

**Fifth Biennial National Fraud Awareness Conference**  
**A Message from Secretary Mary Peters**  
**U.S. Department of Transportation**  
**As Delivered by Mark Haerr**

Good morning. Thank you for that kind introduction, Charles.

It is a pleasure being here this morning to share a message with you—a message from Secretary Mary Peters—a message about the Department of Transportation’s efforts in fighting fraud, waste and abuse.

First, she asked me to send her thanks to the Illinois DOT and Chicago Transit Authority for hosting this conference. She also asked me to extend her appreciation to all those who helped organize and plan this important event: the Office of Inspector General, AASHTO, the Federal Highways Administration, the Federal Transit Administration, and the FAA.

Over the next few days, you will have the opportunity to hear from experts in the field of fraud awareness and prevention. To help set the tone, let share the Secretary’s message with you.

At the U.S. Department of Transportation, safety is our number one priority. It is the foundation and keystone of everything we do.

Each and every user of our transportation system has the right to expect that they are traveling on the safest and most efficient system possible. Concerns about inadequate materials, price fixing, bribery, conflicts of interest, and other fraudulent activity can compromise the public’s trust and confidence.

As public servants it is our job to make sure that we eliminate those concerns...and, thus, deliver the highest quality transportation system possible—without compromise. To do this, we must work closely with our State, local and community partners. It is our job to

ensure that the contractors who are involved in public projects provide only the best product and services possible.

This firm belief is also shared by the President. Shortly after arriving in office, President Bush announced a strategy for improving the management and performance of the federal government. His strategy is focused on the most important and apparent deficiencies, where the opportunity to improve performance is the greatest.

The President's Management Agenda, or PMA, contains numerous initiatives to improve the management of government and deliver results that matter the most to the American people. Some of these initiatives span across the government and apply to each major federal agency—other initiatives are specific to particular agencies.

One of the government-wide initiatives involves improving financial management and performance throughout the federal government. As part of this initiative, federal agencies are required to establish the processes and controls to ensure clean audit opinions—as well as to prevent fraud. The Department of Transportation has made great progress over the years in implementing the action items associated with this initiative. As a result of our efforts, DOT has earned 6 clean audit opinions in the last 7 years.

With this in mind, let me share with you some of the tools we use to limit the opportunity for fraud to occur. As we all know, prevention is the first line of defense.

One of our best tools is the Government's internal controls... as outlined in what is called "Circular A-123" which is issued by the Office of Management and Budget. This Circular provides a blueprint for all Federal Agencies in how to document, test and assess internal controls. Some say it is the "Sarbanes-Oxley - Section 404" for the federal government.

A-123 requires every DOT Operating Administration to provide written documentation of major business processes and procedures... ensuring that they are clearly written,

understood by employees, and regularly updated. Furthermore, it requires management to conduct rigorous statistical sampling tests to confirm that the controls are truly effective. By following A-123 guidelines, we are able to reduce the risk and exposure when fraud can occur.

Another tool we use to fight fraud is training. At DOT, we have found that effective training helps employees understand how to avoid and detect fraudulent activity. All DOT employees participate in ethics training at least once a year. We use case studies to help employees understand what they should do in potentially compromising situations. This training reinforces basic rules on safeguarding Government resources and property.

As part of their training, employees are instructed to report any potential misuse to the proper authorities. The Office of the Inspector General is a key partner in this effort by providing a 24-hour hotline where employees can anonymously report suspicious activities. “Whistleblower protection” policies are in place to provide peace of mind for those worried about potential retribution.

However, we realize that our best efforts cannot always be 100 percent effective in eliminating the potential for fraud. So even when there is an appearance of fraud, DOT turns to our OIG for advice on next steps. The experts and professionals in this office are key partners in ensuring we take swift and appropriate action.

Other key partners are the operating administrations. They are doing more than ever to detect and prevent fraud.

For instance, the Federal Highway Administration has instituted the Financial Integrity Review and Evaluation Program (or, as we call it, the FIRE program) ...the Federal Transit Administration has established a triennial review program ...and the FAA has developed a risk-based approach to prevent fraud, waste and abuse.

Let me briefly tell you about each these fraud-fighting efforts.

To ensure adequate internal controls over highway operations, Federal Highways implemented the FIRE Program nearly 3 years ago. This program has been instrumental in improving oversight of funds. It is also helping to prevent and detect fraud—and much of the credit belongs to the grantees whose strong internal controls and stewardship of federal funding make these results possible.

To make this effort even more effective in fighting fraud, waste and abuse—Federal Highways has expanded the scale and scope of FIRE by adding the testing for improper payments. The results of this testing: improper payment rates for the past two years are 2 tenths of 1%. This further confirms that grantees have strong control systems over their payment processes.

We recognize that our state and local partners have expended a great amount of time, effort and resources to help make FIRE an effective program. All of us at the U.S. Department of Transportation thank you for your “blood, sweat & tears” in achieving these results.

Another fraud fighting tool is the FTA’s Triennial Grant Review. Every three years, FTA conducts a comprehensive review to examine a grantee’s performance and adherence to current program requirements and policies. Given the scope of this triennial review it has proven effective in preventing and detecting fraud, waste and abuse.

The review examines how well grant recipients meet statutory and administrative requirements...especially those included in the annual certifications and assurances that grantees submit to the FTA. The review of 23 areas ranging from procurement to legal also gives FTA an opportunity to provide technical assistance to the grantees on the latest FTA requirements.

At the FAA, they take a risk-based approach to prevent and detect fraud in their grant program that funds capital improvements at airports. This risk-based model—which

you'll be hearing about later in the conference—results in increasing levels of oversight as certain grantee actions dictate.

For example, if a grantee shows signs of suspicious grant draw-downs, or is involved in criminal proceedings, or simply noncompliant with other assurances, then the level of review and documentation increases. In certain circumstances, the grantee's access to the automated electronic payment system can be cancelled. Simply put, this risk-based approach focuses resources on the areas that appear to be of greatest risk.

These are just a few of the many tools the U.S. Department of Transportation uses in fighting fraud. In conclusion, I want to thank you for the opportunity to share the Secretary's message in fraud awareness and prevention. We both appreciate your hard work in fighting fraud, waste and abuse.

But, as we all know, fraud prevention is a never-ending fight. So I cannot overemphasize that we must continue to work together at all levels. With our collective efforts and leadership in this area, we can continue to minimize the occurrences of fraud, waste and abuse and maximize the value of our transportation investments to the American people.