



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

The Inspector General

Office of Inspector General
Washington, DC 20590

March 11, 2015

The Honorable Jason Chaffetz
Chairman, Committee on Oversight
and Government Reform
United States House of Representatives
Washington, DC 20515

The Honorable Elijah E. Cummings
Ranking Member, Committee on Oversight
and Government Reform
United States House of Representatives
Washington, DC 20515

Dear Chairman Chaffetz and Ranking Member Cummings:

Thank you for your February 11, 2015, letter requesting that the Department of Transportation (DOT) Office of Inspector General (OIG) provide information on the status of our open audit recommendations.¹ Specifically, you requested the following: (1) the current number of open recommendations, their cumulative estimated cost savings, and additional details on open recommendations that could result in cost savings, including their dates and potential monetary benefits; (2) the three open recommendations that we deem most important or urgent, their status, and estimated cost savings (if applicable); (3) a summary of all closed investigations, evaluations, and audits that were not disclosed to the public since January 1, 2014; and (4) a description of any instances where the Department refused to provide or otherwise delayed or restricted access to records or other information.

OIG Open Recommendations and Associated Estimated Cost Savings

As of March 1, 2015, we identified 626 open recommendations, which were included in 211 audit reports issued between July 18, 2007, and February 25, 2015. Of these, 41 recommendations (from 33 reports) carry an estimated monetary benefit or cost

¹ Open recommendations include those for which the Department or an agency has either (1) concurred and proposed action plans but has yet to complete implementation, (2) completed the planned actions but has yet to provide us with supporting documentation, or (3) nonconcurred.

savings totaling over \$1.1 billion.² Enclosure 1 provides detailed information on these financial recommendations.

Top Three Open Recommendations

We identified the following three most important open recommendations based on their impact on safety, economy, or efficiency; documented vulnerabilities; and the ability of the Department to effect change in these programs or areas.³

Operating Administration	Open Recommendation	OIG Report
Federal Aviation Administration	Complete airspace simulation and safety studies of the impact of UAS operations on air traffic control across all segments of the NAS.	<i>FAA Faces Significant Barriers To Safely Integrate Unmanned Aircraft Systems Into the National Airspace System</i> , AV-2014-061, June 26, 2014

The Unmanned Aircraft Systems (UAS) industry represents an enormous economic opportunity for the United States. However, the Federal Aviation Administration (FAA) will need to ensure that UAS can be integrated safely into the National Airspace System (NAS)—the busiest and most complex airspace in the world. Key to managing the safe UAS integration will be the completion of airspace simulation studies to assess the impact of UAS on NAS operations. For example, an initial airspace simulation found that introducing only four unmanned aircraft into airspace in the vicinity of an airport resulted in increased numbers of aborted aircraft landings, and appeared to reduce controllers' situational awareness. Understanding UAS impacts across all NAS segments is critical to safe integration, and the airspace simulation studies will play a key role in guiding FAA's efforts in the near and long term. FAA concurred with our recommendation and expects to have the remainder of the simulation studies completed by October 31, 2015. There are no estimated cost savings associated with this recommendation.

Operating Administration	Open Recommendation	OIG Report
Department of Transportation	KPMG recommends that all Operating Administrations continue to timely review and monitor grant and non-grant undelivered orders to ensure that the recorded undelivered orders represent goods and services ordered and obligated, but not yet received, or potential amounts still to be claimed.	<i>Quality Control Review of Audited Consolidated Financial Statements for Fiscal Years 2014 and 2013</i> , DOT QC-2015-011, Nov. 17, 2014

² This figure includes funds that could be put to better use, questioned costs, and unsupported costs.

³ The order in which the recommendations are listed does not indicate any order of priority.

In carrying out its mission, DOT enters into contracts or agreements to purchase goods and services from other Federal agencies and private providers and executes grant agreements with State and local governments and other grantees. These obligations are recorded as undelivered orders in DOT's consolidated financial statements. Once an obligation is satisfied, no longer required, or both, remaining funds must be de-obligated and, if possible, used on other projects. During its annual financial statement testing, KPMG identified stale obligations, where the period of performance or procured project or service in the related contract or agreement had ended or been completed. However, the unused obligation balances for these items were not de-obligated in a timely manner, making those funds unavailable for other uses. DOT agreed with the recommendation and will continue to work with its Operating Administrations during fiscal year 2015 to ensure undelivered orders are actively managed and reported amounts represent valid obligations.

This recommendation included funds put to better use of \$358.5 million.

Operating Administration	Open Recommendation	OIG Report
National Highway Traffic Safety Administration	Conduct a workforce assessment to determine the number of staff required to ensure that ODI meets its objectives and determines the most effective mix of staff.	<i>Process Improvements Are Needed for Identifying and Addressing Vehicle Safety Defects</i> , MH-2012-001, Oct. 6, 2011

The National Highway Traffic Safety Administration's (NHTSA) Office of Defects Investigation (ODI) is charged with collecting and analyzing safety-related defect data and identifying potential defects that may be unknown to vehicle manufacturers. In 2009 and 2010, reports of Toyota vehicles suddenly accelerating out of control brought significant attention to ODI's oversight of vehicle safety. In 2014, ODI's oversight was again questioned by Congress, the public, and media when General Motors Corporation reported an ignition switch defect to ODI that could shut down the engine or disable power steering, power brakes, and airbags on millions of older model vehicles. During 2014 congressional hearings related to the ignition switch defect, NHTSA's Deputy Administrator testified that ODI needed additional staff to perform effective oversight. Our 2011 report identified the need for ODI to conduct a workforce assessment to determine the number and skill mix of staff needed to meet its oversight objectives. At the time of our report, NHTSA agreed to conduct a workforce assessment by April 1, 2013. However, as of March 9, 2015, ODI has still not completed a workforce assessment to identify ODI's staffing needs. There are no estimated cost savings associated with this recommendation.

Summary of Closed Investigations, Evaluations, and Audits Not Disclosed to the Public Since January 1, 2014

As requested, Enclosure 2 lists our closed, non-public investigations for the period from January 1, 2014, through February 24, 2015. We can provide additional information on any of these closed investigations upon request. Additionally, due to continued congressional interest in this information, we now include these data in our Semiannual Reports to Congress, beginning with the Semiannual Report for the period April 1, 2014, through September 30, 2014.

It is our practice to post all closed non-sensitive audits and evaluations on our public Web site.⁴ Consequently, we have no previously undisclosed audits and evaluations to report since January 1, 2014.

Delays and Access to Information

As we reported in our October 2014 audit on DOT's oversight of long, on-board flight delays,⁵ the Department initially denied us access to three items during the audit: (1) a draft notice of proposed rulemaking on enhancing airline passenger protections; (2) a draft contractor's report on the impact of tarmac delay regulations on flight cancellations and delays; and (3) DOT case files on open tarmac delay investigations. We were granted access to these items after the issue was elevated to the Secretary. This caused a minor delay but did not impact the scope of the audit. When we encounter delays and lack of timeliness in obtaining Agency documents, we work with Department officials at the proper level to resolve them. When appropriate, access and delay issues and their impact on the scope of our work are documented in our reports.

On January 23, 2015, Secretary Anthony Foxx transmitted a memorandum to all DOT employees regarding *Ongoing Cooperation with the Office of Inspector General*. The memorandum outlines the Secretary's commitment to Department-wide cooperation with OIG, stating the critical role OIG plays in fulfilling DOT's mission. The Secretary further emphasized OIG's authority to access "all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the Department relating to its programs and operations."⁶ The memorandum also reminds employees that information to which OIG has access includes "information that may be privileged, confidential, or otherwise exempt from disclosure under the law...." Enclosure 3 contains a copy of the Secretary's memorandum.

We remain committed to supporting the Department through our objective and independent audits and investigations to improve the management and execution of

⁴ OIG reports are available on our Web site: <https://www.oig.dot.gov>.

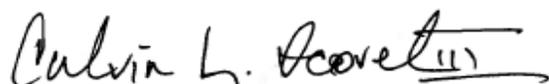
⁵ *Oversight Weaknesses Limit DOT's Ability To Ensure Passenger Protections During Long, On-Board Flight Delays* (OIG Report Number AV-2015-001), October 9, 2014.

⁶ 5 U.S.C App. 3 sec. 6(a)(1).

programs and protect resources from fraud, waste, abuse, and violations of law. We appreciate the Department's responsiveness to our findings and recommendations and the Secretary's commitment to ensuring our access to Departmental information.

If you have any questions or need further information, please contact me at (202) 366-1959 or Nathan Richmond, Director and Counsel for Congressional and External Affairs, at (202) 493-0422.

Sincerely,

A handwritten signature in black ink that reads "Calvin L. Scovel III". The signature is written in a cursive style with a horizontal line extending from the end of the name.

Calvin L. Scovel III
Inspector General

Enclosures (3)

***Department of Transportation, Office of Inspector General
Open Recommendations with Financial Benefits
as of March 1, 2015***

Audits				
Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
<i>Department-wide</i>				
QC2014015: Quality Control Review of Audited Financial Statements for Fiscal Years 2013 and 2012, DOT 12/16/2013	Continue to enforce the Department-wide requirement for the periodic operating administration certification of the open obligation balance that is inactive for 12 or more months.	\$518,000,000	\$0	\$0
QC2015011: Quality Control Review of Audited Consolidated Financial Statements for Fiscal Years 2014 and 2013, DOT 11/17/2014	KPMG recommend that all other OAs continue to timely review and monitor grant and non-grant undelivered orders to ensure that the recorded undelivered orders represent goods and services ordered and obligated, but not yet received, or potential amounts still to be claimed.	\$358,500,000		

Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
<i>Federal Aviation Administration</i>				
ZA2014018: FAA Needs To Improve ATCOTS Contract Management To Achieve Its Air Traffic Controller Training Goals 12/18/2013	Determine whether FAA should eliminate the cost incentive fee and modify the contract to a cost-plus-award-fee type.	\$14,100,000	\$0	\$0
AV2014035: FAA Oversight Is Inadequate To Ensure Proper Use of Los Angeles International Airport Revenue for Police Services and Maximization of Resources 04/08/2014	Determine the amount of Airport Improvement Program funds used for unsupported administrative fees that are recoverable and require Los Angeles World Airports to repay these costs to the Federal Government, if appropriate.	\$360,000	\$0	\$0
<i>Federal Highway Administration</i>				
ZA2009033: Oversight of Design and Engineering Firms' Indirect Costs Claimed on Federal-Aid Grants 02/05/2009	By implementing the recommendations in this report, FHWA could put approximately \$30.2 million in future Federal-aid funds to better use.	\$30,200,000	\$0	\$0

Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
ZA2009033: Oversight of Design and Engineering Firms' Indirect Costs Claimed on Federal-Aid Grants 02/05/2009	Recover \$2.8 million in unallowable executive compensation and \$1.6 million in other unallowable indirect charges.	\$0	\$4,400,000	\$0
ZA2012084: Lessons Learned From ARRA: Improved FHWA Oversight Can Enhance States' Use of Federal-Aid Funds 04/05/2012	Complete a nationwide assessment to determine current levels of competition for Federal-aid contracts; evaluate factors affecting competition; identify State DOT contract award practices that may need improvement; and address perceived barriers to State DOT implementation of FHWA, AASHTO, and other best practices for improving competition.	\$179,000,000	\$0	\$0

Single Audits				
Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
<i>Federal Aviation Administration</i>				
SA2013133: Federated States of Micronesia National Government 09/13/2013	We recommend FAA recover \$377,757 of Questioned Costs from the Micronesia National Government.	\$0	\$377,757	\$0
SA2013133: Federated States of Micronesia National Government 09/13/2013	We recommend FAA recover \$37,094 from the Micronesia National Government.	\$0	\$37,094	\$0
SA2014075: Town of Kentland, Indiana 08/01/2014	We recommend FAA recover \$105,200 from the Town, if applicable.	\$0	\$105,200	\$0
SA2014102: Federated States of Micronesia 09/10/2014	We recommend FAA recover \$203,683 from the Federated States, if applicable.	\$0	\$203,683	\$0
SA2014104: Gary Chicago International Airport Authority, Lake County, Indiana 09/10/2014	We recommend FAA recover \$ 9,329,501 from the Authority, if applicable.	\$0	\$9,329,501	\$0

Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
<i>Federal Highway Administration</i>				
SA2013105: Pueblo of Pojoaque, New Mexico 07/12/2013	We recommend FHWA recover \$233,610 from the Pueblo, if applicable.	\$0	\$233,610	\$0
SA2013111: Cheyenne River Sioux Tribe, South Dakota 07/12/2013	We recommend FHWA recover \$199,333 from the Tribe, if applicable.	\$0	\$199,333	\$0
SA2014045: Spirit Lake Tribe, North Dakota 05/21/2014	We recommend FHWA recover \$17,190 from the Tribe, if applicable.	\$0	\$17,190	\$0
SA2014073: Commonwealth of the Northern Mariana Island 08/01/2014	We recommend FHWA recover \$12,515 from the Commonwealth, if applicable.	\$0	\$12,515	\$0
SA2014099: State of Hawaii Department of Transportation Highway Division 09/10/2014	We recommend FHWA ensure the Division complies with Allowable Costs/Cost Principles Requirements and recover \$111,284 from the Division, if applicable.	\$0	\$111,284	\$0
SA2014115: State of Texas 09/12/2014	We recommend FHWA ensure the State complies with Special Tests and Provisions Requirements and recover \$13,700 from the State, if applicable.	\$0	\$13,700	\$0

Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
SA2014128: Cheyenne River Sioux Tribe, South Dakota 09/17/2014	We recommend FHWA recover \$152,057 from the Tribe, if applicable.	\$0	\$152,057	\$0
SA2015021: Klawock Cooperative Association, Klawock, Alaska 02/06/2015	We recommend FHWA recover \$16,653 from the Association, if applicable.	\$0	\$16,653	\$0
SA2015021: Klawock Cooperative Association, Klawock, Alaska 02/06/2015	We recommend FHWA recover \$13,869 from the Association, if applicable.	\$0	\$13,869	\$0
SA2015021: Klawock Cooperative Association, Klawock, Alaska 02/06/2015	We recommend FHWA recover \$19,004 from the Association, if applicable	\$0	\$19,004	\$0
<i>Federal Transit Administration</i>				
SA2010078: City of Roanoke, Virginia 07/22/2010	We recommend that FTA ensure the City abides by Federal and City procurement requirements and recover \$543,307 from the City, if applicable.	\$0	\$543,307	\$0
SA2011124: State of Tennessee 06/13/2011	We recommend that FTA determine the allowability of the reimbursement requests and recover \$79,021 from the State, if applicable.	\$0	\$79,021	\$0

Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
SA2011124: State of Tennessee 06/13/2011	We recommend that FTA recover \$452,370 from the State.	\$0	\$452,370	\$0
SA2011124: State of Tennessee 06/13/2011	We recommend FTA recover \$23,511 from the State.	\$0	\$23,511	\$0
SA2012103: State of Tennessee 05/02/2012	We recommend FTA recover \$17,867 from the State.	\$0	\$17,867	\$0
SA2013015: Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation METRA 11/15/2012	Work with MOHS to develop an action plan, with milestones.	\$0	\$1,267,845	\$0
SA2013126: Metropolitan Transportation Authority, New York 09/13/2013	We recommend FTA recover \$365,775 from the Authority, if applicable.	\$0	\$365,775	\$0
SA2013131: City of Middletown, Ohio 09/13/2013	We recommend FTA recover \$70,795 from the City, if applicable.	\$0	\$70,795	\$0

Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
SA2014047: State of Maryland 05/21/2014	We recommend FTA recover \$140,428 from the State, if applicable.	\$0	\$140,428	\$0
SA2014051: Southeast Michigan Council of Governments 05/21/2014	We recommend FTA recover \$16,105 from the Council, if applicable.	\$0	\$16,105	\$0
SA2014071: Metropolitan Transit Authority of Harris County, Texas 08/01/2014	We recommend FTA recover \$22,238 from the Authority, if applicable.	\$0	\$22,238	\$0
SA2014095: State of Tennessee 09/08/2014	We recommend FTA ensure the State complies with Allowable Costs/Cost Principles Requirements and recover \$46,167 from the State; if applicable.	\$0	\$46,167	\$0
SA2014096: State of Connecticut 09/08/2014	We recommend FTA determine the allowability of the transaction and recover \$1,179,304 from the State, if applicable.	\$0	\$1,179,304	\$0
SA2014101: City of Fort Smith, Arkansas 09/10/2014	We recommend FTA ensure the City complies with Cash Management Requirements and recovers \$53,625 from the City, if applicable.	\$0	\$53,625	\$0
SA2014103: State of Nebraska 09/10/2014	We recommend FTA ensure the State complies with Allowability, Suspension and Debarment, and Subrecipient Monitoring Requirements and recover \$108,169 from the State, if applicable.	\$0	\$108,169	\$0

Report Number: Title, Date	Recommendation	Funds Put to Better Use	Questioned Costs	Unsupported Costs
SA2014121: Livingston County, Michigan 09/17/2014	We recommend FTA recover \$128,931 from the County, if applicable.	\$0	\$128,931	\$0
SA2014121: Livingston County, Michigan 09/17/2014	We recommend FTA recover \$60,292 from the County, if applicable.	\$0	\$60,292	\$0
SA2014127: Utah Transit Authority 09/17/2014	We recommend FTA ensure the Authority complies with Cash Management Requirements and recovers \$10,862 from the Authority, if applicable.	\$0	\$10,862	\$0
<i>National Highway Traffic Safety Administration</i>				
SA2014103: State of Nebraska 09/10/2014	We recommend NHTSA ensure the State complies with Allowable Costs/Cost Principles Requirements and recover \$16,719 from the State, if applicable.	\$0	\$16,719	\$0
Total		\$1,100,160,000	\$19,845,781	\$0
GRAND TOTAL: Funds Put to Better Use, Questioned Costs, Unsupported Costs				\$1,120,005,781

Closed Investigations Resulting in Administrative Actions Only

January 1, 2014 – February 24, 2015

Case Type	Allegation	Number
Aviation	Aiming a Laser Pointer at an Aircraft	1
Aviation	Certificate Fraud, Medical by Airman	1
Aviation	Certificate Fraud, Repair Station	1
Aviation	Interference or Tampering With an Aircraft	1
Employee	Abuse of Authority	1
Employee	Assault/Threat	1
Employee	Bribery/Gratuities (Employee Conduct)	2
Employee	Child Pornography	1
Employee	Computer Fraud	1
Employee	Conflict of Interest (Public Corruption, Current Employee)	1
Employee	Ethics Violation (Misconduct)	2
Employee	Gross Mismanagement	1
Employee	Misuse of Government Property or Funds	3
Employee	Other	1
Employee	Purchase Card Misuse	1
Employee	Time and Attendance Fraud	2
Employee	Travel Voucher Fraud	1
Employee	Violation of Law, Rule or Regulation	1
Grant	Anti-Trust, Bid Rigging/Collusion	1
Grant	ARRA Whistleblower	1
Grant	Buy America Act	2
Grant	DBE Fraud	4
Grant	DBE Pass Through Fraud	2
Grant	False Claims	2
Grant	False Statements	1
Grant	False Statements/Certifications/Claims	2
Grant	NHTSA STEP Grant	1
Grant	Overbilling	2
Grant	Product Substitution/Substandard Work or Materials	2
Hazmat	Carriage by Air	1
Hazmat	Carriage by Motor Vehicle/Public Highway	3
Hazmat	Illegal Transportation of Stolen HazMat (Motor Fuel)	1
Hazmat	PHMSA Registration Requirements, Exemptions & Approvals	1
Motor Carrier	Certificate Fraud, Medical by Doctor	1
Motor Carrier	Fraudulent Registration Filings (Reincarnated Carriers)	4
Motor Carrier	Log Books	1

Transportation Safety	Drug and Alcohol Program Violation	1
Workforce Protection	Household Goods/Moving Companies	1
Workforce Protection	Prevailing Wage Violations	2
Other	Assistance to Other OIG	1
	TOTAL	60

Closed Investigations With Allegations Unsubstantiated and/or Declined for Prosecution With No Other Action Taken

January 1, 2014 – February 24, 2015

Case Type	Allegation	Number
Aviation	Accident Related	1
Aviation	S.U.P. Parts-Maintenance	1
Aviation	S.U.P. Parts-Sale	1
Employee	Conflict of Interest (Public Corruption, Current Employee)	1
Employee	Whistleblower Retaliation	1
Grant	DBE Fraud	1
Grant	DBE Pass Through Fraud	3
Grant	False Claims	1
Grant	False Statements	2
Grant	Kickbacks	1
Grant	Overbilling	1
Grant	Product Substitution/Substandard Work or Materials	2
Grant	Public Corruption/Extortion	2
Hazmat	Illegal Shipment of Airbags	1
Motor Carrier	Equipment Inspection, Repair, Maintenance	1
Motor Carrier	Fraudulent Registration Filings (Reincarnated Carriers)	2
Motor Carrier	Log Books	1
Procurement	False Statements	1
Procurement	Other	1
Procurement	Public Corruption/Extortion	1
Transportation Safety	NHTSA-Grey Market Vehicles	2
Workforce Protection	Broker, Freight Forwarder, Carrier Registration	1
Workforce Protection	Prevailing Wage Violations	1
Other	Theft of DOT Funds or Property	1
	TOTAL	31



THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

January 23, 2015

MEMORANDUM

To: All U.S. Department of Transportation Employees
From: Anthony R. Foxx 
Subject: Ongoing Cooperation with the Office of Inspector General

The mission of the U.S. Department of Transportation (DOT) is to serve the United States by ensuring a fast, safe, efficient, accessible, and convenient transportation system that meets our vital national interests and enhances the quality of life of the American people, today and into the future. As employees of DOT, each of us, including the Inspector General, plays a critical role in fulfilling this mission. The Office of Inspector General (OIG) is a crucial and valued part of the Department and is responsible for pursuing economy, efficiency, and effectiveness in Departmental programs and operations, as well as for preventing and detecting waste, fraud, abuse, and mismanagement.

Consistent with law and the Department's longstanding practice of supporting the work of the Inspector General, I want to remind you that the Department and its employees have a duty to cooperate with the OIG, as that office fulfills its responsibilities under the Inspector General Act (the IG Act). Cooperation includes, but is not limited to, providing information and assistance consistent with the terms of the IG Act, 5 U.S.C. App. 3 § 6, in a timely manner. Among other things, the IG Act authorizes "the Inspector General... to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the Department relating to its programs and operations." 5 U.S.C. App. 3 § 6(a)(1).

Information to which the Inspector General has access may include information that may be privileged, confidential, or otherwise exempt from disclosure under the law, such as the Freedom of Information Act or the Privacy Act. In providing privileged or confidential information to the Inspector General's office, Department employees should identify and clearly mark such information. The OIG will treat such information in accordance with applicable statutes and regulations. Providing such information to the OIG will not constitute a waiver of any privileges that may attach to the information. In addition to the IG Act, DOT Orders 8000.6B, 8000.5A, and 8000.8 provide a summary of the policies and procedures applicable to OIG audits, investigations, and other reviews, including interaction between the OIG and Departmental offices.

Finally, as a reminder, reprisals against employees who provide such information or report allegations of waste, fraud, and abuse to OIG are against the law and Departmental policy. If you have any questions about your obligations to cooperate with requests by authorized representatives of the OIG or regarding the OIG's legal authority, you may contact your supervisor, the Department's Office of Audit Relations, the Office of General Counsel, or your Operating Administration's Audit Liaison or Chief Counsel's Office.

I sincerely thank you for your invaluable contributions to this Department and for continuing to ensure that the OIG is able to carry out its responsibilities for the benefit of the Department, the Federal Government, and the American people.