

Semiannual Report to Congress

OCTOBER 1, 2007 – MARCH 31, 2008



OFFICE OF INSPECTOR GENERAL
U.S. Department of Transportation

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From the Inspector General

It is my pleasure to present the Department of Transportation Office of Inspector General's Semiannual Report to Congress for the 6-month period ending March 31, 2008. The significant audit and investigative activities described in this report clearly demonstrate the outstanding performance and commitment to excellence exhibited by OIG employees as we continue to support and assist DOT in achieving its mission of providing fast, safe, efficient, and convenient transportation for the United States.

We provided audits on areas such as DOT's FY 2008 Top Management Challenges; NHTSA's oversight of state highway programs and controls over the National Driver Register; the NAFTA cross-border trucking demonstration project; FAA's oversight of aircraft manufacturers' domestic and foreign part suppliers, and implementation of runway status lights; and numerous financial statement audits for various DOT operating administrations including the DOT's consolidated financial statements. Our investigative activities this reporting period concentrated on a variety of fraudulent activities in the areas of Commercial Drivers' Licenses, Disadvantaged Business Enterprise contracts, aircraft parts, construction grants and contracts including bid-rigging.

During this semiannual period, we issued 48 reports with 174 recommendations, including financial recommendations totaling \$122,690,000. Our investigative work resulted in 65 convictions and a total of \$527,624,733 in fines, restitutions, and recoveries.

We testified before Congress on 7 occasions covering important topics including top challenges facing DOT in FY 2008; NAFTA cross-border trucking demonstration project; NHTSA's drunk driving program; and FAA's runway safety, key funding issues, Automatic Dependent Surveillance Broadcast Program, and conversion of flight service stations to contract operations.

We want to recognize the contributions of our former Deputy Inspector General, Todd Zinser, who was appointed Inspector General at the Department of Commerce this past December after 16 years of service at DOT/OIG. During his tenure, Todd demonstrated leadership and direction that advanced the success of the DOT/OIG and enhanced our standing within the Inspector General community. He played a critical role in the development of almost every significant report issued and congressional testimony delivered by OIG. He also had a hand in the direction and outcome of our major and most sensitive investigations. His analytical skills and his institutional savvy were integral components of every single OIG work product. Todd set the highest professional and personal standards for our staff, while always holding himself to those same standards. We will miss the vision and wisdom that Todd brought to every aspect of our work and wish him all the best in his new position.

In addition, we honor the life and public service of David Brown, a long-time staff member who passed away during this reporting period. David gave 19 years to our office and played a key role in many audit successes. He will be greatly missed.

Finally, I would like to express my appreciation to Secretary Peters, Deputy Secretary Barrett, the Department's Secretarial officers, the modal administrators, and Members and staff of Congress for their continued and steady support of our mission and responsiveness to our recommendations to strengthen safety, improve program delivery, and maximize efficiency in DOT operations to ensure American taxpayers have a world-class transportation system.

Very Respectfully,

A handwritten signature in cursive script that reads "Calvin L. Scovel III". The signature is written in black ink and is positioned below the "Very Respectfully," text.

Calvin L. Scovel III

Top Management Challenges Facing DOT

We recently issued our ninth annual report identifying the nine top management challenges that face DOT in FY 2008. In his October 18, 2007, testimony, the Inspector General focused on several top challenges that crosscut transportation modes, including safety, congestion, and funding. We believe that the traveling public's growing concerns about aging transportation infrastructure and increasing air travel delays will continue to demand special attention from DOT. Key actions will include balancing funding needs with initiatives to reduce congestion and determining requirements to advance new technologies and improve oversight structures.

Continuing To Enhance Oversight To Ensure the Safety of an Aging Surface Transportation Infrastructure and Maximize the Return on Investments in Highway and Transit Infrastructure Projects

Recent fatal highway incidents highlight the need for the Department to focus on the safety of the Nation's surface transportation infrastructure, particularly for aging tunnels and bridges needing costly rehabilitation, repair, or replacement. DOT's challenge will be to balance funding needs for projects to repair or replace aging infrastructure with projects to expand capacity and reduce congestion. Continued management emphasis will be needed in two key areas: (1) targeting oversight actions to ensure the safety of tunnels and bridges, and (2) ensuring that major highway and transit projects are finished efficiently and cost-effectively to maximize the return on Federal infrastructure dollars.

FY 2008 TOP MANAGEMENT CHALLENGES

- Continuing To Enhance Oversight To Ensure the Safety of an Aging Surface Transportation Infrastructure and Maximize the Return on Investments in Highway and Transit Infrastructure Projects
- Addressing Long- and Short-Term Challenges for Operating, Maintaining, and Modernizing the National Airspace System
- Developing a Plan To Address Highway and Transit Funding Issues in the Next Reauthorization
- Reducing Congestion on America's Transportation System
- Improving Oversight and Strengthening Enforcement of Surface Safety Programs
- Continuing To Make a Safe Aviation System Safer
- Strengthening the Protection of Information Technology Resources, Including the Critical Air Traffic Control System
- Managing Acquisition and Contract Operations More Effectively To Obtain Quality Goods and Services at Reasonable Prices
- Reforming Intercity Passenger Rail

Addressing Long- and Short-Term Challenges for Operating, Maintaining, and Modernizing the National Airspace System

Over the last year, Congress, the FAA, and others have debated how best to finance FAA, reauthorize a wide range of aviation programs, and advance the Next Generation Air Traffic Management System (NextGen). While there is disagreement over how to finance FAA, there is general consensus that FAA must fundamentally change how air traffic is managed to meet forecasted air travel demands. DOT's and FAA's challenges in operating and maintaining the current airspace system while developing and implementing NextGen include (1) hiring and training enough air traffic controllers to offset the surge in retirements; (2) keeping existing modernization

projects on track; (3) reducing cost, schedule, and technical risks with NextGen; (4) maintaining FAA's aging air traffic control facilities; and (5) properly accounting for capital investment projects.

Developing a Plan To Address the Highway and Transit Funding Issues in the Next Reauthorization

DOT faces two significant challenges related to funding the Federal highway program. First, it must decide how to address the Highway Trust Fund's (HTF) growing revenue shortfalls. To deal with the estimated 12-percent annual funding increases (in constant dollars) needed to maintain the Nation's highways and bridges, DOT must work with the States, the highway community, and Congress to develop a consensus on if, and how, the HTF revenue shortfall will be regained. Second, in preparation for the upcoming surface transportation reauthorization bill, DOT must decide what funding levels it will propose for highway and transit programs and how those funding levels will be financed.

Reducing Congestion in America's Transportation System

DOT has launched a national strategy to reduce congestion across all modes of transportation. Congestion wastes billions of gallons of fuel and costs billions of dollars in lost productivity each year. Although DOT has made progress on several congestion-related initiatives, the new strategy was developed before the year's overwhelming air travel problems occurred. Airline customers encountered record-breaking flight delays and cancellations, while forecasted air travel demands promised to continue straining the system's capacity. DOT's key challenges in this area include (1) reducing aviation delays, improving customer service, and meeting near-term demand for air travel; (2) keeping planned infrastructure and airspace

projects on schedule to relieve congestion and delays; (3) leading stakeholders who have divergent views on resolving transportation congestion; and (4) meeting demands for additional resources in a tight budget environment.

Improving Oversight and Strengthening Enforcement of Surface Safety Programs

Safety is central to DOT's mission, and the Federal Motor Carrier Safety Administration, the National Highway Traffic Safety Administration, and the Federal Railroad Administration all have extensive regulatory authority and safety programs. The number of fatalities declined in 2006, as did the rate of fatalities per 100 million vehicle-miles traveled (1.42). DOT's goal is to reduce the fatality rate to 1.0 by 2011. While achieving this goal will clearly be a challenge, DOT can better meet it by (1) further reducing railroad collisions and fatalities through more safety oversight, (2) improving state accountability in programs for reducing alcohol-impaired driving, (3) resolving hours-of-service rules for commercial drivers, (4) countering fraud in the commercial drivers' license program, (5) closely monitoring Mexican motor carriers operating throughout the United States under DOT's demonstration project, and (6) improving motor carrier safety with more complete information on vehicle crashes and stronger enforcement against repeat violators.

Continuing To Make a Safe Aviation System Safer

For more than 5 years, FAA and the U.S. aviation industry have experienced one of the safest periods in history—even as the industry was undergoing dramatic changes. However, the 2006 crash of Comair Flight 5191 in Lexington, Kentucky, serves as a reminder that more must be done to make a safe system even safer. FAA's key challenges in this area are (1) taking proactive steps to improve runway safety in light of recent serious incidents; (2) ensuring consistency and accuracy

in reporting and addressing controller operational errors; (3) strengthening risk-based systems for external repair facilities, air carriers, and aircraft manufacturers; (4) maintaining a sufficient number of inspectors with the right skills in the right locations to oversee a dynamically changing aviation industry; and (5) strengthening oversight of the Airman Medical Certification Program. The urgency in addressing these issues is underscored by recent events at Southwest Airlines that brought to light serious lapses in FAA's oversight of air carriers.

Strengthening the Protection of Information Technology Resources, Including the Critical Air Traffic Control System

DOT's move to a new headquarters building presented various information technology (IT) challenges during the year. While DOT has completed most of its scheduled security recertification reviews, the overall effectiveness of its information security program declined because management had to divert resources to move-related issues. Along with establishing a new common IT infrastructure, DOT had to review, test, and certify security protection in over half of its information systems to meet the recertification requirement, as well as correct security weaknesses previously identified in the critical air traffic control system. To strengthen protection over IT resources, DOT will need to focus continued management attention on the following areas: (1) enhancing air traffic control system security and continuity planning, (2) testing and strengthening the information system security program at DOT Headquarters, (3) ensuring the timeliness of data recording and protection of personally identifiable information when interfacing with non-Federal systems, and (4) continuing to enhance oversight of information technology investments.

Managing Acquisition and Contract Operations More Effectively To Obtain Quality Goods and Services at Reasonable Prices

Ensuring that procurement and acquisition activities are conducted efficiently and effectively and protecting taxpayer dollars from fraud and abuse are Government-wide priorities. With an annual procurement budget of about \$5.6 billion, DOT must place more attention on acquisition and contract operations. We continue to find weaknesses throughout DOT, and our investigations continue to identify fraud, abuse, and other ethical issues involving DOT officials and contractors. Last year, we established an audit group to help improve contract and acquisition practices throughout DOT. While its agencies are cooperating to eliminate problems as they arise and improve oversight, DOT must be more proactive in the following areas: (1) increasing incurred-cost audits of procurement contracts to reduce unallowable charges, (2) developing strategies for the future acquisition workforce, (3) fostering high ethical standards throughout DOT and its contracting programs to maintain public trust, and (4) enhancing oversight on Federal-aid construction projects to prevent abuse in contractor quality control programs.

Reforming Intercity Passenger Rail

Intercity passenger rail is an integral part of our Nation's transportation system, particularly in light of growing highway and aviation congestion. However, Amtrak's contribution to the transportation system may be limited by its capital funding needs, which may be difficult to meet given constrained Federal resources. Therefore, DOT must use all of the tools at its disposal, including seeking consensus on a reauthorization, to ensure that Amtrak reduces its operating costs and improves its operating performance, thereby freeing funds for Amtrak's capital needs and increasing its viability as a transportation alternative.

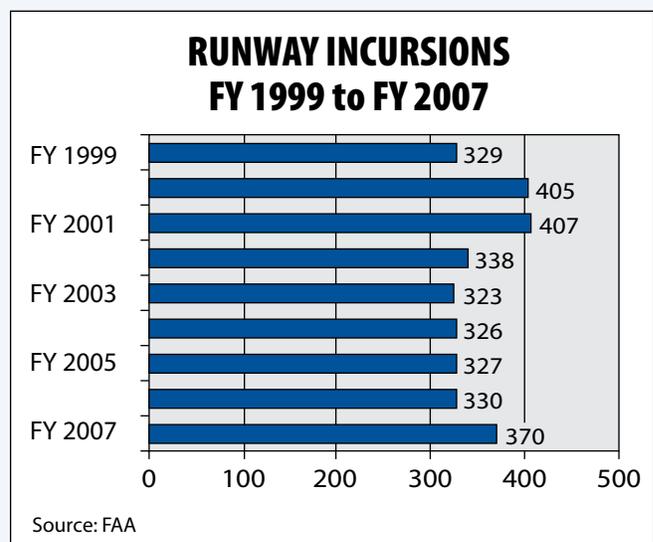
Aviation and Special Programs

IN FOCUS: ACTIONS NEEDED TO IMPROVE RUNWAY SAFETY

On February 13, 2008, we testified on runway safety before the House Subcommittee on Aviation. Our testimony focused on actions needed to prevent runway incursions, defined as any incident involving an unauthorized aircraft, vehicle, or person on a runway.¹ Because runway incursions can be caused by controllers, pilots, or ground vehicles, responsibility for their prevention falls on all users of the National Airspace System—FAA, airlines, and airport operators.

FAA took actions to address the surge in runway incursions that occurred between fiscal year (FY) 1999 and FY 2001. These included establishing regional runway safety offices and initiating aggressive educational programs for pilots. The number of runway incursions then declined but began climbing again after 2003,

reaching a high of 370 in FY 2007—a 12-percent increase over FY 2006 (see figure).



1. Effective October 1, 2007, FAA began categorizing runway incursions using the International Civil Aviation Organization definition. The new definition of runway incursions includes incidents that were previously defined by FAA as “surface incidents” (where a potential conflict did not exist).

Audits and Investigations *(continued)*

While the most serious incidents decreased from a high of 69 in FY 1999 to a low of 24 in FY 2007, very serious close calls continue to occur.

- On December 2, at Baltimore Washington International Airport, a controller cleared a Comair aircraft for take-off while also clearing an America West aircraft to land on an intersecting runway. The Comair aircraft passed in front of the landing aircraft by about 150 feet at the runway intersection.
- On July 19, at Chicago O'Hare International Airport, a United Airlines aircraft exited the wrong taxiway and taxied directly under an arriving US Airways aircraft. Although the controller instructed the US Airways aircraft to go around and then re-attempt the landing, it overflew the nose of the United aircraft by about 50 to 70 feet.



During the first 3 months of FY 2008, there were 10 serious runway incursions. If that rate continues, there could be 40 serious runway incursions before the end of FY 2008, which would be the highest level in 6 years. We have identified four specific areas where FAA and other aviation users should focus runway safety efforts.

Implementing Existing and New FAA Systems to Improve Runway Safety

Many see new technology as a key runway safety solution. However, we have reviewed three major FAA technologies for improving runway safety and are concerned about what can be effectively deployed within the next several years.

- **Airport Surface Detection Equipment-Model-X (ASDE-X)**—a ground surveillance system intended to alert controllers to potential ground collisions. In October,² we reported that the program may not meet its goals to commission all 35 systems for \$549.8 million by 2011 or achieve all planned safety benefits. Safety benefits at risk include maintaining operational capability during inclement weather and alerting controllers to possible collisions on intersecting runways and taxiways (“hot spots” for runway incursions).
- **Runway Status Lights (RWSL)**—automated, surveillance-driven lights that alert pilots in departing or crossing aircraft that the runway is occupied, thus decreasing the potential for pilot deviations. In January, we reported³ that RWSL is a viable technology for reducing runway incursions. At the test airport for RWSL, the system met or exceeded all performance expectations. However, RWSL is still in the early stages, and much work remains for FAA to achieve full deployment.

2. OIG Report Number AV-2008-004, “FAA Needs To Improve ASDE-X Management Controls To Address Cost Growth, Schedule Delays, and Safety Risks,” October 31, 2007.

3. OIG Report Number AV-2008-021, “FAA’s Implementation of Runway Status Lights,” January 14, 2008.

- **Automatic Dependent Surveillance-Broadcast (ADS-B)**—a satellite-based technology that allows aircraft to broadcast their position to other aircraft and ground systems. When ADS-B data are displayed in the cockpit, the pilot can function as a “second set of eyes” to detect hazardous surface situations. We testified in October,⁴ however, that the ADS-B ground infrastructure will not be in place until 2013, and users will not be required to equip with the needed avionics until 2020. FAA still does not have a clear transition path for ADS-B.

Making Airport-Specific Infrastructure and Procedural Changes

The uncertain timeline and emerging risks of FAA’s runway safety technologies underscore the need for other near-term solutions. In May, we reported on runway safety efforts at four airports that had experienced a surge in runway incursions. All four airports—Boston, Chicago, Philadelphia, and Los Angeles—had made relatively low-cost, simple changes to their infrastructure and procedures that could help to reduce the risk of runway incursions. These included improving airport lighting, adding better signage, and improving runway and taxiway markings (before FAA’s June 2008 deadline). In addition, the airport operators and FAA managers began tightly controlling the testing and certification of airfield drivers.

We also found that users had no formal means to share actions that had reduced or prevented runway incursions at their locations. We recommended that FAA develop an automated means for users to share best practices. FAA subsequently launched a best practices website in December. FAA also convened a task force in August, which agreed on a short-term plan to (1) conduct safety reviews at airports based on runway incursion and wrong runway departure

data, (2) deploy improved airport signage and markings at the 75 busiest, medium- to large-sized airports (before the June 2008 deadline), and (3) review cockpit and air traffic clearance procedures.

Reinvigorating FAA’s National Program for Improving Runway Safety

After FAA took action in response to the FY 1999–FY 2001 surge in runway incursions, incursions decreased from a high of 407 in FY 2001 to a low of 323 in FY 2003. However, during our review at four major airports, we found that many important national initiatives for promoting runway safety (some undertaken as early as 2000) had waned as the number of incidents declined and FAA met its overall goals for reducing runway incursions.

For example, FAA established the Runway Safety Office in 2001 to provide central oversight and accountability for runway safety initiatives throughout the Agency. However, at the time of our review, that office had not had a permanent director for almost 3 years. In addition, the office has been reorganized twice since 2004, and its staff reduced by half. FAA also no longer prepares its National Plan for Runway Safety, which defined its strategy to reduce runway incursions. The last time FAA prepared this plan was in 2002. FAA has since hired a permanent director for its Runway Safety Office and plans to reinstate its National Plan for Runway Safety. Although this is a good start, sustained commitment along with adequate resources and executive level attention will be key to achieving results.

Addressing Controller Human Factors Issues through Improved Training

Addressing controller human factors issues, such as fatigue and situational awareness, is important

4. OIG Testimony Number CC-2007-100, “Challenges Facing the Implementation of FAA’s Automatic Dependent Surveillance-Broadcast Program,” October 17, 2007.

Audits and Investigations *(continued)*

to improving safety. On February 7, 2008, we testified that controller staffing and training will be key watch items over the next 10 years as FAA begins hiring and training 15,000 new controllers through 2016. The composition of FAA's controller workforce is changing. New controllers now represent 23 percent of the workforce (up from 15 percent in 2004). However, that percentage can vary extensively by location—from as little as 2 percent (e.g., Boston terminal radar approach control facility, or TRACON) to as much as 50 percent (e.g., Las Vegas TRACON).

We reported in May 2008 that FAA needed to focus on controller human factors issues and training to improve individual, team, and facility performance. FAA cited human factors and lack

of controller teamwork as significant contributing factors of runway incursions in 2002; yet, it has made slow progress toward human factors training to reduce the risk of runway incursions caused by controllers.

For example, we reviewed an FAA human factors initiative in 2003—the National Air Traffic Professionalism Program (NATPRO). At the time of our review, the program had not been implemented at towers where visual attention and scanning are key factors in preventing runway incursions. FAA has since provided this training at its en route centers and will begin using it at TRACONs in FY 2008. Towers are required to start NATPRO training in FY 2009.

AUDITS

Testimony on the Conversion of Flight Service Stations From FAA to Contract Operations

October 10, 2007

The Inspector General testified before the House Committee on Transportation and Infrastructure, Subcommittee on Aviation on the conversion of flight service stations to contract operations. On February 1, 2005, FAA awarded a 5-year fixed-price, incentive-fee contract (with 5 additional option years) to Lockheed Martin to operate the Agency's flight service stations in the continental United States, Puerto Rico, and Hawaii. On October 4, 2005, Lockheed Martin took over operations at the 58 flight service stations, and, on that date, approximately 1,900 staff became employees of Lockheed Martin. The 2-year transition period ended last week. The Inspector General discussed three specific issues: (1) the management controls established by FAA over

the initial transition, (2) problems that Lockheed Martin encountered during the consolidation phase of the transition, which ultimately led to service disruptions to users, and (3) key issues that Lockheed Martin and FAA must address going forward. Specifically, these issues included meeting acceptable levels of performance over the next several months, achieving anticipated savings, and maintaining adequate staffing levels and sufficient training of flight service specialists to meet users' needs.

Testimony on Challenges Facing the Implementation of FAA's Automatic Dependent Surveillance-Broadcast Program

October 17, 2007

The Inspector General testified before the House Committee on Transportation and Infrastructure, Subcommittee on Aviation

on FAA's implementation of the Automatic Dependent Surveillance-Broadcast Program (ADS-B). The Inspector General discussed three major points. First, realistic expectations must be set for what benefits ADS-B will deliver in terms of capacity and delay reduction. Second, ADS-B has demonstrated important benefits where radar coverage is limited, but implementing it nationwide will be a complex undertaking. Before FAA even considers the more advanced capabilities, ADS-B must demonstrate the same level of service that radar now provides. Finally, FAA has decided to rely on a service contract approach for ADS-B. This means that the Government will not own the ADS-B ground infrastructure but will pay for broadcast services. An extraordinary level of contract oversight will be required. Our work shows that key areas for FAA oversight include managing requirements and having the right in-house expertise and skill mix for effective management and oversight. This will be particularly important since FAA will not own the ADS-B hardware, software, or infrastructure. We are concerned that FAA could find itself in a situation where it knows very little about the system that is expected to be the foundation of NextGen. FAA must take steps to ensure it effectively addresses this risk.

Prioritization of Airport Improvement Program Funding

October 26, 2007

This report represents the results of our audit of the prioritization of airport improvement program funding. We found that FAA's policies are effectively ensuring that the highest priority rated projects are funded in accordance with regulations. In addition, while we found that the current set-aside funding requirements are being met, the Military Airport Program (to convert former military airfields to civilian airports) can result in low priority projects being funded at airports in the program, while higher priority

projects at other airports could go unfunded. We recommended that FAA monitor and track Military Airport Program projects to ensure that the program is achieving its intended goal to enhance capacity and reduce congestion in metropolitan areas.

FAA Needs to Improve ASDE-X Management Controls to Address Cost Growth, Schedule Delays, and Safety Risks

October 31, 2007

This report represents the results of our audit of FAA's Airport Surface Detection Equipment-Model X (ASDE-X) program. FAA is developing ASDE-X to aid air traffic controllers in preventing ground collisions on the airport surface and reducing runway incursions. FAA also intended for ASDE-X to improve airport safety by operating in all weather conditions. ASDE-X has undergone significant changes since its inception in October 2000. ASDE-X was originally intended as a low-cost alternative to FAA's existing airport surface surveillance technology. At the time, FAA's deployment strategy focused on small-to medium-sized airports that had no surface surveillance technology. In September 2005, FAA made a major strategy shift, concluding this would yield the greatest return on its investment and the maximum safety benefits would be gained by deploying ASDE-X capabilities at airports with larger traffic counts or more complex operations. Our audit objectives were to determine (1) whether FAA's strategy for deploying ASDE-X for operational use is cost effective, given the changes in the program's deployment strategy, and (2) to what extent the ASDE-X program will reduce the risk of ground collisions or accidents caused by runway incursions. We found that the ASDE-X program is at risk of not meeting its cost and schedule goals to commission all 35 ASDE-X systems for \$549.8 million by 2011 and may not achieve all planned safety benefits. To achieve ASDE-X program goals and effectively manage

Audits and Investigations *(continued)*

the program, FAA must (1) improve ASDE-X management controls to reduce the risks of further cost growth and schedule delays, (2) resolve operational performance issues with key ASDE-X safety capabilities planned to reduce the risk of ground collisions on intersecting runways and taxiways, including during inclement weather, and (3) work with airlines and airport officials to provide safety enhancements that were not included in the ASDE-X program re-baseline but are vital to reducing the risks of ground collisions caused by pilot and vehicle operator errors.

Aviation Industry Performance

December 27, 2007

We issued the ninth in a series of our periodic updates to our Aviation Industry Performance Report. The report identifies trends in aviation demand and capacity, aviation system performance, airline finances, and service to small communities. This edition of the report focused on the summer of 2007, a time period when aviation delays, as well as cancellations, reached new highs and airline service captured the attention of the public, Congress, the Secretary of Transportation, and the President of the United States. We found airline on-time performance deteriorated broadly during the summer of 2007. Of the 55 large airports tracked by FAA, the number of delayed flights increased at 51 of the airports and the length of delays increased at 52 airports. Flight arrival delays, during the summer of 2007, increased by 15 percent from summer 2006 levels. In contrast, the number of scheduled flights increased at only 32 of the airports. Additionally, summer 2007 flight cancellations rose 28 percent from last year.

FAA's Implementation of Runway Status Lights

January 14, 2008

This report represents the results of our audit of FAA's implementation of Runway Status

Lights (RWSL) technology. The objectives of our audit were to (1) determine RWSL's viability for reducing runway incursions, and (2) assess FAA's progress in implementing the system. We found that RWSL is a viable technology for preventing runway incursions. While FAA has made progress in developing RWSL, it is still in the early stages of implementation; much work remains for FAA to achieve full deployment. Our recommendations focused on the actions FAA needs to take to ensure that the system remains a viable tool for reducing runway incursions and that future deployment remains on schedule. FAA concurred with each of our recommendations and provided appropriate planned actions and target dates.

Review of FAA's Final Monitor Aid Tool at Denver's Terminal Radar Approach Control Center

January 25, 2008

This report presents the results of our review of the safety and suitability of FAA's Standard Terminal Automation Replacement System's (STARS) Final Monitor Aid (FMA) tool deployed at Denver's Terminal Radar Approach Control Center (TRACON). FMA provides controllers with an enhanced display of aircraft on final approach to runways so they can ensure safe separation. Our objective was to determine if the FMA at the Denver TRACON is safe, effective, and suitable for managing air traffic. We found no evidence that Denver's new STARS FMA system is unsafe. It appears to be effectively performing the role for which it was designed; however, Denver's STARS FMA solution may not be the most suitable approach because it requires two complete terminal automation systems to do the job of one. In 2008, FAA will install new controller displays and upgrades at Denver. These new displays will be able to present FMA radar and flight data to controllers without using STARS. Therefore, when installing the new displays, FAA must determine whether it is more cost-effective to maintain two

terminal automation systems or integrate FMA software into one automation system and remove the other. FAA should then implement the most suitable and cost-effective means of providing FMA capability.

Letter to Chairmen Mica and Petri Regarding Treatment of Marines and Soldiers at Oakland International Airport

January 29, 2008

This letter to Representative John Mica, Ranking Minority Member of the House Transportation and Infrastructure Committee and Representative Thomas Petri, Ranking Minority Member of the Committee's Aviation Subcommittee, represents the results of our review of an incident at Oakland International Airport on September 27, 2007. The lawmakers requested that we review why 204 Marines and soldiers traveling on a North American Airlines chartered flight were denied access to the airport terminal during a layover. The service men and women were en route from Iraq to their home base in Hawaii. Our review found the following reasons for the action: (1) the airport's concern that the flight's ground staff could not provide an adequate level of escort and control of such a large group of military personnel in or around the terminal area, (2) absence of a coordinated policy for security screening between the Department of Defense (DOD) and the Department of Homeland Security (DHS), (3) miscommunication about

the proper storage and safeguarding of weapons carried on board aircraft during the layover, and (4) lack of communication on accommodating requests from Marines and soldiers to be allowed into the passenger terminal. We recommended establishment of a task force comprised of representatives from the airlines, airports, the DOD, DHS, and DOT to develop and implement a uniform process for handling members of the Armed Forces on all military chartered flights at U.S. commercial service airports.

Testimony on FAA's FY 2009 Budget Request: Key Issues Facing the Agency

February 7, 2008

The Inspector General testified before the House Subcommittee on Aviation on FAA's FY 2009 budget request. The Inspector General stated that FAA is facing the formidable challenge of operating and maintaining an increasingly strained aviation system while transitioning to the next generation of air traffic control. FAA will face challenges in these efforts as it does not have a long-term reauthorization or financing mechanism in place. The Inspector General noted that reaching agreement on a financing mechanism is an urgent matter because taxing and spending authority for FAA programs will expire on February 29, 2008. The Inspector General's testimony focused on key issues that require Agency attention, regardless of the funding mechanism that Congress ultimately chooses, as they will shape FAA's funding



Audits and Investigations *(continued)*

requirements throughout the next several years. These include (1) keeping existing modernization projects on track and moving forward with the Next Generation Air Traffic Management System (NextGen), (2) addressing attrition and training issues within FAA's air traffic controller and safety inspector workforces, and (3) establishing realistic funding levels for airports.

Testimony on Actions Needed To Improve Runway Safety

February 13, 2008

The Inspector General testified before the House Transportation and Infrastructure Subcommittee on Aviation on actions needed to improve runway safety. The Inspector General noted that aviation stakeholders are expressing growing concerns regarding the rise in severe runway incidents and that runway incursions pose a significant threat to runway safety. Although the FAA has taken decisive actions to reduce runway incursions, serious close calls involving commercial aircraft continue to occur. Because runway incursions can be caused by controllers, pilots, or ground vehicles, responsibility for their prevention falls on all users of the National Airspace System—FAA, airlines, and airport operators. During the last 10 years, the Office of Inspector General has reported on a range of actions needed to enhance the margin of safety on the Nation's runways. The Inspector General's testimony emphasized four areas where FAA and other aviation users should focus runway safety efforts: (1) implementing existing and new FAA systems to alert controllers and pilots to potential runway incursions; (2) making airport-specific infrastructure and procedural changes, such as improved runway signage and markings; (3) reinvigorating FAA's national program for improving runway safety and identifying and correcting root causes of runway incursions; and (4) addressing controller human factors issues, such as fatigue and attention, through improved training.

Assessment of FAA's Risk-Based System for Overseeing Aircraft Manufacturers' Suppliers

February 26, 2008

This report represents the results of our audit of FAA's oversight of aircraft manufacturers' quality assurance systems for domestic and foreign aircraft part suppliers. Because aircraft and engine manufacturers are increasingly taking an international partnership approach to business, aircraft parts and component suppliers now produce significant parts of U.S.- and foreign-manufactured aircraft. Although aviation manufacturers are ultimately responsible for the quality of their products, FAA's Aircraft Certification Service personnel oversee manufacturers' processes for ensuring that the products meet approved design specifications and are in a condition for safe operation. We found that FAA's risk-based oversight system for suppliers needs improvement as it does not consider the degree to which manufacturers now use suppliers to make aviation products. Specifically, (1) FAA has not ensured that manufacturers are providing oversight of their suppliers, (2) FAA does not require inspectors to perform enough audits of suppliers to determine how well manufacturers' quality assurance systems are working, and (3) the systemic deficiencies we identified at 21 supplier facilities indicate that both manufacturers and FAA need to strengthen their oversight of these facilities. Our recommendations to FAA focus on requiring manufacturers to establish criteria for conducting on-site (initial and periodic) supplier audits, assessing risks with suppliers that produce flight-critical parts, ensuring objectivity and consistency in inspectors' risk assessments of manufacturers, correlating the number of inspector audits with the number of suppliers a manufacturer uses, and enhancing inspector training.

INVESTIGATIONS

Oklahoma Aircraft Mechanic Sentenced to More Than 4 Years in Jail for Falsification of Records in Connection with Improper Aircraft Engine Overhauls

October 3, 2007

Aircraft mechanic Allen D. Good was sentenced on October 3 in U.S. District Court, Oklahoma City, Oklahoma, to 51 months of incarceration, to be followed by 36 months probation, and ordered to pay \$363,633 in restitution to the victims and forfeit \$176,243 to the U.S. Government. Good was found guilty at trial in December 2006 on one count of conspiracy and three counts of false statements in connection with conducting improper overhauls on aircraft engines. Two other defendants, Larry G. Good and Robert E. Parker, were sentenced on September 28, 2007. The investigation revealed that the engines involved were used on privately owned certified planes (Cessna, etc.) and experimental aircraft. Several engines failed before installation, while one engine failed in the air immediately after installation. The pilot of that plane was able to land the plane safely, but with great difficulty. The investigation identified 20 engines in which logbook entries



indicated that the engine had been disassembled, cleaned, overhauled, and/or inspected in accordance with applicable regulations. However, Allen Good, Larry Good, and Parker were aware that the engines were either not overhauled properly, contained replacement parts that were marked not airworthy, or were simply not safe for use on another aircraft.

Idaho Man Sentenced to Nearly 2 Years in Prison and Ordered to Pay More Than \$420,000 in Restitution for Hazardous Waste Violations

October 22, 2007

Krister Sven Evertson, former owner of now-defunct SBH Corporation, was sentenced on October 22 in U.S. District Court, Pocatello, Idaho, to 21 months in prison, to be followed by 3 years supervised release, and ordered to pay \$421,049 in restitution for hazardous waste violations. On June 18, 2007, a jury convicted Evertson of violating the Hazardous Materials Transportation Uniform Safety Act (HMTUSA) and violations related to the illegal storage and disposal of sodium metal. (Sodium metal is highly reactive when wet and is used in the manufacturing of sodium borohydride, an industrial chemical.)

Evertson, through SBH Corporation, arranged for the transportation of 10 metric tons (22,000 pounds) of sodium metal from China to the United States. Evertson initially transported the sodium metal from the port of entry in Kent, Washington, to Salmon, Idaho, where he attempted to manufacture sodium borohydride. When his efforts to produce a commercially viable product failed, Evertson had the remaining sodium metal transported to Steel Ranch Supply (SRS's) facility, also located in Salmon, Idaho. The sodium metal was transported to SRS's facility

Audits and Investigations *(continued)*

via common carrier over public roads with no protective measures taken to reduce the risk that the transported materials would react and damage persons or property. Neither Evertson nor the carrier he retained had the appropriate shipping papers for the hazardous material, nor was the material placarded, labeled, packaged, or secured in accordance with HMTUSA regulations. The sodium metal was then stored and subsequently deemed illegally disposed of when Evertson failed to pay continued rent for storage of the sodium metal at SRS's facility. This was a joint investigation with the Environmental Protection Agency's Criminal Investigation Division.

Las Vegas Commercial Helicopter Pilot Sentenced for Falsification of FAA Airman Medical Applications

March 3, 2008

Victor Spankowski was sentenced in U.S. Court, Las Vegas, Nevada, on March 3 for falsifying his 2002 and his 2004 Federal Aviation Administration (FAA) Applications for Airman Medical Certificate. Spankowski was sentenced

to 36 months probation, fined \$5,000, and, as a special condition, ordered not to pilot an aircraft of any type. The DOT/OIG investigation revealed that during the same time that Spankowski submitted these medical applications, he also was receiving 100 percent disability benefits from the U.S. Department of Veterans Affairs for a medical disorder he failed to disclose on his medical applications. Spankowski also failed to report that he had been convicted of two nontraffic offenses. This investigation was conducted with FAA's assistance.

Missouri Owner of Helicopter Sales/ Rebuilding Firm Pleads Guilty to Wire Fraud and Money Laundering Charges after Selling Damaged Helicopter Part

March 4, 2008

Robert A. Schlotzhauer, owner of Falcon Helicopters, Inc. (Falcon), pled guilty on March 4 in U.S. District Court, Kansas City, Missouri, to wire fraud and money laundering. In 2001, in violation of Federal Aviation Administration (FAA) regulations, Schlotzhauer repaired and



returned to service an engine compressor that was removed from a helicopter that crashed into the ocean. Then, in December 2005, Schlotzhauer sent an e-mail to a customer stating that the compressor—which the customer ultimately purchased—was involved in a hard landing after running out of gas, when he knew that the helicopter was submerged in the ocean. In March 2006, Schlotzhauer purchased a \$31,000 cashier's check to repay the customer who had ultimately learned Schlotzhauer had misrepresented the part and that the part was not serviceable. He falsely stated that the payee on the check was someone other than himself to conceal the part's origin. Schlotzhauer agreed upon sentencing to pay a fine of \$550,000, as well as make \$63,854 in restitution to victims of his schemes. He also agreed to serve 12 months home confinement and a period of probation to be determined by the court, as well as surrender all his repair-related FAA certifications. As part of the plea agreement, Falcon's assets will be released to facilitate the sale of the company. A sentencing hearing is scheduled for September 15, 2008. This case was conducted with FAA's assistance.

Florida Pilot and Aviation Parts Broker Sentenced to 8 Years in Prison and Ordered to Pay Nearly \$170,000 in Restitution for Selling Stolen Aircraft Parts

March 21, 2008

Mario Mercier was sentenced on March 21 in U.S. District Court, Tampa, Florida, to 8 years imprisonment, followed by 3 years supervised release, and ordered to pay \$168,045 in restitution and a forfeiture judgment of \$49,250. The court further ordered Mercier to relinquish his pilot's license and prohibited Mercier from engaging in any future aviation industry activities.

The DOT/OIG investigation that was referred from the Florida Department of Law Enforcement revealed that between 2004 and 2006, Mercier stole

various pieces of avionics equipment from several aircraft located outside the State of Florida and sold them to multiple buyers. Mercier, a Federal Aviation Administration (FAA)-certified airman, was an aviation parts broker specializing in avionics equipment such as ground-to-air radios, air-to-air radios, and ground positioning satellite receivers. On October 16, 2007, Mercier pled guilty to six counts of an indictment charging him with transportation and sale of stolen property. Mercier's tampering with the avionics presented a risk of danger to those who flew in the burglarized aircraft. Mercier has nine prior State convictions for theft and dealing in stolen aircraft parts and one Federal conviction for interstate transportation of stolen avionics equipment. This was a joint investigation with the Florida Department of Law Enforcement and FAA.

Florida Pilot Sentenced to Nearly 4 Years in Prison and Ordered to Make Restitution of \$22,000 for Interstate Transportation of a Stolen Aircraft

March 27, 2008

Daniel Andrew Wolcott was sentenced on March 27 in U.S. District Court, Jacksonville, Florida, to 46 months imprisonment, to be followed by 36 months supervised release, and ordered to pay \$22,000 in restitution for the interstate transportation of a stolen aircraft. On August 2, 2007, Wolcott pled guilty to a one-count felony information charging him with interstate transportation of a stolen aircraft. As part of the plea agreement, Wolcott agreed to cooperate and not contest a suspension of his Commercial Pilot Certificate for 1 year based on the Federal Aviation Administration's (FAA's) Notice of Proposed Certificate Action.

This investigation was initiated on a referral from FAA advising that on October 9, 2005, Wolcott stole a Cessna Citation from the St. Johns County, Florida, Airport and then flew it to

Audits and Investigations *(continued)*

Briscoe Airport in Lawrenceville, Georgia. FAA also advised that Wolcott held a Commercial Pilot Certificate; however, he did not hold the type rating required to operate the stolen aircraft. The DOT/OIG investigation revealed that Wolcott flew the stolen aircraft by gaining access to the aircraft because he had a commercial pilot license and had previously flown other aircraft to and from St. Johns County Airport. Once he gained access, Wolcott took six friends for a ride in the stolen aircraft. After completion of the flight, Wolcott abandoned the aircraft at the Briscoe Airport and took a commercial flight back to Jacksonville, Florida. This case was investigated jointly with the assistance of the Federal Bureau of Investigation, the Gwinnett County Police Department, the St. Johns County Sheriff's Office, and FAA.

Pennsylvania Aircraft Inspection Operator Charged with Aircraft Parts Fraud

March 28, 2008

The U.S. Attorney's Office in Harrisburg, Pennsylvania, filed a two-count information on March 28 charging Brian Daniel Snyder, the

owner and operator of Smooth Landings Inc.—a repair business certified by the Federal Aviation Administration (FAA)—with fraud involving aircraft parts and transportation of stolen goods. The information alleged that Snyder falsified aircraft logbooks to fraudulently indicate that his company completed engine and propeller repairs when, in fact, none had been completed. These actions could have caused a catastrophic event. The information further alleged that Snyder continued to conduct aircraft repairs after the FAA revoked his mechanics license in 2006, but failed to make the required repair entries in the aircraft logbooks. In addition, the investigation also determined that Snyder allegedly made approximately 30 false logbook entries between October 2006 and September 2007 related to FAA-regulated aircraft inspections and that Snyder forged an FAA-certified mechanic's signature on at least 150 occasions between November 2002 and April 2005—a period of time in which Snyder was not authorized to complete those aircraft inspections. A plea hearing for Snyder has not yet been scheduled. FAA is assisting with the ongoing investigation.



Highway and Transit Programs

IN FOCUS: EXPOSING FRAUD IN BOSTON'S CENTRAL ARTERY/TUNNEL PROJECT

The Central Artery/Tunnel (CA/T) Project, better known as the “Big Dig,” is the most expensive highway construction project in United States history, and one that is particularly important to the Commonwealth of Massachusetts and all of New England. It is well known that the project has had a troubled history of significant schedule delays and cost increases. Originally estimated to be completed by December 1998, it did not reach substantial completion until January 2006—more than 7 years later. Costs also steadily escalated from \$2.6 billion to nearly \$15 billion during this time.

It is important to ensure that taxpayers’ investments in the construction and management of large transportation projects are protected from unscrupulous individuals and companies seeking to cheat the Government through fraud. The Office

of Inspector General (OIG) has had a continuing role in combating fraud involving Federal funds for the CA/T Project.

In recent years, OIG special agents have worked with the Federal Bureau of Investigation (FBI), Massachusetts State Police, the U.S. Attorney’s and Massachusetts Attorney General’s Offices, the Federal Highway Administration, and others, to successfully investigate and prosecute numerous CA/T Project cases involving false statements and claims against Big Dig materials and services contracts.

False *statements* occur when a company or individual knowingly makes, uses, or causes the making or use of a false record or statement, such as affirmative certifications that labor costs,

Audits and Investigations *(continued)*

material quantity and quality, and other costs are accurate and comply with contract provisions when in fact they do not. False *claims* occur when a company or individual seeks payment from the Government knowing they are not entitled to it.

The four long-running cases highlighted in this article were recently settled when several Big Dig contractors, Bechtel/Parsons Brinckerhoff, J.V. (B/PB), Aggregate Industries Northeast Region, and 24 Section Design Consultants (and their insurers), agreed to pay the United States and the Commonwealth of Massachusetts over \$500 million to resolve certain criminal and civil liabilities. The OIG will continue working with its colleagues to promote the detection and prosecution of fraud schemes, which undermine public confidence in the integrity of the Nation's transportation system.



MASSACHUSETTS TURNPIKE AUTHORITY

Defects in Tunnel Wall Construction and Poor Oversight Result in Water Leak

On September 15, 2004, a severe leak breached the east wall of the I-93 northbound tunnel just south of Boston's Congress Street and about 70 feet below the surface of Atlantic Avenue. Water and sand flowed into the tunnel, at a rate of about 300 gallons per minute, which significantly impeded traffic.

The breached wall's concrete panels were built using the slurry wall trench excavation technique. As the trench for the wall was excavated, it was filled with a viscous liquid called slurry to support the earth around the trench. Deep structural steel piles were then placed vertically in the trench, 4 to 6 feet apart, followed by concrete pumped into the trench from the bottom up to gradually displaced the slurry. Slurry wall construction is time-sensitive, and contract specifications required that concrete placement could not occur unless the slurry was within certain specified tolerances.

Investigators found that B/PB had failed to manage construction of the I-93 slurry walls in key areas. For example, the joint venture allowed construction contractors, such as Modern Continental Construction, to place concrete for the slurry walls when construction specifications had not been met, which adversely impacted the quality of the concrete panels.

In addition, B/PB knew about significant defects in the completed walls but did not document them, then allowed the defects to go unrepaired (or be inadequately repaired), even after the I-93 tunnel was open to traffic and B/PB had submitted documents to the project certifying the safety and substantial completion of the I-93 mainline tunnel. These documents were false and inaccurate.

For example, review of B/PB construction records for the breached panel found that the trench was not properly cleaned of debris when the excavation was complete, or debris fell into the panel just before or during placement of the concrete. The inclusion of debris diminished the structural integrity of the panel.

Improperly Installed Tunnel Ceiling Panel Collapses, Killing Motorist

On July 10, 2006, while traveling to Boston Logan International Airport via the I-90 Connector Tunnel, which had opened in 2003, a motorist

tragically lost her life and her husband was injured when a suspended concrete ceiling panel collapsed and crashed down onto their vehicle and the tunnel roadway. Within hours of the incident, OIG special agents joined the National Transportation Safety Board and others to investigate the circumstances related to the collapse.

The OIG investigation, in part, subsequently disclosed shortcomings in B/PB's oversight of construction of the I-90 Connector Tunnel ceiling. For example, B/PB had observed epoxy bolts that were failing to withstand the load of the ceiling panels and were "creeping" out of the roof—a phenomenon whereby the bolts pull away from the ceiling over time—but did not adequately investigate the cause of these failures or correct the problem.

In settling the case, B/PB acknowledged its oversight weaknesses and false documents submitted to the CA/T Project certifying the safety and substantial completion of the I-90 Connector Tunnel.

Labor Billing Rates Fraudulently Inflated

Special agents from OIG, the FBI, and the U.S. Department of Labor's/OIG also investigated allegations that a CA/T Project electrical subcontractor (Massachusetts Electric Construction Company or MECC) misrepresented the classification of apprentice workers as journeymen between 2003 and 2005 in order to bill them at a higher hourly rate on time and materials reports. MECC was a subcontractor to McCourt/Obayashi (MC/O), the prime contractor on the project's tunnel finishes. MECC was hired to install electrical conduit and wiring on a contract that was initially valued at \$12.5 million; however, it was later increased to nearly \$22 million due to modifications.

The OIG investigation disclosed that an MECC project manager and two co-conspirators

agreed to submit about \$80,000 of false time and materials reports to MC/O and ultimately the CA/T Project for payment, knowing the reports contained inflated labor rates. In settling this case, B/PB acknowledged it failed to adequately fulfill its construction management obligations, in part by failing to ensure the accuracy of MECC time and materials billings. Three MECC employees were also convicted in Federal court for submitting false claims in connection with this overbilling scheme.

Lack of Quality Control Testing Allowed Substandard Concrete To Be Used on the CA/T Project

Investigators also found that from about 1996 to 2005, concrete supplier Aggregate Industries, Northeast Region, Inc. (AINE) delivered about 5,700 truckloads of substandard concrete to the CA/T Project. The approximate losses to both the United States and the Commonwealth of Massachusetts were more than \$5 million.



MASSACHUSETTS TURNPIKE AUTHORITY

In August 2007, AINE pled guilty to one count of conspiracy to defraud the United States through the submission of false claims for payment. In September 2007, AINE was sentenced to pay nearly \$50 million, including \$27.2 million as restitution, \$9.3 million in fines paid to the United States to settle the Federal false claims, a criminal fine of \$7.2 million, and \$6.2 million in fines to settle false state claims. AINE was also required to establish a corporate integrity program, among other penalties.

In addition, six AINE managers were charged in a 135-count indictment involving conspiracy, fraud, and false statements related to their participation in the scheme, they are now awaiting trial in Federal court.

B/PB acknowledged that it did not meet its oversight obligations failing to institute concrete testing protocols at the construction site, as well as in the materials laboratory, to determine whether all concrete delivered to the project met specifications and was properly placed.

B/PB To Be Held Liable/Responsible in the Future

Most of the more than \$500 million recovered as a result of these cases will be held in a new state CA/T Project Repair and Maintenance Trust Fund

to provide for future non-routine repairs and maintenance of the “Big Dig.”

In addition, the settlement agreement does not release B/PB from liability for any future catastrophic events occurring within the next 10 years. If a future catastrophic event relating the CA/T Project causes more than \$50 million in damages, the Federal and state governments retain the right to sue B/PB.

For the next 10 years (through October 2017), B/PB also waive their right to statute of limitations and other time-based procedural defenses to a catastrophic event claim. In addition, B/PB is required to enact corporate compliance programs that are designed to prevent any similar conduct from occurring on future public construction projects.

AUDITS

Testimony on Effectiveness of Federal Drunk Driving Programs

October 25, 2007

The Inspector General testified before the Senate Committee on Environment and Public Works, Subcommittee on Transportation Safety, Infrastructure Security, and Water Quality on the effectiveness of Federal drunk driving programs. The Inspector General’s statement focused on the following areas: (1) key strategies identified for countering alcohol-impaired driving, (2) how NHTSA could better measure the effectiveness of key strategies, and (3) actions NHTSA has agreed to take, in concert with the states, to improve performance measures for alcohol-impaired driving. The Inspector General urged NHTSA to work more aggressively with its state partners to accomplish these actions in advance of the scheduled 3-year time period.

Interim Report on NAFTA Cross-Border Trucking Demonstration Project

March 10, 2008

This interim report represents the results of our audit at the 6-month point of the demonstration project, as required by May 2007 legislation. Our audit found that, at the 6-month point, fewer Mexican carriers and vehicles have participated in the project than expected. The low number of carriers currently participating is not sufficient to provide reliable statistical projections regarding safety attributes of Mexican carriers. The Department has established and is supporting an independent panel to assess any adverse safety impacts from the project; however, the panel also is concerned that it will have insufficient data when the project ends. Finally, FMCSA has established and enhanced mechanisms for state and Federal monitoring and enforcement of safety rules.

FMCSA records show that checks of Mexican vehicles and drivers are occurring at the border, but FMCSA does not have assurance that every participating truck and driver is checked every time it crosses the border into the United States because a key quality control measure designed to ensure this occurs has not been implemented. The legislation also requires us to issue a final report 60 days following the conclusion of the demonstration project.

Testimony on Cross-Border Trucking Demonstration Project

March 11, 2008

The Inspector General testified before the Senate Committee on Commerce, Science, and Transportation regarding the Department's Cross-Border Trucking Demonstration Project. We are required by law to provide an interim and final report on the demonstration project that allows a select number of Mexico-domiciled motor carriers to operate throughout the United States. At the 6-month point, we made the following three major observations: (1) the Federal Motor Carrier Safety Administration (FMCSA) has implemented plans to ensure it checks every participating truck every time it crosses the border, but it has not implemented a key quality control to ensure that checks are being done, despite a commitment to do so in the Department's report to Congress; (2) the limited data available at this time means we cannot draw meaningful conclusions about the safety performance of the demonstration project participants since far fewer carriers and vehicles have participated in the project than expected; and (3) FMCSA has taken actions to establish and enhance mechanisms for assessing adverse safety impacts from the project and for monitoring and enforcing safety rules for project participants. These actions include establishing and providing information to an independent panel and providing guidance and training to state officials.

Best Practices for Improving Oversight of State and Highway Safety Programs

March 25, 2008

This report represents the results of our audit of the National Highway Traffic Safety Administration's (NHTSA) oversight of state highway safety programs. Our audit was conducted in response to a requirement within the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The objective of our audit was to evaluate NHTSA's oversight of state highway safety programs and identify best practices. We found that NHTSA developed and followed guidelines and procedures for oversight reviews of state highway safety programs, but we identified weaknesses in NHTSA's annual program reviews that made it difficult for NHTSA to comprehensively assess whether states were on course to meet their safety goals. Specifically, NHTSA did not (1) ensure that states consistently measured performance, (2) assess states' reporting of performance trends, and (3) analyze states' long-term progress in meeting safety goals. We identified opportunities for NHTSA to better measure the results of its grant programs and enhance the accountability for grant funds.

Central Artery/Tunnel Project May 2007 Finance Plan Update

March 31, 2008

This report represents the results of our audit of the Central Artery/Tunnel Project May 2007 Finance Plan Update (Plan) that was submitted by the Massachusetts Turnpike Authority (MTA). The purpose of this Plan is to provide senior program and oversight officials with information to track the Project's estimated cost and the financing and cash flows needed to meet Project obligations. Our objective in reviewing the 2007 Plan was to determine whether it complied with the Federal Highway Administration (FHWA) Guidance. The latest Plan forecast a total Project cost of

Audits and Investigations *(continued)*

\$14.798 billion. As of January 2008, \$128 million in Federal funds remained unobligated. Our audit found that the MTA's Plan generally complied with the FHWA Guidance except that it should be adjusted to correct understated insurance costs and reduce the amount of Federal funds available

for obligation. Consequentially, the MTA will need to identify \$37.7 million in non-Federal resources to complete the Project. In addition, the Plan's omission of some of the necessary disclosures and assessments must be corrected to achieve full compliance with FHWA Guidance.

INVESTIGATIONS

Massachusetts Contractor and President Sentenced for Conspiracy to Commit Bid Rigging on Connecticut Highway Contracts

October 2, 2007

Marino Brothers, Inc. of Peabody, Massachusetts, and its President, Robert Marino, were sentenced on October 2 in Connecticut State Superior Court in New Britain, Connecticut, on two counts each of conspiracy to commit bid rigging following an August 8, 2007, jury trial conviction. The company was ordered to pay \$30,000 in restitution to the State of Connecticut and was banned from bidding on publicly funded contracts for 3 years. Marino was ordered to perform 100 hours of community service and pay \$5,000 in restitution to the State of Connecticut. The Connecticut Chief State Attorney's Office requested DOT/OIG's investigative assistance into the awarding of crack sealing maintenance contracts to Marino Brothers, Inc. Five Connecticut Department of Transportation (ConnDOT) employees were also charged with conspiracy to commit forgery by altering a document to promote Marino Brothers' cold seal business. To date, one ConnDOT employee has been acquitted, another has pled guilty, and three are awaiting trial. DOT/OIG has referred Marino and Marino Brothers, Inc. to the Federal Highway Administration for suspension/debarment consideration.

Ohio Bridge Painting Company Owner Ordered to Pay Nearly \$2.3 Million in Restitution and Serve Nearly 2 Years in Prison

October 10, 2007

Anthony Katsourakis, owner of American Painting Company, Inc. (APC), was sentenced on October 10 in U.S. District Court, Cleveland, Ohio, to 21 months imprisonment and 2 years supervised release. APC and Katsourakis were also ordered to pay \$2.256 million in restitution to the Ohio Department of Transportation (ODOT). Katsourakis and APC pled guilty on July 28, 2006, to conspiracy and bribery charges. The indictment charged that between May 2001 and December 2001, APC and Katsourakis conspired with others, paid cash bribes, and provided improper compensation, awards, and inducements in exchange for overlooking APC's substandard and noncomplying performance on painting contracts awarded by ODOT for work in Cuyahoga County, Ohio. The Federal Highway Administration (FHWA) suspended both Katsourakis and APC during the criminal proceeding, and DOT/OIG has referred both to FHWA for debarment action. The investigation was conducted jointly by DOT/OIG, the Federal Bureau of Investigation, and the Internal Revenue Service.



New York Paving Company Suspended and Ordered to Pay Nearly \$330,000 in Restitution for Bid Rigging Scheme on New York Paving Contracts

October 19, 2007

Suffolk Asphalt Supply, Inc. (SAS) was sentenced on October 19 in U.S. District Court, Central Islip, New York, for conspiring with several individuals and companies to rig the bids of various roadway projects sponsored by the Suffolk County Department of Public Works (SCDPW) and the Town of Brookhaven, New York. SAS was found jointly and severally liable and ordered to pay \$326,343 in restitution to Suffolk County and the Town of Brookhaven. The company was also sentenced to serve 3 years probation and ordered not to perform any municipal work while on probation. On December 22, 2006, James K. Haney, President of SAS, pled guilty personally and on behalf of the company to conspiracy charges related to bid rigging and mail fraud conspiracy. The investigation revealed

that between July 2003 and September 2005, the defendants manipulated the awarding of SCDPW and Brookhaven contracts for road repairs and artificially inflated the costs of such contracts through a system of bid rigging. The Federal Highway Administration suspended Haney and SAS, and debarment is pending.

Co-Owner of New York Construction Company Sentenced to 6 Months Home Confinement and Ordered to Forfeit \$990,000 to the City of New York

October 26, 2007

Charles Ostuni, co-owner of construction company Mohawk Milling and Sweeping, Inc., was sentenced on October 26 to 6 months home confinement and 4 years probation and ordered to forfeit \$990,000 to the City of New York on charges of money laundering conspiracy stemming from the bribery of a New York City-contracted roadway construction inspector on a \$16 million roadway milling contract. The investigation established that

Audits and Investigations *(continued)*

from 2002 to 2003, Ostuni and other defendants conspired to bribe the roadway construction inspector with approximately \$25,000 in exchange for allowing them to overbill the City of New York approximately \$1.4 million for more truck loads of material than were actually removed from the roadway milling job site. A roadway inspector and two other defendants involved in the scheme have pled guilty and more than \$1.2 million has been ordered forfeited. The Federal Highway Administration (FHWA) suspended Ostuni and Mohawk Milling. Regarding the roadway inspector and two defendants, the road inspector was not referred and is currently incarcerated and unemployed; one defendant, who is currently incarcerated, was suspended by FHWA and debarment action is pending; and the second defendant pled guilty under seal, thus his status was not referred.

Michigan Highway Contractor Agrees to Pay Nearly \$600,000 in Civil Settlement Involving Asphalt Pavement

December 7, 2007

The parent corporation of Thompson-McCully, Inc. (TMI)—a now-defunct paving contractor located in Clarkston, Michigan, which was in the midst of being restructured by the parent corporation into two subsidiaries during our investigation—paid \$595,557 on December 7 to the U.S. Government by and through one of the new subsidiaries to settle a civil false claims case. On November 12, 2007, TMI signed a civil settlement agreement with the U.S. Attorney's Office for the Eastern District of Michigan, Detroit, Michigan, and with the Federal Highway Administration. TMI agreed to pay the government to settle single damages pertaining to incentive payments on federally funded highway construction projects. Between 1998 and 2000, TMI allegedly falsified density test results for asphalt pavement on at least three federally funded contracts cumulatively valued at more than \$30 million. In the settlement,

TMI's parent corporation also agreed to repave a road TMI previously worked on that has shown signs of unnatural wear. The repaving is expected to cost in excess of \$500,000.

Indiana Contractor Agrees to Pay More Than \$8.2 Million to Settle Federal and State Asphalt Fraud Claims

December 10, 2007

Indiana paving contractor Gohmann Asphalt and Construction, Inc. (Gohmann) agreed on December 10 in U.S. District Court, Louisville, Kentucky, to pay more than \$8.2 million to settle Federal and State claims alleging that Gohmann fraudulently replaced samples of asphalt between 1997 and 2006 to inflate the amount paid on road projects by the Federal Highway Administration (FHWA), Commonwealth of Kentucky, and State of Indiana.

It was alleged in a Qui Tam complaint that between 1997 and 2006 in Kentucky and between 1998 and 2006 in Indiana, Gohmann submitted false claims with respect to certain federally funded road projects where asphalt density was a component of pay. Density was measured by extracting "cores" of asphalt, which were then tested in a laboratory. The laboratory results were then used to determine Gohmann's compensation. The investigation revealed that Gohmann's employees fraudulently swapped "good" cores for "bad" cores (i.e., cores with failing density).

As part of the settlement, Gohmann agreed to provide warranties to correct future deficiencies on work it did on highways in Kentucky and Indiana and extend warranties for an additional 3 years on 66 road projects it completed. Gohmann also agreed to appoint an independent compliance officer and implement a corporate compliance program that addresses all types of asphalt testing. The settlement agreement also establishes an ethical standard of behavior for all Gohmann employees. The warrant work and integrity

agreement were developed in lieu of suspending or debarring Gohmann. The Gohmann Regional Manager involved in the “core swapping” was terminated from the company. The investigation was conducted with FHWA and the U.S. Attorney’s Office for the Western District of Kentucky.

Massachusetts Subcontractor Manager Sentenced to More Than 1 Year Incarceration and Ordered to Pay Nearly \$53,000 in Fines and Restitution for Conspiracy Role in False Labor Rate Charges on Central Artery/Tunnel Project

December 20, 2007

Steven Bowers, a former Project Manager for Mass. Electric Construction Company (MEC), a subcontractor to McCourt/Obayashi (MC/O)—the prime contractor on the Central Artery/Tunnel (CA/T) Project’s tunnel finishes contract—was sentenced on December 20 in U.S. District Court, Boston, Massachusetts, to 15 months in prison and 3 years supervised release and fined \$5,000. Bowers was also ordered to pay a \$9,900 special assessment and \$38,000 in restitution. MEC’s \$21.5 million subcontract included the installation of electrical conduit and wiring in the tunnel. MEC self-reported allegations that one of its employees reported inaccurate labor cost data on daily reports used to compile costs on time and materials (T&M) change orders. The DOT/OIG investigation showed that Bowers and two other MEC employees conspired to submit false T&M daily reports for payment to MC/O, and ultimately the CA/T Project, knowing the reports falsely indicated that apprentice-level electricians were higher-paid journeymen. The loss to the Federal government was estimated to be approximately \$80,000. The results of this investigation were furnished to the Federal Highway Administration for suspension/debarment consideration. The investigation was worked jointly with the U.S. Department of Labor/OIG.

Four Kansas Construction Companies Agree to Pay More Than \$800,000 to Settle Allegations of False Claims Under DBE Program

January 2, 2008

Construction companies AGW Steel, Inc. (AGW), Koss Construction Company, Inc. (Koss), Carter-Waters Corporation (CWC), and Ideker, Inc. (Ideker) agreed to a civil settlement on January 2 in U.S. District Court, Wichita, Kansas, to resolve allegations of Disadvantaged Business Enterprise (DBE) fraud. AGW agreed to pay \$50,000; Koss agreed to pay \$600,000; CWC agreed to pay \$176,000; and Ideker agreed to pay \$22,000. Koss, CWC, and Ideker also agreed to corporate integrity programs to be approved by the Federal Highway Administration (FHWA). AGW and its owners, Harvey and Geneal Williams, agreed to voluntarily withdraw from participation in the Federal DBE program for 3 years. The investigation revealed that Koss used AGW as a DBE on various federally funded construction projects valued at approximately \$54 million to help Koss meet the contractually mandated DBE goals. Specifically, Koss and Ideker, under separate contracts, entered into a contract with AGW to supply rebar for the paving contracts. However, CWC was the actual supplier on the contracts and AGW merely served as a pass-through. DOT/OIG investigated this case with assistance from FHWA and the Kansas Department of Transportation.

Ohio DBE Company and Executive Sentenced for DBE Fraud and Ordered to Pay More Than \$115,000 in Fines and Restitution

January 2, 2008

McDaniels Construction Corporation, Inc. (MCC) and MCC’s Chief Executive Officer, Daniel Moncrief, were ordered on January 2 in U.S. District Court, Columbus, Ohio, to pay \$105,669 in restitution for making a false

Audits and Investigations *(continued)*

statement on a Federal highway project. Moncrief was sentenced to 5 years probation and 100 hours of community service. MCC was sentenced to 3 years probation, fined an additional \$10,000, and ordered to conduct 100 hours of community service—to be completed by Eric Girard, MCC's President and Treasurer. This joint investigation with the U.S. Department of Labor/OIG alleged that MCC, a certified Disadvantaged Business Enterprise (DBE) company, was acting as a pass-through DBE company on a federally funded highway project worth \$37 million. The prime contractor for a portion of the project, Kokosing Construction Corporation, certified to the Ohio Department of Transportation (ODOT) that MCC was to perform seeding, mulching, and ditch protection as the DBE subcontractor. However, a non-DBE contractor, Deitering Landscaping Incorporated (DLI), performed the work. MCC received a 5 percent fee for acting as a DBE front company. MCC and Moncrief have been referred to the Federal Highway Administration and ODOT for debarment consideration.



Kansas Asphalt Paving Company and Company Officials Agree to Pay \$950,000 for False Claims on DOT-Funded Construction Projects

January 15, 2008

Asphalt paving company Heckert Construction Company, Inc. (HCC); the company's President, Roger A. Heckert; and the company's Vice-President, Charles Heckert, signed a civil settlement agreement on January 15 in U.S. District Court, Kansas City, Missouri, to settle false claims made on several federally funded transportation projects in Kansas between 1996 and 2004. The company and the two Heckert brothers jointly agreed to pay a civil fine totaling \$950,000 (\$120,000 for attorney fees and \$830,000 to the United States).

This case was initiated based on a Qui Tam complaint alleging that HCC operated portable asphalt plants and used a computer program to calibrate and record the number of tons of asphalt mixed and loaded into trucks at these plants. HCC would then have the program fraudulently reduce the asphalt loaded by one ton. For example, instead of loading 20 tons of asphalt, 19 tons were loaded, but the company would bill the government for 20 tons. The investigation revealed that between 1996 and 2004, HCC submitted false claims affecting \$34 million in asphalt work performed on Federal Highway Administration (FHWA)- and Federal Aviation Administration-funded projects in Kansas. The federally funded projects included a runway project, road rebuilding, bridge reconstruction, and highway re-surfacing. OIG referred HCC, the Heckerts, and two HCC plant operators to FHWA for debarment action. This investigation was conducted by DOT/OIG, with assistance from FHWA and the Kansas Department of Transportation.

Central Artery/Tunnel (CA/T) Project Prime Management Consultant and Design Consultants Agree to Pay Nearly \$460 Million to Resolve Criminal and Civil Liabilities Related to CA/T Project

January 23, 2008

Bechtel/Parsons Brinckerhoff, J.V. (B/PB) agreed on January 23 to pay more than \$407 million to settle several Federal and State investigations relating to its conduct as the Commonwealth of Massachusetts' management consultant for the Central Artery/Tunnel (CA/T) Project. B/PB agreed to resolve its criminal and civil liabilities for its failure to provide adequate construction management and oversight services in connection with the collapse of the I-90 Connector tunnel ceiling and the widespread defects in the slurry walls of the mainline I-93 tunnel. In addition, the project's Section Design Consultants agreed to pay an additional \$51 million to resolve cost recovery issues associated with the project's design. In total, the United States and Commonwealth of Massachusetts will recover approximately \$458 million.

The settlement is the result of facts obtained during the course of four DOT/OIG investigations. The two most significant were investigations associated with CA/T leaks and the tunnel ceiling collapse. B/PB's quality assurance services were deficient because they allowed the placement of concrete for slurry walls in the I-93 tunnel from 1996 to 2004 even though slurry specifications had not been met and failed to complete the required documentation noting the deficiencies. In addition, B/PB had knowledge of significant defects in the slurry walls and allowed those defects to be inadequately repaired or not repaired. B/PB also failed to provide adequate quality assurance services relating to epoxy ceiling bolts in the suspended ceiling of the I-90 Connector tunnel from 1999 to 2004. Lastly, B/PB failed to

adequately monitor claims for payment by CA/T Project contractors on time and materials contract modifications from 2000 to 2006 and failed to provide sufficient oversight to prevent out-of-specification concrete from being delivered to the CA/T Project tunnels. DOT/OIG plans to refer B/PB to the Federal Highway Administration for suspension and debarment pending further discussions with the U.S. Attorney's Office.

Massachusetts Construction Contractor and Company Official Charged for Roles in Falsification of Change Orders on Central Artery/Tunnel (CA/T) Project

February 29, 2008

McCourt Construction Company, Inc. d/b/a McCourt/Obayashi, J.V. (MC/O) of Boston, Massachusetts, and company official Ryan McCourt were each charged in separate informations in U.S. District Court, Boston, Massachusetts, on February 29 with conspiracy to submit false claims on a CA/T Project contract. The informations alleged that MC/O falsely classified apprentice-level trades persons as journeymen on daily reports used to compile costs for time and materials (T&M) change orders, thus inflating the amounts MC/O would be paid. This case was initiated by DOT/OIG after officials from Mass. Electric Construction Company informed DOT/OIG that McCourt misclassified workers in another trade on billings related to T&M contract modifications.

MC/O, the prime contractor on the CA/T project's I-93 tunnel finishes contract, was charged with conspiracy to defraud the government with respect to claims submitted from 2002 to December 2005. The investigation disclosed that the fraud resulted in a \$300,000 loss to the government. Ryan McCourt, who at the time of the fraudulent activity was in charge of the company's claims and changes section, was charged with conspiracy to make false statements regarding Federal highway projects from July 2004 through December 2005. MC/O's plea hearing is scheduled

Audits and Investigations *(continued)*

for May 20, 2008, while McCourt's has not yet been scheduled. The results of this investigation will be furnished to the Federal Highway Administration for suspension/debarment consideration. The investigation was worked jointly with the U.S. Department of Labor/OIG and Federal Bureau of Investigation.

Former County Executive and His Brother Plead Guilty to Mail Fraud and Embezzlement

March 3, 2008

Raymond Smith pled guilty to mail fraud and Henry Matt Smith pled guilty to embezzlement charges on March 3 in U.S. District Court, London, Kentucky. Between May 2003 and May 2006, Raymond Smith served as Judge Executive—a position that allows fiscal control and approval of county expenses. During this time, he devised a scheme for his family businesses to fraudulently obtain government money through county contracts by diverting money to family members rather than the entities listed on the original bids. Raymond Smith caused bids and invoices to be submitted to the county that were false and then caused the county to award contracts and issue checks to the firms named on the false bids. In order to prevent the scheme from being detected, he mailed false information to the State Auditor's Office. Henry Matt Smith—Raymond's brother and the owner and manager of BKW Wood Products, Total Timber and Total Freight—pled guilty to embezzlement and aiding and abetting Raymond Smith in the misapplication of county funds. Henry Matt Smith assisted his brother by providing personnel from his business to perform the work secured by false bids, helping create false documents, and cashing checks generated by the fraud scheme. Raymond Smith and Henry Matt Smith are scheduled to be sentenced on June 17, 2008. This case was conducted jointly with the Federal Bureau of Investigation, with assistance from the Kentucky State Auditor's Office.

Two Florida Men Plead Guilty for Their Part in CDL Fraud Scheme Involving Florida DMV Clerk

March 11, 2008

Sergeui Leon and Eric Hernandez-Suarez pled guilty on March 11 in U.S. District Court, Tampa, Florida, to wire fraud. Leon and Hernandez-Suarez were arrested, along with Gustavo Soler (aka Tao) and Santos Alamo, in January 2008, for their role in a Commercial Driver's License (CDL) fraud scheme. Specifically, the DOT/OIG investigation disclosed that the subjects conspired to pay bribes to Yolanda Pippins, an employee of the Florida Division of Motor Vehicles (DMV) whose responsibility was to monitor CDL applicants and ensure their qualifications before she issued a CDL. Once Pippins received a monetary bribe, she used her employment position to fraudulently issue CDLs to individuals who did not have the requisite training and documentation to support their qualifications. Pippins pled guilty on August 11, 2006, to conspiracy to accept bribes in exchange for the issuance of fraudulent CDLs. (Pippins was sentenced to 21 months incarceration, to be followed by 3 years supervised release, and ordered to pay a \$1,000 fine on March 19, 2008.) The State DMV sent letters to all 144 individuals who obtained CDLs via Pippins asking that these individuals return to the DMV to ensure that the applications were processed properly or else have their CDLs revoked. Subsequently, 139 CDLs were revoked. Leon and Hernandez-Suarez are scheduled to be sentenced on June 17, 2008. This investigation was conducted jointly with the Florida Department of Law Enforcement and Florida Department of Highway Safety & Motor Vehicles.

New York Construction Company Owners Sentenced to More Than 1 Year in Prison and Return More Than \$1 Million for DBE Fraud Scheme

March 13, 2008

Dorothy and Michael Loguidice of Island Park, New York—the owners of Andrea Doreen Construction Inc. (ADC) and JCS Construction, respectively—were sentenced on March 13 in U.S. District Court, Central Islip, New York. Each defendant was sentenced to serve 15 months in prison, to be followed by 3 years of supervised release, and ordered to pay a \$12,500 fine. In addition, they are jointly liable for paying restitution to the Internal Revenue Service for back taxes in the amount of \$900,000.

In March 2006, the Loguidices pled guilty to a previously filed indictment, which included money laundering associated with the embezzlement of employee pension funds, theft from programs

receiving Federal funds, and mail fraud. As part of the scheme, the Loguidices submitted false, unfiled corporate tax returns, as well as other materially false information, to New York City and New York State grantee agencies to obtain Disadvantaged Business Enterprise (DBE) certification. ADC, Mrs. Loguidice's certified DBE trucking and excavation company, was awarded several subcontracts as a DBE, but Mr. Loguidice's company, JCS Construction, as well as several other companies he owned (in a lesser capacity), actually performed the work. As part of the conspiracy, the Loguidices obtained a total of approximately \$7.8 million in DBE subcontracts that they were otherwise ineligible for. The Loguidices have forfeited \$1.1 million to the government. DOT/OIG conducted this investigation jointly with fellow members of the Long Island Federal Construction Fraud Task Force. The Loguidices and their companies were referred to the Federal Highway Administration for suspension/debarment in December 2007, and a decision in this matter is pending.

New York City Department of Transportation Officials Plead Guilty to Federal Bribery Charges for Accepting Bribes on DOT-Funded Projects

March 24, 2008

Balam Chandiramani, former NYC/DOT Director of Movable Bridges, and Uday Shah, former NYC/DOT Civil Engineer, both pled guilty on March 24 in U.S. District Court, Brooklyn, New York, to bribery charges. Chandiramani and Shah admitted that they solicited and expected to receive more than \$400,000 from a general contractor in exchange for influencing business transactions with NYC/DOT. During the course of the investigation, Chandiramani and Shah received several monitored cash payoffs from a Confidential Witness (CW) in exchange for providing confidential inside information to the CW regarding claim negotiations with NYC/DOT.



Audits and Investigations *(continued)*

The claim in question was worth approximately \$16.5 million. Ultimately, the CW agreed to pay Chandiramani and Shah more than \$400,000 in exchange for their assistance in influencing other NYC/DOT officials to settle the claim in favor of the CW for approximately \$6.45 million. In addition, Shah received monitored cash payoffs for expediting NYC/DOT permits for the CW's contracting company. The projects involved in this bribery scheme include the Third Avenue Bridge project, which received DOT funding, and a New York City Economic Development Corporation project in Manhattan, which received DOT funding through SAFETEA-LU. Sentencing dates for Chandiramani and Shah have not yet been scheduled. This investigation was a collaborative effort by DOT/OIG, the U.S. Department of Labor/OIG, the Inspector General for the Port Authority of New York and New Jersey, and the New York City Department of Investigation.

Vice President of Pennsylvania Highway Engineering Firm Charged for Role in \$121 Million DBE Fraud Scheme

March 26, 2008

On March 26, the U.S. Attorney's Office in Harrisburg, Pennsylvania, filed an information charging Timothy G. Hubler Sr., former Vice-President of Field Operations at CDS Engineers Inc. (CDS), with one count of conspiracy to commit mail fraud and one count of tax fraud for filing a false tax return. This case was initiated by DOT/OIG based on information provided to the Federal Bureau of Investigation (FBI) by a source that alleged CDS—a subsidiary of Schuylkill Products Inc. (SPI)—was using a construction company as a Disadvantaged Business Enterprise (DBE) front.

The U.S. Attorney's Office alleged that Hubler participated in a DBE pass-thru scheme that involved approximately 340 federally funded DBE subcontracts valued at \$121 million. Specifically, officials of SPI and CDS used Marikina Construction Corporation (Marikina)—a certified DBE—to obtain DBE subcontracts for bridge beam installation projects with the intention of having CDS and SPI employees perform, manage, control, and supervise the beam installations. Dennis F. Campbell, former Sales and Marketing Vice President of SPI, admitted that SPI and CDS officials allegedly prepared bid proposals and cost estimates on Marikina letterhead to make it appear that Marikina prepared the documents. The information further alleged that SPI and CDS paid Marikina a fixed fee—25 percent of which Campbell admitted he and Hubler each received as a kickback—for the use of its name in obtaining DBE contracts. Hubler and a CDS work crew were paid from a Marikina payroll account to conceal the scheme. Between 2003 and 2007, Hubler and Campbell allegedly received approximately \$450,000 and \$310,000, respectively, in kickbacks from Marikina. Based on various project certifications made by Marikina, PennDOT counted the entire cost of the DBE subcontracts (\$121 million) toward the general contractor's DBE goals as stipulated in the various prime contracts. Campbell pled guilty in U.S. District Court, Harrisburg, Pennsylvania, to similar criminal charges related to the DBE scheme in February 2008. A plea hearing for Hubler is scheduled for April 15, 2008. DOT/OIG has referred the matter to the Federal Highway Administration for debarment proceedings. This is an ongoing, joint investigation with the FBI, U.S. Department of Labor/OIG, and Internal Revenue Service.



Rail and Maritime Programs and Economic Analysis

AUDITS

Fourth Quarterly Report on Amtrak's FY 2007 Operational Reforms Savings and Financial Performance

November 14, 2007

As mandated by the FY 2007 Appropriations Act for the Department of Transportation, we issued our fourth quarterly report to the House and Senate Appropriations Committees on Amtrak's savings from operational reforms and year-to-date financial performance. Amtrak has realized almost \$53 million of the \$61 million in FY 2007 reform savings than it originally anticipated. The shortfall in savings resulted from Amtrak eliminating its sleeper right-sizing and call center initiatives earlier in the year. Amtrak has made progress in implementing some of its reforms, most notably

in streamlined food and beverage service and improved Acela service. Apart from its food and beverage services, Amtrak has made no progress in the major areas of route restructuring, full cost recovery of state-supported services, and labor efficiencies. Instead, significant budget savings came from favorable market conditions rather than structural change in Amtrak's operating environment. Amtrak's financial performance was stronger than expected. Amtrak's FY 2007 cash operating loss of \$429 million was \$56 million lower than its budgeted level of \$485 million and lower than its \$452 million cash operating loss in FY 2006. Amtrak's cash balance at the end of FY 2007 was \$244 million, compared to \$215 million in FY 2006. The lower cash balance reflects unplanned year-end spending of about

Audits and Investigations *(continued)*

\$60 million to purchase leased coach and food service cars and prepaying its FY 2008 Railroad Rehabilitation and Improvement Financing Program (RRIF) loan payment.

Users of Air Traffic Control Services

March 3, 2008

This report represents the results of our audit on the use of the National Airspace System (NAS). This audit was conducted at the request of Representative John L. Mica, then Chairman of the House Aviation Subcommittee. Our objectives were to determine (1) how different groups use NAS elements, (2) how that usage contributes to aviation congestion, (3) whether NAS users can be grouped in a meaningful manner based on their usage of the system, and (4) how good a proxy is jet fuel for the use of FAA air traffic services. We found that air carriers and non-air carriers, including general aviation and business jet operators, all make sufficient use of the NAS so as to materially contribute to FAA's costs and congestion in general. We also found alternative NAS user groupings that are more homogeneous in terms of their use of FAA services than the groupings reflected in the current aviation excise tax structure. Finally, we found that jet fuel consumption is a better proxy for the use of the NAS than the current aviation excise taxes, but it does not measure whether air traffic control services are used, nor does it distinguish between the types and complexities of services used.

Effects of Amtrak's Poor On-Time Performance

March 28, 2008

This report represents the results of our audit of the effects of Amtrak's poor on-time performance (OTP). This audit was requested by the Surface Transportation Subcommittee of the Senate Committee on Commerce, Science, and Transportation. The objective of this audit was to produce a quantitative assessment of the impact of Amtrak's poor OTP on Amtrak's finances. Achieving reliable OTP would substantially improve Amtrak's finances. We estimate, for example, that an 85 percent OTP off the Northeast Corridor (NEC) in FY 2006 would have reduced Amtrak's operating loss by 30 percent or \$136.6 million. Amtrak's revenues would increase by \$111.4 million as more travelers would choose to take the train if they became more confident that it would arrive on time. Amtrak's expenses would be reduced by \$39.3 million mostly due to less required overtime as a result of fewer late trains, and lower fuel costs as a result of less time spent idling and less frequent accelerations and decelerations. The improved OTP would also require an increase in net performance payments paid to the host railroads of \$14.1 million. Working with the host railroads to achieve an 85 percent OTP off the NEC would be a difficult task; however, Amtrak may be able to utilize a portion of the projected benefits to further incentivize the host railroads to provide this enhanced level of service.

INVESTIGATIONS

Major Railroad Company Agrees to Pay \$7.35 Million for Polluting Pennsylvania Waterway

November 15, 2007

Norfolk Southern Corporation (NS), a shipping and transportation company, pled no contest on November 15 to Pennsylvania State and McKean County environmental charges and agreed to pay \$7.35 million to settle civil charges related to a high-speed train derailment that spilled caustic chemicals into a northwestern Pennsylvania waterway. In July 2007, NS and Michael Seifert, a company Train Engineer, were both charged with

various State and county charges related to the June 2006 train derailment that spilled 42,000 gallons of sodium hydroxide waste into the soil, wetlands, and waters of two counties in northwestern Pennsylvania. The Federal Railroad Administration (FRA) investigation determined that the NS freight train crew failed to apply air brakes after cresting a hill. Shortly after the accident, NS dismissed Seifert and the train's conductor, Stevan Rogers. Seifert is scheduled to go to trial in June 2008. The case is being investigated jointly with FRA, the Pennsylvania Office of Attorney General, the Pennsylvania State Police, and the Pennsylvania Department of Environmental Protection.





Financial and Information Technology

AUDITS

Information Security Program at the Department of Transportation

October 10, 2007

This report represents the results of our annual audit of the Department of Transportation's Information Security Program as required by the Federal Information Security Management Act (FISMA). FY 2007 was a particularly challenging year for the Department in managing its IT resources. In addition to establishing a common IT infrastructure for the new Headquarters, it had to review, test, and certify security protection in more than half of its information systems to meet the recertification requirement. While the Department has completed most of the scheduled security recertification reviews, the overall effectiveness of its information security

program declined this year because management had to divert resources and attention to resolving Headquarters move-related issues. Specifically, management did not meet Government security standards to protect information systems and did not take sufficient action to correct identified security deficiencies. We also found that commercial software products used in departmental systems were not configured in accordance with security standards and security incidents were incompletely and/or inaccurately reported. In terms of correcting the two security weaknesses identified previously in the air traffic control system—contingency planning and review of operational air traffic control systems security—FAA demonstrated renewed initiative in undertaking multiyear correction efforts starting in FY 2007. FAA also made modest progress in

Quality Control Review of the Saint Lawrence Seaway Development Corporation's FY 2007 and FY 2006 Financial Statements

November 9, 2007

This report represents the results of our quality control review of the audit of the Saint Lawrence Seaway Development Corporation's FYs 2007 and 2006 financial statements. Dembo, Jones, Healy, Pennington, & Marshall, P.C., under contract to the Seaway, issued a clean (unqualified) audit opinion and reported no internal control deficiencies.

Quality Control Review of the Highway Trust Fund's FY 2007 and FY 2006 Financial Statements

November 9, 2007

This report represents the results of our quality control review of the audit of the Highway Trust Fund's FYs 2007 and 2006 financial statements. KPMG LLP, under contract to us and under our supervision, issued a clean (unqualified) audit opinion and reported no material weaknesses. KPMG identified three significant deficiencies in agencies' accounting processes (journal entries and account relationships), grant accrual, and financial systems controls. Starting in 2008, the Department will no longer prepare stand-alone Highway Trust Fund financial statements. All activities will be audited as part of DOT's consolidated financial statements.

Quality Control Review of FAA's FY 2007 and FY 2006 Financial Statements

November 9, 2007

This report represents the results of our quality control review of the audit of the FAA FYs 2007 and 2006 financial statements. KPMG LLP, under contract to us and under our supervision, issued a clean (unqualified) audit opinion. This signals

that FAA has overcome last year's qualified opinion on the Construction in Progress (CIP) account, which is part of the Properly, Plant, and Equipment line item on the balance sheet. However, KPMG reported that FAA's property management, including CIP operations, remain a material weakness and require close monitoring. In addition, KPMG identified two significant deficiencies in FAA's oversight of inventory and financial systems controls, and a noncompliance issue concerning the Federal Financial Management Improvement Act. Complete Financial Statements are included in the FAA's 2007 Performance and Accountability Report.

Quality Control Review of the FAA Administrative Services Franchise Fund's FY 2007 and FY 2006 Financial Statements

November 13, 2007

This report represents the results of our quality control review on the audit of the FAA Administrative Services Franchise Fund's FYs 2007 and 2006 financial statements. KPMG LLP, under contract to us and under our supervision, issued a clean (unqualified) audit opinion. However, KPMG identified three significant deficiencies in the Franchise Fund's oversight and analytical review of financial statements, support for shipping documents, and information technology controls over the Franchise Fund and third-party systems and applications. In addition, KPMG identified one noncompliance issue concerning Public Law 104-205.

Report on DOT's Consolidated Financial Statements for FY 2007 and FY 2006

November 13, 2007

This report represents the results of our audit of Department of Transportation's (DOT) Consolidated Financial Statements for FYs 2007 and 2006. We concluded that DOT's consolidated financial statements are fairly presented, in all

Audits and Investigations *(continued)*

material respects, in conformity with generally accepted accounting principles. The clean (unqualified) opinions signal to the public that the Department has successfully overcome last year's qualified opinion on the Construction in Process (CIP) balance, which is a subcomponent of the Property, Plant, and Equipment line item on the Department's balance sheet. We reported FAA's CIP-related process a continued material weakness. We also reported four significant deficiencies associated with the Department's internal controls regarding Highway Trust Fund agency accounting operations, financial systems controls, DOT information security program, and the Federal Transit Administration grant accrual. In addition, we reported four noncompliances with laws and regulations in the areas of Federal Financial Management Improvement Act, Antideficiency Act, Improper Payments Information Act, and Managerial Cost Accounting Concepts and Standards. Complete Financial Statements are included in DOT's 2007 Performance and Accountability Report.

Report on DOT's Special-Purpose Financial Statements for FY 2007 and FY 2006

November 15, 2007

This report presents the results of our audit of the Department of Transportation's (DOT) FYs 2007 and 2006 Special-Purpose Financial Statements. The Department prepared the special-purpose financial statements to support the U.S. Department of the Treasury in compiling the Financial Report of the U.S. Government.

We concluded that DOT's special-purpose financial statements present fairly, in all material respects, the financial position of DOT as of September 30, 2007, and September 30, 2006, and its net costs and changes in net position of the years then ended in conformity with accounting principles generally accepted in the United States and Treasury's reporting requirements. We also found no material weaknesses or noncompliance with laws or regulations governing the financial reporting process for the special-purpose financial statements.

Management Letter on Consolidated Financial Statements for FYs 2007 and 2006

January 31, 2008

This letter presents issues identified in the audit of the Department of Transportation's Consolidated Financial Statements for FYs 2007 and 2006 that did not meet the materiality threshold to be included in our November 15, 2007, audit report but still warrant management attention. The issues identified included reporting of FTA contingencies and earmarked funds; untimely processing of MARAD property, plant, and equipment transactions; reconciling and classifying intragovernmental transactions; analyzing intradepartmental transactions; untimely research of budgetary to proprietary account variances; untimely clearing of suspense accounts; and untimely accrual of earned revenue. We summarized these issues primarily to facilitate management's development of corrective actions.

Acquisition and Procurement



AUDITS

Letter to Chairman Oberstar Regarding the Award of St. Anthony's Falls (I-35 W) Bridge Replacement Project

December 19, 2007

This letter to James Oberstar, Chairman of the House Committee on Transportation and Infrastructure, represents the results of our review of contract award processes following the August 1, 2007 collapse of the St. Anthony Falls/I-35W Bridge. Chairman Oberstar requested a review of the process used in selecting the winning bid for the contract to rebuild the St. Anthony Falls/I-35W Bridge and determine whether that process complied with the requirements of 23 U.S.C. 112 and 23 Code of Federal Regulations

(CFR). Our review found that 1) although Flatiron/Manson's bid had the highest price and longest time frame for completion, the contract award process used by MN/DOT followed the requirements of 23 U.S.C. 112 and 23 CFR, Part 636, for design-build contracting, and 2) the following factors influenced the selection of the winning bid: (a) deciding to use a best-value selection process instead of awarding the contract based on low bid, (b) placing greater emphasis on public relations and aesthetics than in previous design-bid projects, (c) establishing a new proposal evaluation factor called geometric enhancements, and (d) scoring certain elements of the winning bid as exceeding basic Request for Proposal requirements.

Audits and Investigations *(continued)*

Interim Report on Award-Fee Criteria for the National Airspace System Implementation Support II Contract and Bridge Contract

February 27, 2008

We issued an interim report regarding the National Airspace System Implementation Support II Contract (NISC II) and the follow-on bridge contract. This interim report is a part of our ongoing audit of the Use of Cost-Plus-Award-Fee (CPAF) contracts within the Department. We found that FAA did not structure and implement the ongoing NISC II award-fee contract in a way that effectively motivated the contractor to improve performance and achieve acquisition outcomes—defined in terms of program costs, schedule, and performance. Additionally, FAA contracting officials did not justify the cost effectiveness of selecting a CPAF-type contract. FAA officials are implementing actions to meet the intent of our recommendations by clearly identifying measurable award-fee criteria for assessing contractor performance and linking the criteria to acquisition outcomes. We estimate that the planned corrective actions will put approximately \$18.2 million in expected award fees for the bridge contract to better use by ensuring that

FAA's contract objectives are being met. We also recommend FAA acquisition officials reevaluate the use of award-fee contracts for future NISC procurements.

Assessment of Cost Accounting System and Practices, FAA

March 21, 2008

This report represents the results of our audit of FAA's cost accounting system and practices. During FY 2006, FAA completed the implementation of the cost accounting system and, in FY 2007, finalized implementation of a labor distribution system. Overall, we found that the cost accounting system is properly designed to assign costs directly to responsible service organizations, however, management needs to stay vigilant in order to maintain the integrity of the underlying financial data, continue enhancing controls over labor cost distribution, identify the full cost of facilities and use these cost data to manage operations, and ensure the cost accounting processes are properly documented. FAA concurred with four of the five OIG recommendations and is taking reasonable action to resolve the remaining recommendation.

Department-Wide Issues



AUDITS

Testimony on Challenges Facing the U.S. Department of Transportation, Fiscal Year 2008

October 18, 2007

The Inspector General testified before the Senate Committee on Commerce, Science, and Transportation regarding DOT's top management challenges. He highlighted key challenges facing DOT in the following three cross-cutting areas: (1) strengthening oversight to ensure surface safety and make the most of the Federal investment in highway and transit projects, (2) enhancing the safety of the Nation's aviation system, and (3) reducing airline delays, meeting anticipated demand for air travel, and addressing challenges for operating, maintaining, and modernizing the National Airspace System.

DOT's FY 2008 Top Management Challenges

November 15, 2007

This report represents our annual assessment of the top management challenges facing the Department, as required by law. The issues comprising this year's report are: continuing to enhance oversight of the surface transportation infrastructure and maximizing the return on investments in infrastructure projects, addressing long- and short-term challenges for the National Airspace System, developing a plan to address the highway and transit funding issues, reducing congestion, improving oversight and strengthening enforcement of surface safety programs, continuing to make a safe aviation system safer, strengthening the protection of information technology resources, managing acquisition and

Audits and Investigations *(continued)*

contract operations more effectively, and reforming intercity passenger rail. The report was included

in the Department's FY 2007 Performance and Accountability Report.

INVESTIGATIONS

Former FAA Senior Advisor Pleads Guilty To Theft for Filing False Travel Vouchers

October 18, 2007

Howard L. Swancy, a former Senior Advisor (GS-15 equivalent) to the Federal Aviation Administration (FAA) Deputy Administrator, pled guilty on October 18 to First Degree Fraud in D.C. Superior Court. Swancy entered into a deferred sentencing agreement, which allows his sentencing to be continued for 6 months during which time he must complete 40 hours of community service and the fraud charge will be dismissed. Swancy filed five fraudulent travel vouchers, including altered and fabricated hotel receipts, resulting in him wrongfully receiving more than \$5,200 between March 2005 and January 2007. Swancy resigned from FAA in March 2007 during the course of DOT/OIG's investigation. A status hearing has been scheduled for April 2008 to determine whether Swancy has complied with the court's order.

FAA Aviation Safety Inspector Pleads Guilty to Theft in False Military Leave Scheme

January 29, 2008

Emilio Estrada, Aviation Safety Inspector (GS-14) for the Federal Aviation Administration (FAA), pled guilty on January 29 in U.S. District Court, District of Columbia, to theft of government property. DOT/OIG's investigation revealed that from 2000 through July 2006, Estrada requested and was granted military leave on 19 different occasions, which cost the FAA \$24,432.28. Estrada told co-workers he was a General in the Air

National Guard; however, Estrada was not eligible for military leave because he had separated from the D.C. Air National Guard Bureau in 1991 as a Technical Sergeant. Estrada created fraudulent military orders and then used them to deceive FAA officials when requesting military leave benefits. Estrada, who made full restitution to FAA in advance of the plea proceedings, was terminated from FAA in March 2008. His sentencing is scheduled for April 25, 2008.

FAA Contractor Pleads Guilty to Bribing Former FAA Employee

February 6, 2008

Maria Lianidis, President of Digital Management Systems, Inc. (DMS)—a computer engineering company based in Absecon, New Jersey—pled guilty in U.S. District Court, Trenton, New Jersey, on February 6 to bribing Darrell K. Woods, a former Federal Aviation Administration (FAA) Program Manager. Lianidis specifically pled guilty to 3 counts of a 26-count indictment, acknowledging that on 3 instances in 2003 she paid Woods more than \$23,000 in cash bribes. Woods, in his role as a Program Manager, steered approximately \$6.7 million in contracts and purchase orders to DMS. Bribes paid by Lianidis influenced Woods in the performance of his official duties, as he allowed her to participate in the creation of FAA contract solicitations that DMS ultimately bid on and won. Woods also steered several sole-source contracts to DMS. DMS was bidding on a solicitation valued in excess of \$34 million when DOT/OIG and the Internal Revenue Service executed search warrants in

February 2005. The solicitation was ultimately canceled. Woods pled guilty in June 2007 to wire fraud and money laundering for his role in the bribery and contract-steering scheme; he is awaiting sentencing. FAA has suspended Lianidis and DMS from government contracting. Forfeiture of the criminal proceeds derived from the scheme will be determined when Lianidis is sentenced. The case was investigated by DOT/OIG and the Internal Revenue Service/Criminal Investigation Division, with FAA's assistance.

FHWA Employee Suspended from Duty and Directed to Repay Government for Selling DOT-Issued Transit Benefits on e-Bay

March 11, 2008

The Federal Highway Administration notified DOT/OIG on March 11 that a FHWA employee was suspended from duty on January 12, 2008, for a period of 30 days and directed to repay FHWA \$789 as a result of DOT/OIG's findings that the employee used their personal eBay account

on six occasions between November 2004 and September 2006 to sell \$789 worth of DOT-issued transit benefits. In October 2006, DOT/OIG initiated a joint investigation with the Government Accountability Office (GAO) as a result of GAO's reported findings that government-issued transit benefits were being sold over the Internet by Federal employees. The FHWA employee has completed serving their 30-day suspension and made full repayment to FHWA.

Fraud Awareness Video on False Statements and Claims

March 26, 2008

Each year the U.S. Department of Transportation (DOT) spends about \$70 billion on transportation-related projects. On March 26, the Office of Inspector General (OIG) released a fraud awareness video on false statements and claims to provide government officials, contractors, and the public with an increased understanding of common fraud schemes and strengthen collaborative efforts aimed



Audits and Investigations *(continued)*

at the prevention and detection of fraud involving transportation programs and activities. Using a “Cable News” format, the video presents examples of investigations that resulted in criminal and civil penalties for business and individuals who, while working on contracts funded in part by Federal transportation funds, engaged in fraud which cheats American taxpayers. In addition, the video provides legal perspectives on false statements and claims and fraud, as well as “red flag” fraud indicators to help those in the transportation community, government employees, and contractors alike know what to look for. The video also tells viewers how to report possible fraud, waste, abuse, and other irregularities in

DOT programs to the Office of Inspector General Hotline. Citizens have entrusted all levels of government to ensure that their tax dollars are being wisely spent on transportation infrastructure projects that enhance the safety, security, and mobility of the traveling public. OIG will continue to work together with its Federal, State, and local law enforcement, prosecutorial, and transportation colleagues to maintain the public’s confidence in the integrity of our Nation’s transportation system. To request a free copy of the video on DVD, please submit your name and business address to FraudVideo@oig.dot.gov.

This section describes significant work projects currently underway or planned by the Office of Inspector General that focus on the Department's Strategic Plan and its core missions of transportation safety and mobility. We take into account the need to support DOT's most critical programs and to assure that departmental resources are protected from fraud and waste. In addition, many of our projects arise from requests by Administration officials and members of Congress.

The OIG has developed the following work plan for the period of April 1, 2008, through September 30, 2008.

Aviation and Special Programs

■ Air Carriers' Outsourcing of Aircraft Maintenance

Determine the type and quantity of maintenance performed by outside repair stations, and whether FAA is effectively monitoring air carriers' oversight of the work performed by outside repair stations and verifying whether safety requirements are met.

■ Federal Telecommunication Infrastructure (FTI) Transition Risks and its Impact on Air Traffic Control Operations

Assess FAA's progress in developing an effective transition plan and realistic master schedule, and determine if FAA is mitigating risks to air traffic control operations by coordinating activities and validating site-specific requirements before activating FTI service and disconnecting existing telecommunications service.

■ Air Carrier's Aviation Safety Action Programs (ASAP)

Evaluate allegations regarding the improper use of ASAP and determine how reports submitted for inclusion into ASAP are evaluated and subsequently investigated by air carriers and FAA.

■ FAA Short-Term Capacity Initiatives

Identify the initiatives, both technological and procedural, that will provide the most capacity benefits in the next 5 years and examine FAA's

implementation process for capacity initiatives and how the interrelationship among the various efforts are managed.

■ Review of FAA's Air Traffic Controller Facility Training Program

Assess the adequacy of FAA's plans to effectively train an increasing number of new controllers at the facility level and determine FAA's progress in implementing key initiatives for reducing facility training time and costs.

■ FAA's Management and Maintenance of Air Traffic Control Facilities

Determine if FAA has (1) developed and implemented a comprehensive strategy to effectively manage the replacement, repair, and modernization of its air traffic control facilities; and (2) allocated sufficient funds to carry out those activities.

■ Implementation of the Pipeline Security Annex

Provide the implementation status of the program elements outlined in the annex; determine the role, responsibility, and authority of PHMSA regarding pipeline security; assess the adequacy and effectiveness of the process by which PHMSA communicates and coordinates with TSA on matters relating to pipeline security; and address the adequacy of security standards for gas and oil pipelines.

Work Planned and in Progress *(continued)*

■ **Review of FAA’s Automatic Dependent Surveillance Broadcast (ADS-B) Program**

Examine key risks of FAA’s successful implementation of ADS-B and assess the strengths and weaknesses of FAA’s proposed contracting approach.

■ **FAA Oversight of Commuter and On-Demand Operators**

Evaluate the differences between FAA regulations and oversight for commuter and on-demand operators versus larger commercial air carriers; and, identify specific issues that may hinder FAA in its oversight, such as a lack of adequate data on commuter and on-demand operations.

■ **Runway Safety Areas**

Evaluate FAA’s processes for identifying, prioritizing, and funding needed runway safety area enhancements and assess FAA’s and airports’ progress in fulfilling the congressional mandate.

■ **FAA Aviation Safety Inspector Staffing**

Determine whether (1) FAA has established an effective process for monitoring staffing levels in light of potential inspector attrition, and (2) FAA’s hiring and training practices ensure the inspector workforce is well-qualified and has the right skill set.

■ **Review of FAA’s Process for Investigating and Reporting Operational Errors (OEs) and Pilot Deviations**

Determine whether (1) FAA has adequate policies and procedures in place to ensure the accuracy and consistency of operational error reporting, and (2) review the roles and

responsibilities of the Air Traffic Organization and FAA’s Aviation Safety line of business in reporting and investigating operational errors.

■ **Review of Actions Taken to Improve Airline Customer Service and Minimize Long, On-Board Delays**

Examine Summer 2007’s record-breaking flight delays, their causes, and actions needed to mitigate recurrence of such events; and assess DOT’s, FAA’s, the airlines’, and airports’ progress in implementing the actions outlined in the Office of Inspector General’s testimony of September 26, 2007 before the House Subcommittee on Aviation.

■ **Air Traffic Controller Trainee Attrition**

Determine whether (1) the attrition rate among newly-hired air traffic controllers, and (2) the common causes and factors that are contributing to the attrition rate.

■ **Intelligent Transportation Systems Joint Program Office (ITS/JPO)**

To assess the effectiveness of the ITS/JPO in providing program direction, managing funds, conducting progress reviews, and evaluating the results of the ITS program.

■ **City of San Francisco Use of Federal Transit Administration Funds**

Determine if Federal transportation funding is being used by the City of San Francisco to pay for lobbying activities or are being used to supplant city transportation funds that have been directed toward lobbying.

Highway and Transit Programs

■ Amount and Use of Revenue Derived from the Commercial Drivers License Information System Modernization

Analyze the amounts and use of the revenues derived from fees charged for use of the commercial driver's information system.

■ Baseline Report on Major Project Monitoring of the Lower Manhattan Recovery Projects

Assess (1) the status of the Lower Manhattan Transit Recovery Projects including cost, schedule, funding, and Lower Manhattan Recovery Office management, and (2) any risks that may adversely impact a project's completion.

■ FHWA's Corrective Actions Regarding Load Ratings and Weight Postings

Assess the corrective actions taken by FHWA to address the recommendations made by the OIG in our March 6, 2006 audit report entitled Audit of Oversight of Load Ratings and Postings on Structurally Deficient Bridges on the National Highway System.

■ Audit of FHWA Funding to Correct Structurally Deficient Bridges

Assess the extent to which states effectively and efficiently use FHWA funds to correct structurally deficient bridges.

■ Review of Canadian/Mexican Commercial Motor Vehicle Compliance

Provide comments and observations on the scope and methodology of FMCSA's report on the degree to which Canadian and Mexican commercial motor vehicles, including motor

carriers of passengers, currently operating or expected to operate in the United States, comply with Federal Motor Vehicle Safety Standards.

■ Assessment of the Central Artery/Tunnel Stem to Stern Safety Review —Phase II

Continue our work to ensure that the Central Artery/Tunnel Stem to Stern Safety Review is comprehensive and conducted in a complete and rigorous manner. We will also follow up on the corrective actions taken in response to our report "*Initial Assessment of the Central Artery/Tunnel Project Stem to Stern Safety Review.*"

■ Federal Highway Administration Transportation Technology Innovation and Demonstration (TTID) Program

Assess (1) whether the TTID has met the statutory goals of building a traffic measurement infrastructure, providing commercial revenue generation initiatives, and aggregating and reporting surveillance data; and (2) whether the FHWA has met the competitive procurement requirements in Part II, which were intended to expand the number of firms providing surveillance services.

■ New Starts Capital Cost Estimating Process

Evaluate the process FTA uses to ensure that capital cost estimates for New Starts projects are credible, complete, and meet applicable requirements; and 2) assess the role of PMOC's in reviewing capital cost estimates and determine whether FTA makes effective use of their work.

Rail and Maritime Programs and Economic Analysis

■ **Benefits of True High-Speed Rail on the Northeast Corridor**

Quantify the financial and public benefits of true high-speed rail in the Northeast Corridor.

■ **Amtrak Quarterly Reports on Operational Savings**

As mandated by Congress, we will issue quarterly reports to the House and Senate Committees on Appropriations on our estimates of the savings accrued as a result of operational reforms instituted by Amtrak.

■ **Root Causes of Amtrak Delays**

Investigate the root causes of Amtrak delays and compliance with 49 USC Section 24308(c) which gives Amtrak trains preference in the use of freight owned track over freight rail transportation.

■ **Assessment of Amtrak's Financial Performance**

Evaluate and analyze Amtrak's current financial status and the operational factors contributing to that status.

■ **Amtrak's Planned Capital Expenditures**

At the request of Congress, evaluate the appropriateness of Amtrak's planned capital expenditures.

■ **Transportation Related Public-Private Partnerships (PPP)**

Determine whether (1) the cost advantages and disadvantages to the public sector of PPP transactions compared to the more traditional

financing of transportation infrastructure projects through the issuance of debt by government or quasi-government entities in the public or municipal bond markets; (2) evaluate the benefits and value realized through PPPs to both the private and public sector in order to determine the overall equity of the transactions; and (3) determine whether, and to what extent, PPPs result in operating efficiencies.

■ **Oversight of Track-Related Safety Issues**

Evaluate the Federal Railroad Administration's (FRA) oversight of track safety on the Nation's freight rail lines to determine whether it identifies track defects that may impact safety and takes appropriate actions to improve railroad operations. Specifically, we will analyze the results of FRA's inspections of track, roadbed, and related structures; and investigations of accidents caused by track defects.

■ **Implementation of Mandates and Recommendations Regarding Rail Safety**

Assess the Federal Railroad Administration's progress in implementing congressional mandates and recommendations made by the National Transportation Safety Board and the Office of Inspector General regarding railroad safety.

■ **Review of Amtrak's Five-Year Capital Plan**

Review and assess how effectively Amtrak prioritizes and coordinates its capital investments to contribute to the overall business goals of the corporation.

Financial and Information Technology

■ **FAA's Information Security and Privacy Controls over the Medical Support System**

Determine whether the airmen's personally identifiable information is properly secured from unauthorized use or access, and assess FAA's progress in establishing a program to flag airmen holding current medical certificates while receiving disability pay.

■ **FAA's Corrections of Security Weaknesses in Air Traffic Control Systems**

Assess the progress and report on the status of FAA's effort to correct security weaknesses identified previously in air traffic control systems—(1) developing a Business Continuity Plan to ensure continued en route center operations and (2) conducting security certification reviews to identify software differences between operational air traffic control systems and the "baseline" systems tested in the computer laboratory.

■ **Security Protection of Air Traffic Control System Network Connections**

Determine whether (1) FAA has taken actions to secure the connections between the air traffic control network and the administrative networks previously identified, (2) FAA's system certification and accreditation reviews are effective in identifying unauthorized network connections, (3) FAA timely reported unauthorized network connections to proper authority and tracked corrective actions in the POA&M database for official reporting, and (4) FAA Network Control Centers have implemented effective procedures to prevent/detect unauthorized network connections.

■ **Integrity of IT Investment Business Case (E-300) Process**

Determine (1) what management reviews were done to ensure the integrity of OAs' E-300 submission, (2) what mechanisms were used to identify problem projects for IRB review, (3) whether changes to cost and schedule baselines were properly reviewed and documented, and (4) whether OAs accurately reported security costs on E-300.

■ **Data Integrity of the Commercial Driver License Information System (CDLIS)**

Determine whether, (1) convictions and other personal identifiable information recorder in CDLIS are accurate, timely, and complete; and (2) a mechanism is in place to track, prioritize, and mitigate system design or operational deficiencies.

■ **Quality Control Review on Privacy Program Assessment**

Evaluate the agency's use of personally identifiable information, evaluate the agency's program for protecting privacy information, and make recommendations for improvement.

■ **FY 2007 Section 522 Audit of DOT Privacy Policies and Practices**

Determine whether (1) the necessity of using personally identifiable information for processing was properly evaluated; (2) the Department has established adequate procedures governing the collection, use, and security of personally identifiable information; and (3) Operating Administrations properly complied with the prescribed procedures to prevent unauthorized access to, or unintended use of, personally identifiable information.

Work Planned and in Progress *(continued)*

■ **FY 2008 DOT Consolidated Financial Statements**

Determine if the FY 2008 DOT Consolidated Financial Statements are fairly presented, in accordance with Governmental GAAP.

■ **Quality Control Review on FY 2008 FAA Financial Statements**

Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.

■ **Quality Control Review of FY 2008 FAA's Franchise Fund Financial Statements**

Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.

■ **Quality Control Review on FY 2008 NTSB Financial Statements**

Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.

■ **Quality Control Review on FY 2008 SLSDC Financial Statements**

Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.

■ **Oversight of IPA's SAS Review of FAA's Enterprise Service Center**

OIG is contracting with an IPA to conduct a SAS 70 review of the DOT Enterprise Services Center as well as perform follow-up work.

Acquisition and Procurement

■ Contractor Overhead and Compensation Under Grants

Review the effectiveness and implementation of audit provisions in Section 307 of the National Highway System Designation Act addressing audits of contracts awarded by states to engineering and design firms. Procedures include testing the allowability of compensation and other high overhead cost elements billed by these firms.

■ Department of Transportation's Suspension and Debarment Policies and Procedures

Determine whether (1) Operating Administrations (OAs) made decisions to suspend, debar, or take other action for the referred cases in a timely manner; (2) OAs appropriately implemented the agreements negotiated as alternatives to suspension or

debarment; (3) OAs provided OST with the data required by the DOT Order timely; and (4) OST entered the individuals and organizations recommended for suspension or debarment in Excluded Parties List System timely so that exclusions have Government-wide effect.

■ Use of Cost-Plus-Award-Fee Contracts Within DOT

Determine whether cost-plus-award-fee contracts were effectively designed and administered in the best interest of the Government.

■ Review of the Use of Price and Cost Analysis for Newly Awarded and Modified Contracts

Determine whether FAA performed adequate price and cost analysis when negotiating amounts for non-competitive procurements.



Statistical Performance Data

Summary of Performance

Office of Inspector General
October 1, 2007 – March 31, 2008
(Dollars in Thousands)

Reports Issued	48
Recommendations Issued	174
Congressional Testimonies	7
Total Financial Recommendations	\$122,690
That Funds Be Better Used	\$115,600
Questioned Costs	\$7,090
Indictments	89
Convictions	65
Fines, Restitutions, and Recoveries	\$527,625



Audits

Completed OIG Reports

October 1, 2007 – March 31, 2008

(Dollars in Thousands) *

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs **	Funds to be Put to Better Use
Internal Audits				
Performance/Attestation Audits	14	64	\$0	\$47,100
Financial Audits	9	73	\$0	\$68,500
Other OIG Internal Reports	1	0	\$0	\$0
Total Internal Audit Reports	24	137	\$0	\$115,600
Grant Audits				
Audits of Grantee Under Single Audit Act	24	37	\$7,090	\$0
TOTALS	48	174	\$7,090	\$115,600

* The dollars shown are the amounts reported to management. The actual amounts may change during final resolution.

** There were no recommendations for unsupported costs during the reporting period.

Department of Transportation programs and operations are primarily carried out by the Department's own personnel and recipients of Federal grants. Audits by DOT's Office of Inspector General, as a result, generally fall into three categories: internal audits of Departmental programs and operations, audits of grant recipients, and other OIG reports. The table above shows OIG's results for the 6 months covered by this report.



OIG Reports with Recommendations that Questioned Costs

October 1, 2007 – March 31, 2008

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs *
A. For which no management decision had been made by the start of the reporting period	12	15	\$24,510
B. Which were issued during the reporting period	21	27	\$7,090
Totals (A+B)	33	42	\$31,600
C. For which a management decision was made during the reporting period	8	10	\$11,320
(i) dollar value of disallowed costs**	5	6	\$10,757
(ii) dollar value of costs not disallowed **	5	6	\$2,067
D. For which no management decision had been made by the end of the reporting period	25	32	\$20,280

* There were no recommendations for unsupported costs during the reporting period.

** Includes reports and recommendations where costs were both allowed and disallowed.



OIG Reports with Recommendations that Funds Be Put to Better Use

October 1, 2007 – March 31, 2008

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Funds to be Put to Better Use
A. For which no management decision had been made by the start of the reporting period	4	4	\$958,384
B. Which were issued during the reporting period	3	7	\$115,600
Totals (A+B)	7	11	\$1,073,984
C. For which a management decision was made during the reporting period	3	7	\$822,400
(i) dollar value of recommendations that were agreed to by management *	3*	7*	\$822,400
(ii) dollar value of recommendations that were not agreed to by management *	0*	0*	\$0
D. For which no management decision had been made by the end of the reporting period	4	4	\$251,584

* Includes reports and recommendations where costs were both allowed and disallowed.



OIG Reports Recommending Changes for Safety, Economy, or Efficiency October 1, 2007 – March 31, 2008

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	34	94
B. Which were issued during the reporting period	20	140
Totals: (A+B)	54	234
C. For which a management decision was made during the reporting period *	30	174
D. For which no management decision had been made by the end of the reporting period *	27	60

* Includes reports where management both made and did not make a decision on recommendations.

Audit Type	Number of Total Reports for this Reporting Period	Number of Reports with Safety, Economy, or Efficiency Recommendations	Number of Total Recommendations	Number of Safety, Economy, or Efficiency Recommendations
Internal	14	10	64	62
Financial	9	7	73	68
Other	1	0	0	0
Grants	24	4	37	10
TOTALS	48	21	174	140



Management Decisions Regarding OIG Recommendations

October 1, 2007 – March 31, 2008

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs *	Funds to be Put to Better Use
Unresolved as of 10/01/2007	43	113	\$24,510	\$958,384
Audits with Findings During Current Period	40	174	\$7,090	\$115,600
Total to be Resolved	83	287	\$31,600	\$1,073,984
Management Decisions:				
Audits Prior Period ‡	22	57	\$10,682	\$725,000
Audits Current Period ‡	15	134	\$637	\$97,400
Total Resolved	37	191	\$11,319	\$822,400
Aging of Unresolved Audits: **				
Less than 6 months old	26	40	\$6,453	\$18,200
6 months – 1 year	9	17	\$12,428	\$0
1 year – 18 months	2	4	\$0	\$10,684
18 months – 2 years	2	8	\$1,400	\$1,700
Over 2 years old	10	27	0	\$221,000
Unresolved as of 03/31/08	49	96	***\$20,280	\$251,584

* There were no recommendations for unsupported costs during this reporting period.

‡ Includes reports and recommendations where costs were both allowed and disallowed.

** Considered unresolved if management decisions have not been made on all report recommendations.

*** Rounding of dollars may affect total.



OIG Published Reports

October 1, 2007 – March 31, 2008

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance/Attestation – 9 reports

Report	Date	Title	Focus of Report/ Recommendations
AV-2008-002	10/26/07	Prioritization of Airport Improvement Program Funding	Program projects need to be tracked and monitored to ensure that the program is achieving its intended goal to enhance capacity and reduce congestion in metropolitan areas
AV-2008-004	10/31/07	FAA Needs to Improve ASDE-X Management Controls to Address Cost Growth, Schedule Delays, and Safety Risks	Program is at risk of not meeting its cost and schedule goals and may not achieve all planned safety benefits
AV-2008-021	01/14/08	FAA's Implementation of Runway Status Lights	FAA needs to take actions to ensure that the system remains a viable tool for reducing runway incursions and that future deployment remains on schedule
AV-2008-022	01/25/08	Review of FAA's Final Monitor Aid Tool at Denver's Terminal Radar Approach Control Center	FAA needs to determine if it's more cost effective to maintain two terminal automation systems or integrate FMA software into one automation system
AV-2008-026	02/26/08	Assessment of FAA's Risk Based System for Overseeing Aircraft Manufacturer's Suppliers	FAA needs to improve its risk-based oversight system to ensure manufacturers regularly audit their suppliers
CR-2008-028	03/03/08	Use of Air Traffic Control Services	Both air carriers and non-air carriers use the NAS and contribute to FAA's costs and congestion
CR-2008-039	12/27/07	Aviation Industry Performance Review of Summer 2007 Aviation System Performance	Airline On-Time performance deteriorated broadly
FI-2008027	02/27/08	Interim Report on Award-Fee Criteria for the National Airspace System Implementation Support II Contract and Bridge Contract	Put \$18,200,000 to better use
FI-2008-045	03/21/08	Assessment of Cost Accounting System and Practices	FAA's cost accounting system is properly designed to assign costs directly, though FAA must ensure the cost accounting processes are properly documented



Internal Audits: Financial – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-005	11/09/07	Quality Control Review of Audited Financial Statements for FY 2007 and FY 2008	Unqualified opinion on financial statements
QC-2008-010	11/13/07	Quality Control Review of the Audited Financial Statements for FY 2007 and FY 2006 – Administrative Services Franchise Fund	Unqualified opinion on financial statements

Grant Audits: Audits of Grantee Under Single Audit Act – 9 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-017	12/04/07	State of Illinois (also listed under Federal Highway Administration)	\$35,197 questioned
QC-2008-018	12/04/07	City of Bogalusa, Louisiana	\$42,300 questioned
QC-2008-019	12/19/07	Federated States of Micronesia National Government	\$363,179 questioned
QC-2008-035	03/06/08	Chattanooga Metropolitan Airport Authority	\$23,513 questioned
QC-2008-036	03/06/08	Town of Buckeye, Arizona	\$23,104 questioned
QC-2008-039	03/06/08	Beech River Regional Airport Authority	\$66,667 questioned
QC-2008-041	03/12/08	City of Dunsmuir, California	\$20,981 questioned
QC-2008-043	03/12/08	City of Shreveport, Louisiana	Improve grantee oversight
QC-2008-044	03/12/08	Jefferson County, Colorado	\$2 questioned



FEDERAL HIGHWAY ADMINISTRATION

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
MH-2008-048	03/31/08	Central Artery/Tunnel Project – Financial Plan 2007	MTA's Plan generally complied with the FHWA Guidance except that it should be adjusted to correct understated insurance costs and reduce the amount of Federal funds available for obligation

Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-006	11/09/07	Quality Control Review of Audited Financial Statements for FY 2007 and FY 2006 – Highway Trust Fund	Unqualified opinion on financial statements

Grant Audits: Audits of Grantee Under Single Audit Act – 5 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-013	12/04/07	State of Louisiana	\$402,852 questioned
QC-2008-016	12/04/07	Commonwealth of Pennsylvania	\$569,153 questioned
QC-2008-017	12/04/07	State of Illinois (also listed under Federal Aviation Administration)	\$94,000 questioned
QC-2008-023	01/24/08	State of Maine	\$69,829 questioned
QC-2008-037	03/06/08	Oglala Sioux Tribe	\$1,158,305 questioned



FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION
Internal Audits: Performance/Attestation –1 report

Report	Date	Title	Focus of Report/ Recommendations
MH-2008-040	03/10/08	Audit of Federal Motor Carrier Safety Administration’s Compliance with Mexican Motor Carrier Cross-Border Safety Requirements—Interim and Final Audits	At the 6-month point, fewer Mexican carriers and vehicles have participated in the project than expected

Grant Audits: Audits of Grantee Under Single Audit Act – 2 reports

QC-2008-014	12/04/07	State of North Dakota	\$36,422 questioned
QC-2008033	03/06/08	Government of the District of Columbia	\$19,021 questioned

FEDERAL RAILROAD ADMINISTRATION
Internal Audits: Performance/Attestation –1 report

Report	Date	Title	Focus of Report/ Recommendations
CR-2008-047	03/28/08	Effects of AMTRAK’s Poor On-Time Performance	Amtrak revenues would increase by \$111.4 million as more travelers would choose to take the train if they became more confident that it would arrive on time



FEDERAL TRANSIT ADMINISTRATION

Grant Audits: Audits of Grantee Under Single Audit Act – 8 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-020	12/19/07	Greater Peoria Mass Transit District, IL	\$44,452 questioned
QC-2008-029	03/04/08	Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation	Improve grantee oversight
QC-2008-030	03/04/08	King County, Seattle	Improve grantee oversight
QC-2008-031	03/06/08	City of Modesto, California	\$2,100,000 questioned
QC-2008-032	03/06/08	County of Lackawana Transit System Authority	\$21,519 questioned
QC-20080034	03/06/08	Chittenden County Transportation Authority	\$256,676 questioned
QC-2008-038	03/06/08	Topeka Metropolitan Transit Authority	\$216,580 questioned
QC-2008-042	03/12/08	Gary Public Transportation Corporation	\$888,782 questioned



NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
FI-2008-003	10/29/07	Security and Controls Over the National Driver Register	Controls needed to enhance security protection and data timeliness and accuracy
MH-2008-046	03/25/08	Best Practices for Improving Oversight of State Highway Safety Programs	NHTSA developed and followed guidelines and procedures for oversight reviews, but weaknesses were identified in the annual program reviews making it difficult to comprehensively assess whether states met their goals

Internal Audits: Financial – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-009	11/09/07	Quality Control Review of Audited Financial Statements for Fiscal Years 2007 and 2006	Unqualified opinion on financial statements
FI-2008-025	02/01/08	Review of FY 2007 Drug Control Funds and Performance Summary Rating	Unqualified opinion on financial statements

Grant Audits: Audits of Grantee Under Single Audit Act – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-015	12/04/07	State of New Jersey	\$637,454 questioned

NATIONAL TRANSPORTATION SAFETY BOARD

Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-009	11/09/07	Quality Control Review of Audited Financial Statements for Fiscal Years 2007 and 2006	Unqualified opinion on financial statements



OFFICE OF THE SECRETARY OF TRANSPORTATION
Internal Audits: Performance/Attestation –1 report

Report	Date	Title	Focus of Report/ Recommendations
FI-2008-001	10/10/07	Information Security Program	Management did not meet Government security standards to protect information systems and did not take sufficient action to correct identified security deficiencies

Internal Audits: Financial – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
FI-2008-011	11/13/07	Consolidated Financial Statements for FY 2007 and FY 2006	Unqualified opinion on financial statements
FI-2008-012	11/15/07	Special-Purpose Financial Statements for Fiscal Years 2007 and 2006	Unqualified opinion on financial statements
FI-2008-024	01/31/08	Management Letter on Consolidated Financial Statements for FY 2007 and FY 2006	Put \$45,800,000 to better use

Other OIG Reports – 1 report

Report	Date	Title	Focus of Report/ Recommendations
PT-2008-008	11/15/07	Top Management Challenges	Nine challenges identified

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION
Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-007	11/09/07	Quality Control Review of Audited Financial Statements for FY 2007 and FY 2006	Unqualified opinion on financial statements



Other Audit Work Products

October 1, 2007 – March 31, 2008

In addition to providing a listing of each audit report issued to the Department and statistical tables on the number of reports and recommendations issued, OIG completes other types of work products during the semiannual period that contribute to the effective and efficient operations of the Department.

Type of Product	Number of Products
Briefings and Presentations	4
Formal Correspondence	4

Examples of Other Work Products completed during this reporting period include:

- On February 29, we responded to Chairman Waxman’s December 7, 2007, letter requesting that the DOT OIG provide a list of recommendations it has made from January 1, 2001, to the present that have not been implemented by agency officials or by Congress. We identified 168 key recommendations, included in 81 audit reports, which remain open for the Department. We also reported four key recommendations, contained in one audit report, that are currently open for NTSB. We defined “key” open recommendations as recommendations that address significant safety, security, and oversight issues, or provide financial benefits.
- During the month of March, OIG staff members gave four separate briefings before the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development; and before the House Appropriations Subcommittee on Transportation, Housing and Urban Development regarding the NAFTA Demonstration Project work.
- On January 29, we issued a letter to Representative John Mica, Ranking Minority Member of the House Transportation and Infrastructure Committee and Representative Thomas Petri, Ranking Minority Member of the Committee’s Aviation Subcommittee, regarding our review of an incident at Oakland International Airport on September 27, 2007. The lawmakers requested that DOT/OIG review why 204 Marines and soldiers traveling on a North American Airlines chartered flight were denied access to the airport terminal during a layover. The service men and women were en route from Iraq to their home base in Hawaii. Our review found the following reasons for the action: (1) the airport’s concern that the flight’s ground staff could not provide an adequate level of escort and control of such a large group of military personnel in or around the terminal area; (2) absence of a



coordinated policy for security screening between the Department of Defense (DOD) and the Department of Homeland Security (DHS); (3) miscommunication about the proper storage and safeguarding of weapons carried on board aircraft during the layover; and (4) lack of communication on accommodating requests from Marines and soldiers to be allowed into the passenger terminal.

- On December 19, we issued a letter to Chairman Oberstar in response to his request to review the process used in selecting the winning bid for the contract to rebuild the St. Anthony Falls/I-35W Bridge and determine whether that process complied with the requirements of 23 U.S.C. 112 and 23 Code of Federal Regulations (CFR). Our review found that: 1) although Flatiron/Manson's bid had the highest price and longest time frame for completion, the contract award process used by Mn/DOT followed the requirements of 23 U.S.C. 112 and 23 CFR, Part 636, for design-build contracting; and; 2) the following factors influenced the selection of the winning bid: (a) deciding to use a best-value selection process instead of awarding the contract based on low bid, (b) placing greater emphasis on public relations and aesthetics than in previous design-bid projects, (c) establishing a new proposal evaluation factor called geometric enhancements, and (d) scoring certain elements of the winning bid as exceeding basic Request for Proposal requirements.



Office of Inspector General Congressional Testimonies

October 1, 2007 – March 31, 2008

Control No.	Date	Subject	Before
CC-2007-102	10/10/07	The Conversion of Flight Service Stations From FAA to Contract Operations	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2007-100	10/17/07	Challenges Facing the Implementation of FAA's Automatic Dependent Surveillance-Broadcast Program	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2008-007	10/18/07	Challenges Facing the U.S. Department of Transportation, Fiscal Year 2008	Committee on Commerce, Science, and Transportation United States Senate
CC-2008-013	10/25/07	Effectiveness of Federal Drunk Driving Programs	Committee on Environment and Public Works, Subcommittee on Transportation Safety, Infrastructure Security, and Water Quality United States Senate
CC-2008-043	2/7/08	FAA's Fiscal Year 2009 Budget Request: Key Issues Facing the Agency	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2008-045	2/13/08	Actions Needed to Improve Runway Safety	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2008-049	3/11/08	Cross Border Trucking Demonstration Project	Committee on Commerce, Science, and Transportation United States Senate



Unresolved Recommendations Over 6 Months Old

CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2000 – SEPTEMBER 30, 2000

Contract Towers: Observations on FAA's Study of Expanding the Program	AV-2000-079	04/12/00
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CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2001 – MARCH 31, 2002

Acquisition of the Weather and Radar Processor	AV-2002-084	02/28/02
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CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2003 – SEPTEMBER 30, 2003

Status Report on FAA's Operation Evolution Plan	AV-2003-048	07/23/03
FAA Needs to Reevaluate STARS Costs and Consider Other Alternatives	AV-2003-058	09/09/03

CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2004 – MARCH 31, 2005

Terminal Modernization: FAA Needs to Address its Small, Medium, and Large Sites Based on Cost, Time, and Capability	AV-2005-016	11/23/04
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CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2005 – SEPTEMBER 30, 2005

Status of FAA's Major Acquisitions: Cost Growth and Schedule Delays Continue to Stall Air Traffic Modernization	AV-2005-061	05/26/05
FAA's En Route Modernization Program is on Schedule But Steps Can Be Taken to Reduce Future Risks	AV-2005-066	06/29/05
Chicago's O'Hare Modernization Plan	AV-2005-067	07/21/05



CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2005 – MARCH 31, 2006

Followup Audit Review of Air Traffic Controller Training	AV-2006-021	12/07/05
Air Carriers Use of Non-Certificated Repair Facilities	AV-2006-031	12/15/05

CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2006 – SEPTEMBER 30, 2006

Use of Airport Revenues by the Greater Orlando Aviation Authority	AV-2006-056	08/03/06
Mississippi DOT Katrina Emergency Repair Contracts	MH-2006-065	09/06/06

CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2006 – MARCH 31, 2007

Opportunities for FHWA to Free Up Unneeded Funds in States Affected By Hurricanes	MH-2007-037	03/06/07
FHWA's Oversight for Implementing Value Engineering	MH-2007-040	03/28/07



CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2007 – SEPTEMBER 30, 2007

Commonwealth Ports Authority	QC-2007-045	05/15/07
Controls Over FAA's Conversion of Flight Service Stations to Contract Operations	AV-2007-048	05/18/07
FAA's Actions to Address Runway Incursions at Boston Logan, Chicago O'Hare, and Philadelphia International Airport	AV-2007-050	05/24/07
Augusta, Georgia	QC-2007-052	06/27/07
South Carolina Department of Transportation	QC-2007-055	07/18/07
Washington Metropolitan Area Transit Authority	QC-2007-057	07/18/07
State of Minnesota	QC-2007-058	07/18/07
Baseline Report on Dulles Corridor Metrorail Project	MH-2007-060	07/27/07
Amtrak Board of Directors	CR-2007-074	09/14/07

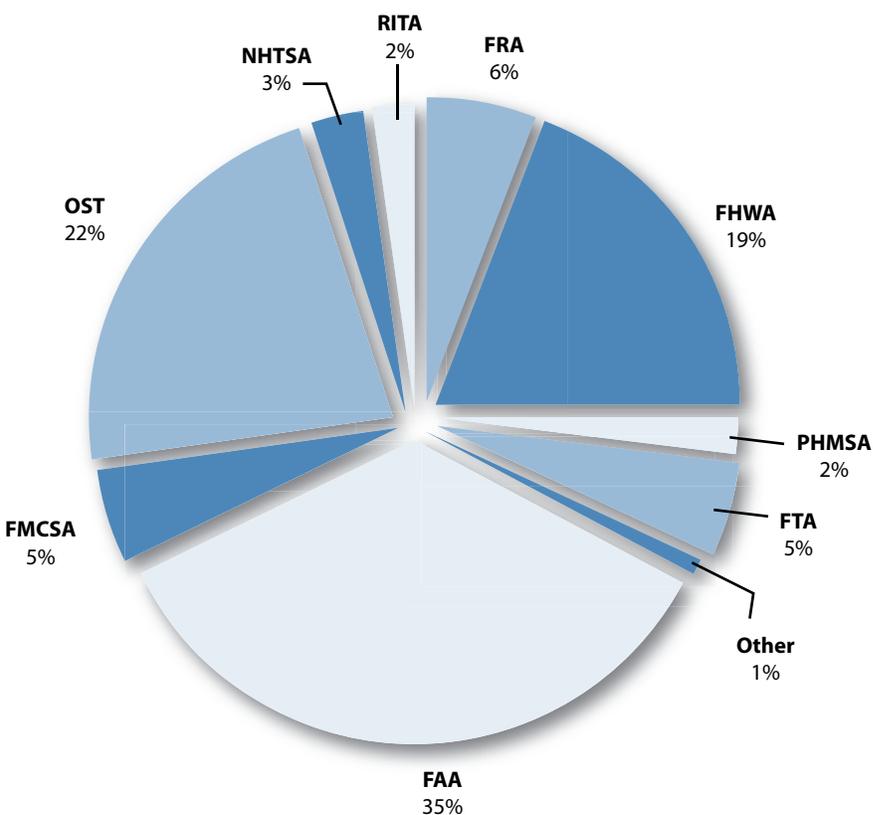


Application of Audit Project Hours by Operating Administration

October 1, 2007 – March 31, 2008

NOTES:

- Resources shown for OST include time spent performing audits of the DOT Consolidated Financial Statements (which includes all Operating Administrations), Implementation of the New DOT Suspension and Debarment Order, and the Review of Actions Taken to Improve Airline Customer Service and Minimize Long, On-Board Delays
- Resources shown for FRA include time spent performing audits of the National Railroad Passenger Corporation.
- There were no resources expended on the Maritime Administration and Surface Transportation Board during the reporting period.
- Resources shown as “Other” were expended on the National Sampling Project for Single Audits, National Transportation Safety Board, and St. Lawrence Seaway Development Corporation and totaled less than 1 percent.



Required Statements for Semiannual Report

The Inspector General Act requires the *Semiannual Report* to carry explanations if, during the reporting period, departmental management significantly revised management decisions stemming from an audit. OIG follows up on audits reported in earlier semiannual reports. During this reporting period, departmental management did not report any significant revisions to management decisions.

The Act also requires descriptions of any significant decisions that departmental management made regarding an audit with which OIG disagrees. When the reporting period closed, there were no such significant decisions with which OIG disagreed.



Investigations

Judicial and Administrative Actions

October 1, 2007 – March 31, 2008

Indictments	89
Convictions	65
Years Sentenced	70
Years Probation	113
Years Supervised Release	52
Hours of Community Service	940
Employee Terminations	2
Employee Suspensions	2
Employee Reprimand	1
Employee Resignations/Retirements	7
Employee Counseling	1
Debarments/Suspensions	23
Federal funding/participation suspended	1
Federal funding/participation terminated	1
Decertified - State	5
License/certificate Permit suspended/revoked/terminated	4

FINANCIAL IMPACT

Fines:	\$12,804,122
Restitution/Civil Judgments:	\$473,303,530
Federal Recoveries:	\$11,412,166
Administrative Recoveries:	\$20,580,508
State Recoveries	\$9,524,407
Total	\$527,624,733

During the 6 month period covered by this report, 92 cases were opened and 130 were closed, leaving a pending caseload of 441. In addition, 168 cases were referred for prosecution, 131 were accepted for prosecution, and 67 were declined. As of March 31, 2007, 27 cases were pending before prosecutors.



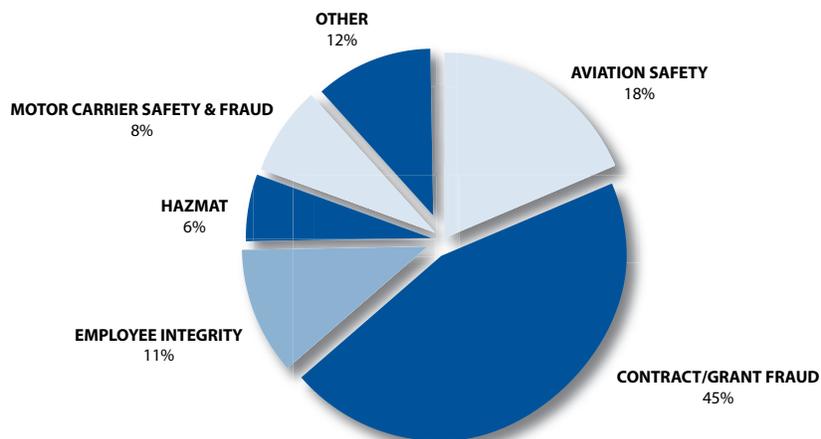
Profile of All Pending Investigations as of March 31, 2008

Types of Cases

	Number of Cases	Contract/Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	HazMat	Other
Federal Aviation Administration	152	34	30	73	0	7	8
Federal Highway Administration	142	131	4	0	0	0	7
Federal Railroad Administration	11	2	2	0	0	5	2
Federal Transit Administration	27	26	0	0	0	0	1
Maritime Administration	7	3	3	0	0	1	0
Federal Motor Carrier Safety Administration	58	2	7	0	39	5	5
Office of the Secretary	14	3	10	0	0	0	1
Pipeline and Hazardous Materials Safety Administration	17	0	1	0	0	16	0
Research and Innovative Technology Administration	5	2	3	0	0	0	0
National Highway Traffic Safety Administration	7	2	1	0	1	0	3
National Transportation Safety Board	1	0	1	0	0	0	0
Totals	441	205	62	73	40	34	27
Percent of Total:	100%	46%	14%	17%	9%	8%	6%

Application of Investigative Project Hours by Priority Area

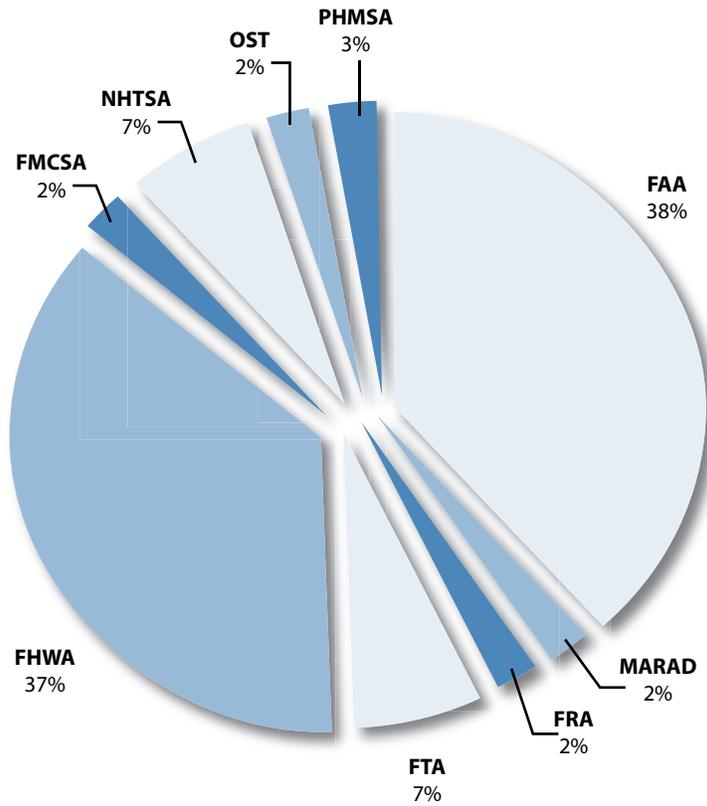
October 1, 2007 – March 31, 2008





Application of Investigative Project Hours by Operating Administration

October 1, 2007 – March 31, 2008





2007 Awards and Recognition

On November 15, 2007, a ceremony was held in Washington, D.C. to recognize Office of Inspector General employees for their contributions over the preceding year. The Inspector General also recognized OIG employees receiving awards for their accomplishments from the Secretary of Transportation, the President's Council on Integrity and Efficiency, and other local, state, and Federal agencies and councils.



Secretarial Awards and Recognition

Partnering for Excellence Award

This is the second-highest award within the Department of Transportation. This award recognizes intermodal teams and groups that have used the Partnership for Excellence Model to further ONE-DOT activities supporting one or more of the Department’s strategic plan goals.

Aviation Safety – Suspected Unapproved Aircraft Parts Team

This award is given to recognize the successful and unprecedented partnership between the Federal Aviation Administration (FAA) and Office of Inspector General (OIG) to combat “Suspected Unapproved Parts” (SUPs) on a national and international level.

OIG

Harry Schaefer, Director National Investigative Programs
Michelle T. McVicker, Special Agent-in-Charge
Theodore L. Doherty III, Special Agent-in-Charge
Hank W. Smedley, Special Agent-in-Charge
Thomas K. Lehrich, Chief Counsel
Elise S. Woods, Assistant Special Agent-in-Charge
Barbara L. Barnet, Senior Special Agent
Eileen Vidal-Codisport, Assistant Special Agent-in-Charge
Paul L. Blake, Senior Special Agent
Franklin H. Davenport, Senior Special Agent
Richard M. McGrade, Senior Special Agent
Charles V. Miller, Senior Special Agent
Michael J. Purcell, Senior Special Agent
Gerard H. Tucker, Jr., Senior Special Agent
Carlos A. Vazquez, Senior Special Agent

FAA

Beverly Sharkey
Kenneth Reilly
Roger Heard
Glenn Lanter
Derek Cheatham
Bob Franklin
Ken Gardner
Mark Hemmerle
Les Moneiro
Maria Papageorgiou
Susan Trask
Adrian Wright
Al Michaels
Barbara Vance

Dalton Fortney
Danny Billman
Raymon Taylor
Angelina Mack
Tony Janco
Rand Foster
Martha Farmer
John Tipton
Calvin Tillman
Maurice Nakagawa
Diane Millam
Gerald Mestell
Stephen Bray
Maryetta Broyles



Award for Meritorious Achievement

This award is given by the Secretary in recognition of meritorious service to DOT and the Federal government, and for exceptional achievement which substantially contributed to the accomplishment of DOT's mission or major programs.

Daniel R. Raville
Program Director
JA-10, Washington, D.C.

Max D. Smith
Special Agent-In-Charge
JRI-6, Fort Worth, TX

Award for Excellence

This award is granted to employees who have achieved outstanding performance in all aspects of their work, warranting special commendation.

Christina H. Lopez
Administrative Assistant
JA-20, Washington, D.C.

Joanne M. Pittman
Human Resources Specialist
JM-20, Washington, D.C.

Team Award

This award is in recognition of meritorious contributions of high value to the Department in meeting one or more of the Strategic Goals, and exceptional performance which results in the improvement, reinvention, or reengineering of practices, operations, and customer service.

OIG Central Artery/Tunnel Team for Reopening of the Central Artery/Tunnel and the Commonwealth of Massachusetts' Stem to Stern Safety Review

This team made meritorious contributions to the Department in responding to the ceiling collapse in the Central Artery/Tunnel (CA/T) Project in Boston.

Rodolfo E. Perez, Engineer Advisor
Thomas E. Yatsco, Program Director
Eric N. Mader, Project Manager
Anne-Marie C. Joseph, Engineer
Donald J. Lango, Senior Auditor
Aron O. Wedekind, Engineer
Charles H. Wilson IV, Analyst



Inspector General Special Honors

U.S. Active Duty Military

OIG employees called to active duty from November 2006 – November 2007.

Peggy Moskaluk

Ramon Sanchez, Jr.

Career Service Recognition

OIG employees who have attained 30 or more years of Federal service as of the end of 2007.

Alvin Schenkelberg

Gary W. Kirk

Raymond H. Denmark, Jr.

Gerald L. Blumenthal

Patricia K. Stevens

Samuel Davis, Jr.

Nancy J. Martemucci

Judy W. Nadel

Robert D. Falter

Harriet E. Lambert



Inspector General Awards

Team Award

This award is granted to an OIG office, team, or workgroup whose performance exemplifies teamwork and whose efforts contribute greatly toward the mission, goals, and operations of the Office of Inspector General.

Quality Assurance Review Team

This team demonstrated superior performance in conducting quality assurance reviews of Inspector General audit operations.

Richard A. Kaplan, Program Director
Allan J. Reid, Program Manager

Review of Airline Customer Service Issues Team

This team performed in an outstanding manner in providing Congress critical information on the airline industry's commitment to improve air travel.

Scott K. Macey, Program Director
Thomas K. Lehigh, Senior Counsel
Petra Swartzlander, Senior Statistician
Robert D. Falter, Project Manager
Marshall E. Jackson, Project Manager
David W. Brown, Senior Analyst
Sandra M. DeLost, Senior Information Technology Specialist
Christopher S. Frank, Senior Auditor
Anne V. Longtin, Senior Auditor
Judy W. Nadel, Senior Auditor
Karen B. Thompson, Senior Analyst
Kim P. Tieu, Senior Auditor
Adrienne M. Williams, Senior Auditor

Gerald L. Blumenthal, Auditor
Gloria J. Echols, Auditor
Rita L. Fox, Auditor
Carlton H. Hamilton, Auditor
Lisa T. Mackall, Auditor
Amitra Mamdouhi, Analyst
Meredith C. McDaniel, Analyst
Jeannette M. McDonald, Analyst
Andrea J. Nossaman, Writer-Editor
Akilah A. Boston, Analyst
Arthur B. Jacobs, Analyst
Jonathan K. Tsang, Analyst
Gitanjali B. Borkar, Analyst
Louis H. Burrell III, Analyst



Comair Audit Team

This team performed in an outstanding manner in conducting a review of staffing during midnight shifts at FAA combined radar approach control and tower with radar facilities.

Daniel R. Raville, Program Director
Petra Swartzlander, Senior Statistician
Marshall E. Jackson, Project Manager
Angela D. McCallister, Project Manager

Andrea J. Nossaman, Writer-Editor
Benjamin R. Huddle, Analyst
Amy N. Thomas, Analyst

Security and Controls Over the National Driver Register Team

This team demonstrated outstanding performance in conducting a review of the security and controls over NHTSA's National Driver Register (NDR).

Edward A. Densmore, Program Director
Nathan J. Custer, Project Manager
Michael P. Fruitman, Writer-Editor
Dr. Ping Zhong Sun, Project Manager
Mitchell Balakit, Senior Information
Technology Specialist
Henry S. Lee, Senior Computer Scientist

James F. Mallow, Senior Auditor
Christopher M. Cullerot, Information
Technology Specialist
Vasily G. Gerasimov, Information
Technology Specialist
Martha A. Morrobel, Information
Technology Specialist

NAFTA Cross-Border Trucking Demonstration Project Team

This team exhibited superior skill in completing this project. The team was faced with a challenging task in completing this audit, which required contacts with state officials throughout the country and field work at the southern border and in Mexico.

Joseph W. Comé, Program Director
Thomas K. Lehrich, Senior Counsel
Joan M. Becker, Project Manager
Seth B. Kaufman, Associate Counsel
David P. Pouliott, Project Manager
Kimberley A. Bolding, Senior Auditor
Christopher T. Brothers, Senior Analyst
Patrick D. Conley, Senior Auditor
Nathan P. Richmond, Legislative Counsel
Anthony V. Saraco, Senior Auditor
Gerard J. Sheeran, Senior Auditor

Maurice Toval, Senior Auditor
Marvin E. Tuxhorn, Senior Auditor
William C. Denno, Auditor
Constance B. Hardy, Analyst
Calvin L. Moore II, Analyst
Andrea J. Nossaman, Writer-Editor
Rosa L. Scalice, Auditor
Scott L. Williams, Analyst
Michael Masoudian, Analyst
Regan K. Maund, Analyst
Kathleen B. Conway, Analyst



Growth in Highway Construction and Maintenance Costs Report Team

This team demonstrated superior performance in providing an economic analysis that is both timely and is likely to play a significant role in the debates over the appropriate level of funding to include in the upcoming reauthorization of the bill treating federal aid to highways.

Mitchell L. Behm, Program Director
Betty A. Krier, Project Manager
Keith A. Klindworth, Senior Economist
Harriet E. Lambert, Writer-Editor
Jovanny Roque, Economist
Aron O. Wedekind, Engineer

DBE Fraud Investigation Team

This joint U.S. DOT/Virginia DOT investigation determined that English Construction Company of Lynchburg, Virginia engaged in a scheme to intentionally misrepresent compliance with the U.S. DOT Disadvantaged Business Enterprise (DBE) program for the purpose of obtaining more than \$130 million in federally funded highway construction projects in Virginia.

Franklin H. Davenport, Senior Special Agent
Thomas J. Bondurant, Jr., U.S. Attorney's Office
John Reus, Virginia Department of Transportation, Office of Inspector General

JM-10 IT Team

The JM-10 IT team performed in an extraordinary and noteworthy manner conducting several crucial IT projects with OIG-wide impact.

Jacquelyn R. Weber, CIO
James F. Heminger, Information Technology Specialist
Scott A. Florcsk, Information Technology Specialist
Jeffrey W. Germann, Information Technology Specialist
Marisol Vasquez, Information Technology Specialist
Daniel C. Arce, Information Technology Specialist
Sheila Payne Davis, Information Technology Specialist
Siron M. Weaver, Information Technology Specialist
Bradley F. Dunn, Information Technology Specialist



New Building Move Team

The outstanding performance of critically important tasks by this team in support of the new HQ Building move project resulted in an extremely organized and successful move of all OIG Headquarters staff to the new DOT HQ Building.

Jacquelyn R. Weber, CFO
Richard A. Kaplan, Program Director
Omer G. Poirier, Senior Counsel
Dorothy B. Bowie, Senior Administrative Services Specialist
Ernest Eigenbrode, Project Manager
Michael L. Marshlick, Computer Scientist
Alfred Parnell, Human Resources Specialist
Allan J. Reid, Project Manager
Margaret E. Uckert, Project Manager
Eileen Vidal-Codispot, Assistant Special Agent-in-Charge
Amanda D. Barton, Senior Analyst
Coletta A. Treacle, Senior Analyst
Nancy J. Martemucci, Staff Assistant
Odessa M. Pyles, Support Services Specialist
Lorena M. Simpson, Support Services Specialist
Andrew J. Sourlis, Analyst
Patricia K. Stevens, Management Support Specialist
Christina H. Lopez, Administrative Assistant
Ernestine M. Anderson, Support Services Specialist
Angela R. Hailes, Investigative Program Technician
Sylvia V. Medina, Staff Assistant
Regina L. Raiford, Paralegal Specialist
Frances L. Stubbs, Secretary
Lisa Edouard, Secretary
Brenda R. Headley, Secretary



Award for Superior Achievement

This is the highest award granted by the Inspector General. It recognizes performance of assigned duties in such an exemplary manner as to inspire others, demonstration of unusual initiative or skill in the development of new or improved work methods and procedures, and notable authorship.

Todd J. Zinser

Deputy Inspector General
Washington, D.C.

Joseph W. Comé

Program Director
JA-40, Washington, D.C.

Jeffrey W. Germann

Information Technology Specialist
JM-10, Washington, D.C.

Exceptional Civilian Service Award

This is the second-highest award granted by the Inspector General, recognizing performance that is exceptional among peers, extraordinary results, and other exemplary performance as deemed by the Inspector General.

Patricia K. Stevens

Management Support Specialist
JA-2, Washington, D.C.

John W. Long

Special Agent-In-Charge
JRI-4, Atlanta

Ernest Eigenbrode

Project Manager
JA-10, Washington, D.C.

Dorothy B. Bowie

Senior Administrative Services Specialist
JM-10, Washington, D.C.

Earl C. Hedges

Program Director
JA-20, Baltimore

Todd A. Damiani

Senior Special Agent
JRI-1, Meriden, CT



Marguerite Christensen Award for Excellence in Administration

This is the third-highest award in the OIG. It recognizes professionalism, technical excellence, and dedication in providing administrative support to the Office of Inspector General.

Odessa M. Pyles
Support Services Specialist
JM-10, Washington, D.C.

Manager of the Year Award

This award is granted to managers who demonstrate exemplary contributions toward achieving the mission and goals of the OIG, and management of personnel and resources.

Michelle C. Hill
Director of Audit Planning, Policy,
and Technical Support
JA-2, Washington, D.C.

Matthew E. Hampton
Program Director
JA-10, Washington, D.C.

Rodolfo E. Pérez
Engineer Advisor
JA-40, Washington, D.C.

Thomas E. Yatsco
Program Director
JA-40, Washington, D.C.

Mitchell L. Behm
Program Director
JA-50, Washington, D.C.

Jim H. Crumpacker
Director, National Investigative
Programs & Operations
JI-2, Washington, D.C.

Jacquelyn R. Weber
CFO/CIO
JM-10, Washington, D.C.



Supervisor of the Year Award

This award is granted to supervisors who demonstrate exemplary contributions toward achieving the mission and goals of the OIG, and management of personnel and resources.

Robert D. Falter

Project Manager

JA-10, Washington, D.C.

Angela D. McCallister

Project Manager

JA-10, Washington, D.C.

George E. Banks

Project Manager

JA-20, Baltimore

Eric N. Mader

Project Manager

JA-40, Washington, D.C.

Debra L. Mayer

Project Manager

JA-50, Washington, D.C.

Michael J. Waters

Assistant Special Agent-In-Charge

JRI-2, King of Prussia



Employee of the Year Award

This award is granted to employees who demonstrate dedication and special effort which exceed performance expectations and contribute significantly to the mission and goals of the Office of Inspector General.

Andrea J. Nossaman
Writer-Editor
JA-10, Washington, D.C.

Michael L. Marshlick
Computer Scientist
JA-20, Washington, D.C.

Aisha N. Evans
Senior Auditor
JA-20, Washington, D.C.

James F. Mallow
Senior Auditor
JA-20, Washington, D.C.

Jill L. Cottonaro
Analyst
JA-20, Washington, D.C.

Brian J. Frist
Senior Auditor
JA-20, Baltimore

Margaret E. Uckert
Project Manager
JA-40, Washington, D.C.

Christopher T. Brothers
Senior Analyst
JA-40, Washington, D.C.

Jovanny Roque
Economist
JA-50, Washington, D.C.

William L. Swallow
Assistant Special Agent-in-Charge
JRI-2, Riverside

Robert C. Brautigam
Senior Special Agent
JRI-2, King of Prussia

Melissa E. Ehlinger
Attorney-Advisor
JRI-3, New York

Scott V. Harding
Senior Investigator
JRI-3, Washington, D.C.

Carlton D. Richmond
Investigator
JRI-3, Washington, D.C.

George F. Sullivan
Senior Investigator
JRI-5, Chicago

Scott A. Florcsk
Information Technology Specialist
JM-10, Washington, D.C.

Lorena M. Simpson
Support Services Specialist
JM-10, Washington, D.C.



Paul W. Kimbrough, Sr. Award for Public and Community Service

This award is granted to any OIG employee who exhibits exceptional dedication to public/community service, either associated with a DOT or other Federally-sponsored program or initiative, or privately within his or her community.

Stefanie Z. McCans

Analyst

JA-10, Atlanta

Administrative Professional of the Year Award

This award is granted to administrative or clerical employees who provide outstanding support to the success of the organization or office.

Constance C. Wiley

Staff Assistant

JA-1, Washington, D.C.

Sherry K. Dionne

Investigative Program Technician

JRI-1, Cambridge

Sandra M. Roper

Investigative Program Technician

JRI-4, Atlanta



New Employee Award

This award is granted to new Federal employees who excel in performance of assignments and demonstrate significant initiative in developing and furthering their skills.

Kevin M. Montgomery

Analyst

JA-10, Washington, D.C.

Amy N. Thomas

Analyst

Taniesha L. Snell

Analyst

JA-10, Atlanta

Gitanjali G. Borkar

Analyst

JA-10, San Francisco

Vasily T. Gerasimov

Information Technology Specialist

JA-20, Washington, D.C.

Allison M. Horkan

Auditor

JA-20, Washington, D.C.

Regan K. Maund

Analyst

JA-40, Washington, D.C.

Charles H. Wilson IV

Analyst

JA-40, Washington, D.C.

Dr. Chia-Mei Liu

Economist

JA-50, Washington, D.C.

Bradley F. Dunn

Information Technology Specialist

JM-10, Washington, D.C.



President's Council on Integrity and Efficiency Awards

Award for Excellence – Audit

Audit Team for the Review of Air Traffic Controller Staffing During Midnight Shifts

This team received an award for their outstanding efforts in conducting a review of staffing during midnight shifts at FAA combined radar approach control and tower with radar facilities.

Daniel R. Raville, Program Director
Petra Swartzlander, Senior Statistician
Marshall E. Jackson, Project Manager
Angela D. McCallister, Project Manager
Andrea J. Nossaman, Writer-Editor
Benjamin R. Huddle, Analyst
Amy N. Thomas, Analyst

Highway-Rail Grade Crossing Safety Team

This team received an award for its exceptional audit work in evaluating the Department of Transportation's progress in improving safety at the Nation's highway-rail grade crossings and reducing the number of collisions and fatalities.

Brenda R. James, Program Director
Thomas K. Lehrich, Chief Counsel
Petra Swartzlander, Senior Statistician
Michael P. Fruitman, Communications Advisor
Stephen Gruner, Project Manager
Wendy M. Harris, Project Manager
William E. Savage, Information Technology Specialist
Sandra M. DeLost, Information Technology Specialist
Harriet E. Lambert, Writer-Editor
Nathan P. Richmond, Legislative Counsel
Audrey L. White, Senior Analyst
Andrea J. Nossaman, Writer-Editor
Stephanie L. Grissom, Analyst
Michael Masoudian, Analyst



Other Recognition

Greggory S. Bond

2007 – 2008 Who's Who
Strathmore's Who's Who

Kathryn A. Jones

DC Office of Inspector General
Letter of Commendation

Dorothy B. Bowie

New HQ Building Team Award
Secretary of Transportation

Anne-Marie C. Joseph

Appreciation Award
National Association of Pipeline Safety

Todd A. Damiani

Certificate of Appreciation
U.S. Attorney's Office

Seth B. Kaufman

President's Volunteer Service Award
Secretary of Transportation

Franklin H. Davenport

Recognition for Successful Prosecution
of a DOT Contractor
U.S. Department of Justice

Charles V. Miller

Letter of Appreciation
U.S. Attorney's Office

Brian A. Dettelbach

Council of Counsels to Inspectors General
Legislative Award

Dennis M. Ocampo

Letter of Commendation
Secretary of Transportation, U.S. Department of
Justice and District of Columbia

Scott A. Florcsk

New HQ Building Team Award
Secretary of Transportation

Joe O'Haver

Letter of Appreciation
Federal Aviation Administration

Malik J. Freeman

Letter of Commendation
DC Inspector General and
U.S. Department of Justice



Other Recognition, continued

Michael J. Purcell

FBI Director's Award

Certificate of Appreciation

U.S. Attorney's Office

Certificate of Appreciation

U.S. Attorney's Office

Certificate of Appreciation

U.S. Attorney's Office

Odessa M. Pyles

New HQ Building Team Award

Secretary of Transportation

Bruce A. Quintero III

William R. Barton Award

Federal Law Enforcement Training Center

Robin Redd-Miller

Special Recognition Award

Lonnie G. Robertson

Letter of Appreciation

New Mexico DOT

Ramon Sanchez, Jr.

Outstanding Heroism Award (for Service in Iraq)

Atlanta Federal Executive Board

Excellence in Law Enforcement Award

League of United Latin American

Citizens (LULAC)

Jacquelyn R. Weber

New HQ Building Team Award

Secretary of Transportation

Bradley D. Wheeler

Special Achievement in Public Corruption

Investigations Award

Atlanta Inspector General Council

Elise S. Woods

Recognition for Successful Prosecution

of a DOT Contractor

U.S. Department of Justice

Joseph M. Zschiesche

Achievement Award

Federal Aviation Administration



In Memoriam . . .

This semiannual period was marked by the death of a long-time OIG employee, David Brown, who made a significant impact on the organization. David Brown touched the hearts of the people he worked with and will be deeply missed.

David Brown

David Brown joined the Office of Inspector General (OIG) in 1989 as an auditor with the Fort Worth, Texas, Regional Office.

In his early years with the OIG, David worked on audits of mass transit agencies' compliance with the Americans with Disabilities Act and several airport revenue, aviation inspection, and maritime audits.

As a senior analyst, David became an integral part of nationwide audit and testimony teams that were instrumental in the achievement of important improvements in motor carrier safety enforcement programs and quality data used to monitor the trucking industry, as well as recommending improvements in airport security and airline customer service.

David also provided integral expertise on numerous audit and congressional testimony assignments that focused on diverse issues across the transportation spectrum, including the high profile cross-border trucking provisions of the North American Free Trade Agreement.

David's outstanding performance was recognized through the numerous OIG and PCIE awards he received throughout his 19 years with the OIG. A lifelong member of the University Christian Church in Fort Worth, Texas, David was an elder and active member in many phases of the church. David had many friends and colleagues in the OIG and we will all miss him a great deal.



Mission and Organization

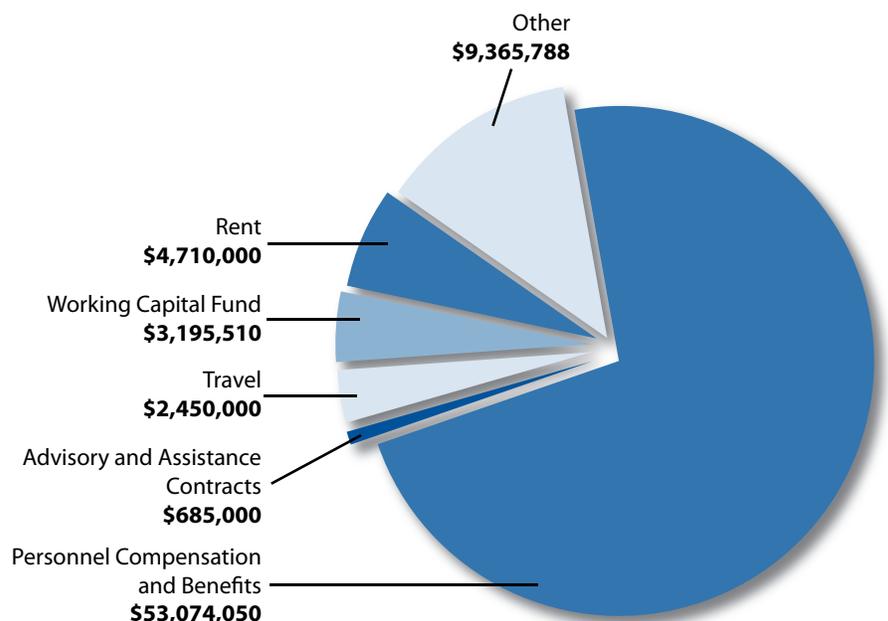
The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95-452). The Act sets several goals for OIG:

- To conduct or supervise objective audits and investigations of the Department's programs and operations;
- To promote economy, effectiveness, and efficiency within the Department;
- To prevent and detect fraud, waste, and abuse in the Department's programs;
- To review existing and proposed laws or regulations affecting the Department and make recommendations about them;
- To keep the Secretary of Transportation and Congress fully informed about problems in departmental programs and operations.

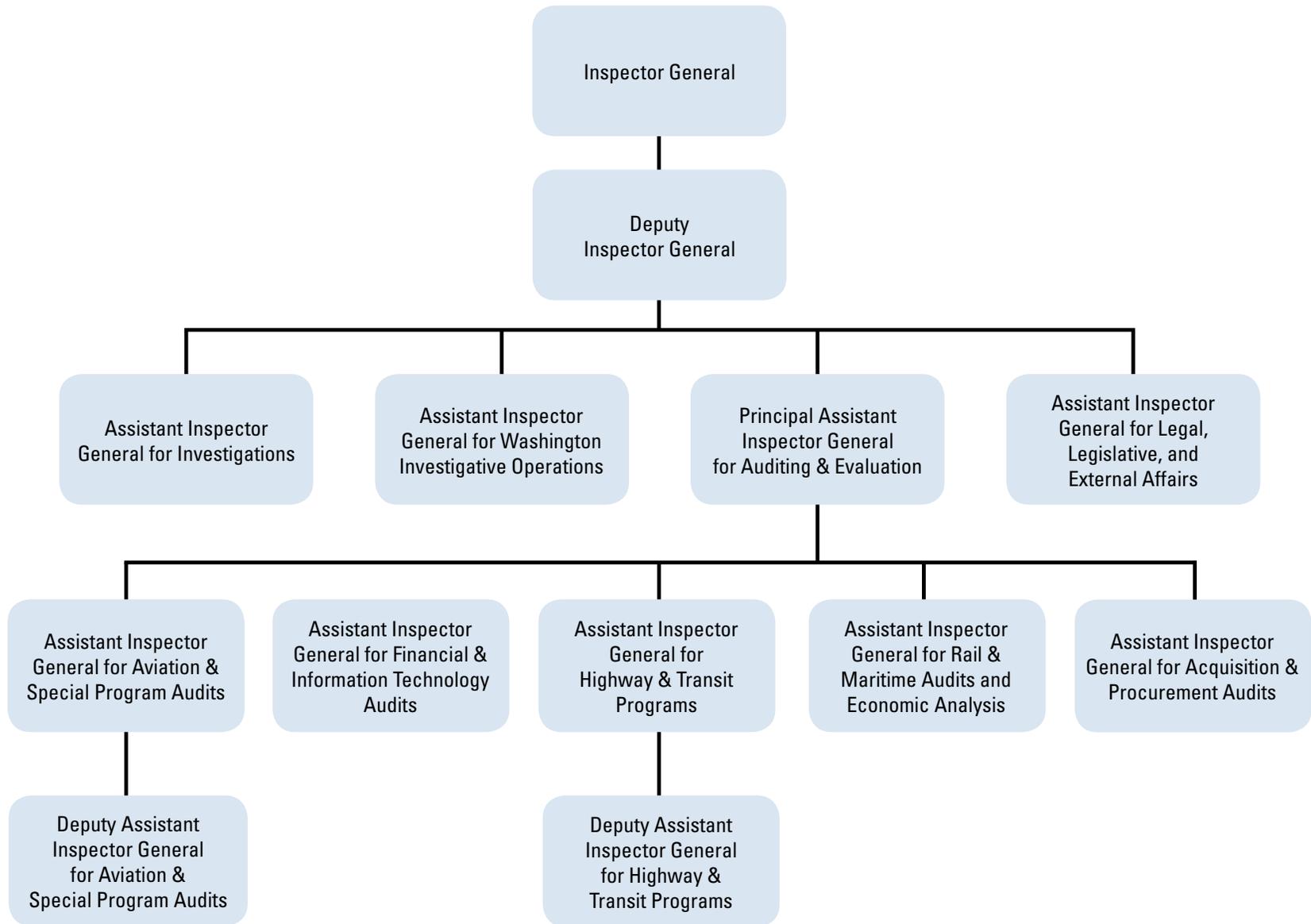
OIG FY 2008 PROGRAM-LEVEL RESOURCES

OIG is divided into two major units and six support units. The major units are the Office of the Principal Assistant Inspector General for Auditing and Evaluation and the Office of Assistant Inspector General for Investigations. Each has headquarters staff and field staff. The support units are the Office of Legal, Legislative and External Affairs; the Office of Human Resources; the Office of Chief Financial Officer; the Office of Chief Information Officer; the Office of Administration and Procurement Services; and the Office of Quality Assurance Reviews/Internal Affairs.

TOTAL: \$73,480,348



U.S. Department of Transportation Office of Inspector General





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Assistant Inspector General for Acquisition and Procurement Audits

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Abbreviations

AF-OSI	Air Force Office of Special Investigations
AICPA	American Institute of Certified Public Accountants
AIP	Airport Improvement Program
AIR-21	Aviation Investment and Reform Act for the 21st Century
AAAE	American Association of Airport Executives
ASAP	Aviation Safety Action Programs
ASDE-X	Airport Surface Detection Equipment-Model X
ATC	Air Traffic Control
ATO	Air Traffic Organization
ATOS	Air Transportation Oversight System
CDLIS	Commercial Drivers License Information System
CDL	Commercial Drivers License
CFO	Chief Financial Officer
CID	Criminal Investigations Division
CIO	Chief Information Officer
DBE	Disadvantaged Business Enterprise
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DHS	Department of Homeland Security
DOJ	Department of Justice
DOT	Department of Transportation
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FHWA	Federal Highway Administration
FISMA	Federal Information Security Management Act
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FTI	FAA Telecommunications Infrastructure
FY	Fiscal Year
GAO	Government Accountability Office
HAZMAT	Hazardous Material
HTF	Highway Trust Fund



IG	Inspector General
IRB	Investment Review Board
IRS	Internal Revenue Service
IT	Information Technology
JPDO	Joint Planning and Development Office
MARAD	Maritime Administration
MCSIA	Motor Carrier Safety Improvement Act
MOU	Memorandum of Understanding
MTA	Metropolitan Transportation Authority
NAFTA	North American Free Trade Agreement
NATCA	National Air Traffic Controllers Association
NAS	National Airspace System
NCIS	Naval Criminal Investigative Service
NDR	National Driver Register
NHTSA	National Highway Traffic Safety Administration
NTSB	National Transportation Safety Board
OA	Operating Administration
OCIO	Office of Chief Information Office
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSI	Office of Special Investigations
OST	Office of the Secretary of Transportation
PCIE	President's Council on Integrity and Efficiency
PHMSA	Pipeline and Hazardous Materials Safety Administration
QCR	Quality Control Review
RITA	Research and Innovative Technology Administration
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAS-70	Statement on Auditing Standards Number 70
SafeStat	Safety Status Measurement System
SLSDC	St. Lawrence Seaway Development Corporation
TEA-21	Transportation Equity Act for the 21st Century



U.S. Department of Transportation

Office of Inspector General
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Hotline to report fraud, waste, and abuse:

Phone: 800-424-9071
Fax: 540-373-2090
E-mail: hotline@oig.dot.gov
OIG Web site: <http://www.oig.dot.gov>