U.S. DEPARTMENT OF TRANSPORTATION | OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT

TO CONGRESS

APRIL 1, 2013 –
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www.oig.dot.gov
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Washington, DC 20590

COVER PHOTO: "CURVING HIGHWAY BRIDGES" BY MARION VANCAUWENBERGH / CC BY-NC-SA 2.0

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FROM THE **INSPECTOR GENERAL**

I am pleased to present the Department of Transportation (DOT), Office of Inspector General's (OIG) Semiannual Report to Congress for the second half of fiscal year 2013. Our audits and investigations support the Department's strategic goals of safety, livable communities, economic competiveness, environmental sustainability, and state of good repair. Over the past 6 months, we issued 76 audit reports with a total of 215 recommendations, including financial recommendations totaling over $279.3 million. Our investigative work resulted in 42 indictments, 33 convictions, and a total of more than $92.4 million in fines, restitutions, recoveries, and cost avoidance.

Our aviation work this period continued to identify opportunities to enhance safety and achieve savings through improved airspace management and industry oversight. Our reports highlighted shortcomings in the Federal Aviation Administration's (FAA) efforts to deploy an efficient and effective aviation safety inspector workforce; implement a risk-based approach for overseeing the roughly 4,800 repair stations worldwide that service U.S. air carriers; develop an acquisition strategy for terminal modernization that keeps costs, schedules, and performance in check; and ensure controller training and scheduling practices do not negatively impact controller performance and agency costs. We also remained committed to protecting investments in FAA's multibillion-dollar Next Generation Air Transportation System (NextGen) and to ensuring the future viability of the National Airspace System. Our investigations continued to aggressively pursue individuals who compromise aviation integrity and safety by falsifying aircraft maintenance logs and airmen certifications, and illegally transporting hazardous materials.

Our highway and transit work also identified areas where action is needed to ensure safety while protecting Federal investments. Our investigations targeted individuals intent on defrauding the Government out of millions of dollars, including funding provided through the American Recovery and Reinvestment Act (ARRA) of 2009 and Federal Transit Administration (FTA) operating grants. Embezzlement, bribery, false claims, billing schemes, and disadvantaged business enterprise (DBE) fraud diverted Federal dollars from legitimate firms and degraded the quality of taxpayers' investments. Our investigations also continued to provide the evidence needed to prosecute commercial drivers who operate illegally under out-of-service orders. Our highway and transit audits similarly found opportunities to enhance safety and oversight by effectively implementing lessons learned from ARRA for overseeing projects' compliance with Federal requirements and the expenditure of remaining grant funds, as well as following through on plans to meet provisions of the Moving Ahead for Progress in the 21st Century Act (MAP-21) for accelerating project delivery.

Our rail work identified concerns in the Federal Railroad Administration's (FRA) efforts to establish rules for improved railroad safety, as required by the Rail Safety Improvement Act of 2008, and provide adequate oversight to ensure compliance with the rules. We also assessed Amtrak's rolling 5-year financial plan and found that the plan continues to lack information on key performance metrics intended to ensure the railroad is improving its operating efficiency.

"THE BRIDGE TO JEKYLL ISLAND" BY DOUG WALDRON / CC BY-SA 2.0

The Maritime Administration's (MARAD) administration of funds for modernizing the main seaport in Anchorage, AK, also pointed to the need for improved stewardship. Developing and implementing a Port Infrastructure Development Program—which Congress mandated in 2009—could provide a needed framework for effectively overseeing ongoing and future port infrastructure projects, including those in Hawaii and Guam.

Our hazmat transport investigations uncovered fraud schemes that created significant safety and environmental hazards. In one case, our work compelled the owner of a chemical plant to plead guilty to causing the death of an employee who was exposed to toxic levels of hydrogen sulfide. Investigations also led to companies paying more than $82 million in settlement or restitution for violating Federal laws and regulations related to handling, disposing, and transporting hazardous materials.

Our audits continue to identify significant vulnerabilities in DOT's $3 billion information technology (IT) portfolio. Ongoing security threats to the Department's IT systems—including those that support DOT's common operating environment and FAA's Civil Aviation Registry—continue to expose systems and data to compromise. Our work also raised concerns about the Department's compliance with requirements of the Reducing Over-Classification Act and the use of purchase cards, which DOT employees charge hundreds of millions of dollars to each year. Closing IT security gaps, protecting classified documents, and implementing effective controls to prevent and detect wasteful and fraudulent purchases are critical for ensuring the Nation's transportation systems remain safe and for protecting Federal dollars from abuse.

Ensuring effective management of DOT's acquisitions to maximize value and program performance remains a top management challenge for the Department. Inadequate planning, lack of reliable cost estimates, and

6
months

$279.3M
in financial recommendations

$92.4M
in fines, restitution, recoveries, and cost avoidance

noncompliance with Federal contracting requirements contributed to significant delays and cost increases in the Port of Anchorage project. Operating Administrations across DOT continue to accept greater cost and performance risk for its acquisitions by increasing its use of cost-reimbursement contracts—despite the risk and the Government's call to decrease the use of these contracts. The Department's oversight of its multibillion-dollar DBE Program also remains a concern. The program's integrity depends in large part on systematic procedures to ensure only DBE-certified firms participate in the program and that legitimate DBEs succeed in the marketplace. However, our audits and investigations identified engineering, construction, trucking, and other firms—including some that had been suspended or debarred—that were incorrectly certified as DBEs. DBE cases currently represent about one-third of OIG active procurement and grant fraud investigations.

Our work over the past 6 months continues to reflect our commitment to fully inform Congress, the Department, and the public of pressing transportation concerns and to aggressively pursue individuals who defraud the Government. I commend and thank our hard-working staff for their outstanding efforts and dedication to our critical mission. I would also like to thank Secretary Foxx for his leadership. I look forward to working with the Secretary, his team, and the modal administrators to provide Americans with a safe transportation system that meets the national objectives of general welfare, economic growth and stability, and security.

Calvin L. Scovel III

Calvin L. Scovel III

76	215	42	33
audit reports issued	recommendations	indictments	convictions

OIG'S **AVIATION** WORK EMPHASIZES SAFETY AND ECONOMY THROUGH AUDITS OF AIR TRAFFIC CONTROL OPERATIONS, ACQUISITION AND MODERNIZATION OF ASSETS, PROGRAM OVERSIGHT, AND CUSTOMER SERVICE, AND THROUGH INVESTIGATIONS OF COUNTERFEIT AND SUBSTANDARD AIRCRAFT PARTS, FALSIFIED MAINTENANCE RECORDS, AND FRAUDULENT PILOT AND MECHANIC CERTIFICATIONS

AUDITS AND INVESTIGATIONS
AVIATION

Audits

April 16, 2013

FAA'S PROGRESS AND CHALLENGES IN ADVANCING SAFETY OVERSIGHT INITIATIVES

Testimony Before the Senate Committee on Commerce, Science, and Transportation

The Assistant Inspector General for Aviation testified on FAA's efforts to enhance air traffic operations, oversee repair stations and manufacturers, and implement mandated safety requirements. The Assistant Inspector General noted that to reduce the risk of safety incidents such as air traffic controller operational errors, pilot deviations, wildlife strikes, and runway incursions, FAA needs to refine its processes for collecting data and analyzing root causes. In addition, he described FAA's challenges with establishing a risk-based oversight system for repair stations and aircraft manufacturers, as well as effectively determining how many inspectors FAA needs and where. Finally, the Assistant Inspector General noted that despite commendable progress on implementing key elements of the Airline Safety Act, FAA continues to be challenged with meeting provisions for improved pilot training, qualification, and screening requirements, as well as advancing safety initiatives at smaller carriers.

April 18, 2013

ARRA LESSONS LEARNED: OPPORTUNITIES EXIST FOR FAA TO FURTHER IMPROVE ITS OVERSIGHT OF AIRPORT GRANT PAYMENTS

Self-initiated

ARRA injected an unprecedented $1.1 billion into FAA's Airport Improvement Program (AIP) and established tight timeframes for distributing grant funds, emphasizing preference for projects that could be completed in 2 years. ARRA also called for an unprecedented level of oversight to prevent improper payments and misuse of Federal funds. However, FAA's oversight was insufficient to prevent or detect more than $1.4 million in ARRA payments for ineligible or insufficiently documented work. These improper payments occurred in part because FAA over-relies on grantees to ensure their payment requests are accurate and supported. In addition, FAA did not ensure that some airport expenditures fully met ARRA and AIP requirements. Shortfalls included allowing some grantees to (1) use ARRA funds to cover prior year work, (2) inappropriately mix ARRA and AIP funds, (3) accept single bids for projects without conducting cost comparisons, (4) inaccurately describe scope in project documents, and (5) not maintain sufficient records of ARRA-funded work.

"MASSIVE A380 @EZE AIRPORT" BY ROGER SCHULTZ / CC BY 2.0

Audits

Our findings and recommendations highlighted opportunities to learn lessons from ARRA and further improve FAA's grant oversight. While the Agency is revising its policies and procedures to achieve these improvements, we asked FAA to provide additional information or reconsider its response to four of our seven recommendations.

April 18, 2013

THE FEDERAL AVIATION ADMINISTRATION'S FISCAL YEAR 2014 BUDGET REQUEST: KEY ISSUES FACING THE AGENCY

Testimony Before the Senate Appropriations Subcommittee on Transportation, Housing, and Urban Development

The Inspector General testified on three challenges FAA faces as it works to meet its mission in a restricted budget environment. First, he identified opportunities for FAA to improve the management of its workforce—the Agency's largest cost driver—by strengthening its controller training program, revising its controller staffing and scheduling practices, and effectively allocating its safety inspectors. The second major challenge the Inspector General discussed is FAA's need to protect its multibillion-dollar investment in NextGen and other infrastructure improvements. Specifically, he noted that FAA needs to set priorities and establish sound management strategies to achieve near- and long-term benefits, enhance contract oversight, and prevent misuse of airport revenue and grant funds. Finally, the Inspector General addressed challenges in ensuring the continued safety of the National Airspace System—FAA's top priority. FAA's safety challenges include collecting and analyzing data to prevent air traffic controller operational errors, addressing the rise in runway incursions, implementing the remaining provisions of the Airline Safety Act, safely integrating unmanned aircraft systems into the National Airspace System, and using safety data from air carriers to mitigate safety risks.

May 1, 2013

FAA CONTINUES TO FACE CHALLENGES IN IMPLEMENTING A RISK-BASED APPROACH FOR REPAIR STATION OVERSIGHT

Requested by the former Chairman of the House Committee on Transportation and Infrastructure, Subcommittee on Aviation

FAA is responsible for overseeing nearly 4,800 repair stations used worldwide by U.S air carriers. To help repair station inspectors identify areas of greatest concern, FAA developed a risk assessment process. However, FAA's oversight continues to emphasize completing mandatory inspections instead of targeting resources where they are needed based on risk. Less than half of its

inspection elements are evaluated based on risk, and foreign repair stations are not inspected using a risk-based system. In addition, FAA's oversight of foreign and domestic repair stations lacks effective, standardized processes for identifying deficiencies and verifying that they have been addressed. As a result, we found numerous discrepancies at the repair stations we visited.

FAA concurred with our nine recommendations to enhance the Agency's oversight of repair stations, citing plans to implement a new oversight system—the Safety Assurance System (SAS)—in fiscal year 2015, and proposing actions to address our concerns in the interim. We are requesting additional information or alternative actions for three recommendations to ensure adequate oversight until SAS is complete.

May 29, 2013

FAA'S ACQUISITION STRATEGY FOR TERMINAL MODERNIZATION IS AT RISK FOR COST INCREASES, SCHEDULE DELAYS, AND PERFORMANCE SHORTFALLS

Self-initiated

Since 1996, FAA has been working to modernize and standardize the terminal automation systems that air traffic controllers rely on to manage traffic within a 50-mile radius of airports. Now known as the Terminal Automation Modernization/ Replacement (TAMR) program, this effort is necessary to replace aging equipment and achieve FAA's goals to enhance capacity and reduce delays through NextGen. FAA is currently working on the phase of TAMR that aims to install the Standard Terminal Automation Replacement System (STARS) at 11 large terminal facilities.

However, FAA has yet to identify and finalize all the software and hardware requirements needed to successfully install STARS at the 11 facilities. In addition, FAA's approved schedule to deploy STARS by 2017 lacks key deployment milestones and completion dates and was not evaluated for risk. FAA also omitted major program elements from the cost baseline approved during its final investment decision, such as an estimated $270 million in technical software refresh and modernization costs. The lack of a reliable schedule and cost baseline for implementing STARS puts TAMR at risk of further schedule delays and cost growth.

We made four recommendations aimed at improving FAA's effectiveness in achieving terminal modernization. FAA concurred with three and partially concurred with one. We are requesting additional information for one recommendation that FAA concurred with.

Audits

June 20, 2013

FAA LACKS A RELIABLE MODEL FOR DETERMINING THE NUMBER OF FLIGHT STANDARDS SAFETY INSPECTORS IT NEEDS

Required by the Airline Safety and FAA Extension Act of 2010

FAA employs approximately 4,000 aviation safety inspectors and 40 analysts who help maintain safety among U.S. air carriers. Despite the overall safe record of these carriers, concerns remain about FAA's assessment of the number and experience levels of its inspectors and analysts, its placement of inspectors, and the surveillance methods inspectors use to supplement their regular inspections.

While FAA introduced a new inspector staffing model in October 2009, it has not fully relied on the model's results—due in part to continued concerns with incomplete, inaccurate, and outdated data used in the model. These data deficiencies preclude FAA from reliably determining how many inspectors it needs, where they are most needed, and whether the Agency's approach is cost effective. As a result, inspector staffing processes continue to be driven by FAA's regions, which can lead to subjective and inconsistent staffing decisions. To supplement its regular inspections, FAA reinstated its geographic surveillance program. While the program has the potential to be a helpful oversight tool, inspector training and workload concerns may undermine the program's success and again lead to its discontinuation.

We made seven recommendations to enhance FAA's inspector staffing model and geographic surveillance program; FAA concurred with six and partially concurred with one.

July 17, 2013

FAA'S PROGRESS AND CHALLENGES IN ADVANCING THE NEXT GENERATION AIR TRANSPORTATION SYSTEM

Testimony Before the Chairman of the House Transportation and Infrastructure Committee, Subcommittee on Aviation

While FAA has made some progress since it launched the NextGen program a decade ago, many initiatives remain in the early stages of development. The Inspector General testified on three priorities the Agency must address to achieve NextGen's benefits. First, the Inspector General identified the underlying causes of FAA's difficulties with advancing NextGen, including the lack of an executable plan, unresolved critical design decisions, undefined requirements, and stakeholder skepticism. Second, the Inspector General noted that integrating new performance-based navigation routes and procedures, which will

maximize near-term benefits such as fuel savings, is key to obtaining user support in NextGen. Finally, the Inspector General stated that, despite recent progress, FAA faces cost and schedule risks with its efforts to modernize automation systems that controllers use to manage traffic at both terminal and en route air traffic facilities.

August 15, 2013

FAA HAS MADE PROGRESS FIELDING ERAM, BUT CRITICAL WORK ON COMPLEX SITES AND KEY CAPABILITIES REMAINS

Requested by the Chairman and Ranking Member of the House Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

FAA's efforts to modernize air traffic control depend on the successful implementation of the En Route Automation Modernization (ERAM) system—a multibillion-dollar system for processing flight data at facilities that manage high-altitude traffic. However, extensive software-related problems have significantly delayed ERAM's nationwide implementation, resulting in hundreds of millions of dollars in increased costs. Since our September 2012 report, FAA has made considerable progress deploying ERAM and is now using the system at 16 sites at least part-time. However, as FAA deploys ERAM to the Nation's busiest facilities, new software-related problems could impact the program's cost and schedule, and the Agency may need additional funds to complete the project. Air traffic controllers and ERAM subject matter experts have also raised concerns that FAA's schedule-driven approach may leave certain site-specific issues unaddressed. In addition, some key capabilities, such as ERAM's tracking software, are experiencing issues that may impact future NextGen capabilities. We encouraged FAA to continue its efforts to address our September 2012 recommendations.

August 27, 2013

FAA'S CONTROLLER SCHEDULING PRACTICES CAN IMPACT HUMAN FATIGUE, CONTROLLER PERFORMANCE, AND AGENCY COSTS

Required by the FAA Modernization and Reform Act of 2012

In 2011, a series of highly publicized incidents involving air traffic controllers falling asleep on duty or becoming unresponsive raised questions about the impact of FAA's scheduling practices on controller performance. Our review of FAA's scheduling practices determined that controllers' work schedules and the nature of air traffic control work can cause fatigue and negatively impact controller performance and safety. Although

FAA has revised some of its controller scheduling policies, it does not have metrics to determine whether its new policies will reduce controller fatigue. In addition, FAA's new policies require a second overnight controller at 30 facilities, which costs the Agency approximately $1.9 million per year—costs that could be offset by additional measures, such as reducing overnight air traffic services at the 72 facilities that do not meet the Agency's minimum traffic guidelines for continuous overnight operations. Finally, we found that controllers are working schedules that do not always comply with FAA's scheduling policies on the minimum amount of time required between shifts.

FAA concurred with all four of our recommendations to further improve its controller scheduling practices. We are requesting additional information for one recommendation to clarify FAA's policies regarding recuperative breaks on the midnight shift.

August 27, 2013

FAA IS MAKING PROGRESS, BUT IMPROVEMENTS IN ITS AIR TRAFFIC CONTROLLER FACILITY TRAINING ARE STILL NEEDED

Self-initiated

FAA plans to hire and train more than 11,700 new air traffic controllers through fiscal year 2021. This presents significant challenges for the Agency, as new controllers can require more than 3 years of training to become fully certified. FAA created an Independent Review Panel, which made 49 recommendations that could significantly improve the controller hiring and training processes. However, almost 2 years after the panel issued its report, FAA has yet to implement any of the recommendations or establish completion timeframes. FAA faces significant challenges in meeting its goal to reduce training times, including managing contract training resources, maintaining consistent leadership, measuring the impact of simulators and other training initiatives, and improving staffing composition at complex facilities through controller placement and screening programs.

We made five recommendations to assist FAA in improving its facility training efforts. FAA concurred with three recommendations and partially concurred with two. We are requesting additional information for one recommendation.

Investigations

April 26, 2013

COMMERCIAL PILOT CONVICTED FOR FLYING AN AIRCRAFT WHILE UNDER THE INFLUENCE OF ALCOHOL

Paul Roessler, an FAA-certified commercial pilot, was convicted in a jury trial in U.S. District Court, Spokane, WA, for flying an aircraft while under the influence of alcohol. In April 2012, we received a referral from FAA after Roessler failed to establish contact with FAA's Seattle Air Route Traffic Control Center and lined up for the wrong runway on approach. The Spokane Airport police administered a breathalyzer test to Roessler, which showed a blood alcohol content of more than twice the legal limit.

We are investigating this case with FAA's assistance.

May 22, 2013

LOUISIANA MAN INDICTED FOR MAKING FALSE STATEMENTS

Ralph Cody, an airframe and power plant mechanic, was indicted in U.S. District Court, Shreveport, LA, for falsifying aircraft maintenance logs. Cody certified the completion of annual inspections without FAA Inspection Authorization certification; Cody's certification had expired in March 2001. In some cases, Cody used a false certificate number when he signed aircraft logbooks certifying completion of the inspections.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

Investigations

May 30, 2013

VIRGINIA PILOT SENTENCED TO JAIL FOR MAKING A FALSE STATEMENT ON AN FAA MEDICAL CERTIFICATE APPLICATION

Richard Patterson of Suffolk, VA, a commercial licensed pilot, was sentenced in U.S. District Court, Norfolk, VA, to 4 months incarceration and 3 years supervised release for making a false statement on an FAA medical certificate application he submitted to FAA. Additionally, the court ordered Patterson to seek mental health treatment. Our investigation revealed that three applications Patterson submitted to obtain a second-class medical certificate stated that he never had any surgeries, when in fact he had two back-related surgeries.

We conducted this investigation with assistance from FAA.

July 3, 2013

CALIFORNIA MAN CONVICTED FOR ENDANGERING SAFETY OF PASSENGER AIRCRAFT

Hasan Ibrahim, of Los Gatos, CA, was convicted by a jury in U.S. District Court, San Francisco, CA, for attempting to place destructive substances on an aircraft. The jury found that Ibrahim attempted to place nine different hazardous materials on a passenger airplane bound for Frankfurt, Germany. The materials were ultimately destined for Jeddah, Saudi Arabia. In addition, Ibrahim was convicted for transporting hazardous materials without shipping papers and labels, failure to file export information, and attempted smuggling.

The investigation was initiated when OIG learned that Ibrahim attempted to ship 64 boxes of materials to Jeddah. The shipment was detained and later seized by Customs and Border Protection. An FAA review determined that the shipment contained materials that were toxic, corrosive, or flammable. Several of the items were forbidden to be transported on passenger aircraft, and two chemicals were forbidden to be transported on any type of aircraft.

We conducted this investigation jointly with the Federal Bureau of Investigation (FBI), with assistance from FAA.

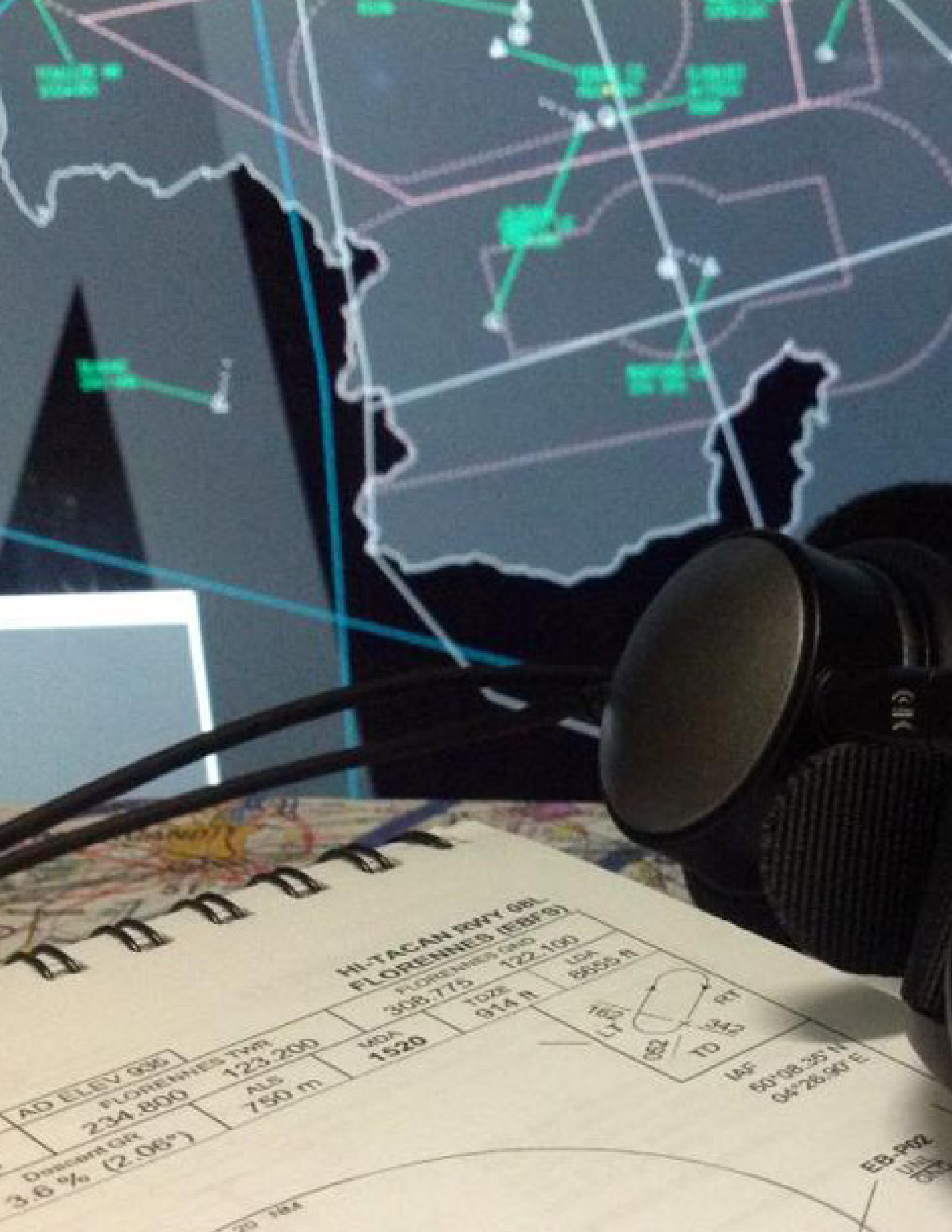
Investigations

September 23, 2013

FORMER DIRECTOR OF HELICOPTER MAINTENANCE PLEADED GUILTY TO FALSIFYING CRASH-RELATED DOCUMENTS

Levi Phillips, former director of maintenance for Carson Helicopters Services, pleaded guilty in U.S. District Court, Medford, OR, for his role in falsifying documents pertaining to a helicopter owned and operated by Carson that crashed while performing contracted firefighting services for the U.S. Forest Service (USFS). The crash resulted in multiple fatalities. The National Transportation Safety Board's (NTSB) investigation of the crash uncovered allegations that Carson falsified helicopter documents, which included weight and balance sheets and performance charts that enable a pilot to make accurate maximum payload calculations. The investigation determined that Carson submitted falsified or altered documents to USFS as part of its bid package, which included an altered FAA-approved performance chart and altered weight and balance charts.

This investigation is being conducted jointly with the FBI; Internal Revenue Service, Criminal Investigation (IRS CI); and the U.S. Department of Agriculture OIG.


HI-TACAN RWY 08
FLORENNES (EBFS)
AD ELEV 936
FLORENNES TWR
234.800
123.200
DISTANCE GR
3.6 % (2.06°)
ALS
750 m
MDA
1520
FLORENNES GND
308.775
122.100
TDZE
914 ft
LOA
8685 ft
IAF
50°18.35' N
04°26.90' E
EB-PDL

IN FOCUS
MAINTAINING A SAFE AND EFFICIENT NATIONAL AIRSPACE SYSTEM

Training new air traffic controllers is a key priority in maintaining the safety and efficiency of the National Airspace System—especially as FAA implements new, advanced technologies under its next generation air traffic management program. FAA plans to hire and train more than 11,700 new air traffic controllers through fiscal year 2021 to offset expected losses. While FAA hired more than 6,600 new controllers between 2008 and 2013, our work over the past decade has found that training and fully certifying new recruits has been difficult.

Training and certifying new controllers can take several years. Recruits must complete a demanding training program that includes learning basic air traffic control concepts at the FAA Academy, followed by extensive training at one of FAA's more than 300 air traffic facilities. However, the efficiency and quality of training through FAA's controller training program varies significantly by facility. In response to an Independent Review Panel, FAA consolidated the panel's 49 recommendations—many addressing previous OIG recommendations—into 20 initiatives that cover a broad range of categories, including facility training. However, our recent review found that almost 2 years after the panel's report was issued, FAA has yet to implement any of the recommendations or establish completion timeframes. We concluded that although FAA has taken actions that can improve its controller training program, such as placing newly hired controllers at facilities based on the candidate's performance at the FAA Academy, it needs to track the progress of its initiatives and establish more efficient mechanisms for assessing their impact.

We also found that further steps are needed to ensure air traffic facilities have the training support resources they need. For example, in July 2012, FAA reduced its use of contracted training resources by 62 percent at all 22 en route centers. Given the reduction in resources, managers at the Memphis Center are preparing to supplement training by using certified controllers already assigned air traffic control positions. As a result of moving experienced controllers from day-to-day operations, facility managers expect an increase in overtime as well as an increase in the time it takes for new controllers to become fully certified. Addressing this challenge will be critical to achieving the full potential of FAA's current and future controller training efforts.

At the same time, a series of highly publicized incidents of air traffic controllers sleeping or not responding while on duty raised questions about FAA's scheduling practices and their effect on

"TECHNE SPARROWHAWK II WORN BY AN AIR TRAFFIC CONTROLLER" BY FREDERIC VIA MRTIME2GIVE / CC BY-SA 2.0

controller performance and air traffic safety. We determined that the nature of air traffic control work and controllers' erratic work schedules could cause fatigue and negatively impact controller performance and safety. FAA changed its scheduling policy to require an additional air traffic controller on the midnight shift at 30 facilities and mandate a minimum of 9 hours off between evening and day shifts. While these policy changes may help alleviate controller fatigue, the Agency does not have metrics to confirm this assumption or the extent to which controller fatigue is reduced. In addition, facility managers raised concerns about the lack of explicit guidance regarding what activities are allowed during recuperative breaks, which FAA permits during midnight shifts. Specifically, they expressed concern regarding the ability to recall employees on breaks and the legality of allowing employees to sleep while on duty. We found that controllers' schedules do not always comply with FAA's scheduling policies on the minimum rest time required between shifts. We also found that requiring a second overnight controller cost the Agency approximately $1.9 million per year—costs that could be offset by additional measures, such as reducing costs related to its overnight operations.

OIG has been instrumental in helping FAA navigate this difficult transition by identifying obstacles, especially those that create inefficiencies and risks. Since 2004, OIG has issued 15 reports, with a total of 72 recommendations for improving controller staffing and training. Most recently, we determined that FAA needs to track the progress of its training and certification efforts, as well as put in place more efficient mechanisms for assessing their impact on training times, completion rates, and costs. As the Agency continues to manage the change from an older more experienced controller workforce to one that includes newly hired personnel, OIG will continue to review the Agency's policies and practices to ensure the safest and most efficient transition of the air traffic controller workforce.

"AIR TRAFFIC CONTROL" JOJO 77 / CC BY-NC 2.0

23.6 nm
15.8 nm
7.9 nm
BMA7HY
370.1 kts 25125 ft
BOU
CAM
CIT
CFD
RYR2YT
316.9 kts 12725 ft
BCY136L
317.3 kts 16350 ft
379.3 kts 17675 ft
LUT
SSD
WCO
WZZ672Z
343.5 kts 12550 ft
SHT2P
352.4 kts 13400 ft
HEN
Elstree
CHT
DLH1PN
246.5 kts 8000 ft
248.0 kts 8075 ft
KLM28T
163.8 kts 6925 ft
LCY
RYR63LP
373.5 kts 16100 ft
WOD

OIG'S **HIGHWAY AND TRANSIT** WORK EMPHASIZES SAFETY AND ECONOMY THROUGH AUDITS OF FEDERAL INFRASTRUCTURE PROGRAMS, HIGHWAY SAFETY EFFORTS, AND MOTOR CARRIER OVERSIGHT PROGRAMS, AND THROUGH INVESTIGATIONS OF FRAUDULENT COMMERCIAL DRIVERS LICENSES, DRIVERS' LOGS, AND TRUCK AND BUS MAINTENANCE RECORDS, AS WELL AS HOUSEHOLD GOODS FRAUD SCHEMES, CONTRACTING AND ANTI-TRUST VIOLATIONS, AND DBE FRAUD

AUDITS AND INVESTIGATIONS
HIGHWAY AND TRANSIT

Audits

May 7, 2013

LESSONS LEARNED FROM ARRA COULD IMPROVE THE FEDERAL HIGHWAY ADMINISTRATION'S USE OF FULL OVERSIGHT

Self-initiated

With the infusion of $27.5 billion in ARRA funds for highway projects, the Federal Highway Administration (FHWA) had to meet enhanced oversight and accountability requirements. To address these requirements, FHWA performed ARRA programmatic and project reviews of States' management of Federal funds, and conducted full oversight reviews of about 1,200 of nearly 15,000 ARRA projects to ensure States met all relevant Federal requirements. Under full oversight, FHWA retains review and approval responsibilities for project design, plans, specifications, estimates, right-of-way certification statements, contract awards, inspections, and final acceptance.

However, FHWA's full oversight inspections did not routinely verify whether States detected instances of noncompliance with some Federal requirements. For example, we projected that $125.6 million, or 12 percent, of ARRA progress payments made to contractors in three States were unsupported. In addition, FHWA allows its Division Offices to determine the type, scope, and consistency of project inspections and the extent of supervision when performing full oversight inspections. Without adequate FHWA guidance, Division Offices rarely prepared written plans and did not fully document procedures performed or justify why they excluded some Federal requirements and related risk areas from review. Further, contrary to FHWA's guidance, FHWA inspection reports had limited evidence of supervisory review.

FHWA concurred with our recommendation to sample additional ARRA projects and mitigate any similar instances of noncompliance related to progress payment support. FHWA partially concurred with our recommended policy changes to improve its oversight of project-specific risks and document its risk assessment process and related project-level inspection procedures. FHWA cited its plans to develop an alternative oversight approach that would address our recommendations as well as new requirements under MAP-21. We consider all four recommendations resolved but open pending completion of planned actions.

"PLACEMENT OF BRIDGE PIERS" BY DDOTDC / CC BY-NC 2.0

Audits

May 22, 2013

LETTER TO CONGRESS ON THE STATUS OF MAP-21, SUBTITLE C: ACCELERATION OF PROJECT DELIVERY

Required by the Moving Ahead for Progress in the 21st Century Act

MAP-21 is the first long-term surface transportation authorization since 2005, providing $105 billion for fiscal years 2013 and 2014. Subtitle C of the act is designed to increase innovation in surface transportation project delivery and efficiency of project planning, design, construction, and financing. This initial review assessed the Department's plan and progress in complying with Subtitle C requirements.

As of March 27, 2013, the Department developed a plan with 42 actions to meet Subtitle C requirements, most of which involve environmental issues that occur during the planning and design phase of highway and transit projects. The Department completed five of these actions, including issuing question-and-answer guidance on a wide range of topics and a proposed rulemaking on using categorical exclusions to expedite projects after disasters or emergencies. (The rule was finalized in February 2013.) However, the plan does not assign estimated completion dates for all planned actions. Further, the Department faces challenges to complete all required rulemakings within the statutorily set dates. We are planning additional audits of the Department's implementation of Subtitle C requirements.

June 12, 2013

LESSONS LEARNED FROM THE EAST SIDE ACCESS PROJECT CAN ENHANCE FTA'S OVERSIGHT OF MTA'S REPORTING ON REMAINING ARRA GRANTS

Self-initiated

FTA has committed nearly $2.7 billion in Federal funding to the Metropolitan Transportation Authority's (MTA) East Side Access (ESA) project. While MTA safeguarded the ESA materials purchased with ARRA funds and met ARRA certification requirements for the ESA ARRA New Starts funds, MTA's Section 1512 reports omitted required data that FTA quality reviews did not detect. Specifically, MTA's final report did not include required vendor payment information for over $19 million (nearly 10 percent) of the ESA ARRA grant funding. Because FTA's data quality reviews did not identify these omissions in MTA's Section 1512 quarterly reports, it underreported vendor payment data to the public.

We recommended that FTA (1) identify and validate the steps MTA plans to take to improve the accuracy of vendor payment data in its

Section 1512 reports to prevent future omissions and (2) perform an additional data quality check when reviewing the final report for each of MTA's three remaining FTA ARRA grants. FTA concurred with our recommendations and provided appropriate planned actions and target dates for their completion.

September 4, 2013

FHWA IS MONITORING UNEXPENDED RECOVERY ACT HIGHWAY FUNDS, BUT SOME FUNDS MAY REMAIN UNUSED

Self-initiated

FHWA is responsible for overseeing $27.5 billion in ARRA investments for highway infrastructure projects nationwide, including $26.1 billion for State highway projects. As of April 2013, about 96 percent of these funds have been expended. FHWA actions have been adequate to monitor remaining unexpended ARRA funds that have been obligated. FHWA's actions included adopting practices beyond its regular oversight activities, such as increasing the amount of data it collects and uses to monitor unexpended funds. FHWA Headquarters tracks ARRA expenditures, recoveries, and project closeouts and distributes weekly status reports to the Division Offices for their use. Individual Division Offices also track expenditures at a more detailed level and regularly meet with their State counterparts to investigate the status of ARRA highway projects. However, due to Federal restrictions on the use of funds and FHWA policy on the uses of recovered ARRA funds, an estimated $356 million in ARRA highway funds could remain unused when ARRA concludes in September 2015.

We recommended that FHWA revise its policy regarding the treatment of recovered ARRA funds and determine more accurately how much recovered funding States need in excess of the authority FHWA has provided to obligate recovered funds. FHWA concurred with one recommendation and partially concurred with the other, proposing an alternative action. We are requesting additional information to fully assess FHWA's proposed action.

Audits

September 18, 2013

STATUS OF DOT'S ACTIONS TO ADDRESS SUBTITLE C OF THE MOVING AHEAD FOR PROGRESS IN THE 21ST CENTURY ACT

Testimony Before the Senate Committee on Environment and Public Works

The Assistant Inspector General for Highway and Transit Audits testified on the status of DOT's actions to address MAP-21's Subtitle C, which calls for accelerating project delivery through increased innovation and efficient project planning, design, construction, and financing. The Assistant Inspector General focused on the results of OIG's initial review, which we reported in a May 2013 letter to congressional and other stakeholders. The initial review focused on (1) the Department's plans to carry out provisions of Subtitle C, (2) the status of planned actions, and (3) key challenges that could delay the Department's implementation of those plans. The initial review also sought to create a baseline of planned actions to guide future audit work, which will provide a more comprehensive assessment of DOT's actions.

Investigations

April 18, 2013

FORMER FLORIDA DEPARTMENT OF TRANSPORTATION EMPLOYEE SENTENCED TO FEDERAL PRISON

Tina Marie Pollard, a former Florida Department of Transportation (FDOT) employee, was sentenced to serve 3 years and 3 months incarceration. As part of a plan to widen 20 miles of Interstate 4, FDOT purchased property in 2006 that MLA Furniture rented in Orlando. The right-of-way property was procured with Federal and State grant funds. Pollard worked out of FDOT's DeLand office as a right-of-way agent whose job was to help relocate people and businesses displaced by transportation projects. In return for personally receiving $30,000, Pollard conspired with MLA to process fictitious claims representing that MLA Furniture had applied for reimbursement of relocation expenses, even though MLA had not incurred such expenses.

In addition to the prison sentence, Pollard was ordered to pay restitution to the State of Florida in the amount of $242,981.25; forfeit $30,000 in bribe money she received; and fined a special assessment of $200. Upon release from prison, Pollard will serve 2 years of supervised release and perform 25 hours of community service. We investigated this case jointly with the FDOT OIG.

Investigations

April 24, 2013

FLORIDA CONTRACTOR SENTENCED FOR BRIBERY RELATING TO PROGRAMS RECEIVING FEDERAL FUNDING

Anthoneel Allen, president and owner of Southeast Underground and Utilities, Inc. (SUU), and James Hashim, former vice president of SUU, were sentenced in U.S. District Court, Fort Lauderdale, FL, for conspiracy to commit bribery in programs receiving Federal funds, highway fraud, mail fraud, extortion, and tax fraud.

The investigation revealed that from fall 2006 through 2010, Allen and Hashim provided Jihad El Eid, former director, Broward County Traffic Engineering Division, at his request, more than $150,000 in cash; an automobile; and a job at SUU for Wael El Eid, Jihad's relative. In return, Jihad El Eid allegedly helped SUU obtain work on multimillion-dollar projects initiated by Broward County Traffic Engineering Division—part of a larger federally funded project. The investigation disclosed that Jihad El Eid assisted SUU's overpayment of at least $3 million. In addition, Allen, on behalf of SUU, filed a fraudulent application to have SUU certified as a DBE, resulting in the award of approximately 25 fraudulent contracts and subcontracts to SUU in excess of $10 million.

Allen received a sentence of 60 months imprisonment; 3 years supervised release; and a $15,000 fine. Hashim received a sentence of 36 months imprisonment; 3 years supervised release; and a $15,000 fine. Additionally, both defendants were ordered to jointly forfeit $3 million. We are investigating this case jointly with the FBI and IRS CI.

May 7, 2013

FLORIDA DEPARTMENT OF TRANSPORTATION CONSULTANT SENTENCED FOR ACCEPTING A BRIBE

Ron Capobianco, Jr., a construction engineering and inspection consultant at Metric Engineering, Inc., was sentenced in U.S. District Court, Miami, FL, for conspiracy to commit bribery in connection with programs receiving Federal funds. FDOT contracted with Metric to provide specialty services, including designing, inspecting, and troubleshooting the construction of roads, signs, and traffic signals—including the use of video detection cameras for traffic signalization and control. In May 2009, an agent of a subcontractor working on the Marathon Key project—a traffic flow improvement project in the Florida Keys partially funded with Federal funds—offered Capobianco money if the subcontractor received at least $25,000 for installing the video detection equipment FDOT began. Capobianco agreed to the subcontractor's

$25,000 estimate, enabling the subcontractor to make a significant profit. The subcontractor's estimate was approved and subsequently paid by the State of Florida. The subcontractor paid Capobianco $4,000 for his assistance.

Capobianco received a sentence of 12 months and 1 day imprisonment, 1 year supervised release, and 200 hours of community service. He also made a forfeiture payment of $4,000. We are conducting this investigation jointly with the FBI and IRS CI.

May 14, 2013

FOUR GEORGIA MEN INDICTED FOR FALSE STATEMENTS AND CONSPIRACY TO VIOLATE FMCSA IMMINENT HAZARD ORDERS

Devasko Lewis, Corey Daniels, Lacey Lewis, and Calvin Outlaw were indicted in U.S. District Court, Macon, GA, for false statements and conspiracy to criminally violate an Imminent Hazard Out-of-Service Order issued by the Federal Motor Carrier Safety Administration (FMCSA). In October 2008, Devasko Lewis, doing business as Lewis Trucking Company, was placed under an order to cease all operations due to serious violations discovered during a compliance review FMCSA conducted after a fatal crash in Alabama that killed seven State of Alabama prison guards. In July 2011, Lewis formed DDL Transport, LLC, which was ultimately placed under another order. In May 2012, Lewis pleaded guilty to violating the orders and was subsequently sentenced to 6 months incarceration and 12 months supervised release.

While on supervised release, Lewis was ordered to not be involved in the operation of any trucking company. However, Lewis obtained U.S. DOT Numbers for Eagle Transport and Eagle Trans using the identity of friends, including Daniels, and failing to reveal his involvement to FMCSA as owner-operator of the companies. After reporting to Federal prison in November 2012, Lewis continued operating Eagle Trans with the assistance of Lacey Lewis, Daniels, and Outlaw.

We are conducting this investigation with assistance from FMCSA and the Georgia Department of Public Safety.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

May 21, 2013

MAINE MAN SENTENCED FOR EMBEZZLEMENT FROM A FEDERALLY FUNDED PROGRAM

Thomas Nelson, former chief executive officer of the York County Community Action Corporation (YCCAC), was sentenced in U. S. District Court, Portland, ME, to 30 months incarceration and

36 months supervised release, and ordered to pay $1,345,793.95 in restitution for tax evasion and conspiracy and embezzlement from a federally funded program.

From 2006 to 2010, YCCAC received in excess of $30 million in Federal funds, including approximately $7 million in FTA grants, to provide social service, health, education, and transportation-related assistance to York County individuals and families living in poverty. Some of the FTA grants, including those for the Rural Transit Assistance Program and Urban Transit Assistance Program, were funded by ARRA. The investigation disclosed that that from 2004 to 2010, Nelson embezzled approximately $900,000 from YCCAC. He diverted $413,000 to a consulting company that submitted only one invoice for $8,700. In exchange for the fraudulent payments, the consulting company kicked cash back to Nelson and paid more than $20,000 of Nelson's personal expenses, including his home mortgage. Nelson also diverted more than $400,000 to a defunct nonprofit entity, New England Community Action Agency, and recorded those payments as donations or consulting expenses. After diverting these funds, Nelson used more than $300,000 to pay personal credit card bills and his home mortgage, and to gamble, failing to report over $400,000 in embezzled income to the IRS.

We investigated this case with the IRS, as well as OIGs of the Departments of Health and Human Services, Housing and Urban Development, and Agriculture.

May 21, 2013

NEW HAMPSHIRE MAN SENTENCED FOR FALSELY OBTAINING SURETY BONDS

Nazar Lopushansky, owner of Engelwood Construction Company, Inc., was sentenced in U.S. District Court, Concord, NH, to 1 year and 1 day in prison and 2 years probation, and ordered to pay $253,585.62 in restitution. Lopushansky caused a certified public accountant to create a financial statement that falsely increased Engelwood's cash assets by $450,000. Lopushansky used the fraudulent financial statement to obtain bonds required for four State and local contracts, including one that was federally funded. To acquire these bonds, Lopushansky provided copies of the fraudulent financial statement to Bond Safeguard, a bond company in Tennessee.

We investigated this case with the U.S. Postal Inspection Service.

Investigations

May 28, 2013

CIVIL CHARGES FILED AGAINST VIRGINIA CONSTRUCTION COMPANY AND ITS OWNER FOR VIOLATING FEDERAL FALSE CLAIMS ACT

In U.S. District Court, Richmond, VA, a civil complaint was filed against Ground Down Constructors and its owner, Tracey Williams, for submitting false invoices to the Virginia Department of Transportation (VDOT) on a road construction project that received approximately 90 percent in DOT funds. Ground Down and Williams are charged with violating the False Claims Act and the Virginia Fraud Against Taxpayers Act. OIG's investigation revealed that Ground Down and Williams knowingly inflated the amounts of materials used and the origin of materials on invoices submitted to VDOT for payment. The alleged single damages are approximately $20,000.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

May 30, 2013

BUS COMPANY, OWNER, AND EMPLOYEE INDICTED ON CHARGES RELATED TO A FATAL BUS CRASH

Angel De La Torre, Carlos Ortuno, and Angel Tours of Houston, TX, were indicted in U.S. District Court, Houston, TX, on charges of conspiracy, false statements, and operating a commercial motor vehicle after being placed out of service. The charges relate to an August 2008 fatal crash of an Angel Tours passenger bus near Sherman, TX. The indictment alleges that the defendants made false statements in an Application for Motor Carrier Authority and in an Application for U.S. DOT Number filed with FMCSA. De La Torre and Angel Tours also allegedly operated a commercial motor vehicle after being placed out of service due to an unsatisfactory safety rating following an FMCSA inspection that uncovered numerous recordkeeping and safety violations. As a result of this inspection, FMCSA ordered Angel Tours to cease all interstate transportation on June 23, 2008—more than 2 weeks prior to the fatal crash.

We are investigating this case jointly with the FBI and FMCSA.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

June 7, 2013

COMPANY AGREES TO $500,000 FALSE CLAIMS SETTLEMENT

Hanson Pipe & Precast, LLC (HPP), a subsidiary of Lehigh Hanson, Inc., an international building products company, entered into a settlement agreement in U.S. District Court, Nashville, TN, in connection with a civil investigation of allegations that HPP submitted false claims for products that did not meet required specifications. These products included concrete end walls and catch basins that are typically used in and adjacent to roadway construction. HPP agreed to pay the United States $500,000 to settle these allegations. The Tennessee Department of Transportation (TDOT) performed destructive testing of several precast concrete units manufactured by HPP for use in highway projects, and several were found not to conform to TDOT specifications related to the strength and placement of rebar within the products. HPP previously reimbursed TDOT $270,468.82 for damages related to the non-conforming units.

June 17, 2013

U.S. AND NEW YORK-BASED ELECTRICAL CONTRACTOR SETTLE CIVIL FALSE CLAIMS ACTION

The U.S. Attorney for the Southern District of New York reached an agreement with Kleinberg Electric to settle claims that the company violated DOT regulations designed to ensure DBE participation in the DOT-funded New York State-MTA Fulton Street Transit Center Dey Street Concourse. The company admitted that it caused the prime contractor to submit false certifications to MTA, representing that work was performed by J&R Rey Electrical (a DBE) on the project, when in fact Kleinberg Electric performed the work. Pursuant to the settlement, Kleinberg Electric agreed to pay the United States $936,000.

We investigated this case jointly with MTA OIG.

Investigations

June 25, 2013

FORMER GENERAL MANAGER OF VIRGINIA TRANSIT AGENCY SENTENCED TO PROBATION AND ORDERED TO PAY RESTITUTION FOR THEFT OF FTA GRANT FUNDS

David Morgan, former general manager of Valley Metro Transit, was sentenced in U.S. District Court, Roanoke, VA, for embezzling money from DOT. Between July 2007 and June 2008, Morgan used Valley Metro Transit credit cards to make inappropriate purchases, which were paid for, in part, with FTA operating grant funds. Further, in 2006, FTA awarded Valley Metro an $80,000 grant to replace furniture at the company's downtown Roanoke administration building. However, Morgan used the grant funds on meals, alcohol, golf fees, cigars, and gift cards totaling more than $14,000. Morgan was sentenced to 30 months probation and ordered to pay $10,416 in restitution.

We investigated this case jointly with the U.S. Postal Inspection Service, Virginia State Police, and the City of Roanoke Police Department.

June 26, 2013

CALIFORNIA MAN CHARGED IN FRAUD SCHEME TO STEAL COMPUTER EQUIPMENT INTENDED FOR NONPROFIT SCHOOLS

Steven A. Bolden of Palmdale, CA, was indicted in U.S. District Court, Tacoma, WA, for his role in a scheme to transfer to himself computer equipment originally purchased by the U.S. Government for more than $25 million. Bolden presented himself as a representative of nonprofit schools eligible to receive excess computers through General Services Administration's (GSA) Computers for Learning program, which allows surplus computers and technology equipment to be transferred to schools and nonprofit education groups.

OIG began investigating Bolden after receiving information from FHWA's Western Federal Lands Highway Division (WFLHD). In March 2011, WFLHD posted a pallet of 15 computers, initially costing the Government $13,950, on the Computers for Learning Web site. A request for the computers was made on behalf of the Los Angeles Academy of Educational Development (LAAED), and in April 2011, the computers were shipped from WFLHD to LAAED. In September 2011, WFLHD received a United Parcel Service (UPS) shipping bill, which was supposed to be paid by LAAED, but UPS was unable to contact that entity or Bolden to collect payment. Our investigation determined that LAAED was not a legitimate nonprofit school.

We are investigating this case jointly with Army Criminal Investigative Division; OIGs of the Departments of Homeland Security, Energy, and Justice; OIGs in GSA, the Veterans Administration, the Social Security Administration; the FBI; and IRS CI.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

June 27, 2013

GUAM COMPANY PRESIDENT SENTENCED ON CHARGES RELATED TO A "BUY AMERICA" FRAUD SCHEME ON AN ARRA-FUNDED PROJECT

In U.S. District Court of Guam, Tamuning, GU, Hubtec International Corporation President and Project Manager Young C. Kim was sentenced to 2 years probation and ordered to pay a special assessment of $200 after having admitted to devising a scheme to defraud the Guam Department of Public Works (DPW) and FHWA. In January 2010, Hubtec received a $1.8 million contract with DPW for reconstructing and rehabilitating Route 2 culverts. The contract was funded in part by $1.4 million in ARRA funds and required that the contractor comply with the Buy America Act requirement that all steel and iron permanently incorporated into the project be manufactured in the United States. OIG's investigation determined that Hubtec and Kim used Korean-made steel bars for the project and falsely represented that U.S.-made reinforcement steel bars were used. They also committed fraud through a billing scheme that falsely over-reported the costs of materials. Kim submitted inflated invoices to FHWA in the amount of approximately $154,392. In May 2013, FHWA debarred Kim for 3 years.

We are conducting this investigation jointly with the FBI, with assistance from FHWA.

July 25, 2013

TENNESSEE CONCRETE COMPANY AGREES TO CIVIL SETTLEMENT FOR FALSE CLAIMS ACT VIOLATIONS

In U.S. District Court, Nashville, TN, Sherman-Dixie Concrete Industries, Inc., agreed to pay a civil settlement of $664,581 to the U.S. Government for submitting false claims for payment of products that did not meet required specifications on federally funded highway projects. These products included concrete end walls and catch basins that are typically used in and adjacent to roadway construction. The United States alleged that Sherman-Dixie submitted these claims after repeatedly certifying that its products were in reasonable compliance and were produced pursuant to applicable procedures when they were not. In addition, Sherman-Dixie entered into

a monitoring agreement with FHWA that requires Sherman-Dixie to take certain compliance measures to reduce the likelihood of future violations.

We conducted this investigation jointly with the FBI and the U.S. Attorney's Office for the Middle District of Tennessee.

August 5, 2013

GEORGIA COMPANY AGREES TO PAY $95,000 TO GOVERNMENT TO SETTLE FALSE CLAIMS ALLEGATIONS

In U.S. District Court, Nashville, TN, Oldcastle Precast, Inc., a national building products company, agreed to pay a civil settlement of $95,000 to the United States in connection with allegations that Oldcastle submitted false claims for products that did not meet required specifications. The products in question were catch basins that are typically used in and adjacent to roadway construction. TDOT performed destructive testing of several precast concrete units manufactured by Oldcastle, and several did not conform to TDOT specifications related to strength and the placement of rebar within the products. Oldcastle had previously reimbursed TDOT $40,552 for damages related to the non-conforming units.

August 23, 2013

CALIFORNIA WOMAN CHARGED FOR PROVIDING FRAUDULENT DRUG TESTING SERVICES TO TRUCKING COMPANIES

Demetri Dearth, owner and operator of Advanced Substance Abuse Programs (ASAP), Redding, CA, was indicted in U.S. District Court, Sacramento, CA, for mail fraud and false statements to a Government agency regarding random and pre-employment drug testing for motor carrier drivers. The indictment alleges that Dearth falsified specimen test results required by and provided to FMCSA and other DOT agencies.

Between March 2009 and February 2010, ASAP collected urine specimens on behalf of 80 trucking companies that employed commercial drivers. Dearth failed to forward the specimens to certified laboratories and have a medical review officer (MRO) review test results. Instead, she created and provided to clients false and fraudulent Custody and Control Forms that represented the specimens had been sent to laboratories for eventual MRO review, including the names and addresses of specific MROs. Dearth also created fraudulent MRO reports that indicated the tests had come back negative and were signed by MROs. Dearth then mailed invoices to clients, billing them for the testing and MRO reviews.

OIG is conducting this investigation with assistance from the California Highway Patrol and DOT's Office of Drug and Alcohol Policy and Compliance.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

August 30, 2013

SAN JOSE MAN SENTENCED TO JAIL AND FINED $83,084 FOR HOUSEHOLD GOODS SCHEME

In Superior Court, County of Santa Clara, CA, Ruben Salas, a resident of San Jose, CA, was sentenced to serve 64 months in jail and ordered to pay $83,084 in fines for his participation in a scheme to defraud moving customers. Salas, a Bekins Van Lines sales employee, and other employees, including the owner, lured customers with lowball quotes. Once the moves were in progress, customers were told their furniture and other belongings would be taken to storage unless they paid additional fees for packing and packaging supplies.

We conducted this investigation jointly with the Consumer Protection and Workers' Compensation Units of the Santa Clara County District Attorney's Office, the California Public Utilities Commission, the California Franchise Tax Board, the Alameda and Monterey County District Attorneys' Offices, and the FBI, with assistance from FMCSA.

September 12, 2013

OWNERS OF TENNESSEE TRUCKING COMPANIES CHARGED FOR VIOLATING FMCSA REGULATIONS

Dorian Ayache, owner and operator of Three Angels Farms, an interstate commercial motor carrier based in Lebanon, TN, and Theresa Vincent, owner and operator of Terri's Farm, an interstate commercial motor carrier based in Murfreesboro, TN, were indicted in U.S. District Court, Nashville, TN, on charges related to criminal violations of FMCSA regulations. The indictment charged Ayache with violating an Imminent Hazard Order issued by FMCSA, conspiracy, and obstruction of an investigation. Vincent was charged with conspiracy and perjury.

In June 2012, FMCSA determined that Three Angels Farms operations posed an imminent hazard to public safety due to unacceptable safety practices, including failure to adequately maintain commercial motor vehicles and ensure driver qualification, and ordered Ayache to cease commercial motor vehicle operations. Ayache was also cited for accidents that occurred in January and June 2012 that fatally injured horses. In criminal violation of this order, Ayache continued commercial motor carrier operations under the name and authority of Terri's Farm, as well as under other names. FMCSA subsequently categorized Terri's Farm as a mere continuation of Three Angels Farms and placed Terri's Farm under an Imminent Hazard

Order. Ayache also concealed and attempted to destroy emails, and Vincent made false statements while testifying before a grand jury regarding her communications with Ayache during the investigation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

September 24, 2013

TWO ALABAMA TRUCKING COMPANY OWNERS SENTENCED FOR VIOLATING FMCSA IMMINENT HAZARD ORDER

Isaac and Heronda McWilliams were sentenced in U.S. District Court, Huntsville, AL, for conducting commercial vehicle operations in criminal violation of an Imminent Hazard Out-of-Service Order issued by FMCSA. Isaac McWilliams was sentenced to 4 months incarceration, and Heronda Williams was sentenced to 24 months probation.

In December 2010, FMCSA conducted a compliance review of IDM Transportation, which disclosed serious violations of Federal Motor Vehicle Safety Regulations. In June 2011, an Operations Out-of-Service Order was issued to IDM, which prohibited IDM from operating in another name or through another company. In May 2011, Isaac McWilliams failed to disclose his involvement with IDM when he applied for motor carrier authority for BM&L Trucking. McWilliams falsely certified to FMCSA that he did not have, nor did he ever have, a relationship with any other FMCSA-regulated entity in the past 3 years. In May 2012, FMCSA completed an investigation of BM&L and again found widespread serious safety violations, similar to those found during its review of IDM. Consequently, FMCSA issued an Imminent Hazard Out-of-Service Order to BM&L, IDM, and Isaac and Heronda McWilliams. Despite the May 2012 order, our investigation found that BM&L and the McWilliamses continued to operate commercial motor vehicles in commerce.

We are conducting this investigation with the assistance of FMCSA and the Alabama Department of Public Safety.

Investigations

September 26, 2013

WORCESTER BUSINESSMAN CHARGED WITH ATTEMPTED BRIBERY

Irfan Dushku was charged in U.S. District Court, Worcester, MA, with attempting to bribe an FMCSA Safety Inspector in order to avoid negative findings on a safety review of his motor carrier company, Korca Enterprises, Inc. Dushku allegedly paid $1,000 to an FMCSA Safety Inspector to produce a false FMCSA compliance review of the company.

We are conducting the investigation jointly with FMCSA's Massachusetts Division.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

IN FOCUS
KEEPING UNSAFE COMMERCIAL CARRIERS OFF THE NATION'S HIGHWAYS

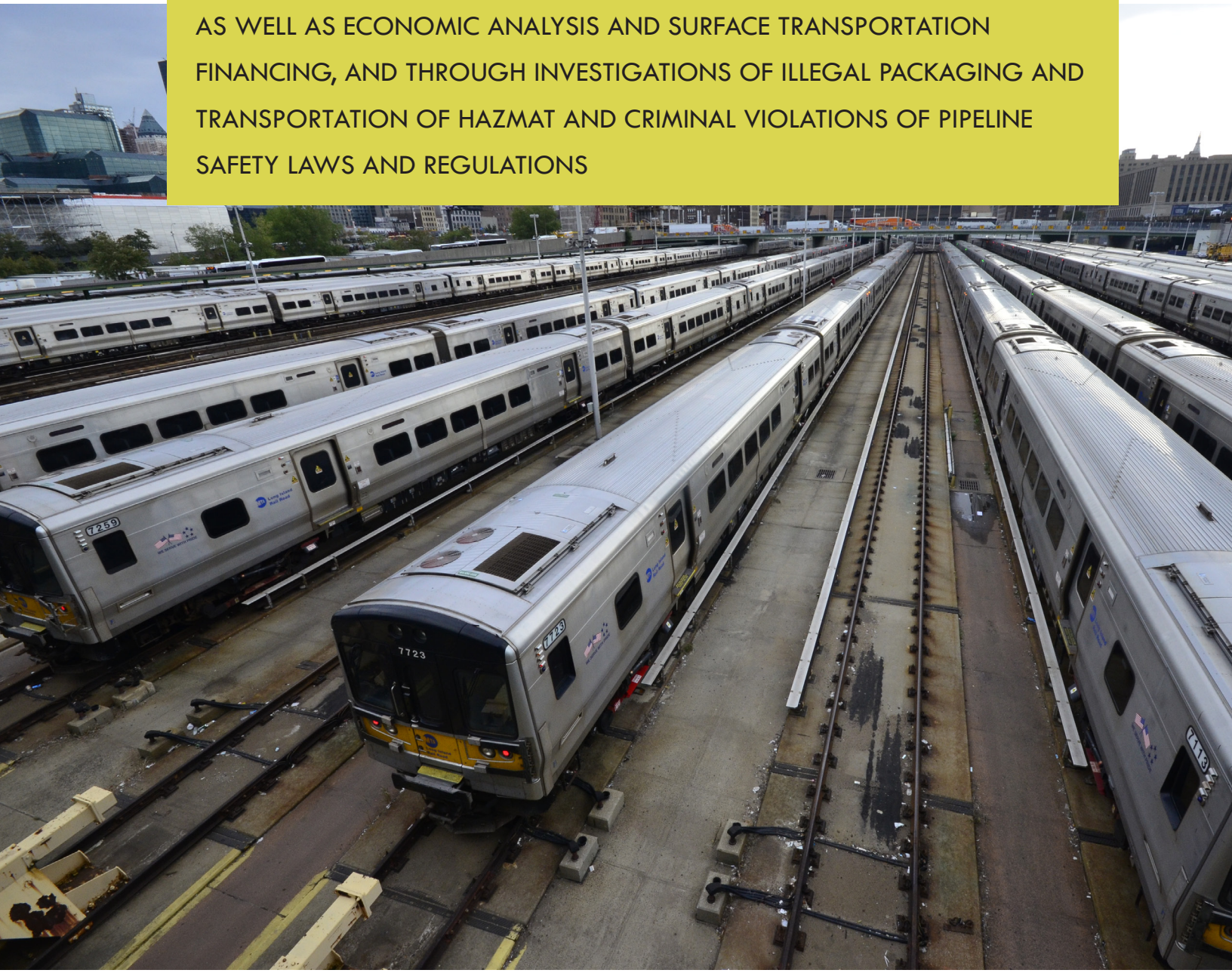
FMSCA reported that in 2012, large trucks and buses were involved in over 125,000 accidents nationwide that resulted in more than 76,000 injuries and nearly 4,100 deaths. In an effort to reduce commercial motor vehicle-related accidents, injuries, and deaths, FMCSA has established a variety of regulatory plans and tactics, including technological advancements, safety awareness initiatives, and a vigorous roadside inspection program. A longstanding problem in the motor carrier industry, and continuing hazard to the public, is the practice of "reincarnated carriers"—carriers that continue to operate after FMCSA has ordered them to cease and desist commercial operations, typically for numerous and repeated serious safety violations. To circumvent FMSCA's order, these carriers assume a new name and in some cases set up business in a new location.

OIG's criminal investigative work complements FMCSA's critical safety mission of targeting unsafe commercial carriers who repeatedly fail to comply with motor carrier safety regulations. In one case referred to OIG, FMCSA had initiated a safety review of an owner-operator following a multiple fatality accident involving one of its drivers. The review disclosed that the carrier, in flagrant disregard of laws and regulations, failed to maintain key safety records concerning its drivers and operations, failed to maintain required drug and alcohol testing programs, and repeatedly violated hours of service regulations. The owner was charged, convicted, fined, and sentenced to prison for his repeated violations.

Despite his imprisonment, the owner initiated actions to reincarnate his outlawed firm, operating under different ownership and a different name. Again, the owner was ordered to cease and desist operations for serious and pervasive safety violations and was charged and arrested for violations of Federal law and regulations. The case is still pending.

This is not an isolated case. Unscrupulous owner-operators, acting in blatant disregard for the safety of the public, continue to attempt to circumvent DOT's best efforts to promote safety. To counter this ongoing threat, OIG and FMCSA continue to work collaboratively to provide training and increase public awareness of the problem. Most recently, FMCSA and OIG teamed up to provide training to FMCSA Division Administrators and to OIG special agents across the country. The training included information on the sources of reincarnated carrier complaints and the involvement of State and local public safety officials, industry representatives, and whistleblowers. The training also covered Federal regulations and criminal laws often violated by reincarnated carriers. It is through efforts such as these that OIG plans to fulfill one of our primary goals: to preserve and protect public safety.

OIG'S **RAIL, MARITIME, HAZMAT TRANSPORT, AND ECONOMIC ANALYSIS** WORK EMPHASIZES SAFETY AND ECONOMY THROUGH AUDITS OF RAIL, MARITIME, PIPELINES, AND HAZARDOUS MATERIALS SAFETY PROGRAMS, AS WELL AS ECONOMIC ANALYSIS AND SURFACE TRANSPORTATION FINANCING, AND THROUGH INVESTIGATIONS OF ILLEGAL PACKAGING AND TRANSPORTATION OF HAZMAT AND CRIMINAL VIOLATIONS OF PIPELINE SAFETY LAWS AND REGULATIONS



AUDITS AND INVESTIGATIONS
RAIL, MARITIME, HAZMAT TRANSPORT, AND ECONOMIC ANALYSIS

Audits

April 17, 2013

FRA IS NEARING COMPLETION OF RULES REQUIRED BY THE RAIL SAFETY IMPROVEMENT ACT BUT NEEDS TO IMPROVE OVERSIGHT

Self-initiated

The Rail Safety Improvement Act of 2008 requires FRA to undertake several wide-ranging tasks that broaden its safety-related responsibilities, including 17 rules to improve railroad safety. FRA issued eight of the rules and made progress on finalizing the remaining nine. However, weaknesses in FRA's planning for its rulemaking work delayed rule issuance. We also found that FRA did not provide its oversight staff with the guidance, training, and supervision required to oversee compliance with certain rules.

We made six recommendations to improve FRA's rulemaking process and strengthen the Agency's oversight of railroad safety. FRA concurred or partially concurred with all six recommendations.

July 25, 2013

ANNUAL REPORT ON AMTRAK'S BUDGET AND 5-YEAR FINANCIAL PLAN

Required by the Passenger Rail Investment and Improvement Act (PRIIA) of 2008

Amtrak's 5-Year Financial Plan for fiscal years 2013 through 2017 overall addresses most of the requirements outlined in PRIIA but lacks some required information. Most notably, the plan lacks information on the company's continued financial stability and several other performance metrics intended to ensure the railroad is improving its operating efficiency. Our previous assessments found similar deficiencies in prior plans. However, this plan also omits several important PRIIA-required metrics—such as debt service costs and equipment reliability statistics—that were included in prior year plans and would demonstrate the extent of the railroad's operating efficiency improvements.

"RAIL YARDS" BY KAREN BLUMBERG / CC BY-NC 2.0

Audits

August 2, 2013

MARAD HAS TAKEN STEPS TO DEVELOP A PORT INFRASTRUCTURE DEVELOPMENT PROGRAM BUT IS CHALLENGED IN MANAGING ITS CURRENT PORT PROJECTS

Self-initiated (also listed under "Acquisition and Procurement")

In 2003, MARAD was authorized to administer funds for developing and modernizing the Port of Anchorage, the main seaport in Anchorage, AK. MARAD has since been authorized to administer two other port projects in Hawaii and Guam. Between 2003 and 2011, the Port of Anchorage project's cost estimate grew from $211 million to $1 billion, with scheduled completion slipping 8 years. We determined that MARAD lacked effective oversight mechanisms—such as clearly defined oversight responsibilities and an established risk management process—when it initiated its port infrastructure projects. In addition, inadequate planning, lack of reliable cost estimates, and noncompliance with Federal contracting requirements led to significant problems with Port of Anchorage project contracts. While MARAD has begun implementing changes to improve its management of the Port of Guam project—including better defined project responsibilities and a new management information system—MARAD is still in the process of developing the congressionally mandated Port Infrastructure Development Program, which could provide a framework for ongoing and future port infrastructure projects.

MARAD concurred with our nine recommendations. For six recommendations, MARAD provided appropriate action plans. For the remaining three recommendations, we are requesting that MARAD provide additional information.

Investigations

May 9, 2013

CHEMICAL PLANT OWNER PLEADED GUILTY TO SUBMITTING FALSE STATEMENTS AND CAUSING THE DEATH OF AN EMPLOYEE

Mathew Bowman, owner and president of Port Arthur Chemical and Environmental Services (PACES), pleaded guilty in U.S. District Court, Beaumont, TX, to causing the death of an employee working at the PACES facility in December 2008. Bowman also pleaded guilty to creating a false transportation document.

This investigation was initiated in response to the deaths of two PACES employees who were exposed to unsafe levels of hydrogen sulfide, a poisonous gas, which was released while they treated and processed hazardous materials. The investigation revealed that Bowman was directing employees to load tanker trucks containing hazardous waste, flammable liquids, poisonous gases, and caustic liquids, and transporting them between PACES and a deep well injection site without the required identifying placards. In addition, Bowman ordered hazardous wastewater loads, which were received at his Houston, TX, facility, to be illegally transported on public roads without the required placards. PACES employees accepted hazardous waste and treated it without the proper Environmental Protection Agency (EPA) or Texas Commission on Environmental Quality (TCEQ) permits and submitted false shipping documents to conceal that these loads were being treated at an unpermitted facility.

We are conducting this investigation jointly with EPA Criminal Investigative Division, Houston Police Department, Texas Parks and Wildlife, and TCEQ Criminal Enforcement.

May 28, 2013

WALMART AGREES TO PAY MORE THAN $81 MILLION TO SETTLE FEDERAL ENVIRONMENTAL CRIME CHARGES

In U.S. District Court, San Francisco, CA, Walmart pleaded guilty to the negligent discharge of pollutants by illegally handling and disposing of hazardous materials at its U.S. retail stores. The plea combines two cases in California and is part of a national settlement. Under the terms of the plea agreement, Walmart was sentenced to pay a $40 million criminal fine and an additional $20 million that will fund various community service projects, including opening a Retail Compliance Assistance Center and creating an Advanced Environmental Crimes Training Program for State and local law enforcement officers and regulatory inspectors to aid in the investigation of environmental crimes involving violations of the Clean Air Act, the Hazardous Materials Transportation Statute, and other Federal laws. We participated in this portion of the investigation with EPA and the FBI.

Walmart also pleaded guilty in Kansas City, MO, to EPA charges of violating the Federal Insecticide, Fungicide, and Rodenticide Act by failing to properly handle pesticides its customers returned. Walmart paid an additional $21.6 million in criminal and civil fines relating to these violations.

In total, Walmart will pay approximately $81.6 million to settle three criminal cases, as well as a civil case EPA filed. The unlawful conduct included improperly discarding hazardous wastes by placing them into municipal trash bins, pouring toxic liquids into the local sewer systems, or improperly transporting hazardous materials without required safety documentation to one of six U.S. product return centers.

July 31, 2013

FORMER COMPANY OWNER SENTENCED FOR HAZARDOUS MATERIALS SAFETY VIOLATIONS

In U.S. District Court, Boston, MA, Aaron David Beauchesne, former owner of Beauchesne Fire Equipment (BFE), was sentenced to 6 months home confinement, 24 months probation, and a $100 special assessment, and required to pay restitution in the amount of $77,953 for his role in violating Federal hazardous materials regulations relating to the testing and requalification of compressed gas cylinders. Nearly 6,000 cylinders, such as those used in hospitals, were stamped with a re-tester identification number indicating required hydrostatic testing had been completed when it had not. BFE was certified by the Pipeline and Hazardous Materials Safety Administration (PHMSA) as an approved re-qualification facility for re-testing and re-qualifying compressed gas cylinders. Our investigation disclosed that throughout 2011 and continuing through early 2012, Beauchesne and BFE employees under his direction failed to conduct hydrostatic testing on compressed gas cylinders and failed to complete cylinder testing data sheets.

We conducted this investigation with assistance from PHMSA.

September 30, 2013

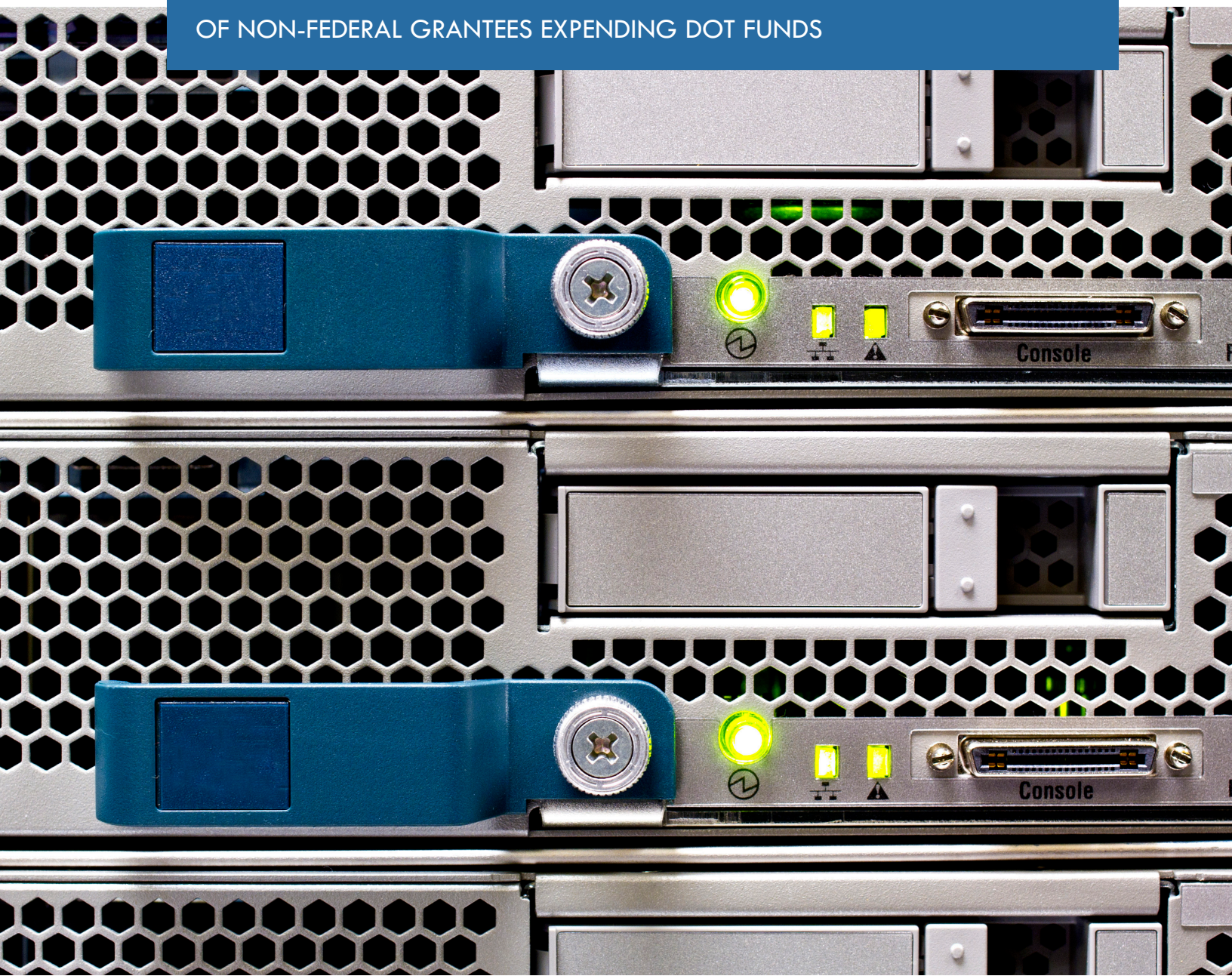
COMPANY OWNER SENTENCED TO 84 MONTHS FOR ILLEGAL TRANSPORTATION OF HAZARDOUS MATERIALS

Igor Borodin, owner of Krugger Auto, was sentenced in U.S. District Court, Charlotte, NC, to serve 84 months in jail for causing the criminal transportation of hazardous materials and importing counterfeit goods. Upon release from jail, Borodin will be placed under supervised release for 2 years, subject to removal/deportation to Russia. He was also ordered to pay $26,844 in restitution and to forfeit his home—valued at over $200,000—and $60,000 in cash.

Borodin was charged for his role in trafficking counterfeit airbags and the illegal shipment of undeclared hazardous materials in air commerce. The airbag systems are designed with an incendiary detonator. NHTSA's testing of the counterfeit airbags established that the airbags are volatile systems capable of not deploying at all, expending shrapnel and causing a fire, or both, when detonated.

We conducted this investigation jointly with the Department of Homeland Security Investigations, and the North Carolina Division of Motor Vehicles, Highway Patrol.

OIG'S **FINANCIAL AND INFORMATION TECHNOLOGY** WORK EMPHASIZES ECONOMY AND EFFICIENCY THROUGH AUDITS OF FINANCIAL STATEMENTS, INFORMATION TECHNOLOGY SECURITY, AND OVERSIGHT OF SINGLE AUDITS OF NON-FEDERAL GRANTEES EXPENDING DOT FUNDS



AUDITS AND INVESTIGATIONS
FINANCIAL AND INFORMATION TECHNOLOGY

Audits

April 15, 2013

QUALITY CONTROL REVIEW ON THE SAN FRANCISCO BAY AREA RAPID TRANSIT DISTRICT

Self-initiated

We conducted a quality control review of an audit performed by Macias Gini & O'Connell LLP (MGO) on the San Francisco Bay Area Rapid Transit District's use of DOT grants for the fiscal year ending June 30, 2011. During this period, the District expended more than $111 million from DOT's grant programs. MGO determined that the major DOT program was the Federal Transit Cluster. We determined that MGO's audit work was Acceptable With a Deficiency and, therefore, generally met the requirements of the Single Audit Act, the Office of Management and Budget's (OMB) Circular A-133, and DOT's major program. We found nothing to indicate that MGO's opinion on DOT's major program was inappropriate or unreliable.

April 15, 2013

QUALITY CONTROL REVIEW ON THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY

Self-initiated

We conducted a quality control review of an audit performed by Ciuni & Panichi, Inc. (C&P) on the Greater Cleveland Regional Transit Authority's use of DOT grants for the fiscal year ending December 31, 2011. During this period, the Authority expended more than $51 million from DOT's grant programs. C&P determined that the major DOT program was the Federal Transit Cluster. We determined that C&P's audit work was Acceptable With a Deficiency, and therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that C&P's opinion on DOT's major program was inappropriate or unreliable.

June 20, 2013

QUALITY CONTROL REPORT OF USRC'S FINANCIAL STATEMENTS

Requested by the Ranking Members of the U.S. House Committee on Transportation and Infrastructure and its Subcommittee on Economic Development, Public Buildings, and Emergency Management

We conducted a quality control review of an audit performed by Rogers & Company PLLC on the Union Station Redevelopment Corporation's (USRC) financial statements for fiscal years 2011 and 2010. The objective of the audit was to determine if USRC's financial statements were fairly presented in accordance with accounting principles generally accepted in the United States. Rogers & Company PLLC issued a clean, unqualified audit opinion on USRC's financial statements. Rogers & Company PLLC's report did not include any reportable

"CISCO" BY KEN FAGER / CC BY-NC-SA 2.0

deficiencies in internal control over financial reporting. Our quality control review disclosed no instances in which Rodgers & Company PLLC did not comply in all material respects with auditing standards.

June 27, 2013

FAA'S CIVIL AVIATION REGISTRY LACKS INFORMATION NEEDED FOR AVIATION SAFETY AND SECURITY MEASURES

Self-initiated

FAA's Flight Standards Service maintains the Civil Aviation Registry to ensure that unqualified aircraft owners and airmen do not receive aircraft registrations or licenses. The Registry also serves as a source of information for other Government agencies, including those responsible for homeland security and investigations of aviation accidents and other incidents.

FAA uses the Registry to process and maintain ownership registrations on 350,000 private and commercial aircraft and records on pilots' licenses. However, FAA lacks critical information on non-citizen aircraft owners and pilot certifications to ensure aviation safety. In addition, FAA has not implemented the necessary security controls over the Registry's configuration and account management to protect personally identifiable information, or developed a recovery plan that meets Department requirements to ensure the system is recoverable after a disaster or other event.

We made several recommendations for further action, including developing procedures, policy, or regulations necessary to improve the integrity of aircraft and airmen data, and implementing controls required by the Federal Information Security Management Act and DOT policy to improve both its security posture and contingency plans to recover the system.

July 25, 2013

ACTIONS NEEDED TO ENFORCE CONTROLS OVER PURCHASE CARDS

Self-initiated

Each year, DOT employees make over 300,000 purchases, totaling about $200 million, with Department-issued purchase cards. While DOT designed adequate controls to prevent and detect erroneous purchases in the purchase card program, cardholders and approving officials did not always adhere to these controls. Based on statistical sampling, we estimate that $58 million of $277 million in purchases that DOT cardholders made between October 1, 2009, and March 31, 2011, did not comply with prescribed controls. We also found that FAA employees did not always enter the property they acquired with purchase cards into

the Agency's tracking system in accordance with policy; 32 percent of the Department's property purchases we reviewed were either not promptly recorded or not recorded at all.

We made four recommendations to DOT and five recommendations to FAA. Both DOT and FAA program officials concurred with the recommendations.

September 10, 2013

SECURITY WEAKNESS IN DOT'S COMMON OPERATING ENVIRONMENT EXPOSE ITS SYSTEMS AND DATA TO COMPROMISE

Self-initiated

DOT's common operating environment (COE) provides the Department's Operating Administrations with IT services, such as data storage, email and web application access, and database services. DOT's COE also provides a centralized environment for applications that Operating Administrations use in support of their operations.

The objective of our audit was to determine the effectiveness of COE's information security controls, including whether or not DOT's COE is as safe from compromise as possible and what, if any, security vulnerabilities the COE contains. Our report contains sensitive information exempt from public disclosure under the Freedom of Information Act. A redacted version of our report is posted to our Web site.

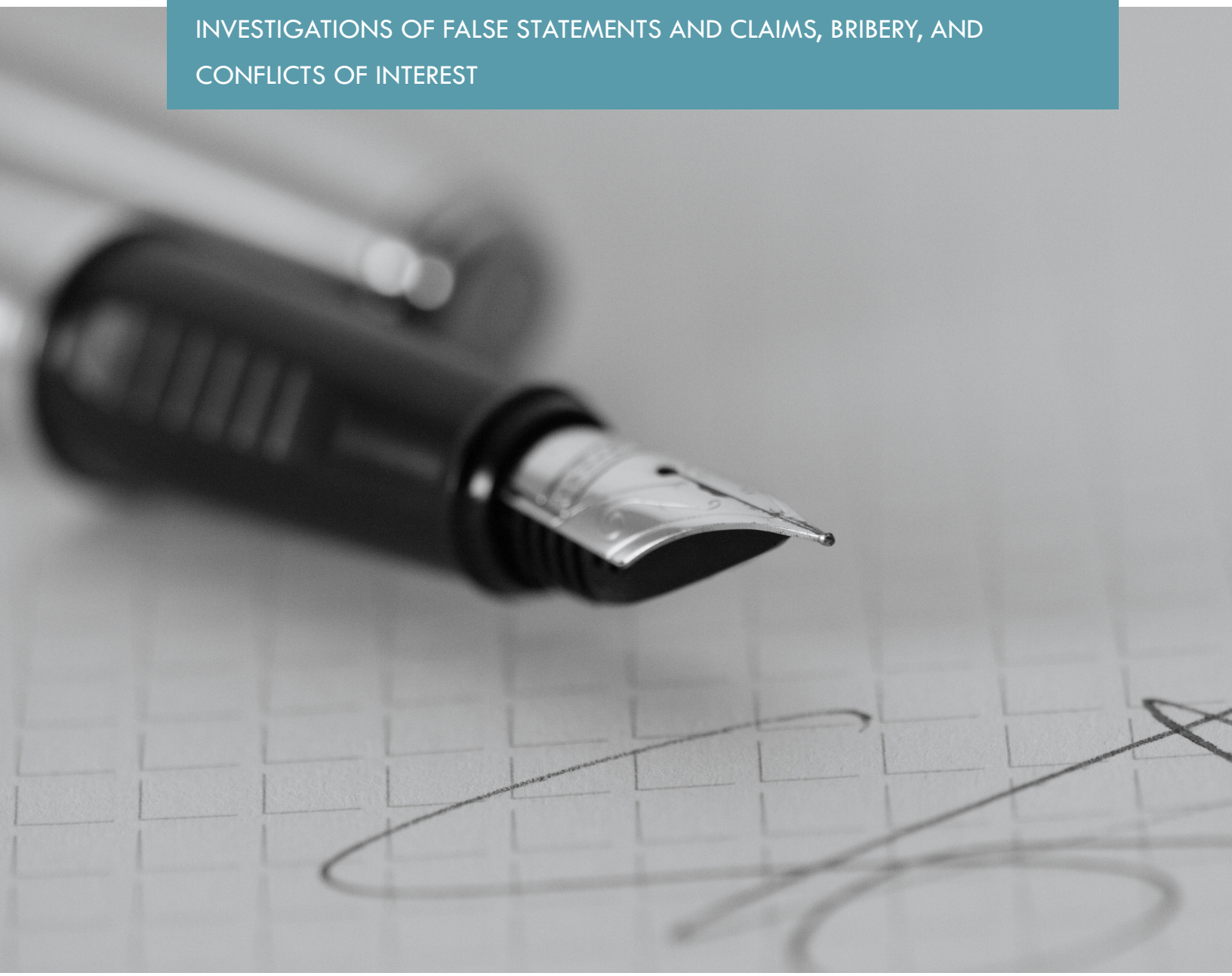
September 23, 2013

DOT DOES NOT FULLY COMPLY WITH REQUIREMENTS OF THE REDUCING OVER-CLASSIFICATION ACT

Required by the Reducing Over-Classification Act

The Reducing Over-Classification Act requires Federal agencies that classify information to administer programs promoting compliance with laws regarding the proper use of classification and to reduce over-classification. However, not all DOT classification related policies and procedures are effective or comply with Federal requirements, including the National Archives and Records Administration's Information Security Oversight Office's (ISOO) regulation. Specifically, DOT did not conduct comprehensive self-inspections of spaces dedicated to storing classified documents; the Department's classified documents were not all correctly marked; DOT reports to ISOO are not accurate; and FAA's Order on Safeguarding Classified National Security Information needs to be updated to comply with ISOO requirements. We made four recommendations to DOT and one recommendation to FAA. DOT and FAA officials concurred with all recommendations.

OIG'S **ACQUISITION AND PROCUREMENT** WORK EMPHASIZES ECONOMY AND EFFICIENCY THROUGH AUDITS OF THE DEPARTMENT'S ACQUISITIONS, CONTRACTS, AND FINANCIAL ASSISTANCE AGREEMENTS, AND THROUGH INVESTIGATIONS OF FALSE STATEMENTS AND CLAIMS, BRIBERY, AND CONFLICTS OF INTEREST



AUDITS AND INVESTIGATIONS
ACQUISITION AND PROCUREMENT

Audits

In addition to directing its own audits, OIG's Office of Acquisition and Procurement partners with other OIG offices to provide acquisition expertise and audit work on a broad and cross-cutting range of reports related to our aviation; highway and transit; rail, maritime, and hazmat transport; and information technology work. Leveraging OIG's acquisition expertise across all audit groups ensures consistent and thorough reviews of acquisition matters throughout the Department and with its grantees. Our comprehensive approach focuses on the strategic significance of promoting effective oversight of the Department's acquisitions, contracts, and financial assistance arrangements.

April 23, 2013

WEAKNESSES IN THE DEPARTMENT'S DISADVANTAGED BUSINESS ENTERPRISE PROGRAM LIMIT ACHIEVEMENT OF ITS OBJECTIVES

Self-initiated

DOT's DBE program was created to help provide contracting opportunities to socially and economically disadvantaged individuals who own and control small businesses. In fiscal years 2009 through 2012, the Department distributed an average of approximately $4 billion annually to DBEs. During this period, DBE fraud and abuse cases increased significantly. Currently, DBE cases represent 36 percent of OIG active procurement and grant fraud investigations.

The DBE program's integrity depends in large part on systematic procedures to ensure only DBE-certified firms participate in the program. While DOT places this responsibility primarily on recipients—State and local transportation agencies—the program also requires Department leadership, guidance, and oversight. However, DOT has not issued comprehensive, standardized DBE guidance; provided sufficient training to the recipients that implement the program; or established program accountability. The recipients' weak DBE certification and contract oversight practices increase the risk of fraud and abuse for the program. Finally, the Department has had limited success in achieving its program objective to develop DBE firms to succeed in the marketplace, as we found that most certified DBEs never receive work on Federal projects.

We made eight recommendations aimed at enhancing DOT's DBE program management and oversight.

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Audits

August 5, 2013

DOT DOES NOT FULLY COMPLY WITH REVISED FEDERAL ACQUISITION REGULATIONS ON THE USE AND MANAGEMENT OF COST-REIMBURSEMENT AWARDS

Required by the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009

DOT obligates hundreds of millions of dollars in high-risk cost-reimbursement contracts each year. As required by the Duncan Hunter Act, the Federal Acquisition Regulation (FAR) provides new guidance aimed at improving the use and management of these contracts. However, the six DOT Operating Administrations we reviewed do not fully comply with the revised FAR requirements related to acquisition planning and documenting justifications. In addition, they do not consistently assess oversight risks, properly designate oversight personnel, or verify that contractors' accounting systems are adequate to provide valid and reliable cost data. The Operating Administrations' noncompliance is primarily attributable to the Department's lack of internal guidance for implementing the new requirements and lack of oversight needed to verify Departmentwide compliance.

We made five recommendations to the Office of the Senior Procurement Executive (OSPE) to improve DOT's compliance with the revised FAR requirements on the use and management of cost-reimbursement awards. OSPE concurred with four recommendations but requested that the remaining recommendation be made to the Maritime Administrator. OSPE has reconsidered, and the Senior Procurement Executive has directed MARAD contracting officials to address the remaining recommendation.

August 2, 2013

MARAD HAS TAKEN STEPS TO DEVELOP A PORT INFRASTRUCTURE DEVELOPMENT PROGRAM BUT IS CHALLENGED IN MANAGING ITS CURRENT PORT PROJECTS

Self-initiated (also listed under "Rail, Maritime, Hazmat Transport, and Economic Analysis")

In 2003, MARAD was authorized to administer funds for developing and modernizing the Port of Anchorage, the main seaport in Anchorage, AK. MARAD has since been authorized to administer two other port projects in Hawaii and Guam. Between 2003 and 2011, the Port of Anchorage project's cost estimate grew from $211 million to $1 billion, with scheduled completion slipping 8 years. We determined that MARAD lacked effective oversight mechanisms—such as clearly defined oversight responsibilities and an established risk management process—when it

initiated its port infrastructure projects. In addition, inadequate planning, lack of reliable cost estimates, and noncompliance with Federal contracting requirements led to significant problems with Port of Anchorage project contracts. While MARAD has begun implementing changes to improve its management of the Port of Guam project—including better defined project responsibilities and a new management information system—MARAD is still in the process of developing the congressionally mandated Port Infrastructure Development Program, which could provide a framework for ongoing and future port infrastructure projects.

MARAD concurred with our nine recommendations. For six recommendations, MARAD provided appropriate action plans. For the remaining three recommendations, we are requesting that MARAD provide additional information.

September 26, 2013

MANAGEMENT ADVISORY: SUSPENDED OR DEBARRED FIRMS ARE LISTED ON STATE DBE DIRECTORIES AS ELIGIBLE FOR DBE PARTICIPATION

Self-initiated

During our recent audit of the Department's DBE program and our ongoing audit of its Suspension and Debarment (S&D) Program, we identified three suspended or debarred firms that are currently listed in State DBE directories as eligible to participate in the DBE program. Federal regulations explicitly prohibit suspended or debarred firms from receiving federally funded contracts. DOT lacks sufficient guidance to help State and local transportation agencies safeguard against awarding Federal funds through the DBE program to firms that are suspended or debarred. Deficiencies in State DBE certification and oversight processes further increase the risk that DBE work may be awarded to suspended or debarred firms. We informed the Department of these weaknesses and alerted it to the possibility that other ineligible firms may be listed on State DBE directories or erroneously granted DBE status.

Investigations

May 17, 2013

OWNER OF STATEN ISLAND-BASED CONSTRUCTION COMPANY SENTENCED FOR ROLE IN DBE SCHEME

Madeline Pepe, owner of Staten Island-based MS Construction Corporation (MSC), was sentenced in U.S. District Court, Manhattan, NY, to 2 years probation and a $50,000 forfeiture. On March 5, 2012, Pepe pleaded guilty to conspiracy to commit mail and wire fraud charges. Between approximately 1994 and March 2011, Pepe participated in a conspiracy to use MSC as a front DBE for several non-minority firms performing work on multiple FHWA-funded New York State DOT and New York City DOT projects, and an FAA-funded Port Authority of New York and New Jersey project. MSC did not perform a commercially useful function. The amount of the affected subcontracts totals approximately $2 million. We are investigating this case jointly with the Department of Labor OIG, the Port Authority of New York and New Jersey OIG, and the New York City Department of Investigation.

June 6, 2013

OHIO DBE AGREES TO $2.88 MILLION CIVIL SETTLEMENT

In Dayton, OH, developers David and Sheri Oakes, along with former business partner Sherif Aziz, doing business as TesTech, Inc., agreed to pay $2,883,947 to resolve allegations that they falsely claimed DBE status on federally funded transportation projects. The investigation revealed that Aziz represented himself on paper as the owner and president of TesTech, which was actually owned by David and Sheri Oakes, to convince the Federal Government that TesTech was eligible for special Federal contracting preference under DOT's DBE program.

We conducted this investigation with the U.S. Attorney's Office, Columbus, OH; and Ohio DOT.

July 11, 2013

OWNER OF TRUCKING FIRM AGREES TO CIVIL SETTLEMENT FOR DBE FRAUD

Benjamin Marshall, owner of BN&M Trucking, agreed to pay a civil settlement of $12,000 to the U.S. Government for certifying he performed work fulfilling a DBE goal when he did not. In June 2006, John Carlo, Inc. (JCI), the prime contractor on an FAA-funded runway construction project for the Wayne County Detroit Metropolitan Airport, was responsible for ensuring DBEs performed commercially useful functions. Between January 2005 and December 2010, JCI submitted false claims on the project, which indicated that services were provided by BN&M when they were provided by a non-DBE subcontractor, the prime contractor, or both—a violation of DBE regulations and the False Claims Act.

We conducted this investigation jointly with the U.S. Attorney's Office, Civil Division.

Investigations

July 24, 2013

PAVING COMPANY AND INDIVIDUALS CHARGED IN DBE SCHEME

Boggs Paving Inc.; Carl "Drew" Boggs; Kevin Hicks; Greg Miller; Greg Tucker; Styx Cuthbertson Trucking Company, Inc.; and John Cuthbertson were charged in U.S. District Court, Charlotte, NC, for their roles in a DBE fraud scheme involving over $87 million in federally funded and State-funded contracts. The indictment alleges that from 2003, Boggs Paving fraudulently obtained contracts by falsely certifying that Styx would perform work as a DBE or a Small Business Enterprise (SBE). However, Styx was used as a pass-through entity to obtain these contracts, and the majority of the work was performed by Boggs Paving affiliates. The indictment also alleges that a bank account in Styx's name was used to deposit the DBE and SBE payments to give the appearance that it was receiving the payments, when the account was actually controlled by Boggs Paving and the majority of the payments were funneled back to Boggs Paving affiliates. Additionally, Boggs Paving made false and misleading statements to North Carolina DOT, South Carolina DOT, and other Federal grant-receiving entities on DBE applications, renewal statements, and DBE payment certifications.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

September 19, 2013

CONSTRUCTION CONTRACTOR CONVICTED OF DBE FRAUD

Elaine Martin, of Meridian, ID, and former president and majority stockholder of MarCon, Inc., was convicted by a Federal jury in Boise, ID, on multiple charges, including filing false individual and corporate tax returns, conspiracy, wire fraud, mail fraud, false statements, and obstruction of justice. Martin's co-defendant, Darrell Swigert, of Boise and a minority shareholder in Marcon, was also found guilty.

Martin submitted false and fraudulent applications to qualify Marcon, a construction company, for two federally funded programs: the Small Business Administration (SBA) 8(a) Program, and DOT's DBE Program. Both programs are designed to help economically and socially disadvantaged businesses compete in the marketplace. To be admitted into the programs, applicants must demonstrate economic disadvantage, in part by having a personal net worth below a certain statutory cap. Evidence presented at trial showed that Martin took steps to artificially lower her personal net worth and appear economically disadvantaged, such as acquiring, holding, and transferring assets into the names of nominees.

We conducted this investigation jointly with the FBI, IRS, and SBA OIG.

THE OFFICE OF INSPECTOR GENERAL CONDUCTS AUDITS AND INVESTIGATIONS OF **DEPARTMENTWIDE ISSUES** THAT ARE EITHER SELF-INITIATED OR IN RESPONSE TO REQUESTS FROM CONGRESS AND THE DEPARTMENT

AUDITS AND INVESTIGATIONS
DEPARTMENTWIDE ISSUES

Audits

May 15, 2013

LETTER TO SENATOR SHAHEEN REGARDING THE IMPACT OF SEQUESTRATION ON DOT OIG'S ABILITY TO OVERSEE GOVERNMENT SPENDING

Requested by Senator Jeanne Shaheen

In response to Senator Shaheen's request for information on sequestration's impact on our oversight of DOT spending, we highlighted cost-cutting actions we have taken prior to and following the enactment of the Budget Control Act in August 2011 to minimize the act's impact. We also described the oversight challenges we now face and the expected long-term impact on our ability to maximize our return on investment and help ensure the Nation's transportation systems are safe and effective.

June 27, 2013

LETTER TO CHAIRMAN ISSA AND RANKING MEMBER CUMMINGS ON OIG'S OPEN AUDIT RECOMMENDATIONS

Requested by Chairman Darrell Issa and Ranking Member Elijah Cummings, House Committee on Oversight and Government Reform

On June 17, 2013, the Chairman and Ranking Member requested that we provide detailed information on the status of our open audit recommendations. In response, we reported that as of June 18, 2013, 544 recommendations—included in 198 audit reports issued between September 30, 2004, and June 18, 2013—remained open. Of these 544 recommendations, 45, which were included in 39 reports, carry potential monetary benefits or cost savings totaling more than $4.9 billion. As requested, we identified the three most significant open recommendations—one from each of these reports: *FAA and Industry Are Taking Action To Address Pilot Fatigue, but More Information on Pilot Commuting Is Needed*; *Assessment of FHWA Oversight of the Highway Bridge Program and the National Bridge Inspection Program*; and *Timely Actions Needed To Improve DOT's Cybersecurity*. Our selection was based on the recommendations' impact on safety, economy, or efficiency; documented vulnerabilities; and the ability of the Department to effect change in these programs or areas.

"T2010 09 16 - 4759-4761 - WASHINGTON DC - USDOT" BY ANDREW BOSSI / CC BY-NC-SA 2.0

OIG'S OTHER ACCOMPLISHMENTS AND CONTRIBUTIONS ARE THOSE THAT EXTEND BEYOND THE LEGAL REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT

OTHER **ACCOMPLISHMENTS**

April 15 – 26, 2013

ASSISTANCE IN THE BOSTON MARATHON BOMBING INVESTIGATION

Special agents in OIG's Investigations office, Cambridge, MA, assisted the FBI and other law enforcement agencies with the the Boston Marathon bombing investigation. Agents conducted interviews, prepared interview reports, and collected hundreds of pieces of digital video and photo evidence from numerous sources.

May 23, 2013

FEDERAL NEWS RADIO INTERVIEW ON FHWA'S ARRA OVERSIGHT

The Assistant Inspector General for Highway and Transit Audits discussed OIG's findings from an audit entitled, *Lessons Learned from ARRA Could Improve FHWA's Use of Full Oversight*, on Federal News Radio's "In Depth" program.

May 30, 2013

FRAUD AWARENESS BRIEFING

Two special agents in charge from OIG's New York and Cambridge Investigations offices conducted a fraud awareness briefing focusing on the Tappan Zee Bridge replacement project. The project is estimated to cost $4 billion to $5 billion to complete and will receive substantial FHWA funding in the form of a loan and possibly direct grants. Approximately 75 FHWA and New York State Thruway Authority employees in Westchester, NY, attended.

June 5, 2013

PRESENTATION ON DOT'S ACQUISITION WORKFORCE

The Assistant Inspector General for Acquisition and Procurement Audits and program directors from that office gave a presentation on "Working Together to Empower the Acquisition Workforce and Save Taxpayer Dollars" at DOT's annual Acquisition and Financial Management Conference—the main forum for the Department's acquisition professionals to share information and keep abreast of trends in Federal acquisition and procurement. About 250 DOT officials attended.

"ON AIR" BY OCV PHOTO / CC BY-NC-SA 2.0

June 7, 2013

PRESENTATION AT RTCA'S ANNUAL SYMPOSIUM

The Deputy Assistant Inspector General for OIG's Aviation office gave a presentation at RTCA's Annual Symposium on key issues facing FAA and the aviation industry as NextGen advances. The Deputy Assistant Inspector General emphasized the need for FAA to better define expected outcomes from investments and seek ways to control rising operating costs. The conference was attended by aircraft and avionics manufacturers, trade associations, and airlines.

June 12, 2013

PRESENTATIONS AT ANNUAL PROCUREMENT AUDIT TRAINING CONFERENCE

OIG's Acquisition and Procurement office assisted in organizing and presenting speakers at the 2013 Federal Audit Executive Council (FAEC) Procurement Audit Training Conference, hosted by the Council of Inspectors General on Integrity and Efficiency. Several managers and staff from the acquisition group and a manager from OIG's Aviation office led training sessions on an FAA major system acquisition, DOT's DBE Program, and DOT's and FAA's IT system governance process. The 1-day conference was attended by more than 580 individuals in the Federal audit community.

August 1, 2013

TRAINING ON MAJOR ACQUISITION AUDIT STEPS

A program director from OIG's Acquisition and Procurement office provided a training session on "Audit Steps for a Major Acquisition" at FAEC's bi-monthly meeting, held at the National Science Foundation Headquarters in Arlington, VA. Approximately 110 auditors and analysts attended.

September 9, 2013

PRESENTATION AT NEXTGEN AHEAD CONFERENCE

The Deputy Assistant Inspector General for OIG's Aviation office gave a presentation on "Where FAA's NextGen Efforts Fit in the Fiscal Budget" at Aviation Week and Space Technology's NextGen Ahead Conference. The conference was attended by U.S. and foreign aerospace firms and Government agencies, including the Department of Defense.

September 16, 2013

PARTICIPATION ON A DBE PROGRAM DEVELOPMENT PANEL

A program director from OIG's Acquisition and Procurement office participated in a panel discussion on "Disadvantaged Business Enterprise Program Development" at the Fourth Annual FAA National Civil Rights Training Conference for Airports in Arlington, VA. Over 150 participants attended.

September 23, 2013

PRESENTATION ON OIG'S ROLE AND RAIL WORK

The Assistant Inspector General for Rail, Maritime, and Hazmat Transport Audits, and Economic Analysis gave a presentation at the American Association of State Highway and Transportation Officials' Annual Standing Committee on Rail Transportation Conference. The presentation included information regarding the role of OIG as well as recently issued, ongoing, and planned projects. Approximately 200 State highway and transportation officials attended.

WORK PLANNED AND IN PROGRESS

This section describes OIG's work planned or in progress for October 1, 2013, through March 31, 2014. The work focuses on the Department's Strategic Plan and responds to requests by Congress and Administration officials. We take into account the need to support DOT's most critical programs and to ensure that the Department's resources are protected from fraud, waste, and abuse.

AVIATION

In Progress

CHALLENGES AND RISKS WITH AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST (ADS-B) IMPLEMENTATION

At the request of the Chairman and Ranking Minority Member of the House Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, and as required by the FAA Modernization and Reform Act of 2012, we are conducting an annual review of ADS-B—a key NextGen component that is expected to leverage satellite-based technology, aircraft avionics, and ground-based systems to provide information to pilots and air traffic controllers on the position of aircraft in all phases of flight. Our audit objective is to assess FAA's progress with mitigating risks and addressing challenges associated with implementing ADS-B.

UNDERLYING CAUSES FOR LIMITED PROGRESS WITH NEXTGEN

Since the NextGen effort began in 2005, OIG has repeatedly reported on program cost and schedule risks as well as operational and management challenges. These longstanding concerns prompted OIG to identify the development and execution of NextGen as one of the Department's top management challenges. During recent hearings on NextGen, Congress indicated its growing concern with NextGen's lack of progress. At the request of the Chairman and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, we are (1) assessing FAA's progress with meeting key milestones for achieving NextGen capabilities, (2) examining possible underlying causes for FAA's limited progress with advancing NextGen overall, and (3) reviewing FAA's recent reorganization and other efforts to improve the management and execution of NextGen initiatives.

"MANCHESTER AIRPORT SHOTS" BY KATE JOHNSON (WWW.KAJOPHOTO.CO.UK) / CC BY-NC-ND 2.0

In Progress

FAA'S EFFORTS TO STREAMLINE ITS PROCESS FOR IMPLEMENTING NEW PERFORMANCE-BASED FLIGHT PROCEDURES

In 2009, RTCA Task Force 5—a joint FAA-industry task force—completed an assessment and identified near-term performance-based flight procedure priorities for the 2012 to 2018 timeframe. Key recommendations focus on developing high-value flight procedures that rely on equipment already onboard aircraft and resolving longstanding approval and certification issues for new flight procedures. In response to the Task Force's recommendations, FAA performed a study that identified 21 improvements needed to implement the recommendations. However, these improvements could take several years to complete, and new flight procedures are not yet yielding expected benefits throughout the National Airspace System, raising congressional and industry concern. At the request of the Chairman of the House Transportation and Infrastructure Committee and the Chairman and Ranking Member of the Subcommittee on Aviation, we are assessing FAA's progress in (1) providing new high-value performance-based navigation procedures and (2) implementing improvements recommended by FAA's study.

FAA'S OVERSIGHT OF THE VOLUNTARY DISCLOSURE REPORTING PROGRAM

In 2006, FAA established the Voluntary Disclosure Reporting Program (VDRP), which allows air carriers to voluntarily report adverse safety issues to the Agency in exchange for immunity from FAA enforcement actions. While this program provides an important opportunity to identify and mitigate safety issues that might not otherwise come to FAA's attention, it also requires close monitoring to ensure the program is not misused. The FAA Modernization and Reform Act of 2012 included a mandate that OIG examine FAA's oversight of VDRP. Accordingly, our audit objectives are to determine whether FAA (1) ensures air carrier disclosure reports meet VDRP requirements, including the development and implementation of effective corrective actions, and (2) uses VDRP data to identify safety risks.

In Progress

AIR CARRIER FLIGHT DELAYS, CANCELLATIONS, AND ASSOCIATED CAUSES

The FAA Modernization and Reform Act of 2012 directed OIG to update its July 2000 report on air carrier flight delays and cancellations. As part of this effort, we are assessing FAA's and the Bureau of Transportation Statistics' progress in addressing our prior report findings and recommendations. We are also (1) comparing recent flight delay and cancellation trends with prior problem periods, (2) examining air carrier scheduling practices and their relative impact in causing flight delays and cancellations, and (3) assessing FAA's use of capacity benchmarks to help manage air traffic at the Nation's busiest airports.

FAA POLICY REGARDING USE OF UNMANNED AIRCRAFT SYSTEMS (UAS)

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security, as well as the Chairmen and Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we are assessing FAA's (1) efforts to mitigate safety risks for integrating UAS into the National Airspace System and (2) progress in meeting the UAS requirements of the FAA Modernization and Reform Act of 2012.

AIR TRAFFIC CONTROLLER PRODUCTIVITY

Since 2000, air traffic operations have dropped by 21 percent while controller staffing levels have remained essentially unchanged, resulting in controller productivity dropping by nearly 23 percent over this timeframe. FAA introduced several initiatives in its initial controller workforce plan that it stated would improve operational productivity and encourage efficiency within the controller workforce. However, it is unclear whether these initiatives are achieving promised efficiencies. We plan to review operational data to (1) identify controller productivity and factors that may impact controller productivity and (2) determine whether FAA's productivity and efficiency initiatives are producing desired outcomes.

In Progress

FAA-NATCA COLLECTIVE BARGAINING AGREEMENT EXTENSION

Effective October 1, 2012, FAA and the National Air Traffic Controllers Association (NATCA) agreed to extend their existing collective bargaining agreement through July 1, 2016. This agreement extends the original 3-year agreement and includes a memorandum of understanding covering pay. Our objectives are to (1) identify provisions in the 2012 collective bargaining agreement extension that put FAA at risk for unanticipated costs and (2) assess the effectiveness of FAA's policies, procedures, and internal controls in preventing cost escalations.

FAA'S EFFORTS TO ADDRESS RUNWAY INCURSIONS

After FAA implemented initiatives from its August 2007 Call to Action Plan for Runway Safety, the number of runway incursions decreased. However, this trend is reversing. The total number of all runway incursions increased 21 percent between fiscal years 2011 and 2012, from 954 to 1,150. The Ranking Member of the House Transportation and Infrastructure Committee, Aviation Subcommittee, requested that we examine FAA's Runway Safety Program and its actions to improve safety. Accordingly, our objectives are to evaluate FAA's (1) progress in implementing initiatives to prevent runway incursions and (2) effectiveness in reporting and evaluating runway incursions.

FAA'S SURFACE SURVEILLANCE PROGRAMS FOR RUNWAY SAFETY

Preventing aircraft ground collisions and runway incursions has been on NTSB's "Most Wanted Transportation Safety Improvements List" since 1990. NTSB recommended that FAA require ground movement safety systems at airports to prevent collisions and provide direct warnings to flight crews. In response, FAA designed Airport Surface Detection Equipment-Model X (ASDE-X). We are assessing FAA's progress in integrating ASDE-X with other runway safety technologies, such as runway status lights and ADS-B to improve runway safety.

PROGRESS IN MEETING NEXTGEN PROVISIONS OF THE FAA MODERNIZATION AND REFORM ACT OF 2012

From fiscal years 2013 through 2017, FAA plans to spend $2.4 billion on NextGen, a program intended to transform the Nation's air traffic control system. FAA's Modernization and Reform Act of 2012 includes provisions that are intended to help FAA better manage NextGen and advance new technologies. At the request of the Chairmen of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we plan to review FAA's progress and challenges in meeting the NextGen provisions prescribed in Title II of the act.

In Progress

FAA OVERSIGHT OF EUROPEAN UNION REPAIR STATIONS

On May 1, 2013, FAA completed its transfer of direct oversight of repair stations in the European Union (EU) to the national aviation authorities of those countries. These authorities will be responsible for monitoring over 400 FAA-certificated repair stations located in 18 EU countries. Our objectives are to (1) assess the Agency's monitoring of FAA-certificated repair stations operating under the US-EU Aviation Safety Agreement to ensure they meet Agency standards and (2) evaluate the effectiveness of FAA's process to transfer oversight of EU repair stations to national aviation authorities.

DOT OVERSIGHT AND ENFORCEMENT OF LONG, ONBOARD FLIGHT DELAYS

Our work over the past decade has consistently shown that strong oversight of airline passenger protections is needed. We recommended several actions that DOT has taken to strengthen the accountability, enforcement, and protection afforded to air travelers. We are assessing the effectiveness of DOT's oversight and enforcement of airlines' and airports' compliance with requirements relating to long, onboard flight delays.

FAA'S OVERSIGHT OF THE HAZARDOUS MATERIALS VOLUNTARY DISCLOSURE REPORTING PROGRAM

Each year, over 50,000 routine providers of hazardous materials ship hazmat packages by air on more than 600 U.S. and foreign air carriers. Hazmat air shipments can present serious safety risks—especially when the hazardous materials are unauthorized and undeclared. To help address safety concerns raised by hazmat shipments by air, FAA established the Hazardous Materials Voluntary Disclosure Reporting Program (HM VDRP) in 2006. By allowing air carriers to voluntarily disclose violations of hazardous materials regulations without receiving civil penalties, the program provides an important opportunity to identify and mitigate hazmat safety issues that might not otherwise come to the Agency's attention. Accordingly, our audit objectives are to determine whether FAA (1) ensures that air carriers' disclosure reports meet HM VDRP requirements, including the development and implementation of effective corrective actions, and (2) uses HM VDRP data to identify safety risks, including risks from unauthorized, undeclared shipments.

Planned

FAA PROGRESS IN REDUCING HELICOPTER EMERGENCY MEDICAL SERVICES ACCIDENTS

The Helicopter Emergency Medical Services (HEMS) industry transports over 400,000 patients in the United States each year, as well as life-saving donor organs and blood to emergency care facilities. HEMS vehicles frequently operate in high-risk flight environments, including night flight, poor weather and visibility, and unfamiliar landing sites. Since the mid-1990s, the number of helicopters providing emergency medical services nationwide has grown nearly 300 percent, and the HEMS accident rate has almost doubled over that time. The House Committee on Transportation and Infrastructure requested that we review FAA's progress in improving HEMS safety. We plan to evaluate FAA's efforts in meeting requirements established for emergency helicopter operations in the FAA Modernization and Reform Act of 2012 and the status of FAA's voluntary efforts to reduce the HEMS accident rate.

FAA OVERSIGHT OF COCKPIT AUTOMATION AND PILOT PERFORMANCE

Commercial airline pilots rely on sophisticated cockpit automation to fly aircraft in all phases of flight. According to a recent FAA study, the growing adherence to computer-assisted flying—and the confusion that can result when pilots fail to keep up with computer advances—increasingly are considered major factors in airline crashes worldwide. This drive in innovation and cockpit automation is limiting the opportunities pilots have to maintain their flying skills. We plan to evaluate the effectiveness of FAA's oversight of pilot training programs in assessing pilots' ability to fly without automation and maintain control of aircraft in unanticipated flight conditions.

Planned

FAA DATA COMMUNICATIONS

Data Communications (DataComm), a NextGen transformational program, is expected to provide digital communications with data link capability for routine pilot-controller communications, including air traffic clearances, advisories, and flight crew requests and reports. Airspace users have raised significant concerns about DataComm's development. We plan to conduct an audit to (1) determine whether FAA's acquisition strategy for DataComm addresses cost, schedule, and performance risks associated with FAA's NextGen plans and goals and (2) identify any difficulties or uncertainties in integrating new DataComm services with existing or planned automation platforms, such as STARS and ERAM.

FAA'S ORGANIZATION DESIGNATION AUTHORIZATION

Delegating authority to certify of aircraft and their continued airworthiness is a longstanding and essential practice in aviation, as FAA does not have the staff to oversee every facet of a diverse industry. Moreover, the law allows FAA to delegate certain functions to private individuals or organizations that perform certification work, such as approving elements of new aircraft designs, on behalf of the Agency. In 2005, FAA created the Organization Designation Authorization (ODA) Program to consolidate various types of organizational delegations under one program and standardize oversight. We plan to assess (1) the status of the ODA program, including the roles of Government and industry stakeholders, and (2) the effectiveness of program controls and FAA's oversight.

CAMPBELL
CAMPBELL
OVER SIZE LOAD

HIGHWAY AND TRANSIT

In Progress

FEDERAL LANDS HIGHWAY'S TRIBAL TRANSPORTATION PROGRAM

The Tribal Transportation Program (TTP) provides financial resources and technical assistance for public roads that service the needs of Indian lands. For fiscal years 2005 through 2012, the program received $3.5 billion, including $310 million provided by ARRA. Our objectives are to assess whether FHWA's Office of Federal Lands Highway is (1) effectively coordinating with the Bureau of Indian Affairs to administer and manage TTP and (2) providing adequate oversight of TTP projects under agreements with tribes.

FTA'S NATIONAL TRANSIT DATABASE

The National Transit Database (NTD) was established to be the Nation's primary source of information and performance statistics on U.S. transit systems. Congress, Federal agencies, and transit industry stakeholders rely on NTD data to make sound planning and investment decisions. FTA apportions over $6 billion annually in formula grants to nearly 2,000 urban and rural transit agencies based on NTD data. Our objectives are to evaluate FTA's oversight of NTD data to ensure that submissions from grant recipients and beneficiaries of transit funds for the Urbanized Area Formula Program are complete, accurate, and timely.

FOLLOW-UP AUDIT ON CROSS-BORDER TRUCKING

The Fiscal Year 2002 Department of Transportation Appropriations Act and subsequent appropriations legislation through 2012 mandate OIG to review the safety requirements related to Mexico-domiciled motor carrier operations. In accordance with this legislation, our audit objectives are to determine whether FMCSA (1) continues to comply with the safety requirements set forth in Section 350(c) and (2) has taken sufficient action to implement our prior recommendations for improving its capacity to perform bus inspections at U.S.-Mexico border crossings. This is a follow-up audit on FMCSA's implementation of NAFTA's cross-border provisions.

FHWA'S WORKFORCE PLANNING EFFORTS

To accomplish its mission and oversee States' use of Federal highway funds, FHWA has a workforce of about 3,000 staff distributed across Headquarters, 52 State Division Offices, and other smaller field activities. We are assessing FHWA's processes and procedures for assessing its workforce needs. Specifically, we are (1) assessing FHWA's processes for determining the needed number, composition, and location of staff to achieve current and future agency goals and (2) evaluating how FHWA uses its workforce assessments when making staffing assignments and requests.

"BRIDGE REPLACEMENT PROJECT IN THE DALLES, OREGON" BY OREGON DOT / CC BY 2.0

In Progress

FMCSA'S IMPLEMENTATION OF THE COMPLIANCE, SAFETY, ACCOUNTABILITY PROGRAM

FMCSA's Compliance, Safety, and Accountability (CSA) Program is intended to improve commercial motor vehicle safety by focusing enforcement efforts on higher risk carriers. The centerpiece of CSA is the Safety Measurement System, which uses seven safety improvement categories to evaluate carriers' performance and assess their potential crash risks. At the request of the House Transportation and Infrastructure Committee's Subcommittee on Highways and Transit, we are assessing whether FMCSA has (1) established adequate controls to ensure the quality of the data used to evaluate carrier performance and risk and (2) effectively implemented CSA enforcement interventions.

FHWA'S IMPLEMENTATION OF PRIOR OIG BRIDGE PROGRAM RECOMMENDATIONS AND MAP-21 BRIDGE PROVISIONS

The May 23, 2013, collapse of a portion of the Skagit River Bridge in Washington State brought renewed attention to the safety and condition of the Nation's bridges. FHWA is responsible for overseeing States' compliance with the National Bridge Inspection Standards and with legislative provisions for Federal bridge funding. Since 2006, OIG has issued three reports recommending improvements to FHWA's oversight of bridge programs. At the request of the Ranking Member of the House Transportation and Infrastructure Committee, we are assessing FHWA's actions in response to prior OIG bridge report recommendations and the bridge safety provisions in MAP-21.

In Progress

FHWA'S OVERSIGHT OF RECOVERY ACT PROJECT CLOSEOUTS

Prompt closeout of ARRA projects allows unused funds on completed projects with no pending expenditures to be used on other projects still under construction. Project closeout is also a critical step for an accurate final accounting of States' use of all Federal-aid highway funds, including those from ARRA. Our audit is determining whether FHWA performs adequate oversight to ensure timely closeouts of completed ARRA highway projects and whether lessons learned from closing out ARRA highway projects can be used to improve closeouts of Federal-aid highway projects.

FHWA MAJOR PROJECTS OVERSIGHT

FHWA provides financial assistance and oversight to States in delivering high-cost, complex highway and bridge projects, known as major projects. Federal law defines major projects as those with an estimated cost of $500 million or more and requires States to prepare finance plans and project management plans. These plans are designed to ensure that major project costs and funding are fully identified and that a well-designed project management structure is in place to complete the project as planned. Plans are intended to be living documents that are updated to reflect conditions as the project progresses. Our audit is assessing selected major projects to determine whether FHWA oversight ensures States (1) prepare initial finance plans and project management plans that comply with FHWA guidance and (2) update plans to address the actions needed to mitigate cost, schedule, and funding risks.

In Progress

NHTSA'S OVERSIGHT OF HIGHWAY SAFETY GRANTS

The National Highway Traffic Safety Administration (NHTSA) awards formula and incentive grants to States for conducting a wide range of highway safety programs aimed at reducing fatalities, injuries, and economic losses resulting from motor vehicle crashes. These programs promote safety belt use and discourage alcohol-impaired driving, and other issues. We are evaluating whether (1) NHTSA's Headquarters and Region V ensured consistent and accurate tracking and disposition of grantee deficiencies identified during key oversight reviews of States' implementation of highway safety grant programs and (2) NHTSA's Region V verified that grantee expenditures comply with applicable laws, regulations, and grant requirements.

DOT'S HURRICANE SANDY EMERGENCY RELIEF EFFORTS

In October 2012, Hurricane Sandy caused widespread damage in the mid-Atlantic and the northeastern United States, particularly to the area's transportation infrastructure. The Disaster Relief Appropriations Act of 2013 (DRAA) designated more than $13 billion for infrastructure investments across several modes of transportation and funds for our office to oversee DOT's administration of the relief funds. To comply with DRAA, we are initiating a series of audits using a three-phase strategy. For the first phase, we are assessing FTA's readiness, processes, and procedures to meet DRAA's legislative and regulatory requirements, including FTA's planning efforts to implement its new Emergency Relief Program. We will develop specific audit objectives for the second and third phases as our work progresses.

Planned

DOT'S EFFORTS TO IMPLEMENT MAP-21 PROJECT AND PROGRAM DELIVERY REQUIREMENTS—PHASE 2

To continue meeting our mandate to assess the Department's implementation of MAP-21 project and program delivery reforms, we will undertake the next phase of our work. Specifically, we plan to continue assessing the status of DOT's reforms and any other key issues that warrant a detailed review, based on potential vulnerabilities that emerged during our Phase 1 audit.

RAIL, MARITIME, HAZMAT TRANSPORT, AND ECONOMIC ANALYSIS

In Progress

FRA'S NATIONAL ENVIRONMENTAL PROTECTION ACT PROCESS

The National Environmental Protection Act (NEPA) requires FRA, as a Federal agency, to assess the environmental impacts of its proposed actions prior to making decisions. To increase transparency in FRA's NEPA application process and review concerns raised by stakeholders, OIG is assessing FRA's policies, procedures, and guidance for coordinating with FHWA and FTA and for ensuring FRA staff and grantees meet NEPA requirements.

EFFECTS OF LIMITED COMPETITION ON AIRLINE FLIGHT DELAYS AND CANCELLATIONS

The FAA Modernization and Reform Act of 2012 directs OIG to assess the effect that limited air carrier service options on routes have on the frequency of delays and cancellations on such routes. To meet this requirement, OIG is conducting an analysis of the relationship between the presence or degree of competition on airline routes and the frequency of delays and cancellations. To conduct this assessment, we are developing econometric models of delays and cancellations. These models will allow us to separate the effects of changes or limits in competition on cancellations and delays from the effects of other factors, such as weather and congestion.

FRA'S PROGRESS IN IMPLEMENTING THE PROVISIONS OF THE PASSENGER RAIL INVESTMENT AND IMPROVEMENT ACT OF 2008

PRIIA requires OIG to conduct two assessments of FRA's progress in implementing the act's provisions within 5 years of enactment. In March 2012, we reported the results of our first assessment, which determined that FRA had completed 12 of its 29 PRIIA responsibilities. The objectives for our second assessment are to (1) examine FRA's progress in implementing its remaining PRIIA responsibilities and (2) identify any major challenges to completing implementation.

FRA'S OVERSIGHT OF THE RAILROAD REHABILITATION AND IMPROVEMENT FINANCING PROGRAM

The Railroad Rehabilitation and Improvement Financing (RRIF) Program—established in 1998 by the Transportation Equity Act for the 21st Century and amended in 2005 by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users—authorizes FRA to provide loans and loan guarantees to railroads and other eligible entities to finance the development of railroad infrastructure. We are conducting an audit of FRA's administration of RRIF and the effectiveness of the program's support to railroads and other eligible entities in achieving improvements to the

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In Progress

Nation's rail infrastructure, as envisioned by the authorizing legislation. Our objectives are to (1) assess FRA's policies and procedures for evaluating and selecting RRIF applications and (2) identify factors that affect prospective applicants' decisions to apply for RRIF credit assistance.

PHMSA'S PROGRESS IN IMPROVING ITS SPECIAL PERMITS AND APPROVALS PROGRAM

PHMSA, through its Special Permits and Approvals Program, grants approvals for activities allowed under certain conditions identified in the Hazardous Materials Regulations. In 2009 and 2010 we reported on serious weaknesses in the program. These weaknesses included how the Agency (1) assessed applicants' fitness or ability to comply with special permit or approval conditions, (2) evaluated applicants' proposed safety measures, and (3) coordinated applications with other Operating Administrations. Our objective is to determine the extent to which PHMSA has addressed the program's weaknesses. Specifically, we are assessing the Agency's implementation of standard operating procedures for processing special permits and approvals, focusing on fitness, safety, and coordination.

THE U.S. MERCHANT MARINE ACADEMY'S PROGRESS IN ADDRESSING SEXUAL HARASSMENT AND SEXUAL ASSAULT

Less than half of the population of female upperclassmen, faculty, and staff at the U.S. Merchant Marine Academy (USMMA), which is operated by MARAD, believe that senior leadership has created a climate that is intolerant of sexual harassment and sexual assault, according to the Academy's most recent publicly available survey conducted in the 2009-2010 academic year. At the request of Ranking Member Elijah Cummings and Congresswoman Jackie Speier of the House Committee on Oversight and Government Reform, we are conducting a comprehensive evaluation of USMMA's efforts to create a climate in which sexual harassment and sexual assault are not tolerated. Accordingly, our objectives are to assess (1) USMMA's implementation of its action plan to prevent, respond to, and resolve instances of sexual harassment and sexual assault and (2) DOT's oversight of the Academy's sexual harassment and sexual assault prevention, response, and resolution efforts, including MARAD's management of these efforts.

Planned

FRA'S MANAGEMENT OF SAFETY DATA

FRA collects accident and incident data from railroads to inform its National Inspection Plan, which FRA uses the plan to target inspection resources and monitor how regions are meeting their inspection goals. FRA's accident and incident data must be accurate and comprehensive so that the Agency can optimally deploy limited safety inspection resources across the Nation's 140,000 miles of railroad track. We plan to evaluate FRA's (1) management of accident and incident data and (2) oversight of railroads' processes for collecting and reporting rail safety data to FRA for its inspection program.

FRA'S OVERSIGHT AND MANAGEMENT OF AMTRAK GRANTS

FRA provides annual grants in excess of $1 billion to subsidize Amtrak operations. The grant agreements require Amtrak to meet certain terms and conditions. We plan to review FRA's administration of these grants and determine whether FRA ensures that Amtrak complies with grant requirements. The objective of this audit will be to assess FRA's use of performance metrics to monitor the performance and success of Amtrak projects.

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FINANCIAL AND INFORMATION TECHNOLOGY

In Progress

QUALITY CONTROL REVIEW OF STANDARDS FOR ATTESTATION ENGAGEMENTS REVIEW OF DOT'S ENTERPRISE SERVICES CENTER

OIG is performing a quality control review of the audit performed by an independent public accounting firm to determine whether (1) management's description of the service organization's systems was fairly presented, (2) controls were suitably designed, and (3) controls operated effectively from October 1, 2012, to June 30, 2013.

DOT'S INFORMATION SECURITY PROGRAM AND PRACTICES FOR FISCAL YEAR 2013

As mandated by the Federal Information Security Management Act of 2002, OIG is performing its annual review of DOT's information security program and practices to determine their effectiveness.

FAA'S TRAFFIC FLOW MANAGEMENT SYSTEM

FAA uses the Traffic Flow Management System (TFMS) to manage air traffic flow, resolve inter-air traffic facility issues, and address weather and other conditions that stress the National Airspace System. Given its important role in maintaining efficient air traffic flow, weaknesses in TFMS's information security controls could result in air traffic delays and congestion. OIG is performing a review to assess TFMS's information security controls, including whether FAA is identifying security risks and properly mitigating them.

FAA'S AIR TRAFFIC CONTROL SYSTEM COMMAND CENTER

Air Traffic Control System Command Center (ATCSCC) systems assist FAA in managing air traffic flow, resolving inter-air traffic facility issues, and addressing weather and other conditions that stress the National Airspace System. As such, it is critical that FAA protect these systems and the availability and integrity of its information. OIG is performing a review to assess ATCSCC systems' information security controls, including whether FAA is identifying security risks and properly mitigating them.

"PANDUIT A" BY KEN FAGER / CC BY-NC-SA 2.0

In Progress

FAA'S AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST SYSTEM

FAA's ADS-B is a satellite-based surveillance technology that is expected to use aircraft avionics and ground-based systems to provide information to pilots and controllers on aircraft location. As required by the FAA Modernization Reform Act of 2012, OIG is conducting an assessment of how security issues are addressed in ADS-B's overall design and implementation.

QUALITY CONTROL REVIEW OF DOT'S FISCAL YEARS 2012 AND 2013 CONSOLIDATED FINANCIAL STATEMENTS, AND FAA'S, SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION'S, AND NTSB'S FINANCIAL STATEMENTS

OIG is performing a quality control review of the audits performed by independent public accounting firms. We will determine whether the audits were performed in accordance with applicable auditing standards.

QUALITY CONTROL REVIEWS OF SINGLE AUDITS ON DOT GRANTEES

OIG is performing a quality control review of the audits performed by independent public accounting firms on grant recipients' use of DOT funds.

DOT'S TRAVEL CARD PROGRAM

DOT employees use travel cards to pay for expenses related to official Government travel. In fiscal year 2011, DOT employees made 1.2 million payments or charges totaling $172 million on their travel cards. A prior audit on the use of travel cards identified instances of employees abusing their travel cards by charging personal purchases, withdrawing cash in excess of their needs, and not paying their bills on time. We are assessing DOT's internal controls to determine their effectiveness in preventing and detecting travel charge misuse.

In Progress

DOT'S PRIVACY MANAGEMENT PROGRAM

As mandated by the Appropriations Act of 2008, Section 742, OIG performs a periodic review of DOT's privacy management program to determine whether DOT (1) has an effective privacy management program and (2) adequately protects personally identifiable information.

EARNED VALUE MANAGEMENT

OIG and the Government Accountability Office have previously reviewed DOT's use of earned value management (EVM)—a tool to plan, execute, and control IT project costs and schedules—and have made recommendations to implement EVM. We are assessing DOT's (1) management and monitoring of IT investments against approved performance measurement baselines, (2) controls to ensure the IT investment manager performs EVM as an integral part of standard investment management operations, (3) performance measurement baselines for IT investments, and (4) methodology for analyzing and using EVM data to assess and monitor contract performance.

DOT CONTROLS OVER COLLECTION OF ACCOUNTS RECEIVABLE

The Debt Collection Improvement Act requires agencies to follow standardized procedures to ensure collection of delinquent non-tax public debt. DOT's fiscal years 2008 and 2009 public accounts receivable increased from $85 million to $124 million. We are determining if DOT controls ensure the timely collection of accounts receivable and that delinquent accounts are subject to exhaustive collection attempts.

ACQUISITION AND PROCUREMENT

In Progress

DOT'S USE OF MANAGEMENT SUPPORT SERVICES CONTRACTS

As part of the White House's Campaign to Cut Waste, OMB announced its goal to reduce contract spending on management support services by 15 percent by the end of fiscal year 2012. For each of the fiscal years 2010 through 2012, DOT obligated over $1 billion in management support services contracts; over half involved high-risk contract types such as time-and-materials and cost-reimbursement contracts. These contract vehicles create cost risks and challenges because they are complex to manage and oversee. Our objectives are to (1) identify DOT's spending on management support services contracts for fiscal years 2010 through 2012 and (2) assess DOT's efforts to meet OMB's goal to reduce management support services contract spending and implement controls for awarding and managing management support services contracts.

AUDIT FOLLOW-UP ON DOT'S SUSPENSION AND DEBARMENT PROGRAM

S&D actions are among the Government's strongest tools to deter unethical and unlawful use of Federal funds. On January 7, 2010, we reported that DOT's S&D Program lacked sufficient internal controls to prevent prohibited parties from obtaining contracts and grants. Following our review, DOT began taking corrective actions to improve its S&D policies and procedures. However, recent work continues to show delays in DOT's S&D decision-making process, raising concerns that improvements are not being sustained. The objective of this audit is to determine if DOT suspends or debars prohibited parties and reports S&D activities in Governmentwide tracking systems timely and accurately.

FHWA'S EFFORTS TO ENSURE PRICE REASONABLENESS PRIOR TO AWARDING FIXED-PRICE CONTRACTS

As of March 30, 2013, FHWA has obligated approximately $78 million on fixed-price contracts, which represents 91 percent of DOT's total fiscal year 2013 fixed-price contracting dollars. The FAR requires agencies to establish fair and reasonable prices prior to awarding contracts, which helps ensure agencies receive the best value in their acquisitions. Pre-award price reasonableness reviews are especially critical for fixed-price contracts because the pre-award phase is the only opportunity for the Government to mitigate the risk of paying unreasonably high prices. The objective of this audit is to determine whether FHWA's policies, procedures, and practices meet Federal and DOT requirements for ensuring price reasonableness on fixed-price contracts.

"FILES" BY S.C.ASHER / CC BY-NC-SA 2.0

In Progress

PARTICIPATION IN FAA'S AIRPORT DISADVANTAGED BUSINESS ENTERPRISE PROGRAM

Under FAA's Airport DBE Program, an airport receiving Federal grants must establish an annual goal of what DBE participation would be in the absence of discrimination. To achieve its goal, an airport seeks to award contracts in procurement, construction, professional services, or concessions—to small businesses owned by women or minorities. However, based on its concerns that discrimination against these small businesses continues, Congress directed OIG to identify best practices for encouraging new airport DBE participation at large- and medium-sized airports, including businesses owned by veterans. The objectives of this audit are to determine (1) the number of new and existing DBE firms hired at the Nation's large- and medium-sized airports in fiscal year 2012 and (2) the factors that led some airports to award more contracts to new DBE firms.

THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY FTA DRAWDOWN

In 2009, FTA awarded the Metropolitan Washington Airports Authority (MWAA) $975 million in Federal funds for Phase 1 of the Dulles Corridor Metrorail Project. MWAA, an independent public body, is responsible for the design and construction of Phases 1 and 2 of the Dulles rail project. On November 1, 2012, we reported on weaknesses in MWAA's management policies and processes, including those that led to questionable procurement practices. When conducting that work, we identified potential financial management weaknesses related to MWAA's FTA grants for Phase 1 of the Dulles rail project. As a result, we initiated a separate audit focused on MWAA's financial controls for the Dulles rail project. The objective of this audit is to determine whether MWAA has controls in place to ensure that Dulles rail project Phase 1 expenses are used for eligible expenses.

Planned

DOT'S CONTRACT CLOSEOUT PROCESSES

Effective contract closeout processes protect the Government's interests, minimize administrative costs, and free excess funds for possible use elsewhere. In fiscal year 2011, DOT obligated approximately $5.7 billion on contracts for goods and services—a significant pool of contracts that may require careful contract closeout. We plan to determine whether DOT's Office of the Secretary (OST) and Operating Administrations are closing contracts efficiently and effectively, including de-obligating excess funds on completed contracts.

FTA'S OVERSIGHT OF CONTRACTS RECIPIENTS AWARDED FOR HURRICANE SANDY RELIEF—PHASE 2

During the second phase of our audit of FTA's acquisition practices for Hurricane Sandy Relief Funds, we will continue to assess FTA's ability to meet requirements in the Disaster Relief Appropriations Act of 2013 and provide effective oversight of Federal funds. Specifically, we plan to evaluate how FTA has addressed the acquisition risks identified in our initial review. We also plan to assess FTA's oversight of the relief funds and the effectiveness of contracts awarded by recipients.

REVIEW OF MARAD'S ACQUISITION FUNCTION AND CONTRACTING PRACTICES

Recent Administration initiatives called for Federal agencies to improve the effectiveness of their acquisition programs and practices to achieve better results from their contracts. DOT's Strategic Plan also calls for Operating Administrations to strengthen their IT, financial infrastructure, and contract operations to support program missions and maximize the Department's return on investment. However, current OIG audits have highlighted weaknesses in MARAD's contracting structure and operations. We plan to assess MARAD's acquisition function, contracting practices, and a selected sample of its acquisitions to determine whether they best support its mission and meet Federal acquisition criteria—such as Administration initiatives on competition and minimizing high-risk contracts, as well as OMB's guidelines on conducting acquisition assessments.

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STATISTICAL PERFORMANCE DATA

Summary of Performance

April 1, 2013 – September 30, 2013

Reports issued	76
Recommendations issued	215
Congressional testimonies	4
Total financial recommendations	$279,301,000
That funds be put to better use	$124,000,000
Questioned costs	$29,701,000
Unsupported costs	$125,600,000
Fines (and special assessments), restitution, recoveries, and cost avoidance	$92,462,764
Indictments	42
Convictions	33

"CALCULATOR" BY JORGE FRANGANILLO / CC BY 2.0

Completed OIG Reports

April 1, 2013 – September 30, 2013

(dollars in thousands)[a]

Category	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds To Be Put to Better Use
Internal Audits					
Performance audits	19	106	$24,298	$125,600	$124,000
Other OIG reports	0	0	$0	$0	$0
Total for internal audit reports	**19**	**106**	**$24,298**	**$125,600**	**$124,000**
Grant Audits					
Audits under Single Audit Act	57	109	$5,403	$0	$0
Total for completed reports	**76**	**215**	**$29,701**	**$125,600**	**$124,000**

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

DOT programs and operations are primarily carried out by Department personnel and recipients of Federal grants. As a result, our audits generally fall into one of three categories: (1) internal audits of Departmental programs and operations, (2) audits of grant recipients, and (3) other OIG reports.

OIG Reports With Recommendations That Questioned Costs

April 1, 2013 – September 30, 2013

(dollars in thousands)

		Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs[a]
A	For which no management decision had been made by the start of the reporting period	8	8	$8,594	$0
B	Which were issued during the reporting period	19	21	$155,301	$125,600
	Totals (A+B)	**27**	**29**	**$163,895**	**$125,600**
C	For which a management decision was made during the reporting period	19	19	$161,452	$125,600
	(i) dollar value of disallowed costs[a]	15	15	$12,018	$0
	(ii) dollar value of costs not disallowed[b]	5	5	$149,442	$125,600
D	For which no management decision had been made by the end of the reporting period	**8**	**10**	**$2,444**	**$0**

[a]*Unsupported costs are also included in questioned costs.*
[b]*Includes reports and recommendations where costs were both allowed and disallowed.*

OIG Reports With Recommendations That Funds Be Put to Better Use

April 1, 2013 – September 30, 2013

(dollars in thousands)

		Number of Reports	Number of Recommendations	Funds To Be Put to Better Use[a]
A	For which no management decision had been made by the start of the reporting period	1	1	$426
B	Which were issued during the reporting period	1	1	$124,000
	Totals (A+B)	**2**	**2**	**$124,426**
C	For which a management decision was made during the reporting period	0	0	$0
	(i) dollar value of recommendations that were agreed to by management	**0[a]**	**0[a]**	$0
	(ii) dollar value of recommendations that were not agreed to by management	**0[a]**	**0[a]**	$0
D	For which no management decision had been made by the end of the reporting period	**2**	**2**	**$124,426**

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

OIG Reports Recommending Changes for Safety, Economy, or Efficiency

April 1, 2013 – September 30, 2013

		Number of Reports	Number of Recommendations
A	For which no management decision had been made by the start of the reporting period	35	67
B	Which were issued during the reporting period	56	193
	Totals (A+B)	**91**	**260**
C	For which a management decision was made during the reporting period[a]	72	189
D	For which no management decision had been made by the end of the reporting period[a]	**32**	**71**

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

Management Decisions Regarding OIG Recommendations

April 1, 2013 – September 30, 2013

(dollars in thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs[a]	Funds To Be Put to Better Use
Unresolved as of 4/1/2013	40	76	$8,594	$0	$426
Audits with findings during current period	64	215	$155,301	$125,600	$124,000
Total to be resolved	**104**	**291**	**$163,895**	**$125,600**	**$124,426**
Management Decisions					
Prior period audits[b]	30	51	$8,101	$0	$0
Current period audits[b]	51	157	$153,350	$125,600	$0
Total resolved	**81**	**208**	**$161,451**	**$125,600**	**$0**
Age of Unresolved Audits[c]					
Less than 6 months old	23	58	$1,950	$0	$124,000
6 months to 1 year	1	1	$0	$0	$0
1 year to 18 months	5	8	$0	$0	$0
18 months to 2 years	2	4	$0	$0	$0
Over 2 years old	5	12	$493	$0	$426
Unresolved as of 9/30/2013	**36**	**83**	**$2,443**	**$0**	**$124,426**

[a] *Unsupported costs are also included in the figures shown as questioned costs.*
[b] *Includes reports and recommendations where costs were both allowed and disallowed.*
[c] *Considered unresolved if management decisions have not been made on all report recommendations.*

Published OIG Reports

April 1, 2013 – September 30, 2013

DEPARTMENTWIDE	
Internal Audits: Performance – 3 reports	
DOT Does Not Fully Comply With Revised Federal Acquisition Regulations on the Use and Management of Cost-Reimbursement Awards ZA-2013-118 08/05/2013	The six Operating Administrations we reviewed do not fully comply with the revised FAR requirements related to acquisition planning and documenting justifications; or consistently assess oversight risks, properly designate oversight personnel, or verify that contractors' accounting systems are adequate to provide valid and reliable cost data. The Operating Administrations' noncompliance is primarily attributable to the Department's lack of internal guidance for implementing these new requirements and lack of oversight needed to verify Departmentwide compliance.
Security Weaknesses in DOT's Common Operating Environment Expose Its Systems and Data to Compromise FI-2013-123 09/10/2013	DOT's COE provides the Department's Operating Administrations with IT services, such as data storage, email and web application access, and database services, and a centralized environment for applications that Operating Administrations use in support of their operations. Our report contains sensitive information exempt from public disclosure under the Freedom of Information Act. A redacted version of our report is posted to our Web site.
DOT Does Not Fully Comply With Requirements of the Reducing Over-Classification Act FI-2013-136 09/23/2013	Not all DOT classification related policies and procedures are effective or comply with Federal requirements, including the National Archives and Records Administration's ISOO regulation. Specifically, DOT did not conduct comprehensive self-inspections of spaces dedicated to storing classified documents; the Department's classified documents were not all correctly marked; DOT reports to ISOO are not accurate; and FAA's Order on Safeguarding Classified National Security Information needs to be updated to comply with ISOO requirements.

Audits

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance – 8 reports

ARRA Lessons Learned: Opportunities Exist for FAA To Further Improve Its Oversight of Airport Grant Payments AV-2013-071 04/18/2013	FAA's oversight process was insufficient to prevent or detect more than $1.4 million in ARRA payments for ineligible or insufficiently documented work. These improper payments occurred in part because FAA over-relies on grantees to ensure their payment requests are accurate and supported. In addition, FAA did not ensure that some airport expenditures fully met ARRA and AIP requirements; $24,297,622 questioned.
FAA Continues To Face Challenges in Implementing a Risk-Based Approach for Repair Station Oversight AV-2013-073 05/01/2013	FAA developed a risk assessment process to aid repair station inspectors in identifying areas of greatest concern. However, FAA's oversight continues to emphasize completing mandatory inspections instead of targeting resources where they are needed based on risk, and foreign repair stations are not inspected using a risk-based system. In addition, FAA's oversight of foreign and domestic repair stations lacks effective, standardized processes for identifying deficiencies and verifying that they have been addressed.
FAA's Acquisition Strategy for Terminal Modernization Is at Risk for Cost Increases, Schedule Delays, and Performance Shortfalls AV-2013-097 05/29/2013	FAA faces significant risks in developing and implementing the technical requirements for TAMR, its current terminal modernization effort. Specifically, FAA has yet to identify and finalize all the software and hardware requirements needed to successfully install STARS at the 11 large terminal facilities. In addition, the lack of a reliable schedule and cost baseline for implementing STARS puts TAMR at risk of further schedule delays and cost growth.
FAA Lacks a Reliable Model for Determining the Number of Flight Standards Safety Inspectors It Needs AV-2013-099 06/20/2013	While FAA introduced a new inspector staffing model in October 2009, it has not fully relied on the model's results—due in part to continued concerns with incomplete, inaccurate, and outdated data used in the model. These data deficiencies preclude FAA from reliably determining how many inspectors it needs, where they are most needed, and whether the Agency's approach is cost effective. As a result, inspector staffing processes continue to be driven by FAA's regions, which can lead to subjective and inconsistent staffing decisions.

Audits

FAA's Civil Aviation Registry Lacks Information Needed for Aviation Safety and Security Measures FI-2013-101 06/27/2013	FAA uses the Registry to process and maintain ownership registrations on private and commercial aircraft and records on pilots' licenses. However, FAA lacks critical information on non-citizen aircraft owners and pilot certifications to ensure aviation safety. FAA has also not implemented the necessary security controls over the Registry's configuration and account management to protect personally identifiable information, or developed a recovery plan that meets Department requirements to ensure the system is recoverable after a disaster or other event.
FAA Has Made Progress Fielding ERAM, but Critical Work on Complex Sites and Key Capabilities Remains AV-2013-119 08/15/2013	FAA has made considerable progress deploying ERAM and is now using the system at 16 sites at least part-time. However, as FAA deploys ERAM to the Nation's busiest facilities, new software-related problems could impact the program's cost and schedule, and the Agency may need additional funds to complete the project.
FAA's Controller Scheduling Practices Can Impact Human Fatigue, Controller Performance, and Agency Costs AV-2013-120 08/27/2013	Air traffic controllers' work schedules and the nature of air traffic control work can cause fatigue and negatively impact controller performance and safety. Although FAA has revised some of its controller scheduling policies, it does not have metrics to determine whether its new policies will reduce controller fatigue. In addition, FAA's new policies require a second overnight controller at 30 facilities, which costs the Agency approximately $1.9 million per year—costs that could be offset by additional measures. Finally, we found that controllers are working schedules that do not always comply with FAA's scheduling policies on the minimum amount of time required between shifts.
FAA Is Making Progress, but Improvements in Its Air Traffic Controller Facility Training Are Still Needed AV-2013-121 08/27/2013	FAA created an Independent Review Panel, which made 49 recommendations that could significantly improve the controller hiring and training processes. However, almost 2 years after the panel issued its report, FAA has yet to implement any of the recommendations or establish completion timeframes. In addition, FAA faces significant challenges in meeting its goal to reduce training times, as the average training time for new controllers rose by 41 percent between fiscal years 2009 and 2012.

Audits

Grant Audits: Audits of Grantee Under Single Audit Act – 3 reports	
City of Atlanta, GA SA-2013-102 07/12/2013	OIG recommends FAA improve grantee oversight.
Village of Questa, NM SA-2013-103 07/12/2013	OIG recommends FAA improve grantee oversight; $49,133 questioned.
State of Illinois *(also listed under the Federal Highway Administration, Federal Railroad Administration, and Office of the Secretary)* SA-2013-115 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FAA, FHWA, FRA, and OST improve grantee oversight.

FEDERAL HIGHWAY ADMINISTRATION

Internal Audits: Performance – 2 reports	
Lessons Learned From ARRA Could Improve the Federal Highway Administration's Use of Full Oversight MH-2013-075 05/07/2013	FHWA's full oversight inspections did not routinely verify whether States detected instances of noncompliance with some Federal requirements. We projected that $125.6 million, or 12 percent, of ARRA progress payments made to contractors in three States were unsupported. FHWA allows its Division Offices to determine the type, scope, and consistency of project inspections and the extent of supervision when performing full oversight inspections. As a result, FHWA Division Offices rarely prepared written plans and did not fully document procedures performed or justify why they excluded some Federal requirements and related risk areas from review. Further, contrary to guidance, FHWA inspection reports had limited evidence of supervisory review.

FHWA Is Monitoring Unexpended Recovery Act Funds, but Some Funds May Remain Unused MH-2013-122 09/04/2013	FHWA actions have been adequate to monitor remaining unexpended ARRA funds that have been obligated. However, due to Federal restrictions on the use of funds and FHWA policy on the uses of recovered ARRA funds, an estimated $356 million in ARRA highway funds could remain unused when ARRA concludes in September 2015.
Grant Audits: Audits of Grantee Under Single Audit Act – 20 reports	
State of Tennessee *(also listed under the Federal Transit Administration)* SA-2013-076 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight; $73,605 questioned.
State of West Virginia SA-2013-077 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
State of Connecticut *(also listed under the Federal Transit Administration)* SA-2013-078 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight; $534,070 questioned.
State of Maine *(also listed under the Office of the Secretary)* SA-2013-079 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and OST improve grantee oversight.
State of New Hampshire SA-2013-080 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.

Audits

Commonwealth of Kentucky SA-2013-084 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
State of Delaware *(also listed under the Federal Transit Administration)* SA-2013-085 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight
State of New Jersey SA-2013-086 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
State of Texas *(also listed under the Federal Transit Administration)* SA-2013-087 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight.
State of Wisconsin *(also listed under the Federal Transit Administration)* SA-2013-088 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight.
State of Louisiana SA-2013-089 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight; $83,575 questioned.
State of Iowa SA-2013-090 05/09/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.
State of Ohio *(also listed under the National Highway Traffic Safety Administration)* SA-2013-092 05/20/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA and NHTSA improve grantee oversight.

Audits

State of California SA-2013-093 05/20/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.
Pueblo of Pojoaque, NM SA-2013-105 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight; $233,610 questioned.
State of Rhode Island and Providence Plantations SA-2013-106 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight; $11,639 questioned.
State of North Dakota *(also listed under the Federal Motor Carrier Safety Administration and the Federal Transit Administration)* SA-2013-109 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FMCSA, and FTA improve grantee oversight; $23,897 questioned.
Cheyenne River Sioux Tribe, South Dakota SA-2013-111 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight; $199,333 questioned.
Commonwealth of the Northern Mariana Islands SA-2013-114 07/12/2013	OIG recommends FHWA improve grantee oversight; $1,072,192 questioned.
State of Illinois *(also listed under the Federal Aviation Administration, Federal Railroad Administration, and Office of the Secretary of Transportation)* SA-2013-115 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FAA, FRA, and OST improve grantee oversight.

Audits

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

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

State of North Dakota *(also listed under the Federal Highway Administration and the Federal Transit Administration)* SA-2013-109 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FMCSA, FHWA, and FTA improve grantee oversight; $23,897 questioned.

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance – 2 reports

FRA Is Nearing Completion of Rules Required by the Rail Safety Improvement Act, But Needs To Improve Oversight CR-2013-070 04/17/2013	FRA has issued 8 of the 17 Rail Safety Improvement Act-required rules and has made progress on finalizing the remaining 9. However, weaknesses in FRA's planning for its rulemaking work delayed rule issuance. FRA also did not provide its oversight staff with the guidance, training, and supervision required to oversee compliance with certain rules.
Quality Control Review of Audited Financial Statements for Fiscal Years 2011 and 2010 Union Station Redevelopment Corporation QC-2013-100 06/20/2013	Rogers & Company PLLC issued a clean, unqualified audit opinion on USRC's financial statements. Our quality control review disclosed no instances in which Rodgers & Company PLLC did not comply in all material respects with auditing standards.

Audits

Grant Audits: Audits of Grantee Under Single Audit Act – 2 reports	
State of Vermont SA-2013-081 05/09/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FRA improve grantee oversight.
State of Illinois *(also listed under Federal Aviation Administration, Federal Highway Administration, and Office of the Secretary of Transportation)* SA-2013-115 07/12/2013	Findings concerning the use of the ARRA funds were identified. OIG recommends FRA, FAA, FHWA, and OST improve grantee oversight.

FEDERAL TRANSIT ADMINISTRATION

Internal Audits: Performance – 1 report	
Lessons Learned From the East Side Access Project Can Enhance FTA's Oversight of MTA's Reporting on Remaining ARRA Grants MH-2013-098 06/12/2013	The Metropolitan Transit Authority (MTA) safeguarded the ESA materials purchased with ARRA funds and met ARRA certification requirements for the ESA ARRA New Starts funds. However, MTA's Section 1512 reports omitted required data that FTA quality reviews did not detect. Specifically, MTA's final report did not include required vendor payment information for over $19 million (nearly 10 percent) of the ESA ARRA grant funding. Because FTA's data quality reviews did not identify these omissions in MTA's required Section 1512 quarterly reports, it underreported vendor payment data to the public.

Audits

Grant Audits: Audits of Grantee Under Single Audit Act – 16 reports	
State of Tennessee *(also listed under the Federal Highway Administration)* SA-2013-076 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight; $73,605 questioned.
State of Connecticut *(also listed under the Federal Highway Administration)* SA-2013-078 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight; $534,070 questioned.
Massachusetts Bay Transportation Authority SA-2013-082 05/09/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
State of Delaware *(also listed under the Federal Highway Administration)* SA-2013-085 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight.
State of Texas *(also listed under the Federal Highway Administration)* SA-2013-087 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight.
State of Wisconsin *(also listed under the Federal Highway Administration)* SA-2013-088 05/09/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FTA and FHWA improve grantee oversight.
Puerto Metropolitan Bus Authority SA-2013-091 05/20/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
City of Manteca, CA SA-2013-094 05/20/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.

Audits

State of Washington SA-2013-095 05/20/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
City of Tucson, AZ SA-2013-107 07/12/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
Transportation District Commission of Hampton Roads, VA SA-2013-108 07/12/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight; $1,135,369 questioned.
State of North Dakota *(also listed under the Federal Highway Administration and the Federal Motor Carrier Safety Administration)* SA-2013-109 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends FTA, FHWA, and FMCSA and improve grantee oversight; $23,897 questioned.
Miami-Dade Transit, FL SA-2013-110 07/12/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
Metropolitan Transit Authority of Harris County, TX SA-2013-112 07/12/2013	OIG recommends FTA improve grantee oversight.
Hillsborough Transit Authority, FL SA-2013-113 07/12/2013	A finding concerning the use of ARRA funds was identified. OIG recommends FTA improve grantee oversight.
Quality Control Review on the Single Audit of Regional Transportation District, CO QC-2013-142 09/30/2013	RubinBrown LLP issued a clean, unqualified audit opinion on DOT's major grant programs. Our quality control review disclosed no instances in which RubinBrown LLC did not comply in all material respects with auditing standards.

Audits

MARITIME ADMINISTRATION

Internal Audits: Performance – 1 report

MARAD Has Taken Steps To Develop a Port Infrastructure Development Program but Is Challenged in Managing Its Current Port Projects CR-2013-117 08/02/2013	The Port of Anchorage project had significant management and contracting problems stemming from MARAD's inadequate planning, lack of reliable cost estimates, and noncompliance with Federal contracting requirements when awarding and administering the port contracts. The Port of Anchorage project's cost estimate grew over four and a half times from $211 million to $1 billion, with scheduled completion slipping 8 years.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

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

State of Alaska SA-2013-083 05/09/2013	OIG recommends NHTSA improve grantee oversight; $85,528 questioned.
State of Ohio *(also listed under the Federal Highway Administration)* SA-2013-092 05/20/2013	Findings concerning the use of ARRA funds were identified. OIG recommends NHTSA and FHWA improve grantee oversight.

OFFICE OF THE SECRETARY

Internal Audits: Performance – 2 reports

Actions Needed To Enforce Controls Over Purchase Cards FI-2013-116 07/25/2013	While DOT had designed adequate controls to prevent and detect erroneous purchases in the purchase card program, cardholders and approving officials did not always adhere to these controls. Based on statistical sampling, we estimate that $58 million of $277 million in purchases that DOT cardholders made between October 1, 2009, and March 31, 2011, did not comply with the prescribed controls.

Weaknesses in the Department's Disadvantaged Business Enterprise Program Limit Achievement of Its Objectives ZA-2013-072 04/23/2013	The Department has not issued comprehensive, standardized DBE guidance; provided sufficient training to the State and local agencies that implement the program; or established program accountability. Weak DBE certification and contract oversight practices at States further increase the risk that ineligible firms will be certified as DBEs. Finally, the Department has limited success in achieving its program objective to develop DBE firms to succeed in the marketplace, as we found that most certified DBEs never receive work on Federal projects. We estimate that $124 million of the $4.1 billion in DBE funds distributed across 52 U.S. States and territories in fiscal year 2009 could have been put to better use if DOT and its recipients had implemented better internal controls over their certification processes.
Grant Audits: Audits of Grantee Under Single Audit Act – 3 reports	
Kansas City Area Transportation Authority SA-2013-096 05/20/2013	A finding concerning the use of ARRA funds was identified. OIG recommends OST improve grantee oversight.
Port of Oakland, CA SA-2013-104 07/12/2013	A finding concerning the use of ARRA funds was identified. OIG recommends OST improve grantee oversight.
State of Illinois *(also listed under the Federal Aviation Administration, Federal Highway Administration, and Federal Railroad Administration)* SA-2013-115 07/12/2013	Findings concerning the use of ARRA funds were identified. OIG recommends OST, FAA, FHWA, and FRA improve grantee oversight.

OIG Congressional Testimonies

April 1, 2013 – September 30, 2013

FAA's Progress and Challenges in Advancing Safety Oversight Initiatives CC-2013-013 4/16/2013	Before the Committee on Commerce, Science, and Transportation United States Senate
The Federal Aviation Administration's Fiscal Year 2014 Budget Request: Key Issues Facing the Agency CC-2013-016 4/18/2013	Before the Committee on Appropriations Subcommittee on Transportation, Housing, and Urban Development United States Senate
FAA's Progress and Challenges in Advancing the Next Generation Air Transportation System CC-2013-028 7/17/2013	Before of the Transportation and Infrastructure Committee, Subcommittee on Aviation United States House of Representatives
Status of DOT's Actions To Address Subtitle C of the Moving Ahead for Progress in the 21st Century Act CC-2013-031 9/18/2013	Before the Committee on Environment and Public Works United States Senate

Unresolved Recommendations Over 6 Months Old

April 1, 2013 – September 30, 2013

Cited in Semiannual Report for April 1, 2010 – September 30, 2010	
Information Security and Privacy Controls Over the Airmen Medical Support Systems (FI-2010-069)	6/18/2010
Cited in Semiannual Report for October 1, 2010 – March 31, 2011	
FAA Did Not Ensure Revenue Was Maximized at Denver International Airport (AV-2011-057)	2/28/2011
New York Flight Delays Have Three Main Causes, but More Work Is Needed To Understand Their Nationwide Effect (AV-2011-007)	10/28/2010
FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance–Broadcast Program and Realizing Benefits (AV-2011-002)	10/12/2010
Cited in Semiannual Report for April 1, 2011 – September 30, 2011	
More Rigorous Oversight Is Needed To Ensure Venice Municipal Airport Land Sales and Leases Are Used Appropriately (AV-2011-180)	9/29/2011
Cited in Semiannual Report for October 1, 2011 – March 31, 2012	
New Approaches Are Needed To Strengthen FAA Oversight of Air Carrier Training Programs and Pilot Performance (AV-2012-027)	12/20/2011
State of Illinois (SA-2012-011)	11/23/2011

Audits

Cited in Semiannual Report for April 1, 2012 – September 30, 2012	
Weaknesses in Program and Contract Management Contribute to ERAM Delays and Put Other Nextgen Initiatives at Risk (AV-2012-179)	9/13/2012
FAA Has Not Effecitvely Implemented Its Wildlife Hazard Mitigation Program (AV-2012-170)	8/22/2012
Challenges With Implementing Near-Term Nextgen Capabilities at Congested Airports Could Delay Benefits (AV-2012-167)	8/1/2012
Long-Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency (AV-2012-152)	7/19/2012
Status of Transformational Programs and Risks to Achieving Nextgen Goals (AV-2012-094)	4/23/2012

Cited in Semiannual Report for October 1, 2012 – March 31, 2013	
Follow-Up Review of FAA and Industry Efforts To Enhance Airline Safety in Response to the Colgan Air Accident (AV-2013-037)	1/31/2013

Financial Impact

April 1, 2013 – September 30, 2013

Type	Amount
Fines (and special assessments)	$42,960,502
Restitution	$22,418,330
Recoveries	$18,328,957
Cost avoidance	$2,560,975
Forfeited	$6,194,000
Total	**$92,462,764**

OIG Hotline Contacts

April 1, 2013 – September 30, 2013

Method of Contact	Number
Email	2,210
Fax	14
Letters	72
Web	525
Telephone	457
Walk-ins	3
Total	**3,281**

Judicial and Administrative Actions

April 1, 2013 – September 30, 2013

Type of Action	Number
Indictments	42
Convictions	33
Years incarceration	32
Years supervised release	24
Years probation	33.5
Hours community service	1,035
Business debarment	5
Business suspension	9
Individual debarment	10
Individual suspension	16
Employee resigned/retired during investigation	3
Employee suspension	2
Certification/License/Permit revoked/terminated	1
Corrective action taken	4
Enforcement action taken	3
Termination of contract	1

Investigative Workload and Judicial Referrals

April 1, 2013 – September 30, 2013

Investigative Workload	
Current investigations	347
Investigations opened	70
Investigations closed	75

Judicial Referrals	
Referred for criminal prosecution	131
Accepted for criminal prosecution	87
Declined for criminal prosecution	63
Referred for civil prosecution	9
Accepted for civil prosecution	4
Declined for civil prosecution	1

Profile of All Pending Investigations by Case Type

As of September 30, 2013

	Number of Investigations	Aviation Safety	Hazmat	Motor Carrier	Transportation Safety	Grant Fraud	Procurement Fraud	Workforce Protection	Employee Integrity	Other[a]
FAA	80	44	7	0	0	15	0	1	12	1
FHWA	110	0	0	0	0	98	1	11	0	0
FMCSA	65	0	9	32	1	0	0	21	2	0
FRA	4	0	0	0	0	3	0	0	1	0
FTA	37	0	0	0	0	30	1	4	2	0
MARAD	4	0	0	0	0	0	3	0	1	0
NHTSA	10	0	0	0	3	7	0	0	0	0
OIG	1	0	0	0	0	0	0	0	1	0
OST	3	0	0	0	1	0	0	2	0	0
Other OIG	1	0	0	0	0	0	0	0	0	1
PHMSA	29	0	25	0	0	0	0	0	4	0
RITA	2	0	0	0	0	1	1	0	0	0
Departmentwide	1	0	0	0	0	0	1	0	0	0
Totals	**347**	**44**	**41**	**32**	**5**	**154**	**7**	**39**	**23**	**2**
Percentage	**100%**	**13%**	**12%**	**9%**	**1%**	**44%**	**2%**	**11%**	**7%**	**1%**

[a] *Includes computer intrusion cases*

PEER REVIEW

During this reporting period, OIG's Office of Audits was the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review by the U.S. Department of Defense (DOD) OIG. DOD OIG concluded that the system of quality control for our audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Accordingly, DOD OIG provided a "pass" rating, and no recommendations were made. The report was released on August 8, 2013.

OIG's Office of Investigations was the subject of a CIGIE peer review during fiscal year 2012 by the U.S. Department of the Treasury OIG. Treasury OIG concluded that the system of internal safeguards and management procedures for our investigative function was in compliance with quality standards established by CIGIE and Attorney General guidelines, and no recommendations were made. The report was released on August 30, 2012.

For the reports of the peer reviews conducted on our office, go to http://www.oig.dot.gov/peer-review.

OIG is currently conducting a CIGIE peer review of the U.S. Department of Interior OIG's investigative function. We expect to release a final report in December 2013.

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Inspector General

Deputy Inspector General

- Chief of Staff
- Director, Quality Assurance Reviews and Internal Affairs

Principal Assistant Inspector General for Investigations

Deputy Assistant Inspector General for Investigations

Principal Assistant Inspector General for Auditing and Evaluation

Assistant Inspector General for Aviation Audits

- Deputy Assistant Inspector General for Aviation Audits

Assistant Inspector General for Financial and Information Technology Audits

Assistant Inspector General for Highway and Transit Audits

- Deputy Assistant Inspector for Highway and Transit Audits

Assistant Inspector General for Rail, Maritime, and Hazmat Transport Audits, and Economic Analysis

Assistant Inspector General for Acquisition and Procurement Audits

Assistant Inspector General for Administration

Assistant Inspector General for Legal, Legislative, and External Affairs

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.

The Inspector General is committed to fulfilling its statutory responsibilities and assisting members of Congress, the Secretary, senior Department officials, and the general public in achieving a safe, efficient, and effective transportation system. OIG's audits and investigations offices and three support offices work together to fulfill its mission:

- **The Office of the Principal Assistant Inspector General for Auditing and Evaluation** supervises and conducts all audit activities related to DOT programs and operations through its five suboffices: Aviation; Highway and Transit; Rail, Maritime, Hazmat Transport, and Economic Analysis; Financial and Information Technology; and Acquisition and Procurement.
- **The Office of the Principal Assistant Inspector General for Investigations** supervises and conducts OIG investigative activities related to DOT programs and operations through its headquarters and seven major regional offices. The headquarters office conducts nationwide special investigations and analyses as well as manages the OIG Hotline Complaint Center and activities generated by complaints.
- **The Office of the Assistant Inspector General for Legal, Legislative, and External Affairs** provides a full range of professional legal services and advice, facilitates communications with Congress, and manages public and external affairs.
- **The Office of the Assistant Inspector General for Administration** is divided into four suboffices: the Office of Procurement and Administrative Services, the Office of Budget and Financial Management, the Office of Human Resources, and the Office of Information Technology Management.
- **The Office of Quality Assurance Reviews and Internal Affairs**, under the direction of the Deputy Inspector General, ensures that internal operations and functions are performed objectively and in an efficient and effective manner.

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U.S. Department
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**Office of
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To report fraud, waste, or abuse at the U.S. Department of Transportation, please contact the OIG Hotline:

1-800-424-9071

hotline@oig.dot.gov