

DISCRETIONARY TRANSPORTATION GRANTS

DOT Should Fully Document Key Selection Decisions for Its Rural Program



Report to Congressional Committees

August 2024
GAO-24-106882
United States Government Accountability Office

Accessible Version

GAO Highlights

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August 2024

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Why GAO Did This Study

Over 70 percent of the nation's 4 million miles of public access roads are estimated to be in rural areas. Rural—a DOT discretionary grant program—funds eligible projects to improve and expand surface transportation infrastructure in rural areas (i.e., areas outside an urbanized area that has a population of over 200,000). DOT awarded \$274 million in fiscal year 2022 funding for 12 Rural applications.

The Infrastructure Investment and Jobs Act includes a provision for GAO to examine DOT's Rural awards selection process. This report (1) describes the characteristics of Rural applications that DOT advanced to the Senior Review Team; and (2) assesses the extent to which DOT's selection process aligned with guidance and federal regulations. GAO reviewed statutory requirements, DOT's notice of funding opportunity, evaluation plan, and other documentation on the Rural fiscal year 2022 selection process; analyzed application and award data; and interviewed DOT officials. GAO also compared DOT's selection process with federal regulations for discretionary grant programs, DOT guidance, and standards for internal control in the federal government.

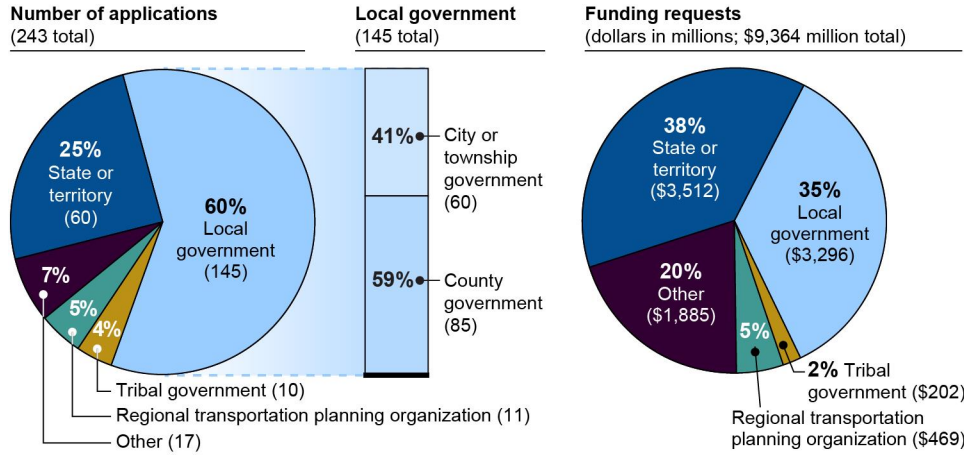
What GAO Recommends

GAO is recommending that DOT ensure that Rural program officials fully document the rationale for key decisions when advancing and selecting applications for award. DOT disagreed with the recommendation, stating that its documentation is full and complete. GAO maintains the recommendation is valid, as discussed in the report.

What GAO Found

In March 2022, the Department of Transportation (DOT) announced up to \$300 million available for award under the Rural Surface Transportation Grants Program (Rural). DOT advanced 243 of the 317 applications to its Senior Review Team—a team of senior DOT officials that is responsible for reviewing applications and advancing applications to the Secretary of Transportation for award consideration. Local governments submitted most of these applications, which generally requested funding for roadway projects in areas with a population of less than 50,000. Demand for funding was high as these applications requested a total of over \$9.3 billion in funding—about 30 times the maximum amount available—with most applications requesting less than \$25 million.

Selected Characteristics of Applications That Advanced to the Rural Surface Transportation Grant Program’s Senior Review Team, Fiscal Year 2022



Source: GAO analysis of Department of Transportation information. | GAO-24-106882

Accessible Data for Selected Characteristics of Applications That Advanced to the Rural Surface Transportation Grant Program’s Senior Review Team, Fiscal Year 2022

Applicant type	Tribal Government	Regional Transit Planning Organization	Other	State or Territory	Local Government
Number of applications	10	11	17	60	145
Percentage	4	5	7	25	60

Applicant type (local government)	County government	City or township government
Number of applications	85	60
Percentage	59	41

Applicant type	Tribal government	Regional transportation planning organization	Other	State or Territory	Local Government
Total amount requested (dollars in millions)	202	469	1885	3512	3296
Percentage	2	5	20	38	35

Source: GAO analysis of Department of Transportation information. | GA0-24-106882

DOT's selection process generally aligned with federal guidance and regulations for grants management, but DOT did not fully document its rationale for key decisions during that process, as required by DOT guidance. For example, in response to a DOT requirement, DOT developed an evaluation plan that specified the actions the Senior Review Team must take, as well as the criteria for taking those actions. GAO found that in advancing and selecting Rural applications for award, DOT documented the outcomes of key decisions but did not fully document their rationale, as required by DOT guidance. Specifically, DOT did not fully document its rationale for requesting additional information from some applicants that did not initially meet the Rural program statutory project requirements, but not from others. In addition, DOT did not document its rationale for rating certain applications more highly than others that were similarly situated. As a result, DOT's documentation provided limited insight into its rationale for decisions that could have affected the outcome for an application. By fully documenting its rationale for key decisions, DOT can better ensure that its process for selecting applications for award is consistent and transparent.

Contents

<hr/>		
GAO Highlights		ii
Why GAO Did This Study		ii
What GAO Recommends		ii
What GAO Found		ii
<hr/>		
Letter	1	
Background		3
Local Governments Submitted Most Rural Applications, and the Number of Applications That Satisfied Set-Aside Funding Provisions Varied		8
DOT's Selection Process Generally Aligned with Specified Federal Guidance and Regulations, but DOT Did Not Document Its Rationale for Key Decisions		17
Conclusions		22
Recommendation for Executive Action		23
Agency Comments		23
<hr/>		
Appendix I	Objectives, Scope, and Methodology	25
Appendix II	Selected Characteristics of Rural Surface Transportation Grant Program Awards, Fiscal Year 2022	27
Appendix III	Comments from the Department of Transportation	28
Accessible Text for Appendix III	Comments from the Department of Transportation	29
Appendix IV	GAO Contact and Staff Acknowledgments	31
GAO Contact		31
Staff Acknowledgements		31
<hr/>		
Tables		
Table 1:	Department of Transportation's (DOT) Criteria for Assigning Overall Application Ratings to Fiscal Year 2022 Multimodal Project Discretionary Grant Applications	18
Table 2:	Key Characteristics of Rural Surface Transportation Grant Program Awards, Fiscal Year 2022	27
<hr/>		
Figures		
Selected Characteristics of Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, Fiscal Year 2022		iii
Accessible Data for Selected Characteristics of Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, Fiscal Year 2022		iii

Figure 1: DOT Selection Criteria for Evaluating Fiscal Year 2022 Multimodal Project Discretionary Grant Program Applications	6
Figure 2: Rural Surface Transportation Grant Program Applicant Types that Advanced to the Senior Review Team, by Number of Applications, Fiscal Year 2022	9
Accessible Data for Figure 2: Rural Surface Transportation Grant Program Applicant Types that Advanced to the Senior Review Team, by Number of Applications, Fiscal Year 2022	9
Figure 3: Funding Requested by Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, by Applicant Type, Fiscal Year 2022	11
Accessible Data for Figure 3: Funding Requested by Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, by Applicant Type, Fiscal Year 2022	11
Figure 4: Geographic Distribution of Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, Fiscal Year 2022	12
Accessible Data for Figure 4: Geographic Distribution of Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, Fiscal Year 2022	13
Figure 5: Size of Funding Requests from Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, Fiscal Year 2022	15
Accessible Data for Figure 5: Size of Funding Requests from Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, Fiscal Year 2022	16
Figure 6: Senior Review Team Decisions and Ratings for Rural Surface Transportation Grant Program (Rural) Applications, Fiscal Year 2022	19

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Abbreviations

ADHS	Appalachian Development Highway System
DOT	Department of Transportation
IIJA	Infrastructure Investment and Jobs Act
INFRA	Nationally Significant Multimodal Freight and Highway Projects grant program
Mega	National Infrastructure Project Assistance grant program
MPDG	Multimodal Project Discretionary Grant Opportunity
NOFO	Notice of Funding Opportunity
OMB	Office of Management and Budget
RAISE	Rebuilding American Infrastructure with Sustainability and Equity grant program
Rural	Rural Surface Transportation Grant Program
SRT	Senior Review Team



August 12, 2024

The Honorable Tom Carper
Chairman
The Honorable Shelley Moore Capito
Ranking Member
Committee on Environment and Public Works
United States Senate

The Honorable Sam Graves
Chairman
The Honorable Rick Larsen
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

Of the nation’s 4 million miles of public access roads, over 70 percent are estimated to be in rural areas, and the state and local governments that own and operate them—including cities, counties, and townships—have been increasingly struggling to maintain them. Underinvestment in rural transportation systems, according to a 2018 Department of Transportation (DOT) statement, has resulted in a slow and steady decline in the routes that connect rural communities. Rural roads can be more hazardous to drivers than roads in urban areas. While about 20 percent of the U.S. population lives in rural areas, 40 percent of fatal traffic accidents occur in rural areas. Further, about 66 percent of these fatalities, or more than 11,000 deaths per year, are the result of roadway lane departure accidents.

In November 2021, the Infrastructure Investment and Jobs Act (IIJA) required the establishment of the Rural Surface Transportation Grant Program (Rural), a discretionary grant program that aims to improve and expand surface transportation infrastructure in rural areas. For this program, the IIJA defines the term rural area as an area that is outside an urbanized area that has a population of over 200,000. The IIJA made available up to \$2 billion to DOT for the Rural program, for the period of fiscal years 2022 to 2026. Rural funding can be awarded to applicants for roadway and mobility projects, such as highways and bridges, that improve the safety and reliability of the movement of people and freight in rural areas.¹

In response to the IIJA, in March 2022, DOT published a Notice of Funding Opportunity (NOFO) that solicited applications for the Rural program along with two other discretionary grant programs: the National Infrastructure Project Assistance grant program (Mega), and the Nationally Significant Multimodal Freight and Highway Projects grant program (INFRA). DOT refers to this combined solicitation as the Multimodal Project Discretionary Grant Opportunity (MPDG). We reported in January 2024 that the overall application review process for the MPDG consisted of three steps: (1) a solicitation process, (2) an evaluation process, and (3) a

¹The IIJA also specified certain funding conditions in the Rural program (i.e., set aside provisions) that reserve awards for projects that have certain characteristics or locations, such as those located in a state with higher-than-average rural roadway fatality rates resulting from lane departures. Statutory set-aside provisions are funding restrictions outlined in statute that typically reserve specified funds for eligible projects that meet certain additional characteristics (e.g., are located in certain geographic areas) and may vary program to program.

selection process.² During the selection process a Senior Review Team (SRT), which consisted of senior officials selected by the Secretary of Transportation, was to identify a list of applications to advance to the Secretary, who, then, was to select applications to award from that list. Once DOT solicited and evaluated applications—processes we assessed in January 2024—it conducted separate SRT reviews and made award decisions for each program. In the first year of the Rural program, DOT selected 12 applications, sponsored by state, local, and tribal governments, and awarded \$274 million.

The IIJA includes a provision for us to examine DOT's processes for evaluating and selecting Rural projects for award.³ This report (1) describes the characteristics of Rural applications that DOT advanced to the SRT; and (2) assesses the extent to which DOT's selection process aligned with federal guidance and regulations for grants management.

To address these objectives, we reviewed DOT documentation of its selection process for the fiscal year 2022 Rural program, analyzed application data collected by DOT, and interviewed DOT officials. We also reviewed the IIJA, including relevant statutory project requirements for Rural awards.

To describe the characteristics of Rural applications, we analyzed the 243 applications that advanced to the SRT in fiscal year 2022. Specifically, we analyzed the characteristics of these applications, including the types of entities that submitted them, the amounts of funding requested, the states in which the projects were located, and the population of the areas in which the projects were located. To assess the reliability of DOT's data, we interviewed DOT officials and conducted data checks. We found the data were sufficiently reliable for the purpose of producing descriptive statistics on the characteristics of Rural applications.

To assess the extent to which DOT's selection process aligned with federal guidance and regulations, we analyzed DOT documentation, including DOT's evaluation plan, that outlined the criteria and processes for advancing and awarding applications for the Rural program. We then compared this information with the regulations in the Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the guidance in DOT's Guide to Financial Assistance.⁴ These provisions establish requirements for discretionary grant programs including requirements related to consistency and transparency. We also compared documentation from the selection process, such as meeting notes and memorandums, with DOT's evaluation plan and *Standards for Internal Control in the Federal Government*—specifically, the principle for communicating the necessary quality information to achieve the entity's objectives.⁵ For additional information on our scope and methodology, see appendix I.

We conducted this performance audit from June 2023 to August 2024 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

²GAO, *Discretionary Transportation Grants: DOT Should Better Align Its Application Evaluation Process with Federal Guidance*, [GAO-24-106280](#) (Washington, D.C.: Nov. 6, 2023).

³Pub. L. No. 117-58, § 11132, 135 Stat. 429, 510 (2021).

⁴*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 C.F.R. Part 200, and App. I to Part 200. DOT has adopted these provisions in regulation at 2 C.F.R. § 1201.1. DOT's *Guide to Financial Assistance* incorporates the OMB regulations at 2 C.F.R. Part 200, and App. I to Part 200.

⁵GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Transportation Funding

Funding the nation's surface transportation system has been on our High Risk List since 2007, as an imbalance has persisted between revenues and spending.⁶ Accordingly, we have noted that it is important that federal funding for surface transportation be spent wisely and efficiently.

Historically, much of the federal spending for surface transportation programs has been through noncompetitive grants to states with funds allocated based on distribution formulas prescribed by statute (formula grants). However, we have reported that formula grant funding for surface transportation, particularly for highways, poses challenges to meeting national goals.⁷

In contrast, discretionary grant programs, such as the Rural program, provide funding on a competitive basis: applications are assessed based on applicable statutory requirements and published criteria before projects are selected to receive awards. In 2021, the IIJA established several new surface transportation discretionary grant programs and provided increased funding for many existing discretionary grant programs. In total, the IIJA provided over \$110 billion for discretionary grant programs for fiscal years 2022 through 2026, according to DOT.

While we have identified benefits associated with discretionary grant programs, we have also raised concerns with DOT's management of them since 2011. For example, we previously found that DOT had not evaluated and selected grant applications for awards under various grant programs in a consistent and transparent manner.⁸

⁶GAO, *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, [GAO-23-106203](#) (Washington, D.C.: Apr. 20, 2023).

⁷GAO, *Surface Transportation: Restructured Federal Approach Needed for More Focused, Performance-Based, and Sustainable Programs*, [GAO-08-400](#) (Washington, D.C.: Mar. 6, 2008) and [GAO-23-106203](#).

⁸For example, in our June 2019 report on the INFRA program, we recommended that DOT communicate in its evaluation plan and NOFO the circumstances under which DOT may ask applicants for additional information. In 2022, DOT provided some additional clarification in its INFRA evaluation guidelines. However, as of September 2023, DOT had not clarified in its NOFO the circumstances under which DOT may select applicants to receive requests for additional information. We also recommended that DOT document the rationale for requesting additional information from applicants and not affording similarly situated applicants an opportunity to do so. In 2022, DOT developed procedures to ensure it documents the rationale for requesting additional information from applicants. However, as of September 2023, DOT has not developed procedures to ensure that it documents the rationale for not providing an opportunity for similarly situated applicants to provide additional information. GAO, *Discretionary Transportation Grants: Actions Needed to Improve Consistency and Transparency in DOT's Application Evaluations*, [GAO-19-541](#) (Washington, D.C.: June 26, 2019). In our November 2023 report on the Rebuilding American Infrastructure with Sustainably and Equity (RAISE) discretionary grant program, we made recommendations, among others, that DOT consistently document specific evaluation decisions and identify all selection factors used to facilitate award decisions. DOT has not yet taken action to address these recommendations. By implementing these recommendations, DOT can better ensure consistency and transparency in the management of its discretionary grant programs. [GAO-24-106280](#).

Solicitation Process

To facilitate the evaluation and award of discretionary grants, DOT issues a NOFO announcing the availability of funds, as well as the program's funding priorities and the corresponding criteria by which DOT will evaluate applications. In response to the NOFO, applicants submit applications. OMB regulations address how federal agencies in the executive branch are to administer discretionary grant programs. Specifically, the OMB regulations outline what information to include in the NOFO, how to evaluate applications, and how to award grants consistent and transparent manner. DOT adopted these regulations and incorporated them into its *Guide to Financial Assistance*.

According to the MPDG NOFO, DOT combined the solicitation for Rural, INFRA, and Mega to help streamline the process for applicants. Applicants could choose to apply to one, two, or all three programs, and DOT considered an application for all three programs unless applicants explicitly opted out of consideration for one or more. The NOFO also encouraged applicants to apply for multiple programs to maximize their potential for receiving federal funds. With respect to the Rural program's funding opportunities, the MPDG NOFO solicited applications for up to \$300 million in awards for fiscal year 2022.

While the MPDG NOFO combined the solicitation of three programs, it also described specific eligibility requirements for applicants seeking funds from the Rural program. For example:

- The MPDG NOFO stated that applicants needed to meet five statutory eligibility requirements (statutory project requirements), specific to Rural. These requirements are that the project (1) will generate regional economic, mobility, or safety benefits; (2) will be cost-effective; (3) will contribute to one or more of the national goals described under 23 U.S.C. § 150 (National goals and performance management measures); (4) is based on the results of preliminary engineering; and (5) is reasonably expected to begin construction no later than 18 months after the date of obligation of funds for the project. According to the NOFO, for a Rural project to be selected, the DOT must determine that a project meets these five statutory requirements.⁹
- The IJA authorizes the Rural program to provide funding only to projects located in a rural area, that is, projects located outside an urbanized area that has a population of over 200,000. The NOFO states that DOT will use the Census Bureau's 2010 Census definition of an urbanized area, which is, an area that consists of densely settled territory that contains 50,000 or more people. For projects that include expenditures in both urban and rural areas, the NOFO states that DOT will consider the project to be in an urban or rural area based on where the majority of project funds will be spent.¹⁰

Evaluation Process

In addition to the solicitation process, DOT combined the evaluation process for all three MPDG programs, meaning DOT evaluated applications for the three programs at the same time against the same criteria. This combined MPDG evaluation process included intake and analysis review phases, which DOT outlined in the NOFO and its evaluation plan. The evaluation plan—an internal guidance document—described how to rate

⁹See 23 U.S.C. § 173(g) (providing that the Secretary may provide a grant under the Rural program to an eligible project only if the Secretary determines that an applicant project meets the five specified statutory project requirements).

¹⁰Other eligibility considerations, outlined in the NOFO, include the types of entities eligible to apply, the amount of eligible federal cost share, and the kinds of projects eligible for funding.

applications, defined key terms, and outlined documentation requirements for the evaluation and selection processes.

Intake. DOT staff were first to conduct basic eligibility determinations, such as checking for eligible applicant and project types. Staff were also to assess whether an application's location was in an urbanized or non-urbanized area. If staff identified a potential eligibility concern, the Evaluation Management and Oversight Team—composed of staff from the Office of the Secretary—would make a final eligibility determination, though these final determinations may occur throughout the review process.

Analysis review. DOT Analysis Review Teams were then to (1) rate applications based on a set of selection criteria, as identified in DOT's NOFO and evaluation plan documents, and provide narrative justifications for the ratings; and (2) assess whether the applications met the five statutory project requirements, described above.¹¹ See figure 1 for a full list of the selection criteria and possible ratings.

To assess applications against the selection criteria, DOT Analysis Review Teams were to conduct

- a project outcome review, to evaluate the extent to which a project offered benefits for six component criteria;
- an economic analysis, to evaluate a project's expected benefits relative to its expected costs (i.e., cost-effectiveness);¹² and
- a project readiness analysis to evaluate environmental risk, technical capacity, and other financial criteria to determine the extent to which the project could be fully completed and begin construction in a timely manner.

¹¹The Analysis Review Teams included staff from across DOT's Operating Administrations (e.g., Federal Highway Administration) and the Office of the Secretary, as well as staff from the Volpe National Transportation Systems Center. The Volpe National Transportation Systems Center serves as a federal resource positioned to provide multidisciplinary, multimodal transportation expertise on behalf of DOT's operating administrations, the Office of the Secretary of Transportation, other federal agencies, state and local governments, academia, and industry.

¹²The NOFO directed applicants to submit benefit-cost analyses as part of their applications so that DOT could assess the cost-effectiveness of projects.

Figure 1: DOT Selection Criteria for Evaluating Fiscal Year 2022 Multimodal Project Discretionary Grant Program Applications

Criteria and description	Possible ratings				
<p>Project outcomes (6 components)^a</p> <ul style="list-style-type: none"> ● Safety ● State of good repair ● Economic impacts, freight movement, and job creation ● Climate change, resiliency, and the environment ● Equity, multimodal options, and quality of life ● Innovation areas of technology, project delivery, and financing 	<p>Rating 0 The project negatively impacts this project outcome area.</p>	<p>Rating 1 The project's claimed benefits in the outcome area are plausible but minimal, or the project's claimed benefits in the area are not plausible.</p>	<p>Rating 2 The project produces non-trivial, positive benefits in this outcome area that are well supported by the evidence in the application.</p>	<p>Rating 3 The project produces significant, transformative benefits in this outcome area that are well supported by the evidence in the application.</p>	
<p>Cost-effectiveness</p> <ul style="list-style-type: none"> ● Whether and the extent to which a project's benefits exceed its costs 	<p>Low The project's costs will exceed its benefits.</p>	<p>Medium-low The project's costs are likely to exceed its benefits.</p>	<p>Medium The project's benefits are likely to exceed its costs.</p>	<p>Medium-high The project's benefits will exceed its costs.</p>	<p>High The project's benefits will exceed its costs, with a benefit-cost ratio of at least 1.5.</p>
<p>Project readiness (3 components)</p> <ul style="list-style-type: none"> ● Technical assessment ● Financial completeness ● Environmental review and permitting risk 		<p>1) Uncertain</p>	<p>2) Somewhat certain</p>	<p>3) Certain</p>	
		<p>1) Incomplete</p>	<p>2) Partially complete</p>	<p>3) Complete</p>	
		<p>1) High risk</p>	<p>2) Moderate risk</p>	<p>3) Low risk</p>	

Source: GAO analysis of the Department of Transportation's (DOT) Notice of Funding Opportunity and evaluation documents for the fiscal year 2022 Multimodal Project Discretionary Grant (MPDG) program. | GAO-24-106882

^aFor each project outcome component, DOT assigned ratings ranging from 0 to 3. According to DOT's Notice of Funding Opportunity, the state of good repair project outcome criterion assessed how a project will contribute to a state of good repair by restoring and modernizing core infrastructure assets or addressing current or projected system vulnerabilities.

In addition, throughout the analysis review phase, DOT's Evaluation Management and Oversight Team was to use information from the applications and other analyses to determine the extent to which applications met all five statutory project requirements. For each requirement, the Evaluation Management and Oversight Team was to document whether the application (1) met the requirement, (2) did not meet the requirement, or (3) needed additional information for DOT to make a determination.

Prior to advancing applications to the SRT, DOT removed any applications that did not meet the basic eligibility requirements. In total, DOT advanced 243 Rural applications to the SRT—each with a rating based on how well they performed against the project outcome criteria and an initial determination on whether they met the five statutory project requirements. Further, staff from the Analysis Review Teams also were responsible for continually screening applications for other potential eligibility issues, such as ineligible applicant and project types. According to DOT officials, they removed applications from the remainder of the evaluation and selection processes only after they had confirmed the applications to be ineligible.

Selection Process

Following the combined evaluation process—after each application had received its ratings—the Senior Review Team (SRT), as part of the Rural selection process, was to assign an overall rating to each application

and advance applications to the Secretary for consideration, who, in turn, was to select applications for award.¹³

Senior Review Team. The SRT was to decide which applications to advance to the Secretary after reviewing the Analysis Review Team’s ratings and statutory requirement determinations. In reviewing the applications, the SRT was to identify projects that had strengths in the outcome criteria but would require additional follow-up on the statutory project requirements. For example, an application might need additional documentation to demonstrate that the project met the statutory project requirement of being cost-effective. The SRT was then to assign applications an overall rating of “Highly Recommended”, “Recommended”, or “Not Recommended”, and advance “Highly Recommended” applications to the Secretary for selection.¹⁴

Secretary’s selection. The NOFO stated that following the SRT, the Secretary would select applications for award. According to the IIJA, when selecting Rural grant awards, the Secretary must take into consideration three specified “set-aside” provisions that reserve funding for applications with certain locations or characteristics.

- **Applications requesting less than \$25 million.** When selecting applications for award, the IIJA stipulates the Secretary shall use no more than 10 percent of each fiscal year’s funding round for awards of less than \$25 million. As a result, in fiscal year 2022, DOT could award no more than \$30 million, in total, to such projects.
- **Applications from states with higher-than-average rural roadway fatalities.** When selecting applications for award, the IIJA stipulates the Secretary shall reserve 15 percent of each fiscal year’s funding round for projects in states with higher-than-average rural roadway fatalities as a result of roadway lane departures.¹⁵ As such, for the fiscal year 2022 Rural program, this IIJA set-aside provision resulted in DOT being required to award at least \$45 million to such projects. The Federal Highway Administration defines a roadway lane departure as a crash that occurs after a vehicle crosses an edge line or a center line or otherwise leaves the traveled way.
- **Applications furthering the completion of the Appalachian Development Highway System (ADHS).** When selecting applications for award, the IIJA stipulates the Secretary shall reserve 25 percent of each fiscal year’s funding round for eligible projects that further the completion of designated

¹³The INFRA and Mega programs each had separate selection processes that also included an SRT phase, in which SRT members had similar responsibilities, and the Secretary’s selection of applications for award.

¹⁴Under certain circumstances, which we discuss later in the report, the SRT may advance Recommended applications to the Secretary.

¹⁵According to the NOFO, the average rural roadway fatalities resulting from roadway lane departures is based on the 5-year rolling average of rural roadway departure fatality rate per 100 million vehicle miles traveled. For the fiscal year 2022 Rural program, the states with higher-than-average rural roadway fatalities as a result of roadway lane departures were Alabama, Alaska, Arkansas, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maine, Mississippi, Missouri, Montana, Nebraska, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Vermont, West Virginia, and Wyoming, according to the NOFO.

routes of the ADHS.¹⁶ As a result, in fiscal year 2022, this IIJA set-aside provision required DOT to award at least \$75 million to such projects.

Local Governments Submitted Most Rural Applications, and the Number of Applications That Satisfied Set-Aside Funding Provisions Varied

Most Applications DOT Advanced to the Senior Review Team Requested Funding for Roadway Projects Sponsored by Local Governments

For the fiscal year 2022 Rural program, DOT received 317 applications and advanced 243 to the SRT following the combined MPDG evaluation process.¹⁷ According to our analysis of DOT application data, 145 of the 243 applications (60 percent) were submitted by local governments, and almost all applicants requested funding for roadway projects, such as highways, bridges, or tunnels.

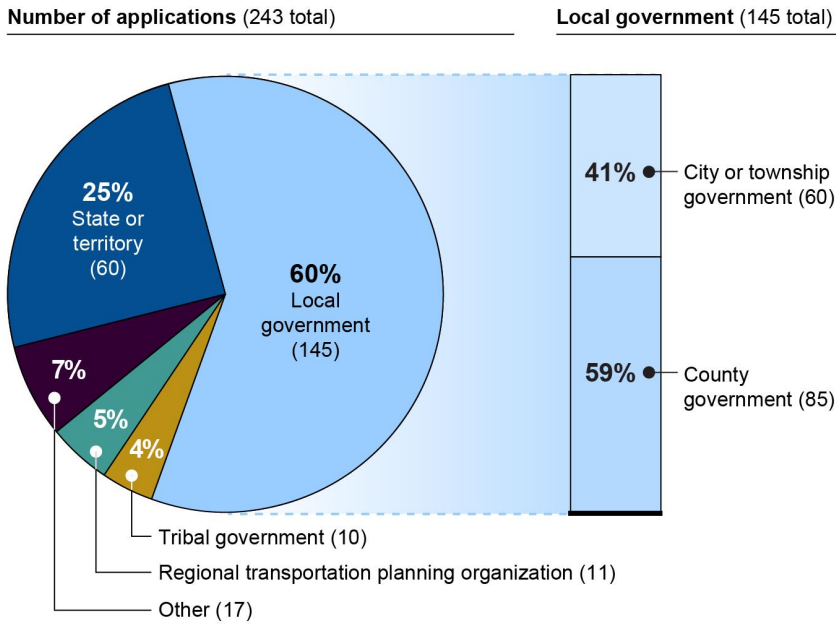
Applicant type. Local governments (i.e., cities, townships, or counties) submitted most of the Rural applications that DOT advanced to the SRT (see fig. 2). State entities, such as departments of transportation, sponsored most of the remaining applications.

Many applicants also applied to multiple MPDG programs. Of the 243 Rural applications that DOT advanced to the SRT, 96 applied for funding under all three grant programs, 40 applied for both Rural and INFRA (i.e., opted out of Mega consideration), and 107 applied for Rural funding only.

¹⁶More specifically, the IIJA stipulates that the funding is reserved for eligible projects that further the completion of the designated routes of the ADHS under section 14501 of title 40. The ADHS consists of 33 corridors that provide access to regional and national markets. According to the Appalachian Regional Commission, as of fiscal year 2023, 2,837 miles, or about 92 percent, of the ADHS is under construction or open to traffic. Based on the 2021 ADHS cost-to-complete estimate, the ADHS requires \$9.7 billion in federal funding to complete its unfinished corridors.

¹⁷As noted above, DOT considered an application for all three MPDG programs unless applicants explicitly opted out of consideration for one or more of the grant programs. Between the intake phase and SRT phase, DOT officials identified 74 applications that were ineligible for the Rural program. According to DOT officials, many of the 74 applicants did not opt out of consideration for the Rural program but submitted applications describing projects that were clearly not eligible for the Rural program, such as non-roadway projects.

Figure 2: Rural Surface Transportation Grant Program Applicant Types that Advanced to the Senior Review Team, by Number of Applications, Fiscal Year 2022



Source: GAO analysis of Department of Transportation information. | GAO-24-106882

Accessible Data for Figure 2: Rural Surface Transportation Grant Program Applicant Types that Advanced to the Senior Review Team, by Number of Applications, Fiscal Year 2022

Applicant type	Tribal Government	Regional Transit Planning Organization	Other	State or Territory	Local Government
Number of applications	10	11	17	60	145
Percentage	4	5	7	25	60

Applicant type (local government)	County government	City or township government
Number of applications	85	60
Percentage	59	41

Source: GAO analysis of Department of Transportation information. | GAO-24-106882

Note: Applicants may submit a joint application for the Rural Surface Transportation Grant Program (Rural). Joint applicants must identify a lead applicant that will serve as the primary point of contact. For the purposes of our analysis, we analyzed lead applicant information. We then categorized the applications into five groups: (1) state or territories, (2) local governments (e.g. counties and cities), (3) tribal governments, (4) regional transportation planning organizations, or (5) other. "Other" includes entities, such as nonprofits and special purpose districts included in a joint application. A lead applicant is to be an eligible entity responsible for the financial administration of the project. We reviewed the 243 applications that advanced to the Rural program's Senior Review Team (SRT), which is composed of senior departmental officials. The SRT assigned overall ratings and advanced applications to the Secretary of Transportation for final award decisions.

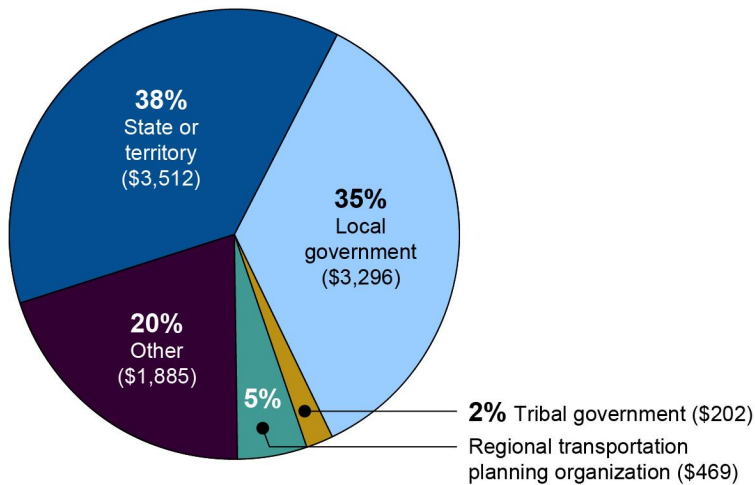
Project type. According to the application data we reviewed, about 90 percent of Rural applications that DOT advanced to the SRT requested funding for roadway projects (i.e. projects carried out on highways, bridges, or tunnels).¹⁸ These projects ranged from large highway development projects to intersection improvements such as signalization and new dedicated turn lanes. The remaining applications requested funding for a variety of other types of projects, such as developing on-demand mobility services. For example, one project requested funding to deploy software and acquire vehicles to improve the connectivity across 11 rural communities and support on-demand transit services that encourage pooled transit trips.

Funding requested. Funding requests in Rural applications that DOT advanced to the SRT ranged from \$160,000 to \$1.24 billion. In total, these applications requested more than \$9.3 billion in funding—about 30 times the up to \$300 million DOT announced was available for award. While state governments submitted fewer applications than local governments, they generally requested more funding (see fig. 3).

¹⁸For the purposes of our report, we refer to "roadway" projects as those that primarily address highways, bridges, and tunnels, as categorized by DOT application data. DOT application data classified proposed projects based on the Rural statutory eligible project types set out at 23 U.S.C. § 173 (e) : a highway, bridge, or tunnel project eligible under National Highway Performance Program (23 U.S.C. § 119); a highway, bridge, or tunnel project eligible under Surface Transportation Block Grant (23 U.S.C. § 133); a highway, bridge, or tunnel project eligible under Tribal Transportation Program (23 U.S.C. § 202); a highway freight project eligible under National Highway Freight Program (23 U.S.C. § 167)(h)(5)); a highway safety improvement project, including a project to improve a high risk rural road as defined by the Highway Safety Improvement Program (23 U.S.C. § 148); a project on a publicly-owned highway or bridge that provides or increases access to an agricultural, commercial, energy, or intermodal facility that supports the economy of a rural area; or a project to develop, establish, or maintain an integrated mobility management system, a transportation demand management system, or on-demand mobility services.

Figure 3: Funding Requested by Applications That Advanced to the Rural Surface Transportation Grant Program’s Senior Review Team, by Applicant Type, Fiscal Year 2022

Funding requests (dollars in millions; \$9,364 million total)



Source: GAO analysis of Department of Transportation information. | GAO-24-106882

Accessible Data for Figure 3: Funding Requested by Applications That Advanced to the Rural Surface Transportation Grant Program’s Senior Review Team, by Applicant Type, Fiscal Year 2022

Applicant type	Tribal government	Regional transportation planning organization	Other	State or Territory	Local Government
Total amount requested (dollars in millions)	202	469	1885	3512	3296
Percentage	2	5	20	38	35

Source: GAO analysis of Department of Transportation information. | GAO-24-106882

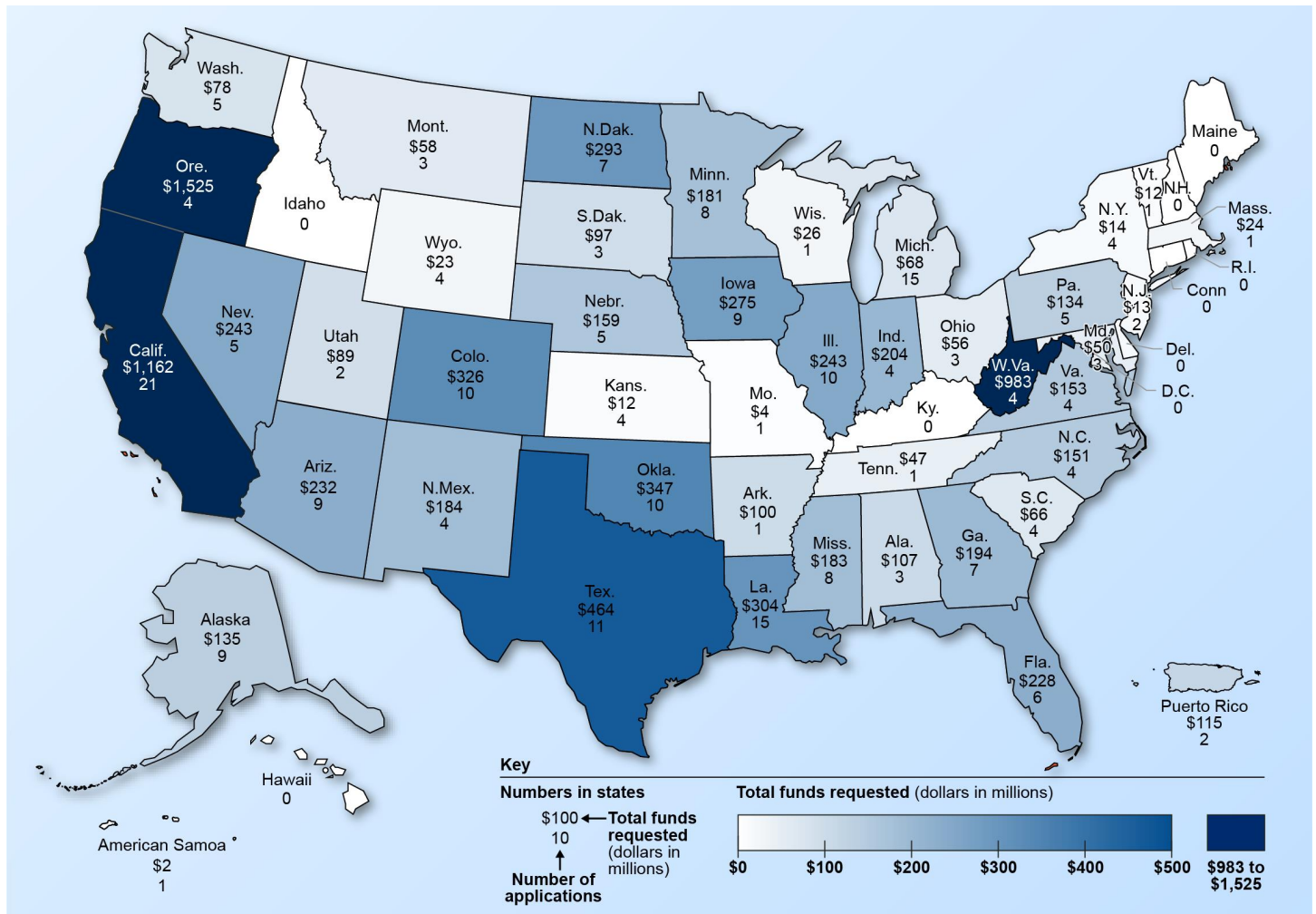
Note: Applicants may submit a joint application for the Rural Surface Transportation Grant Program (Rural). Joint applicants must identify a lead applicant who will serve as the primary point of contact. For the purposes of our analysis, we analyzed lead applicant information. We then categorized the applications into five groups: (1) state or territories, (2) local governments (e.g. counties and cities), (3) tribal governments, (4) regional transportation planning organizations, or (5) other. Other’ includes entities, such as nonprofits and special purpose districts are included in a joint application. A lead applicant is to be an eligible entity responsible for the financial administration of the project. We reviewed the 243 applications that advanced to the Rural program’s Senior Review Team (SRT), which is composed of senior departmental officials that assigned overall ratings and advanced applications to the Secretary of Transportation for final award decisions.

Eighty-five of the 243 applications (35 percent) also intended to use other federal funding in addition to the Rural program. In addition, 56 applications (23 percent) reported that they had applied to other DOT grant programs in the past.¹⁹

¹⁹In general, according to the IIJA, the federal cost share of a Rural grant award may not exceed 80 percent of the project cost. Under the IIJA, the federal share for a Rural grant award may, however, be up to 100 percent for certain projects furthering the completion of the Appalachian Development Highway System or addressing a surface transportation infrastructure need identified for the Denali access system program. The IIJA additionally provides that federal assistance from sources other than the Rural program may be used to satisfy the Rural program’s non-federal share requirement.

Location. The 243 applications that DOT advanced to the SRT requested funding for projects located in 42 states and two territories (see fig. 4). About half of these applications were submitted by applicants from 10 states, seven of which (California, Louisiana, Michigan, Texas, Colorado, Illinois, and Oklahoma)—accounted for over a third of all applications DOT advanced to the SRT. While applicants from Oregon requested the most funding (\$1.5 billion), applicants from California submitted the most applications (21).²⁰ Eight states—Connecticut, Delaware, Hawaii, Idaho, Kentucky, Maine, New Hampshire, and Rhode Island—and the District of Columbia were not represented in the 243 applications that DOT advanced to the SRT.

Figure 4: Geographic Distribution of Applications That Advanced to the Rural Surface Transportation Grant Program’s Senior Review Team, Fiscal Year 2022



Source: GAO analysis of Department of Transportation information. | GAO-24-106882

²⁰One of the four applicants from Oregon requested \$1.2 billion in funding to update rails lines in order to shift freight movement from truck to rail.

Accessible Data for Figure 4: Geographic Distribution of Applications That Advanced to the Rural Surface Transportation Grant Program's Senior Review Team, Fiscal Year 2022

State or territory	Number of applications	Total funds requested
AK: Alaska	9	\$ 135,040,615.00
AL: Alabama	3	\$ 107,351,040.00
AR: Arkansas	1	\$ 100,000,000.00
AS: American Samoa	1	\$ 2,000,000.00
AZ: Arizona	9	\$ 232,168,798.00
CA: California	21	\$ 1,162,130,594.00
CO: Colorado	10	\$ 325,905,376.00
FL: Florida	6	\$ 227,631,034.32
GA: Georgia	7	\$ 193,613,820.00
IA: Iowa	9	\$ 275,122,337.00
IL: Illinois	10	\$ 242,840,224.00
IN: Indiana	4	\$ 203,591,534.00
KS: Kansas	4	\$ 12,325,575.00
LA: Louisiana	15	\$ 303,785,120.00
MA: Massachusetts	1	\$ 24,484,740.00
MD: Maryland	3	\$ 49,734,131.00
MI: Michigan	15	\$ 67,909,420.00
MN: Minnesota	8	\$ 181,127,600.00
MO: Missouri	1	\$ 4,126,975.00
MS: Mississippi	8	\$ 183,095,976.00
MT: Montana	3	\$ 58,002,804.00
NC: North Carolina	4	\$ 151,207,158.00
ND: North Dakota	7	\$ 292,659,716.00
NE: Nebraska	5	\$ 158,693,465.00
NJ: New Jersey	2	\$ 12,671,600.00
NM: New Mexico	4	\$ 184,124,749.00
NV: Nevada	5	\$ 243,397,995.00
NY: New York	4	\$ 14,207,625.00
OH: Ohio	3	\$ 55,762,417.00
OK: Oklahoma	10	\$ 347,312,971.00
OR: Oregon	4	\$ 1,524,635,579.00
PA: Pennsylvania	5	\$ 133,740,767.00
PR: Puerto Rico	2	\$ 114,527,772.00
SC: South Carolina	4	\$ 66,327,479.00
SD: South Dakota	3	\$ 97,131,170.00
TN: Tennessee	1	\$ 47,100,000.00
TX: Texas	11	\$ 464,165,990.00
UT: Utah	2	\$ 89,080,338.00

State or territory	Number of applications	Total funds requested
VA: Virginia	4	\$ 153,137,224.00
VT: Vermont	1	\$ 12,000,000.00
WA: Washington	5	\$ 77,943,407.00
WI: Wisconsin	1	\$ 26,393,040.00
WV: West Virginia	4	\$ 983,389,860.00
WY: Wyoming	4	\$ 23,181,615.00

Source: GAO analysis of Department of Transportation information and Map Resources (map) | GA0-24-106882

Note: We reviewed the 243 applications that advanced to the Rural Surface Transportation Grant Program’s Senior Review Team (SRT)—composed of senior departmental officials. The SRT assigned overall ratings and advanced applications to the Secretary of Transportation for final award decisions.

Population. As discussed above, to be eligible for award under the Rural program, a project—or the majority of project expenditures—must be located outside an urban area that has a population of 200,000 or more. The 243 Rural applications that DOT advanced to the SRT generally requested funding for projects in rural areas with low populations.

- Populations less than 50,000. DOT determined 194 applications (80 percent) proposed projects that were in areas with less than 50,000 people, as defined by the United States Census Bureau.²¹
- Populations between 50,000 and 200,000. DOT determined 35 applications (14 percent) proposed projects that were in Census-designated areas with 50,000 people or more but with populations of less than 200,000. Applications from these areas ranged from 52,000 people (Arroyo Grande-Grover Beach, California) to over 195,000 people (Santa Barbara, California).
- Populations over 200,000. DOT determined 14 applications (about 6 percent) proposed projects that were adjacent to or partially located in Census-designated urban areas with a population of 200,000 or more, such as Atlanta, Georgia or New Orleans, Louisiana. The New Orleans application, for example, was awarded \$25 million to construct two ferry boats to improve ferry service around the New Orleans area and other more rural areas of the state. According to DOT data, two of the three ferry landings were located in non-urban areas, while the third, was located on the border of the metropolitan area of New Orleans (i.e., an urban area that has more than 200,000 people). DOT determined that the majority of the project was rural, and subsequently, designated the application as potentially eligible for a Rural award.

The Number of Applications that Satisfied Each Programmatic Set-Aside Provision Varied

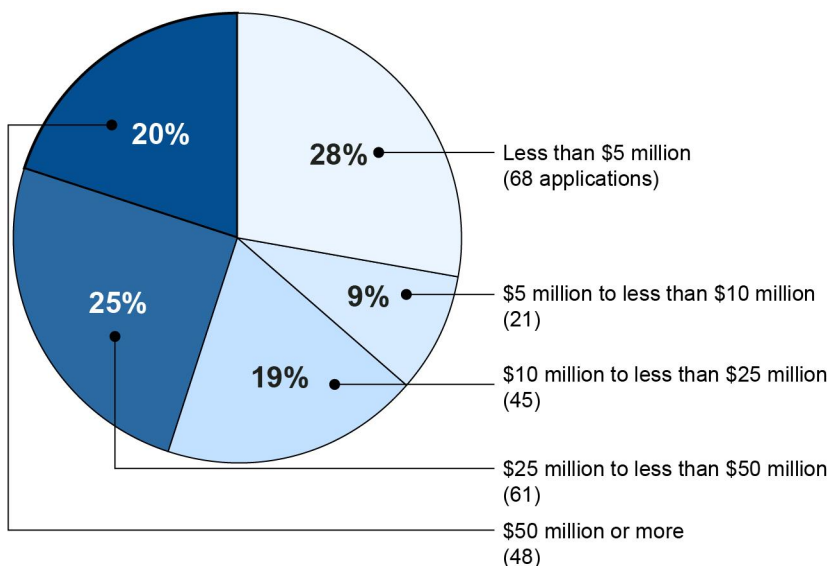
As discussed above, the IIJA specified three set-aside provisions that reserve Rural funding for applications with certain locations or characteristics. These set-aside requirements include funding (1) for projects requesting less than \$25 million, (2) for states with higher-than-average rural roadway fatalities, and (3) for projects that further the completion of the ADHS. Of the 243 applications that DOT advanced to the SRT, most satisfied one or more of these set-aside provisions. However, the number of applications that satisfied each

²¹For the Census 2010 data—the information used by DOT to make urban/rural determinations for the fiscal year 2022 MPDG Opportunity—the Census Bureau defines an urbanized area as an area that consists of densely settled territory that contains 50,000 or more people.

set-aside provision varied widely. For example, 55 percent of applications requested less than \$25 million in funding; in contrast, 1 percent requested funding for projects that would further the ADHS.

Applications requesting less than \$25 million. Of the 243 applications that DOT advanced to the SRT, 134 applications (55 percent) sought less than \$25 million in funding from the Rural program (see fig. 5). However, the IIJA set aside no more than 10 percent of total Rural funds to be awarded for such projects. As a result, for the fiscal year 2022 funding round, the largest share of applicants competed for the smallest share of funding, which greatly affected the likelihood that some of these applications would be selected for award. In total, these applications requested over \$1 billion, more than 30 times the amount of funding available for projects under \$25 million in the fiscal year 2022 Rural program. Over a third of these applications were sponsored by local governments requesting less than \$5 million. For example, one county government requested about \$500,000 to reconstruct a local intersection to remediate a blind curve and improve the road’s safety. DOT officials said that in preparation for the next funding rounds they have been providing applicants—through webinars and other resources—with information on other sources of funding intended for smaller projects, such as DOT’s Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grant program.²²

Figure 5: Size of Funding Requests from Applications That Advanced to the Rural Surface Transportation Grant Program’s Senior Review Team, Fiscal Year 2022



Source: GAO analysis of Department of Transportation information. | GAO-24-106882

²²DOT officials also told us that they plan to offer applicants the option to submit a more streamlined application when requesting less than \$25 million in funding. DOT’s RAISE discretionary grants are designed to help state and local entities, including municipalities, tribal governments, and counties, complete critical freight and passenger transportation infrastructure projects that may be harder for sponsors to support through other DOT grant programs.

Accessible Data for Figure 5: Size of Funding Requests from Applications That Advanced to the Rural Surface Transportation Grant Program’s Senior Review Team, Fiscal Year 2022

Funding range	Under \$5 million	\$5 to less than \$10m	\$10 million to less than \$25 million	\$25 million to less than \$50 million	\$50 million or more
Number of applications	68	21	45	61	48
Percentage	28	9	19	25	20

Source: GAO analysis of Department of Transportation information. | GAO-24-106882

Note: We reviewed the 243 applications that advanced to the Rural Surface Transportation Grant program’s Senior Review Team (SRT), which is composed of senior departmental officials. The SRT assigned overall ratings and advanced applications to the Secretary of Transportation for final award decisions. Numbers may not add up to 100 percent due to rounding.

Applications from states with higher-than-average rural roadway fatalities. Of the 234 applications that DOT advanced to the SRT, 104 applications (43 percent) came from states with higher-than-average rural roadway fatalities as a result of lane departures. While a project did not need to address lane departures to be eligible for the 15 percent of total Rural funds designated for this set-aside provision, DOT determined that 78 of the 104 applications provided non-trivial or significant safety benefits, such as reducing fatality rates. However, 53 of these 104 applications (51 percent) also requested less than \$25 million, thus exposing these applications to more competition as the IIJA limited funding for applications requesting less than \$25 million, as discussed above. For example, applicants from Louisiana—a state with a higher-than-average rate of fatalities resulting from rural lane departures—had the second-highest number of applications that advanced to the SRT (15), and over half of these applications requested less than \$25 million in funding.

Applications furthering the completion of the ADHS. DOT determined three of the 243 applications that advanced to the SRT met the set-aside provision for furthering the completion of the ADHS. These three applications competed for at least 25 percent of the total Rural funds awarded. As a result, applications that satisfied the ADHS set-aside faced less competition for funding than other applications. Generally, these applications sought funding for larger highway-related projects, with requests ranging from \$83 million to over \$330 million. For example, one of the projects consisted of the construction of a four-lane, divided, partial-access highway through a mountainous area. However, DOT Analysis Review Teams found that the two largest projects—both requesting over \$200 million—did not meet the cost-effectiveness statutory project requirement. As a result, the remaining application that DOT determined to meet the ADHS set-aside provision and other statutory requirements ultimately faced no competition for the set-aside funding.

DOT's Selection Process Generally Aligned with Specified Federal Guidance and Regulations, but DOT Did Not Document Its Rationale for Key Decisions

The Senior Review Team and Secretary Generally Followed Specified Federal Regulations and DOT Guidance for Advancing and Selecting Applications for Award

Federal regulations and guidance for discretionary grant programs generally allows agencies flexibility to develop their own policies and procedures for selecting applications for awards.²³ OMB regulations states that agencies must design and execute a merit review process, in accordance with written standards set forth by the federal awarding agency, with the objective of selecting recipients most likely to be successful in delivering results based on the program's objectives. DOT's *Guide to Financial Assistance* also states that DOT's review process gives it discretion to determine which applications best address program requirements and are most worthy of funding. In order to advance applications to the Secretary during such a merit review process, that process, according to the *Guide to Financial Assistance*, must contain, at a minimum, a narrative summarizing the results of the merit review, be based on criteria, and be justified by program policy factors.

DOT implemented a selection process for advancing and awarding applications that generally aligned with specified OMB regulations and DOT guidance. For example, in response to a DOT guidance requirement, DOT developed an evaluation plan that specified actions and standards the SRT must follow during its review, as well as certain conditions or criteria for undertaking those actions. The evaluation plan provided the SRT broad flexibility to exercise professional judgment in making key advancement and selection decisions. We found that the SRT generally carried out its activities including: (1) requesting additional information, (2) assigning overall ratings, and (3) assembling a list of projects for the Secretary's consideration—in line with the conditions and criteria outlined in the evaluation plan.

Requesting additional information. Following the combined MPDG evaluation process, the SRT reviewed 243 applications and identified those needing additional follow-up on the five statutory project requirements. The evaluation plan specifies that the SRT may direct the Evaluation Management and Oversight Team to seek additional information from applications if (1) the application received a high rating (i.e., 3) in any of the six project outcome criteria, or (2) an SRT member, based on their subject matter expertise, provides additional information to demonstrate that the application has benefits aligned with a high rating.²⁴

Prior to the Rural SRT review, DOT officials determined that 65 of the 243 applications met all five statutory project requirements. When selecting applications for additional follow-up amongst the 178 applications that did not initially meet these requirements, we found that the SRT followed the criteria outlined in the evaluation plan and sought additional information from 15 applications. Fourteen of these applications had at least one high rating across the six project outcome criteria. While the remaining application did not have a "high" rating

²³*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 C.F.R. Part 200, and App. I to Part 200. DOT has adopted these provisions in regulation at 2 C.F.R. § 1201.1. DOT's *Guide to Financial Assistance* incorporates the OMB at 2 C.F.R. Part 200, and App. I to Part 200.

²⁴As discussed above, to score a 3 in a given outcome area (safety, state of good repair, economic impact, climate change, equity, or innovation), an application must have been found to produce significant, transformative benefits in that area.

in any of the six project outcome criteria, an SRT member noted that, on the basis of their knowledge of the current conditions of the proposed bridge project, the application had benefits aligned with a high rating in “state of good repair.” The SRT reviewed the additional information provided by the applicants and determined that six of the 15 applications, including the bridge project, could meet all five statutory project requirements.²⁵

Assigning overall ratings. Next, the SRT was to assign eligible applications an overall rating of Highly Recommended, Recommended, or Not Recommended based on criteria and guidance established in the program’s NOFO and the evaluation plan (see table 1).

Table 1: Department of Transportation’s (DOT) Criteria for Assigning Overall Application Ratings to Fiscal Year 2022 Multimodal Project Discretionary Grant Applications

Application rating	Criteria
Highly Recommended	DOT determines the project meets all statutory project requirements for award and the application receives high ratings for the six project outcome criteria, for cost-effectiveness, and for the three project readiness criteria; or DOT determines the project meets all statutory project requirements for award, and the Senior Review Team determines the project to be an exemplary project of national or regional significance that generates significant benefits in one of the six project outcome criteria.
Recommended	DOT determines the project meets all statutory project requirements for award, and the project is not assigned a Highly Recommended or Not Recommended rating.
Not Recommended	DOT determines the project does not meet one or more statutory project requirements for award, or additional information is required for one or more statutory project requirements; or the application receives one or more low ratings for the project outcome criteria, for cost-effectiveness, or for the project readiness criteria; or is otherwise identified by the Senior Review Team to not be suitable for a grant award based on its weakness within a project outcome area.

Source: GAO analysis of DOT information. | GAO-24-106882

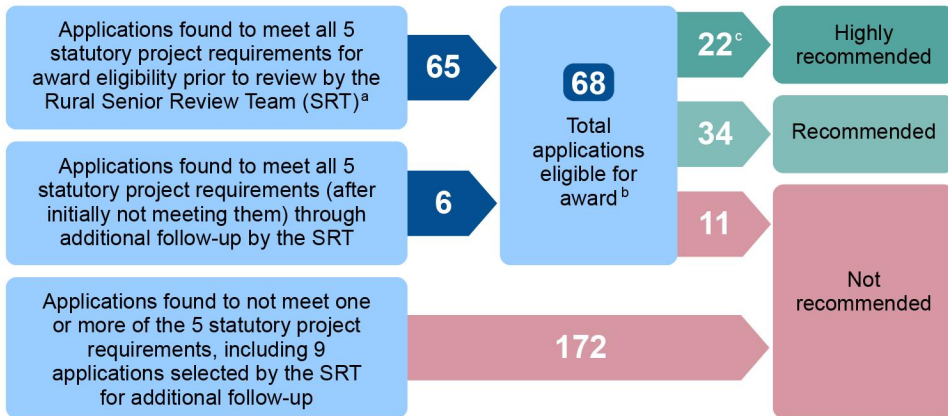
We found that the SRT followed the criteria outlined in the evaluation plan in assigning ratings to all applications that advanced to it (see fig. 6). Overall, the SRT rated 22 applications as “Highly Recommended.”²⁶ Specifically, the SRT identified 15 applications that it considered to be “exemplary” projects of regional or national significance. In addition, the SRT determined that seven other applications—that had previously been rated as “Highly Recommended” during the INFRA and Mega selection processes—would maintain their rating.²⁷ DOT officials said that these seven applications maintained their rating because they met all five statutory project requirements for the Rural program and were still considered “exemplary” by the SRT. There were no applications that received a “Highly Recommended” based on the application receiving high ratings for the six project outcome criteria, for cost-effectiveness, and for project readiness.

²⁵The other nine applicants could not meet the statutory project requirements. For example, some applicants did not respond to the request for additional information and others could not provide sufficient information to fully meet statutory project requirements.

²⁶According to DOT officials, an additional “Highly Recommended” application was not sent to the Secretary because following the assignment of the “Highly Recommended” rating, DOT learned the project had received additional state funding and no longer required the requested grant amount to proceed.

²⁷DOT conducted the SRT meetings for Rural applications separately from the other grant programs. However, DOT had previously assigned about 37 percent of eligible Rural applications an overall rating as part of the INFRA or Mega selection processes.

Figure 6: Senior Review Team Decisions and Ratings for Rural Surface Transportation Grant Program (Rural) Applications, Fiscal Year 2022



Source: GAO analysis of Department of Transportation information. | GAO-24-106882

^aThe SRT consisted of a team of senior Department of Transportation (DOT) officials that were responsible for reviewing applications (after the solicitation and evaluation processes) and advancing applications to the Secretary of Transportation for award consideration. If an applicant did not meet one or more of the five statutory project requirements, a SRT member could request additional information from the applicant to support a requirement determination based on the application’s strengths in an outcome area.

^bDOT removed three applications from consideration for Rural funding due to the fact they were to be awarded funds from other DOT discretionary grant programs.

^cAccording to DOT officials, one Highly Recommended application was not sent to the Secretary for award consideration because following the assignment of the Highly Recommended rating, DOT learned the project had received additional state funding and no longer required the requested grant amount to proceed.

Assembling a list of projects for the Secretary’s consideration. Once the SRT had assigned an overall rating to every eligible application meeting statutory project requirements, it was to assemble a list of Projects for Consideration for the Secretary. To do so, the SRT was to review the list of “Highly Recommended” applications and determine if the list was sufficient to satisfy statutory set-aside and geographic diversity considerations.²⁸ If the list was not sufficient, then the SRT could add “Recommended” applications to the list.

Applications on the list included projects from 19 states, and at least one application on the list met each set-aside provision.²⁹ The SRT determined that the 22 “Highly Recommended” applications were sufficient to send to the Secretary for award consideration.

The Secretary selected 12 of the 22 applications on the list to receive approximately \$274 million in funding.³⁰ The awarded applications satisfied the three set-aside requirements. For example, four of the 12 awarded applications requested less than \$25 million and received, in total, less than \$27.4 million—these awards

²⁸According to the NOFO, when making final award decisions, the Secretary is required by statute to consider geographic diversity among grant recipients.

²⁹Only a single project on the ADHS satisfied the statutory requirements for selection, so, according to DOT, this project received the full 25 percent set-aside.

³⁰According to DOT’s selection memorandum, DOT did not award \$26 million authorized by the IIJA for fiscal year 2022 because the funds are subject to the overall Federal-aid highway obligation limitation, and funds that exceed the obligation limitation provided to the program are distributed to the states for their traditional Federal-aid highway programs.

ranged from \$960,000 to \$10.4 million. For additional information on project size, location, and other characteristics of the awarded applications, see appendix II.

DOT Did Not Fully Document Its Rationale for Key Decisions during the Selection Process as Required by DOT Guidance

We found that in advancing and selecting Rural applications for award, DOT documented its merit review process, including the outcomes of key decisions, as required by its evaluation plan, but did not fully document the rationale for those decisions, as required by DOT guidance. According to DOT's *Guide to Financial Assistance*, an essential component of awarding discretionary grants is to document the program policy factors used when making award decisions. The *Guide to Financial Assistance* also states that grant documentation should include an explanation for why the selected applications best address program requirements and, therefore, are most worthy of funding over other applications.³¹ In addition, according to *Standards for Internal Control in the Federal Government*, it is important to internally communicate the necessary quality information to achieve the program's objectives, such as key decisions, which can include decisions associated with advancing and selecting applications.³²

DOT's evaluation plan identified 10 key program decisions that must be documented, such as when DOT seeks additional information from an applicant or assigns an overall rating to an application. We found that DOT documented the outcomes of these key decisions through meeting notes, memorandums, and other documents. For example, DOT officials developed a memorandum that documented which applicants they contacted to request additional information on an application's ability to meet statutory project requirements. The memorandum described the projects and their anticipated benefits, listed the project outcome criteria in which they scored a "High" rating, and identified the statutory project requirements they did not meet.

However, DOT did not document the rationale for some key decisions in advancing and selecting applications. As a result, DOT's documentation provided limited insight into why or how the SRT and Secretary made their decisions during the selection process.

Senior Review Team. On the basis of our evaluation of the available documentation, we found that the SRT did not fully document its rationale for requesting additional information from applicants that did not initially meet statutory project requirements, nor its rationale for identifying applications as "exemplary," and thus conferring on them a rating of "Highly Recommended."

In accordance with DOT's evaluation plan, the SRT documented which applicants (15 total) it sought additional information from, and whether those applicants provided sufficient additional information to meet statutory project requirements. As discussed above, the SRT also detailed which statutory project requirements the applicants had not met and described the projects' anticipated benefits. However, this documentation provided limited insight into why DOT selected the 15 applications for additional follow-up over others. Of the 178 applications that DOT determined did not initially meet the statutory project requirements, 97 applications, for example, received at least one high project outcome rating and had no low project outcome ratings. All of these applications were potentially eligible for follow-up. DOT officials told us that they deemed the 15

³¹DOT, *Financial Assistance Guidance Manual*

³²[GAO-14-704G](#).

applications that they sought additional information from as having the greatest potential to be considered “exemplary” during the rating process. However, DOT’s documentation did not include this information or explain why DOT selected these applications for follow-up over similarly situated applications.

Similarly, while the SRT documented how it assigned an overall rating for each application—as required by the evaluation plan—we were unable to determine its rationale for considering certain applications (also 15 of the 22 applications on the list for the Secretary) to be “exemplary projects of regional or national significance,” and therefore, deserving of a “Highly Recommended” rating. We previously found DOT did not clearly define in the MPDG NOFO or evaluation plan—which includes Rural—how it would identify exemplary projects when advancing applications for potential selection. As a result, we recommended, in our January 2024 report, that DOT clearly define how an application may qualify as an exemplary project in the MPDG program evaluation plan and NOFO.³³

The memorandum DOT developed to document its overall ratings decisions for the applications selected for the Secretary’s list included the project’s strengths (e.g., any high scores in the project outcome criteria) as well as a general description of the project’s anticipated benefits. However, the memorandum did not include the factors or criteria the SRT members used to determine that these projects were “exemplary” in comparison to the other eligible applications. For example, SRT members rated a roadway application as “Highly Recommended,” in part, because of its potential safety benefits—over a recent 5-year period, the fatal and serious injury rates per 100 million vehicle miles traveled were twice as high for this roadway corridor than statewide averages, including two fatalities. However, all projects have some benefits and DOT’s documentation did not state why those benefits were considered “exemplary”, and thus, made the application more worthy of advancing to the Secretary in comparison to the other similarly scored applications.

We asked DOT officials why they considered some projects “exemplary,” but not other projects with similar project outcome scores. According to the officials, while they include project scores in the documentation, those scores may not solely indicate whether a project is deserving of a “Highly Recommended” rating. The officials stated that an application, for example, could receive a lower project outcome score but be the first project of its kind in a region or state, and thus be considered “exemplary.” However, documenting such rationales for Rural rating decisions would help DOT ensure the integrity of the process and enable oversight.

Secretary’s selection. In addition, DOT did not consistently document why the Secretary selected certain applications for award over others and why those selected were most worthy of funding, as required by DOT’s *Guide to Financial Assistance*. Specifically, we were unable to determine the trade-offs and policy factors that the Secretary considered in selecting 12 of the 22 applications on the list of Projects for Consideration for award. While DOT issued memorandums that provided some justifications for selecting or not selecting projects, they did not explain how the Secretary applied the program’s policy factors to determine which applications were most worthy of funding.

³³DOT did not agree with this recommendation, stating that the SRT has the discretion to determine which projects are exemplary projects using its professional judgment. However, we continue to believe that DOT should implement our recommendation for the reasons outlined in our report. Specifically, according to OMB regulations, the NOFO should clearly describe all criteria, including any sub-criteria. By clarifying how it identifies projects as exemplary, DOT can help ensure it evaluates applicants consistently and transparently and position decision makers to make better-informed selection decisions in support of national goals. See GAO, *Discretionary Transportation Grants: DOT Should Improve Transparency in the Infrastructure for Rebuilding America Program*, [GAO-24-106378](#) (Washington, D.C.: Jan. 10, 2024).

By contrast, we have previously found that DOT's documentation of the Secretary's award decisions for the INFRA program aligned with DOT's *Guide to Financial Assistance*.³⁴ The selection documentation for the INFRA program, for example, described the Secretary's general approach to selecting applications for award and how the Secretary considered specific factors—such as ratings, geography, and project size—when doing so. The documentation also explained why the Secretary selected certain projects over others; for example, when considering two similar applications with similar scores, the Secretary determined that one application presented more compelling benefits than the other.

However, DOT did not consistently include such details in its Rural documentation. For example, of the 10 applications not selected for award, the Secretary's documented justification for three applications was that the projects' narrative "presented a less compelling need for Rural funding than other projects." Further, for two of those three applications, DOT did not document any program policy factors used in decision-making.

DOT officials stated that some justifications were shorter in length in the Rural non-selection memorandum than the INFRA non-selection memorandum, but that the justifications in the Rural non-selection memorandum were sufficient. However, as noted above, the INFRA memorandum also consistently provided insight into why each application chosen for award was selected over similarly situated applications, which the Rural non-selection memo did not.

The NOFO and evaluation plan state that DOT intended the SRT and Secretary to have discretion in advancing and selecting applications for award, respectively. However, exercising professional judgment in making these key decisions increases the importance of documenting their rationale. OMB's memorandum on the implementation of the IIJA emphasizes that transparency and accountability are essential to the Administration's wider goals for the effective stewardship of IIJA funds.³⁵ By fully documenting the rationale for key decisions, DOT could help better ensure that it selects applications for Rural awards in a consistent and transparent manner. Moreover, in doing so, DOT would be better positioned to demonstrate the integrity of its selection process.

Conclusions

Most of the nation's roads are located in rural areas and state and local governments have been increasingly struggling to maintain them. Underinvestment in rural transportation systems has resulted in a slow and steady decline in the routes that connect rural communities. The Rural program provides a unique opportunity to improve and expand transportation in these areas, and demand for funding was high; the 243 applications that advanced to the Rural program's SRT in fiscal year 2022 requested total funding of over \$9.3 billion—about 30 times the \$300 million DOT announced was available.

DOT established criteria for advancing and selecting applications for award and allowed its reviewers to exercise professional judgment in doing so, as outlined in its NOFO and evaluation plan. However, DOT did not fully document its rationale for key decisions during this process, such as why the SRT advanced and the Secretary selected certain projects rather than others. As a result, it is not clear why DOT ultimately selected

³⁴See [GAO-24-106378](#).

³⁵OMB Memorandum M-22-12, *Advancing Effective Stewardship of Taxpayer Resources and Outcomes in the Implementation of the Infrastructure Investment and Jobs Act* (April 29, 2022).

some applications for award over others. By fully documenting the rationale for key advancement and selection decisions, DOT can better ensure that its process selects the Rural applications that best address program requirements and are most worthy of funding.

Recommendation for Executive Action

The Secretary of Transportation should ensure Rural program officials fully document the rationale behind key decisions related to advancing and selecting applications for award. (Recommendation 1)

Agency Comments

We provided a draft of this report to DOT for review and comment.

In its comments, reproduced in appendix III, DOT did not concur with our recommendation to fully document the rationale for key decisions related to advancing and selecting applications for award. DOT stated in its letter that it believes its documentation of key decisions is full and complete in accordance with its own guidelines.

However, we continue to believe that DOT should implement our recommendation for the reasons outlined in the report, including improved transparency and integrity of its selection process.

Regarding its decisions to follow up on or advance applications for the Secretary's consideration, DOT stated in its comments that its SRT has the discretion to determine, based on the pool of applications, which projects are worthy of additional follow-up based on strengths. We acknowledged and stated in our report that the SRT has the discretion to make such decisions. However, documenting the rationale for decisions made based on discretion is necessary to provide assurance of the integrity of the process and to allow for oversight. DOT's documentation did not explain the rationale for its decisions.

As we stated in our report, many applicants were eligible to be considered "exemplary". While DOT's documentation identified which projects it determined to be exemplary, the documentation did not fully describe why one project was determined to be an exemplary project of regional or national significance, and a similarly situated project was not. For example, DOT's documentation might detail a project's anticipated benefits, such as the potential number of accidents averted, but the documentation did not state why those benefits were considered "exemplary," and thus, most worthy for advancing to the Secretary. According to *Standards for Internal Control in the Federal Government*, it is important that entities communicate necessary quality information to achieve their objectives. This quality information can include insight into key decisions, such as decisions associated with advancing applications to the Secretary.

DOT stated in its comments that the SRT, with its varied and significant experience, has discretion in advancing the applications it deems most worthy. However, such a reliance on internal expertise also increases the importance of fully documenting those advancement decisions.

Regarding the Secretary's award decisions, DOT also stated in its comments that these decisions were well documented as the documentation described the general approach to DOT's award decisions, including the specific factors considered. DOT noted that it applied the same approach and rigor in documenting key selection decisions as it had for the INFRA program, which in January 2024 we found to be sufficient. However, we found that DOT's Rural non-selection memorandum—one of the two key documents accompanying its award decisions—does not provide the same degree of insight into the rationale for award decisions. Moreover, the contents of the documentation fall short of the requirements established in DOT's *Guide to Financial Assistance*. In that guidance, DOT notes that, at a minimum, when awarding discretionary grants, it must document the program policy factors it applied when making decisions.

In the Rural non-selection memorandum, DOT did not consistently document the policy factors it considered when making award decisions for the 10 applications not selected for award. For example, the Secretary's documented justification for not awarding two applications was that the projects' narrative "presented a less compelling need for Rural funding than other projects." However, as stated in our report, DOT did not document any program policy factors it applied to make these decisions. We continue to believe that fully documenting the rationale for the Secretary's award decisions would address the limited transparency associated with those decisions and ultimately enhance the credibility of the Rural program.

In response to DOT's comments, we have included in the report additional examples of our analysis of DOT's documentation of its award advancement and selection decisions. DOT also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Transportation, and other interested parties. 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 RepkoE@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 made key contributions to this report are listed in appendix IV.

A handwritten signature in black ink, reading "Elizabeth Repko", followed by a long horizontal line extending to the right.

Elizabeth Repko
Director, Physical Infrastructure

Appendix I: Objectives, Scope, and Methodology

This report examines the Rural Surface Transportation Grant Program (Rural). Specifically, it (1) describes the characteristics of Rural applications that the Department of Transportation (DOT) advanced to the Senior Review Team (SRT); and (2) assesses the extent to which DOT's selection process aligned with federal guidance and regulations for grants management.

For all objectives, we reviewed our prior work on DOT's various discretionary grant programs, including those authorized under the Multimodal Project Discretionary Grant (MPDG), such as the Nationally Significant Multimodal Freight and Highways Projects grant program (INFRA).¹ We also reviewed the Infrastructure Investment and Jobs Act, including relevant Rural statutory project requirements. We reviewed relevant documentation associated with the Rural program, including the program's fiscal year 2022 Notice of Funding Opportunity (NOFO) and the evaluation plan that describe the processes to solicit, evaluate, and select applications for awarding fiscal year 2022 Rural grants.² In addition, we interviewed DOT officials to understand how they administered the fiscal year 2022 program.

To describe the characteristics of Rural applications, we analyzed the 243 applications that DOT advanced to the SRT for the fiscal year 2022 program.³ Specifically, we analyzed data DOT collected throughout the Rural program's evaluation and selection processes—including applicant organization, project type, urban/rural designations, and final overall ratings. To assess the reliability of DOT's data, we interviewed DOT officials and conducted data checks. We found the data were sufficiently reliable for our purpose of producing descriptive statistics on the characteristics of Rural applications.

To describe how DOT advanced and, ultimately, selected Rural applications for award, we reviewed relevant DOT documentation, such as ratings, narratives, and minutes from SRT meetings that summarized applicant scores and described the number of Rural applications that advanced through the selection process. In addition, we reviewed DOT's guidance to describe the factors DOT reported it would use to advance and select applications.

To evaluate the extent to which DOT's selection processes aligned with federal regulations and guidance for grants management, we compared information from the Rural grant application evaluation and award data and DOT documentation with the federal regulations and guidance for discretionary grant programs. Specifically, we reviewed how DOT documented the Secretary's selection decisions for the fiscal year 2022 Rural funding

¹GAO, *Discretionary Transportation Grants: DOT Should Improve Transparency in the Infrastructure for Rebuilding America Program*, [GAO-24-106378](#) (Washington, D.C.: Jan. 10, 2024). See also GAO, *Discretionary Transportation Grants: DOT Should Clarify Application Requirements and Oversight Activities*, [GAO-22-104532](#) (Washington, D.C.: Apr. 6, 2022); *Discretionary Transportation Grants: Actions Needed to Improve Consistency and Transparency in DOT's Application Evaluations*, [GAO-19-541](#) (Washington, D.C.: June 26, 2019); *Discretionary Transportation Grants: DOT Should Take Actions to Improve the Selection of Freight and Highway Projects*, [GAO-18-38](#) (Washington, D.C.: Nov. 2, 2017).

²DOT combined the solicitation and evaluation processes of the Rural program with those of the other discretionary grant programs under the MPDG. Further, DOT considered applicants for the Rural program if the applicants specifically applied to the Rural program or did not explicitly opt out of the MPDG common application.

³We refer to fiscal year 2022 Rural applications as those applications the SRT reviewed for Rural. The SRT, which consisted of senior officials selected by the Secretary of Transportation, was to decide which applications to advance to the Secretary after reviewing the Analysis Review Team ratings and statutory requirement determinations.

round, which consisted of a selection memorandum and a non-selection memorandum. The selection memo describes why applications were selected and the benefits that each selected application is expected to provide, as well as other selection considerations. The non-selection memo describes why Highly Recommended projects were not selected for award. We also reviewed meeting notes, emails, other documentation.

We compared this documentation with requirements for grant management including the regulations in the Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the guidance in DOT's *Guide to Financial Assistance*.⁴ This federal guidance establishes requirements for discretionary grant programs including requirements related to consistency and transparency. We also compared data from the Rural advancement and selection process with DOT's evaluation plan and with *Standards for Internal Control in the Federal Government*—specifically, the principle for communicating the necessary quality information to achieve the entity's objectives.⁵

We conducted this performance audit from June 2023 to August 2024 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.

⁴2 C.F.R. Part 200, and App. I to Part 200; DOT has adopted these provisions in regulation. See 2 C.F.R. § 1201.1.. DOT's *Guide to Financial Assistance* incorporates the OMB regulations at 2 C.F.R. Part 200, and App. I to Part 200.

⁵GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

Appendix II: Selected Characteristics of Rural Surface Transportation Grant Program Awards, Fiscal Year 2022

The Secretary selected 12 applications that satisfied the set-aside requirements stipulated in the Infrastructure Investment and Jobs Act (IIJA) to receive approximately \$274 million in funding from the Rural Surface Transportation Grant Program (see table 2). For example, four of the 12 awarded applications satisfied the “less than \$25 million” set-aside requirement—these awards ranged from about \$960,000 to \$10.4 million.

Table 2: Key Characteristics of Rural Surface Transportation Grant Program Awards, Fiscal Year 2022

Project name and location	Set-aside qualification(s)	Government type	Award (millions)	Population
Downtown Moorhead Grade Separation Project (MN)	N/A	City or township	\$26.3	50,000 to 200,000
I-64 Widening Project (VA)	N/A	State government	\$25.0	50,000 to 200,000
West Reserve Drive/Hutton Ranch Road to Whitefish Stage Road Intersection (MT)	Rural Lane Departure	City or township	\$25.0	Less than 50,000
Central Susquehanna Valley Transportation Project (PA)	Appalachian Development Highway System	State government	\$69.0	Less than 50,000
Louisiana Department of Transportation and Development Ferry Design and Construction (LA)	Rural Lane Departure	State government	\$25.0	Over 200,000
Ibapah Road Safety and Rehabilitation Project (UT)	Less than \$25 million	County government	\$6.0	Less than 50,000
Mobility for Everyone, Everywhere in North Carolina (NC)	Less than \$25 million Rural Lane Departure	State government	\$10.4	Less than 50,000
Advancing Connectivity and Equity in the Remote Bering Straits Region (AK)	Less than \$25 million Rural Lane Departure	Nonprofit and consortium of tribal governments	\$10.0	Less than 50,000
BIA Route 7 Regional Improvement Project (SD)	Rural Lane Departure	Tribal government	\$26.2	Less than 50,000
Madera 41 Expressway (CA)	N/A	County government	\$25.0	Less than 50,000
Coalfields Expressway Project (WV)	Rural Lane Departure	State government	\$25.0	Less than 50,000
Niagara County Rural Bridge Improvement Initiative (NY)	Less than \$25 million	County government	\$0.96	Less than 50,000

Source: GAO analysis of Department of Transportation information. | GAO-24-106882

Note For each fiscal year, the Secretary shall (1) use not more than 10 percent of the amounts available to provide grants for eligible projects in an amount less than \$25 million; (2) reserve 25 percent of the amounts available for eligible projects that further the completion of designated routes of the Appalachian Development Highway System; and (3) reserve 15 percent of the funds made available to provide grants for eligible projects in States that have greater-than-average rural roadway fatalities, because of lane departures. 23 U.S.C. § 173(k).

Appendix III : 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

July 16, 2024

Elizabeth Repko
Director, Physical Infrastructure
U.S. Government Accountability Office (GAO)
441 G Street NW
Washington, DC 20548

Dear Ms. Repko:

The Department of Transportation (Department) is committed to implementing the Rural Surface Transportation Grant Program in alignment with Congressional mandate and agrees with GAO that the evaluation process should be transparent and well-documented.

However, the Department non-concurs with GAO's recommendation: "The Secretary of Transportation should ensure that Rural program officials fully document the rationale behind key decisions related to advancing and selecting applications for award." The Department believes documentation of key decisions is full and complete in accordance with the program's evaluation guidelines and the Department's Guide to Financial Assistance.

Related to documenting key decisions for projects advancing, the Department believes that, per the evaluation guidelines, the Senior Review Team (SRT), with its varied and significant experience, has the discretion to determine, based on the pool of applications, which projects are worthy of additional follow-up based on strengths and which projects are exemplary projects of national or regional significance as it relates to the project outcome areas. GAO acknowledged in the report that "*the SRT documented how it assigned an overall rating for each application—as required by the evaluation plan.*"

Related to documenting key decisions for project selection, we believe the Rural documentation was full and complete as it met the standards GAO described in the report; it "*described the Secretary's general approach to selecting applications for award and how the Secretary considered specific factors—such as ratings, geography, and project size—when doing so. The documentation also explained why the Secretary selected certain projects over others; for example, when considering two similar applications in the same state.*" The Department applied the same approach and rigor in documenting key selection decisions as it had for the Nationally Significant Multimodal Freight & Highways Projects (INFRA) program, which GAO found to be sufficient in January 2024.

The Department appreciates the opportunity to respond to the GAO draft report. We will provide a detailed response to the recommendation within 180 days of the final report's issuance. Please contact Gary Middleton, Director of Audit Relations and Program Improvement, at 202-366-6512 with any questions or if you would like to obtain additional details.

Sincerely,

Philip McNamara
Assistant Secretary for Administration

Accessible Text for Appendix III: Comments from the Department of Transportation

July 16, 2024

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Sincerely,

Philip McNamara
Assistant Secretary for Administration

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Elizabeth Repko, (202) 512-2834, or RepkoE@gao.gov.

Staff Acknowledgements

In addition to the contact named above, Matt Voit (Assistant Director); Ross Gauthier (Analyst in Charge); Justine D'Souza; Joshua Parr; Geoffrey Hamilton; Josh Ormond; Kelly Rubin, and Laurel Voloder made key contributions to this report.

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