 'F'.

Susan Fleming  
Director, Physical Infrastructure Issues



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# Appendix I: Objectives, Scope, and Methodology

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The Fixing America's Surface Transportation Act (FAST Act) included a provision that we assess the Department of Transportation's (DOT) the Fostering Advancement in Shipping and Transportation for the Long-term Achievement of National Efficiencies (FASTLANE) grant program.<sup>1</sup> This report addresses: (1) the processes used to evaluate and award FASTLANE grants and the outcomes of those processes, (2) the extent to which DOT followed its FASTLANE evaluation plan, and (3) the extent to which the process was aligned with recommended practices and DOT's own guidance for awarding discretionary grants.

To describe the processes used to evaluate and award FASTLANE grants and the outcomes of those processes, we identified the criteria and processes outlined in the evaluation plan and reviewed DOT documents explaining the process, including the March 2016 notice of funding opportunity (NOFO) and training materials provided to technical teams that conduct the reviews.

To determine the extent to which DOT followed its evaluation plan while evaluating and selecting projects, we compared these criteria and processes to DOT's decision documentation and DOT's financial assistance guidance (DOT's guidance). Specifically, we requested documentation of the Review Teams' assessments of applications, and DOT provided its FASTLANE application evaluation spreadsheet. We assessed the reliability of the data in this spreadsheet by interviewing members from each review team as well as DOT officials who helped develop the process for the review teams to record their assessments. We also assessed the data for missing values, duplicate records, and other indicators of potential reliability issues. We determined that the data were sufficiently reliable for the purposes of producing descriptive statistics about the applicants and to determine whether the awards met key statutory requirements. More specifically, we produced statistics describing the applicants in terms of their technical ratings and other key variables, such as size (large or small), location (urban or rural area), and assigned modal technical review team. We did not review each application to determine the extent to which the individual application aligned with the selection criteria.

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<sup>1</sup>Pub. L. No. 114-94, § 1105(a), 129 Stat. 1312, 1336 (2015) (codified at 23 U.S.C. § 117(n)(2)).

Further, we interviewed DOT officials who participated in evaluating and selecting projects to obtain information on whether and how they applied the criteria and processes. Specifically, we spoke to members from the three technical review teams from the Federal Highway Administration (FHWA), Federal Railroad Administration (FRA), and the Maritime Administration (MARAD), the Cost Effectiveness and Project Readiness Teams, and the Quality Control and Oversight Team. We also spoke with DOT officials on how the Senior Review Team assembled the list of projects to be considered by the Secretary because officials who were a part of the Senior Review Team were no longer with the agency.<sup>2</sup>

To determine the extent to which the process was in compliance with key statutory requirements as defined in the Fixing America's Surface Transportation (FAST) Act, we analyzed the award recipients by their project size and location. We also interviewed officials from DOT who commented on how the requirements affected the evaluation and selection process. We did not assess whether the applications selected by DOT will achieve the stated benefits or costs or the merit of their selection.

To determine the extent to which the FASTLANE process aligned with recommended practices for awarding discretionary grants, we compared the process to these practices. Specifically, the recommended practices relate to (1) communicating with potential applicants prior to the competition, (2) planning for administering the review of applications, (3) developing a technical review panel with certain characteristics, (4) assessing applicants abilities to manage grant funds, (5) notifying applicants of decisions, and (6) documenting reasons for award decisions.<sup>3</sup> To determine the extent to which DOT used these recommended practices for awarding discretionary grants, we compared these practices to information from the 2016 NOFO, the FASTLANE evaluation plan, guidance to applicant reviewers, other program-related guidance, and statements made by DOT officials regarding their implementation of the grant award program. For this effort, one analyst carried out the comparison and two other analysts verified the comparison results. Where differences existed, the analysts discussed

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<sup>2</sup>According to DOT officials, one official that attended meeting was still present within the agency, but that official was there in an acting capacity.

<sup>3</sup>GAO, Intercity Passenger Rail: Recording Clearer Reasons for Awards Decisions Would Improve Otherwise Good Grantmaking Practices, [GAO-11-283](#) (Washington, D.C.: March 10, 2011)

them and reached agreement. To determine the extent to which the process aligned with DOT's guidance we compared the guidance to the FASTLANE documents and processes described above.

In addition, to obtain the applicants' perspectives, we spoke with a non-generalizable sample of 13 applicants on the challenges they faced during the FASTLANE program's application process and the consistency of DOT's communication. We selected applicants primarily based on demographics (i.e. project size, location, and transportation mode), if the Senior Review Team modified the project, and if the project was rated highly but unable to meet one or more statutory requirements and did not receive additional communications from DOT. To increase the diversity of our sample, we also considered the project sponsor (State Department of Transportation, local government, port authority, etc.), whether a project received an award, and whether the project also applied for a Transportation Investment Generating Economic Recovery (TIGER) grant. Because this was not a random or representative sample, the views of these applicants cannot be generalized to all FASTLANE applicants.

We conducted this performance audit from October 2016 to November 2017 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.

# Appendix II: Comments from the Department of Transportation



U.S. Department  
of Transportation  
  
Office of the Secretary  
of Transportation

Assistant Secretary  
for Administration

1200 New Jersey Avenue, SE  
Washington, DC 20590

OCT 05 2017

Susan A. Fleming  
Director, Physical Infrastructure Issues  
U.S. Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Ms. Fleming:

The U.S. Department of Transportation carefully and expediently implemented the Nationally Significant Freight and Highway Projects program established under the Fixing America's Surface Transportation (FAST) Act (Pub. L. 114-94, December 4, 2015) to provide Federal financial assistance to projects of national or regional significance. In seven months, the Department established a new discretionary program; solicited, evaluated, and analyzed projects; and notified Congress of proposed selections. The 18 projects awarded in the program's first year collectively promote the program's statutory goals and individually offer a range of national and regional benefits including addressing major freight and highway bottlenecks, increasing efficient goods movement, and improving safety deficiencies.

On July 5, 2017, the Department issued a Notice of Funding Opportunity for Fiscal Year (FY) 2017 Large Project and FY 2018 funding under the renamed Infrastructure for Rebuilding America (INFRA) program. The Department has taken the following actions to further improve the INFRA program:

- Began developing an evaluation plan for INFRA grants that will be finalized by the November 2, 2017 application deadline. Completing the plan before evaluations begin prevents the deviation from affecting the adequacy and fairness of the selection process.
- Conducted debriefs to provide individualized feedback to applicants, where possible, on a previous project's evaluation, including debriefs following written notification to applicants of the outcome of the FY 2017 Fostering Advancement in Shipping and Transportation for the Long-Term Achievement of National Efficiencies (FASTLANE) competition.

Upon review of the GAO draft report, we concur with the recommendations. We will provide a detailed response to each recommendation within 60 days of the report's final issuance.

We appreciate the opportunity to respond to the draft report. Please contact Madeline M. Chulumovich, Director, Audit Relations and Program Improvement, at (202) 366-6512 with any questions.

Sincerely,

Bryan Slater  
Assistant Secretary for Administration

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Susan Fleming, (202)-512-2834 or [flemings@gao.gov](mailto:flemings@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Sharon Silas (Assistant Director), Amy Higgins (Analyst in Charge), Ross Gauthier, David Hooper, Delwen Jones, Ying Long, Ned Malone, Josh Ormond, and Elizabeth Wood made key contributions to this report.

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