

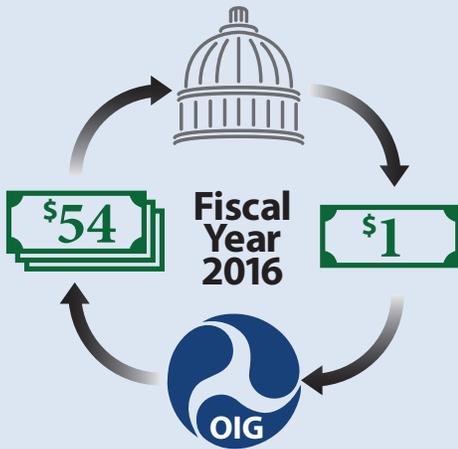
U.S. Department of Transportation

OFFICE OF INSPECTOR GENERAL

S E M I
A N N U
A L R E
P  R T

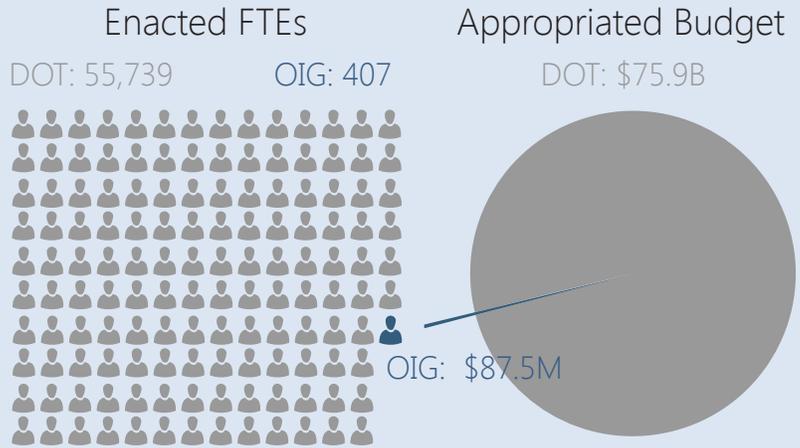
April 1, 2016 - September 30, 2016

Return on Investment: Fiscal Year 2016



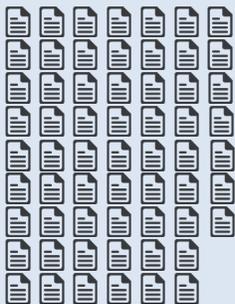
DOT OIG returned \$54 for every appropriated dollar.

Fiscal Year 2016



DOT OIG achieved its ROI with just a fraction of the Department's total FTEs and budget.

Semiannual Performance: April 1, 2016 - September 30, 2016



61

audit reports issued



153

recommendations



total financial audit recommendations



total financial impact of OIG investigations



32 convictions

33 indictments

CONTENTS

2	ACCOMPLISHMENTS
4	INVESTIGATIONS
16	AUDITS
52	PEER REVIEW
53	OTHER ACCOMPLISHMENTS
55	INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT OF 1978

We investigate allegations of fraud, waste, abuse, and other violations of law by DOT employees, contractors, grantees, and regulated entities. Some of the most significant issues we investigated during this period include:

- **Pipeline safety violations.** Our investigations focus on public safety, and recently resulted in the jury trial conviction of California's largest utility for violating the Pipeline Safety Act and obstruction.
- **Defective highway products.** Our investigations target risks to highway safety. One manufacturer was sentenced to 3 years in jail for manufacturing 1270 defective bridge bearings, or bridge shock absorbers, throughout North Carolina.
- **Wanted fugitives.** Our fugitive program continues to bring violators to justice. One former fugitive was sentenced in Miami to over 7 years in jail for using a false pilot's license and committing bank fraud.
- **Disadvantaged business enterprise fraud.** Our investigations protect taxpayer dollars, such as through the conviction of a structural steel contractor who fraudulently claimed over \$70 million in minority business contracts on the World Trade Center Transportation Hub project.
- **Public corruption.** Our special agents continue to pursue corrupt public officials – including the CEO of a regional transit agency in Virginia, who was sentenced to 18 months in jail and ordered to pay over \$800k for a bribery and kickback scheme.

Summary of Performance

During the second half of fiscal year 2016, our investigative work resulted in:



total financial impact of
OIG investigations

32

convictions



33

indictments

108

total years of
incarceration, probation
and supervised release



2,437

contacts received
at OIG's Hotline
Complaint Center



141

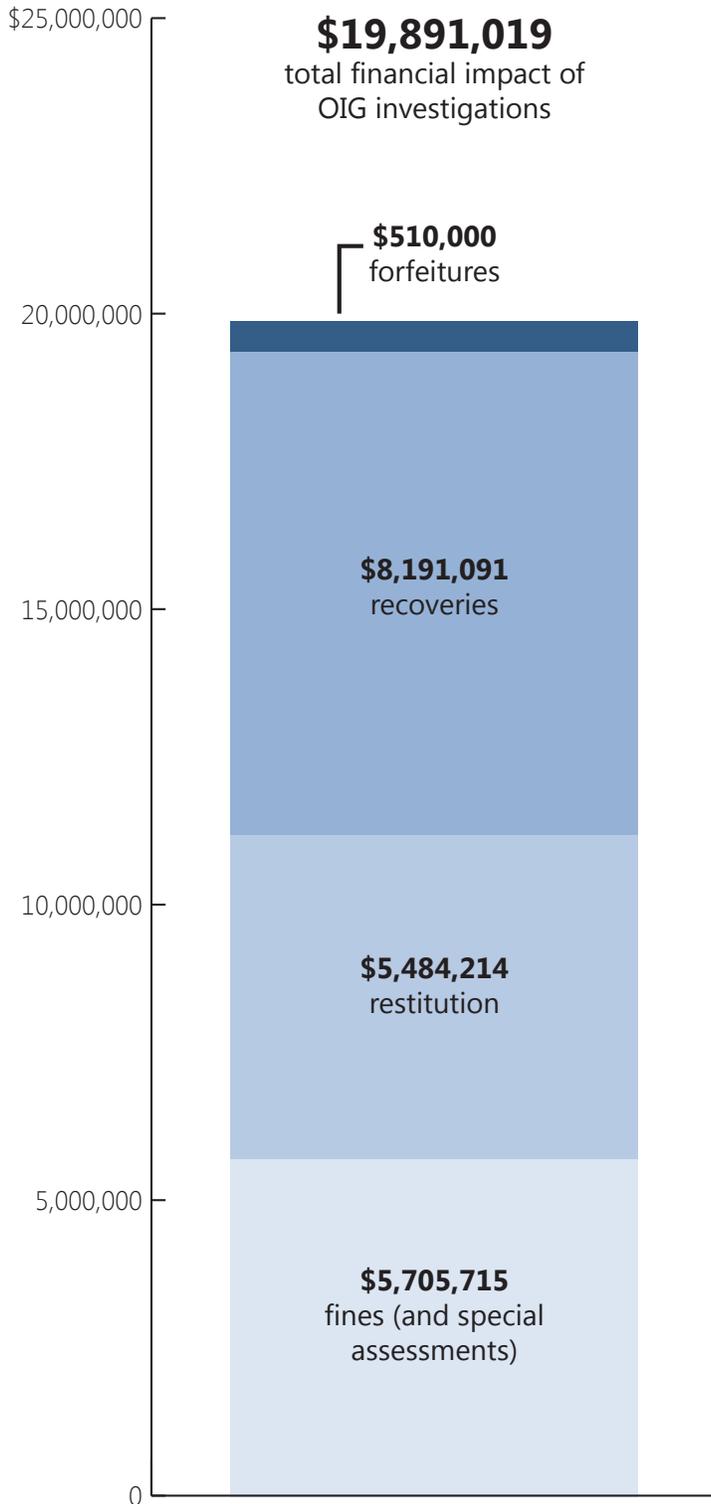
investigations opened



129

investigations
referred for criminal
prosecution

FINANCIAL IMPACT OF INVESTIGATIONS



Criminal monetary impositions

Forfeitures include the seizure of assets that represent the proceeds of, or were used to facilitate, Federal crimes.

Recoveries include funds returned to the Government resulting from criminal and civil judgments, pleas, and settlements.

Restitution is a criminal or civil award to a victim for harm caused by the offender's wrongful acts.

Fines are criminal or civil monetary penalties.

Special assessments are part of the sentence for offenders of Federal crimes, applied on a per-count basis. The money is used to fund the Crime Victims Fund used to recompense victims of offenses against Federal law.

INVESTIGATIVE WORKLOAD

126

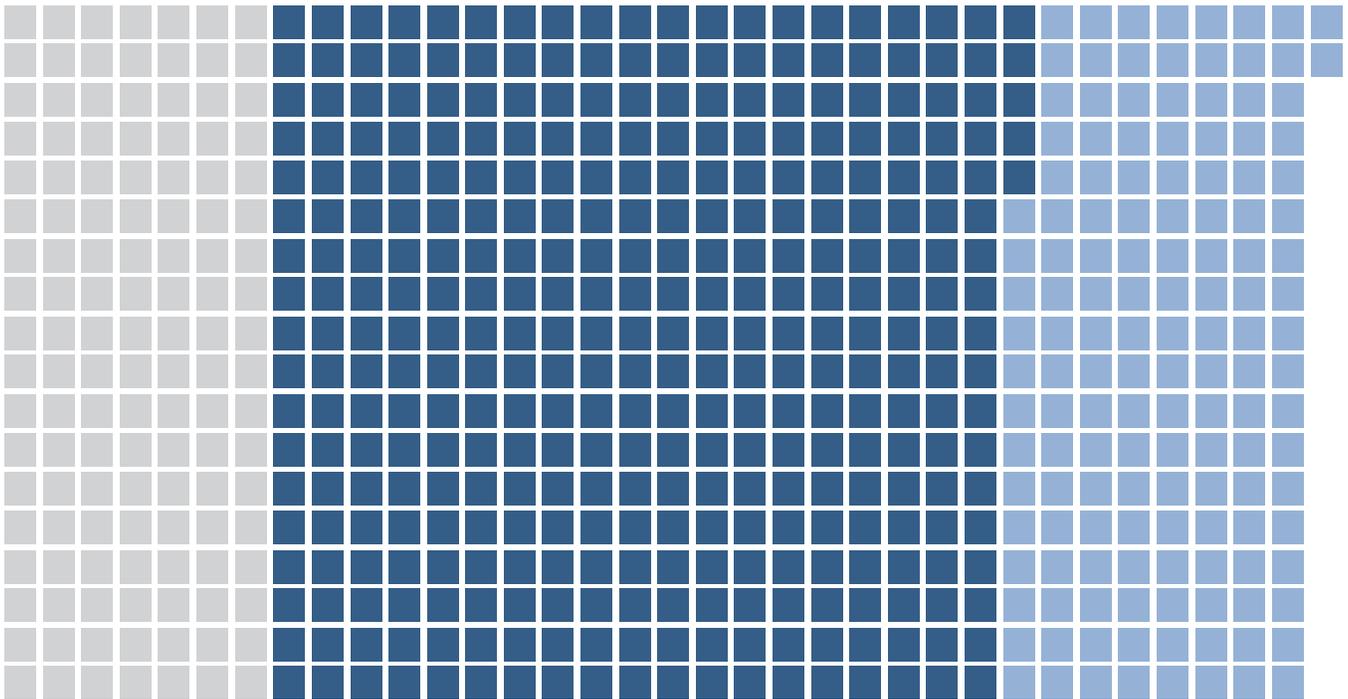
investigations closed
this reporting period

347

continuing
investigations

141

investigations opened
this reporting period



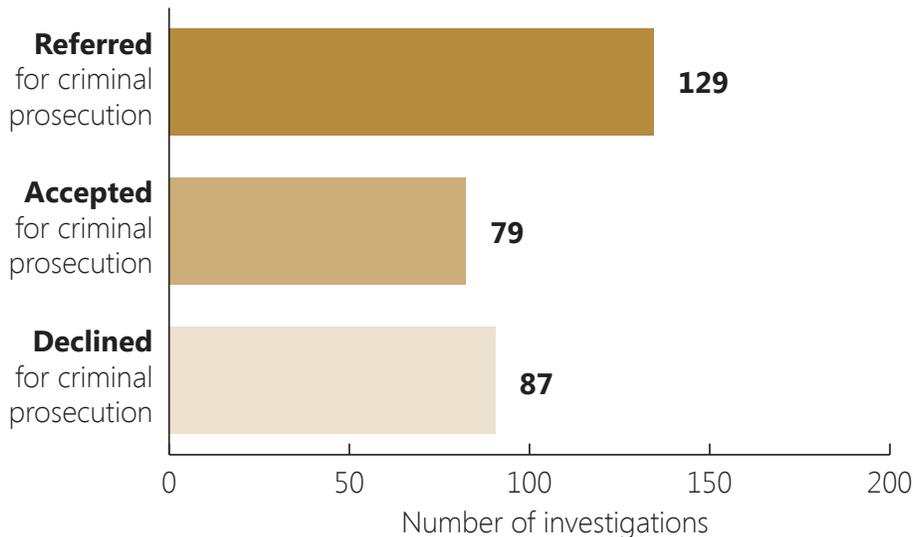
DOT OIG's current investigative workload includes a total of **488** open investigations, as of September 30, 2016

JUDICIAL REFERRALS

Early in the investigative process, we present allegations that support criminal prosecution to the U.S. Department of Justice for consideration. If DOJ accepts a matter for prosecution, we will coordinate closely with them during the investigation.

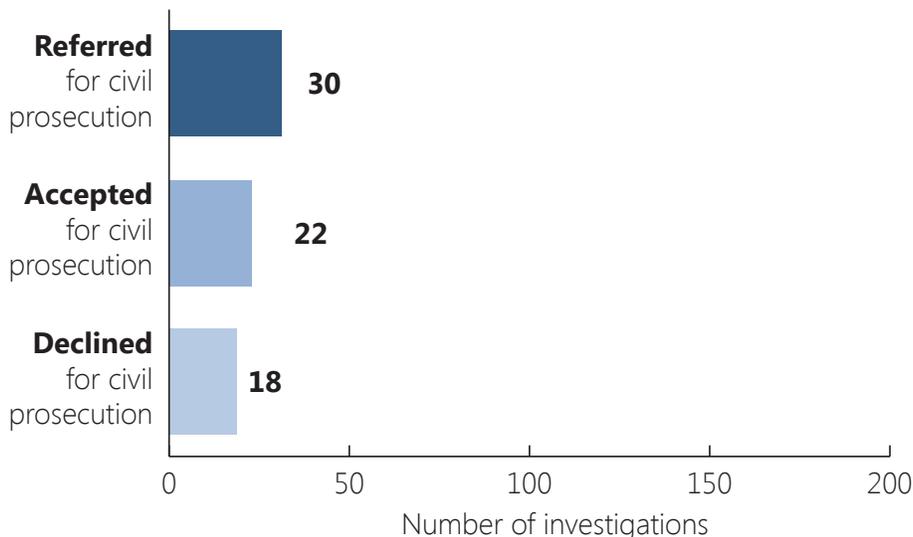
CRIMINAL PROSECUTIONS

DOT OIG investigates and refers a variety of matters for criminal prosecution, including cases involving transportation safety, procurement and grant fraud, consumer and workforce fraud, and employee integrity issues.



CIVIL PROSECUTIONS

DOT OIG investigates and refers civil matters for prosecution, including False Claims Act cases involving fraud on DOT programs.



SUMMARY OF INVESTIGATIONS REFERRED FOR PROSECUTION

CASE TYPE	ALLEGATION	NUMBER
Aviation	Accident Related	1
Aviation	Aiming a Laser Pointer at an Aircraft	1
Aviation	Airman's Log	1
Aviation	Certificate Fraud - Flight Instructor/School	2
Aviation	Certificate Fraud, Air Carrier	1
Aviation	Certificate Fraud, Aircraft	1
Aviation	Certificate Fraud, Commercial Airman	1
Aviation	Certificate Fraud, Mechanic	1
Aviation	Certificate Fraud, Medical by Airman	3
Aviation	Falsification of FAA Orders or other documents	1
Aviation	S.U.P. Parts-Maintenance	3
Aviation	S.U.P. Parts-Sale	8
Aviation	Tampering with Navigational Aid	2
Aviation	Unauthorized Operation of an Aircraft	1
Aviation	Unmanned Aircraft Systems (UAS)	2
Employee	Abuse of Authority	8
Employee	Assault/Threat	3
Employee	Bribery/Gratuities (Employee Conduct)	1
Employee	Child Pornography	1
Employee	Conflict of Interest (Public Corruption, Current Employee)	2
Employee	Pornography	2
Employee	Theft	1

CASE TYPE	ALLEGATION	NUMBER
Employee	Travel Card Misuse	1
Grant	Anti-Trust, Bid Rigging/Collusion	4
Grant	Buy America Act	1
Grant	DBE Eligibility Fraud (Financial/Ownership/Control)	5
Grant	DBE Fraud	5
Grant	DBE Pass Through Fraud	12
Grant	Embezzlement	13
Grant	False Claims	9
Grant	False Statements	8
Grant	Kickbacks	1
Grant	Product Substitution/Substandard Work or Materials	4
Hazmat	Carriage by Motor Vehicle/Public Highway	20
Hazmat	Carriage by Vessel	1
Hazmat	Pipelines	2
Motor Carrier	Attempted Bribery	1
Motor Carrier	CDL Fraud of School or 3rd Party Tester	6
Motor Carrier	Certificate Fraud, Medical by Doctor	1
Motor Carrier	Equipment Inspection, Repair, Maintenance	1
Motor Carrier	Falsification/Alteration of Inspection Records	1
Motor Carrier	Fraudulent Registration Filings (Reincarnated Carriers)	5
Motor Carrier	Other	1
Procurement	False Claims	1
Transportation Safety	NHTSA - TREAD Act Violations	1
Workforce Protection	Household Goods/Moving Companies	7
Workforce Protection	Other	1

JUDICIAL ACTIONS

JUDICIAL ACTIONS	
Indictments	33
Convictions	32
Pretrial Diversions	4
Years of incarceration	21.4
Years of supervised release	32.4
Years of probation	54
Hours of community service	2,070

Types of judicial actions

An **indictment** is an official written statement charging a person with a crime.

A **conviction** is the verdict that results when a court of law finds a defendant guilty of a crime.

Pretrial diversion is an alternative to prosecution which seeks to divert certain offenders from traditional criminal justice processing into a program of supervision and services.

Supervised release is a period of supervision following an offender's release from prison. It is imposed in addition to a sentence of imprisonment.

Probation is a period of supervision over an offender, ordered by a court instead of a sentence of imprisonment.

Community service is a sentencing option ordering offenders to perform a number of hours of unpaid work for the benefit of the public.

ADMINISTRATIVE ACTIONS

SUSPENSION AND DEBARMENT ACTIONS	
Suspension/Debarment Referral	67
Business debarred	7
Business suspended	10
Individual debarred	18
Individual suspended	32
PERSONNEL ACTIONS	
Employee reassignment/transfer	1
Employee removal	1
Employee resigned/retired during investigation	2
Employee suspension	2
OTHER ADMINISTRATIVE ACTIONS	
Certificate/License/Permit revoked/terminated	4
Compliance agreement	12
Corrective action taken	3
Decertification MBD/DBE	2
Federal funds reduced	2

Types of administrative actions

Suspension and debarment excludes an individual or entity from financial and nonfinancial assistance and benefits under Federal programs and activities.

Personnel actions include significant changes in duties, responsibilities, or working conditions.

Compliance agreements are voluntary agreements aimed at preventing future wrongdoing by putting safeguards in place to correct past misconduct, and identify and correct any future misconduct.

SUMMARY OF CLOSED INVESTIGATIONS RESULTING IN ADMINISTRATIVE ACTIONS ONLY

CASE TYPE	ALLEGATION	NUMBER
Aviation	Certificate Fraud, Commercial Airman	1
Aviation	S.U.P. Parts - Maintenance	1
Employee	Ethics Violation (Misconduct)	2
Employee	Violation of Law, Rule, or Regulation	1
Grant	DOT Funded Research and Development Grant Fraud	1
Grant	False Claims	1
Grant	Overbilling	1
Hazmat	Carriage by Air	1
Procurement	DBE Fraud	1

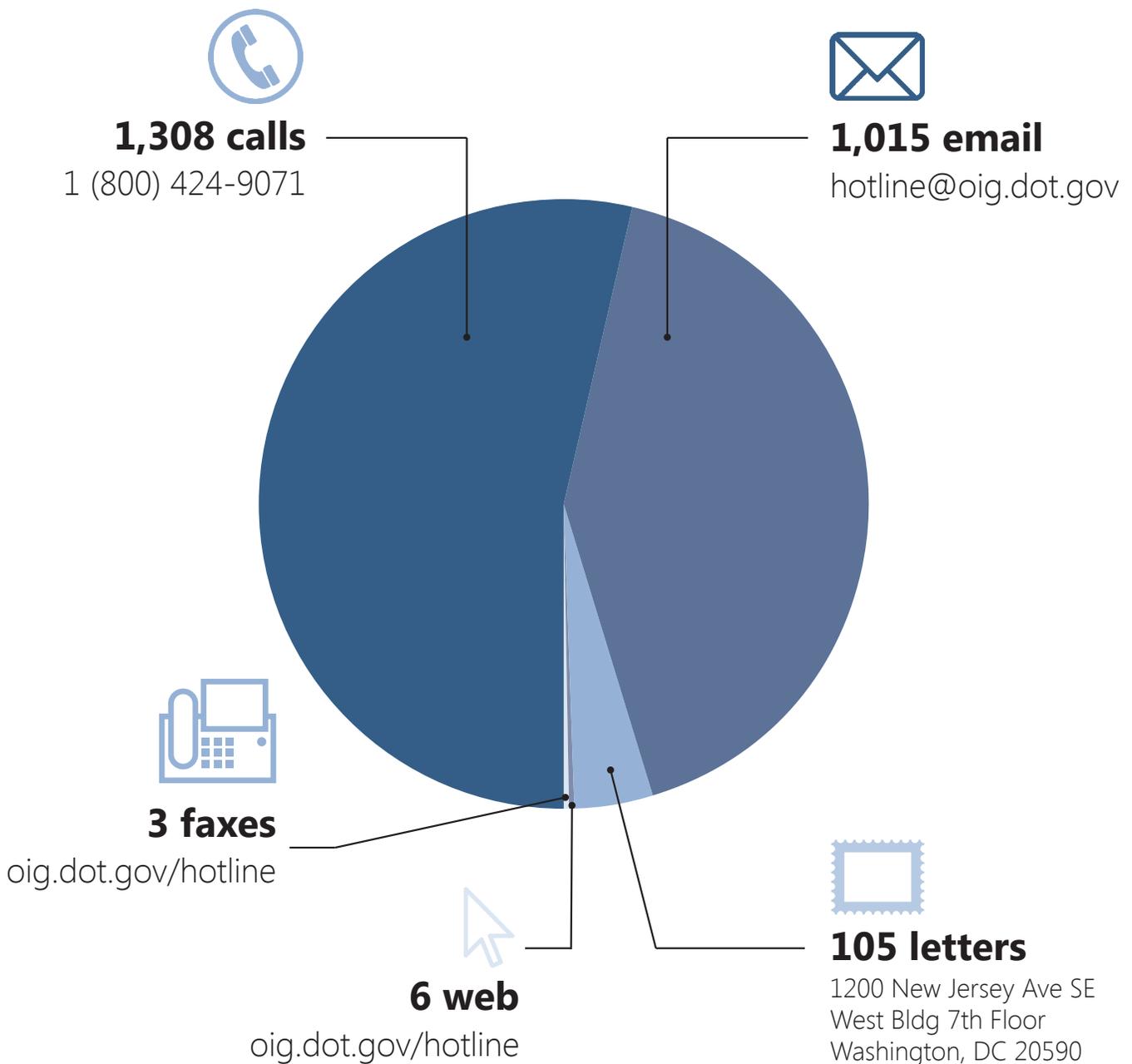
SUMMARY OF CLOSED INVESTIGATIONS WITH ALLEGATIONS UNSUBSTANTIATED AND/OR DECLINED FOR PROSECUTION WITH NO OTHER ACTION TAKEN

CASE TYPE	ALLEGATION	NUMBER
Aviation	Certificate Fraud, Mechanic	1
Aviation	Certificate Fraud, Medical by Airman	1
Aviation	Unmanned Aircraft Systems (UAS)	1
Employee	Abuse of Authority	2
Employee	Misuse of Government Property or Funds	1
Employee	Theft	1
Grant	Anti-Trust, Bid Rigging/Collusion	1
Grant	DBE Fraud	2
Grant	Embezzlement	3
Grant	False Claims	1
Grant	False Statements	1
Grant	False Statements/Certifications/Claims	1
Grant	Kickbacks	2
Grant	Product Substitution/Substandard Work or Materials	2
Hazmat	Carriage by Motor Vehicle/Public Highway	2
Hazmat	Carriage by Vessel	1
Hazmat	Pipelines	2
Motor Carrier	CDL Fraud of School or 3rd Party Tester	1
Motor Carrier	Certificate Fraud, Medical by Doctor	1
Motor Carrier	Log Books	1
Procurement	False Claims	1
Procurement	FAR/FAA Acquisition Management System Violation	1
Transportation Safety	Falsification of FRA Required Records.	2
Transportation Safety	NHTSA-Gray Market Vehicles	1
Workforce Protection	Household Goods/Moving Companies	1

HOTLINE COMPLAINT CENTER

DOT OIG maintains a Hotline Complaint Center for receiving allegations of fraud, waste, abuse, or mismanagement in DOT programs or operations. Allegations may be reported 24 hours a day, 7 days a week by DOT employees, contractors, or the general public.

2,437 total Hotline contacts received during the reporting period



INVESTIGATIONS // ONLINE



Office of Inspector General

U.S. Department of Transportation | Calvin L. Scovel III, Inspector General

REPORT FRAUD, WASTE & ABUSE

Audits

Investigations

Testimony

Correspondence

Videos

About OIG



Subscribe



Twitter



YouTube



RSS

Search

Video: Protect Your Move

There are a few things everyone needs to know before boxing up for a move. Learn how to identify red flag indicators of moving fraud and how to report suspected fraudulent moving companies to OIG's Hotline.

1 2 3 4 5

Browse By Agency

Oversight Areas

Acquisition & Procurement

Auto Safety

Aviation

Commercial Vehicles

Criminal Investigations

Disaster & Recovery

Highway Infrastructure

Featured Items

Prev Next

Read more about DOT OIG investigations at www.oig.dot.gov/investigations

DOT OIG YouTube Videos

Learn about moving fraud and safe drone operation

Wanted Fugitives

Listings of defendants fleeing from justice

Latest Case Updates

Info on OIG investigations posted weekly

Federal Law Enforcement Authority

OIG agents can execute search and arrest warrants

The Investigative Process

What exactly is involved in an investigation?



ARMED AND DANGEROUS
Jovan H. Balknight
DOB: 08.02.1979



ARMED AND DANGEROUS
Barak Braunschtein
DOB: 06.25.1975



ARMED AND DANGEROUS
Amit Ezyoni
DOB: 11.26.1971

Investigations

Home / Investigations

August 9, 2016

PG&E Convicted of Obstruction and Multiple Violations of the Natural Gas Pipeline Safety Act

USAO, Northern District of California - Press Release

Summary

On August 9, 2016, a Federal jury in U.S. District Court, San Francisco, CA, found Pacific Gas and Electric Company (PG&E) guilty of multiple willful violations of the Natural Gas Pipeline Safety Act of 1968 (PSA) and obstructing an agency proceeding. PG&E is California's largest utility.

DOT-OIG had initiated an investigation after the 2010 explosion of a natural gas pipeline in San Bruno, CA, that killed eight people. The PSA charges related to PG&E's record-keeping and pipeline "integrity management" practices; the obstruction charge was added later after it was discovered that PG&E had attempted to mislead the National Transportation Safety Board (NTSB) during its investigation.

The evidence presented at trial demonstrated that PG&E willfully failed to address record-keeping deficiencies concerning its larger natural gas pipelines, knowing that their records were inaccurate or incomplete. The evidence further demonstrated that PG&E willfully failed to identify threats to its larger natural gas pipelines and to take appropriate actions to investigate the seriousness of threats to pipelines.

We conduct independent and objective audits and other reviews of DOT programs and activities to ensure they operate economically, efficiently, and effectively. Some of the most significant issues we reviewed during this reporting period include:

- **FRA oversight of bridge safety standards.** Increasing traffic volume and aging infrastructure pose risks for our nation's railroad bridges. We made recommendations to improve FRA's oversight of track owners' compliance with safety requirements.
- **Reducing the use of sole-source contracts at FAA.** FAA has taken limited actions to reduce its reliance on high-risk sole-source contracts, and has not always complied with its policies and guidance in awarding them.
- **Cybersecurity.** Our work found that DOT does not have adequate safeguards for the information stored in many of its systems because it has either not established or not implemented key requirements and best practices of the Cybersecurity Act of 2015.
- **FHWA Preliminary Engineering (PE).** We identified weaknesses in FHWA's accounting of Federal highway and bridge funds used for PE, and we project that \$3.3 billion of Federal funds authorized during fiscal years 2000-2004 were at risk of not being repaid or not being used effectively.
- **FAA's Aircraft Rescue and Fire Fighting program.** Improving FAA oversight and enforcement is critical to ensure that airports can quickly and effectively put out fires and respond to emergencies on the runway.

Summary of Performance

During the second half of fiscal year 2016, our audit work resulted in:



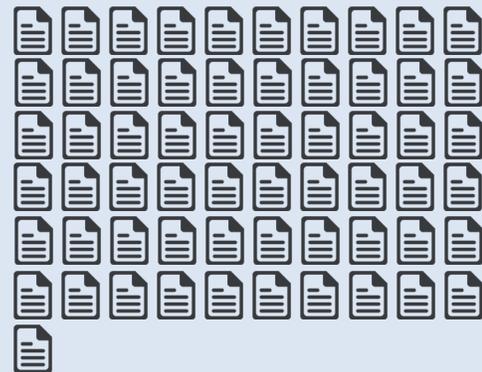
total financial audit recommendations



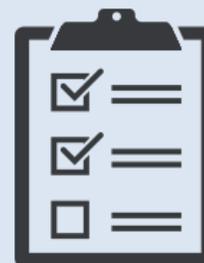
questioned costs



funds put to better use



61 audit reports issued



153 recommendations

COMPLETED AUDITS BY TYPE

TYPE	NUMBER OF REPORTS	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS	FUNDS TO BE PUT TO BETTER USE
Performance audits	12	53	\$160,701,589	\$4,405,816,174
Attestation engagements	1	3	\$0	\$0
Audits under Single Audit Act	48	97	\$29,601,291	\$0
Total completed audit reports	61	153	\$190,302,880	\$4,405,816,174

Types of audits

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria.

Attestation engagements are reviews that evaluate the assertions of another party for compliance with agreed-upon standards and procedures.

Audits under Single Audit Act are examinations of an entity that expends \$750,000 or more of Federal assistance (i.e., Federal funds, grants, or awards) received for its operations.

LIST OF COMPLETED AUDITS BY OPERATING ADMINISTRATION

FEDERAL AVIATION ADMINISTRATION

Performance Audits – 3 reports

FAA Lacks Adequate Controls to Accurately Track and Award its Sole
Source Contracts
ZA-2016-065
5/9/2016

FAA Lacks Sufficient Oversight of the Aircraft Rescue and Fire Fighting
Program
AV-2016-067
5/31/2016

FAA Lacks a Clear Process for Identifying and Coordinating NextGen
Long-Term Research and Development
AV-2016-094
8/25/2016

Grant Audits – 6 reports

Single Audit of the Virgin Islands Port Authority, St. Thomas, VI
SA-2016-63
4/27/2016

Quality Control Review on the Single Audit of the Wayne County
Airport Authority, Detroit, MI
QC-2016-090
8/23/2016

Single Audit of the Territory of American Samoa, Pago Pago, American
Samoa
SA-2016-099
9/12/2016

Single Audit of the State of Vermont, Montpelier, VT
SA-2016-104
9/19/2016

Single Audit of the State of Illinois, Springfield, IL *(also listed under the Federal Highway Administration, Federal Railroad Administration, and Office of the Secretary)*
SA-2016-107
9/19/2016

Single Audit of the Virgin Islands Port Authority, St. Thomas, VI
SA-2016-114
9/19/2016

FEDERAL HIGHWAY ADMINISTRATION

Performance Audits – 1 report

FHWA Does Not Effectively Ensure States Account for Preliminary Engineering Costs and Reimburse Funds as Required ST-2016-095 8/25/2016	\$143,000,000 questioned and \$4,400,000,000 funds to be put to better use
---	---

Grant Audits – 16 reports

Single Audit of the State of Louisiana, Baton Rouge, LA <i>(also listed under the National Highway Traffic Safety Administration)</i> SA-2016-062 4/27/2016	\$658,502 questioned
---	----------------------

Single Audit of the State of Georgia, Atlanta, GA
SA-2016-070
6/16/2016

Single Audit of the Commonwealth of Pennsylvania, Harrisburg, PA
SA-2016-079
8/5/2016

Single Audit of the State of North Carolina, Raleigh, NC *(also listed under the Federal Railroad Administration)*
SA-2016-084
8/5/2016

<p>Single Audit of the State of Tennessee, Nashville, TN <i>(also listed under the Federal Transit Administration)</i> SA-2016-085 8/5/2016</p>	<p>\$12,555 questioned</p>
<p>Quality Control Review on the Single Audit of the Wayne County Airport Authority, Detroit, MI QC-2016-090 8/23/2016</p>	
<p>Single Audit of the State of Indiana, Indianapolis, IN SA-2016-100 9/12/2016</p>	
<p>Single Audit of the State of Florida, Tallahassee, FL SA-2016-101 9/12/2016</p>	<p>\$26,110 questioned</p>
<p>Single Audit of the State of Alaska, Juneau, AK SA-2016-102 9/12/2016</p>	<p>\$43,045 questioned</p>
<p>Single Audit of the State of Rhode Island and Providence Plantations, Providence, RI SA-2016-103 9/19/2016</p>	<p>\$138,091 questioned</p>
<p>Single Audit of the State of West Virginia, Charleston, WV SA-2016-106 9/19/2016</p>	<p>\$29,901 questioned</p>
<p>Single Audit of the State of Illinois, Springfield, IL <i>(also listed under the Federal Aviation Administration, Federal Railroad Administration, and Office of the Secretary)</i> SA-2016-107 9/19/2016</p>	
<p>Single Audit of the State of Colorado, Denver, CO SA-2016-109 9/19/2016</p>	
<p>Single Audit of the State of Michigan, Lansing, MI SA-2016-110 9/19/2016</p>	

Single Audit of the Assiniboine and Sioux Tribes of the Fort Peck
Indian Reservation, Poplar, MT
SA-2016-111
9/19/2016

Single Audit of the Government of Guam, Hagatna, Guam
SA-2016-112
9/19/2016

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Grant Audits – 1 report

Single Audit of the State of New Mexico, Department of Public Safety,
Santa Fe, NM (*also listed under the National Highway Traffic Safety
Administration*) \$29,500 questioned
SA-2016-108
9/19/2016

FEDERAL RAILROAD ADMINISTRATION

Performance Audits – 1 report

FRA Lacks Guidance on Overseeing Compliance With Bridge Safety
Standards
ST-2016-059
4/21/2016

Grant Audits – 4 reports

Single Audit of the State of California, Sacramento, CA
SA-2016-082
8/5/2016

Single Audit of the State of North Carolina, Raleigh, NC (*also listed
under the Federal Highway Administration*)
SA-2016-084
8/5/2016

Single Audit of the North Coast Railroad Authority, Ukiah, CA
SA-2016-087
8/5/2016

Single Audit of the State of Illinois, Springfield, IL *(also listed under the Federal Aviation Administration, Federal Highway Administration, and Office of the Secretary)*
SA-2016-107
9/19/2016

FEDERAL TRANSIT ADMINISTRATION

Performance Audits – 2 reports

FTA Monitored Grantees' Corrective Actions but Lacks Policy and Guidance To Oversee Grantees With Restricted Access to Federal Funds
ST-2016-058
4/12/2016

FTA Can Improve Its Oversight of Hurricane Sandy Relief Funds ZA-2016-077 7/21/2016	\$17,700,000 questioned
---	-------------------------

Grant Audits – 26 reports

Quality Control Review on the Single Audit of VIA Metropolitan Transit, San Antonio, TX
QC-2016-060
4/25/2016

Single Audit of the Washington Metropolitan Area Transit Authority, Washington, DC SA-2016-061 4/27/2016	\$27,385,124 questioned
--	-------------------------

Single Audit of the State of Nebraska, Lincoln, NE SA-2016-071 6/16/2016	\$111,807 questioned
--	----------------------

Single Audit of the State of South Dakota, Pierre, SD SA-2016-072 6/16/2016	\$237,996 questioned
---	----------------------

Single Audit of the City of Dubuque, Dubuque, IA
SA-2016-073
6/16/2016

<p>Single Audit of the Yolo County Transportation District, Woodland, CA SA-2016-074 6/16/2016</p>	<p>\$11,641 questioned</p>
<p>Quality Control Review of a Single Audit of the Southeastern Pennsylvania Transportation Authority, Philadelphia, PA QC-2016-075 6/20/2016</p>	
<p>Quality Control Review of a Single Audit of the City of Albuquerque, NM QC-2016-076 6/20/2016</p>	
<p>Single Audit of the City and County of Honolulu, HI SA-2016-078 8/5/2016</p>	
<p>Single Audit of the Puerto Rico and Municipal Islands Maritime Transport Authority, San Juan, PR SA-2016-080 8/5/2016</p>	
<p>Single Audit of the Puerto Rico Metropolitan Bus Authority, San Juan, PR SA-2016-081 8/5/2016</p>	
<p>Single Audit of the State of North Carolina, Raleigh, NC <i>(also listed under the Federal Highway Administration)</i> SA-2016-084 8/5/2016</p>	
<p>Single Audit of the State of Tennessee, Nashville, TN <i>(also listed under the Federal Highway Administration)</i> SA-2016-085 8/5/2016</p>	<p>\$83,782 questioned</p>
<p>Single Audit of the San Francisco Bay Area Rapid Transit District, Oakland, CA SA-2016-086 8/5/2016</p>	

Single Audit of the Waccamaw Regional Transportation Authority,
Conway, SC
SA-2016-088
8/5/2016

\$65,842 questioned

Quality Control Review on the Single Audit of the Washington
Metropolitan Area Transit Authority, Washington, DC
QC-2016-091
8/23/2016

Quality Control Review on the Single Audit of the City of Phoenix, AZ
QC-2016-092
8/24/2016

Quality Control Review on the Single Audit of the New Jersey Transit
Corporation, Newark, NJ
QC-2016-093
8/24/2016

Single Audit of the City of Jackson, MS
SA-2016-098
9/12/2016

Single Audit of the State of Florida, Tallahassee, FL (*also listed under
Federal Highway Administration*)
SA-2016-101
9/12/2016

Single Audit of the County of Lackawanna Transit System Authority,
Scranton, PA
SA-2016-105
9/19/2016

Single Audit of the Texoma Area Paratransit System, Inc., Sherman, TX
(FY 2015)
SA-2016-113
9/19/2016

Single Audit of the Texoma Area Paratransit System, Inc., Sherman, TX
(FY 2014)
SA-2016-115
9/19/2016

Quality Control Review on the Single Audit of the City of Fresno, CA
QC-2016-116
9/20/2016

Quality Control Review on the Single Audit of the Tri-County
Metropolitan Transportation District of Oregon, Portland, OR
QC-2016-117
9/21/2016

Quality Control Review on the Single Audit of the Potomac and
Rappahannock Transportation Commission, Woodbridge, VA
QC-2016-118
9/21/2016

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Grant Audits – 3 reports

Single Audit of the State of Louisiana, Baton Rouge, LA *(also listed
under the Federal Highway Administration)* \$737,895 questioned
SA-2016-062
4/27/2016

Single Audit of the State of New Jersey, Trenton, NJ
SA-2016-083
8/5/2016

Single Audit of the State of New Mexico, Department of Public Safety,
Santa Fe, NM *(also listed under the Federal Motor Carrier Safety
Administration)* \$29,500 questioned
SA-2016-108
9/19/2016

OFFICE OF THE SECRETARY

Performance Audits – 5 reports

Weaknesses Identified in Volpe's Cost Accounting Practices for the
V-TRIPS Contract \$4,960,165 funds to be
ZA-2016-064 put to better use
5/9/2016

DOT's Fiscal Year 2015 Improper Payment Reporting Does Not Comply
With IPERA Requirements
FI-2016-066
5/13/2016

Improvements Needed in DOT's Process for Identifying Unfair or
Deceptive Practices in Airline Frequent Flyer Programs
AV-2016-068
6/16/2016

Report Required by Cybersecurity Act of 2015 Section 406—Federal
Computer Security
FI-2016-089
8/11/2016

DOT's Conference Spending Policies Reflect Federal Requirements, but
Ineffective Controls Do Not Ensure Compliance \$1,589 questioned and
\$856,009 funds to be put to
FI-2016-097 better use
9/8/2016

Attestation Engagements – 1 report

Quality Control Review of Controls Over the Enterprise Services Center
QC-2016-096
8/31/2016

Grant Audits – 2 reports

Single Audit of the City of Atlanta, GA
SA-2016-069
6/16/2016

Single Audit of the State of Illinois, Springfield, IL *(also listed under the
Federal Aviation Administration, Federal Highway Administration, and
Federal Railroad Administration)*
SA-2016-107
9/19/2016

TOTAL PUBLISHED REPORTS:	61
TOTAL QUESTIONED COSTS:	\$190,302,880
TOTAL FUNDS PUT TO BETTER USE:	\$4,405,816,174

STATUS OF RECOMMENDATIONS THAT QUESTIONED COSTS

RECOMMENDATION STATUS	NUMBER OF REPORTS	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS**
A No management decision made by start of reporting period	9	10	\$5,033,194
B Issued during reporting period	15	19	\$190,302,880
Total (A+B)	24	29	\$195,336,074
C Management decision made during reporting period	24	28	\$195,631,574
(i) dollar value of recommendations that were agreed to (disallowed costs)	*2	2	\$161,025,000
(ii) dollar value of recommendations that were not agreed to (allowed costs)	*22	26	\$34,606,574
D Total remaining for management decision at end of reporting period [(A+B)-C]	1	1	\$29,500

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

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

Questioned Costs

Costs that are questioned by OIG because of an alleged violation of a provision; costs not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Allowed costs: Dollar value that DOT management has agreed should be charged to the government.

Disallowed costs: Dollar value that DOT management has decided should not be charged to the government.

STATUS OF RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

RECOMMENDATIONS STATUS	NUMBER OF REPORTS	NUMBER OF RECOMMENDATIONS	FUNDS TO BE PUT TO BETTER USE*
A No management decision made by start of reporting period	0	0	\$0
B Issued during reporting period	3	4	\$4,405,816,174
Totals (A+B)	3	4	\$4,405,816,174
C Management decision made during reporting period	3	4	\$4,405,816,174
(i) dollar value of recommendations that were agreed to	2	2	\$3,304,960,165
(ii) dollar value of recommendations that were not agreed to	2	2	\$1,100,856,009
D Total remaining for management decision at end of reporting period [(A+B)-C]	0	0	\$0

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

Funds Put to Better Use

Funds that could be used more efficiently if management took actions to implement and complete the recommendation. For example, recommendations that funds be put to better use could result in reductions in spending, deobligation of funds, or avoidance of unnecessary spending.

OIG REPORTS RECOMMENDING CHANGES FOR SAFETY, ECONOMY, OR EFFICIENCY

	NUMBER OF REPORTS	NUMBER OF RECOMMENDATIONS
A No management decision made by start of reporting period	36	60
B Issued during reporting period	50	130
Totals (A+B)	86	190
C Management decision made during reporting period	*78	168
D No management decision made by end of reporting period	*11	22

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

MANAGEMENT DECISIONS REGARDING OIG RECOMMENDATIONS

	NUMBER OF REPORTS	NUMBER OF RECOMMENDATIONS	QUESTIONED COSTS	FUNDS TO BE PUT TO BETTER USE
Unresolved as of 04/01/2016	36	70	\$5,033,194	\$0
Audits with recommendations during current period	50	153	\$190,302,880	\$4,405,816,174
Total to be resolved	86	223	\$195,336,074	\$4,405,816,174
Management Decisions				
Prior period audits ^a	32	63	\$5,033,194	\$0
Current period audits ^a	46	137	\$190,273,380	\$4,405,816,174
Total resolved	78	200	\$195,306,574	\$4,405,816,174
Age of Unresolved Audits^b				
Less than 6 months old	6	16	\$29,500	\$0
6 months to 1 year	1	2	\$0	\$0
1 year to 18 months	0	0	\$0	\$0
18 months to 2 years	0	0	\$0	\$0
Over 2 years old	4	5	\$0	\$0
Unresolved as of 9/30/2016	11	23	\$29,500	\$0

^a Includes reports and recommendations where costs were both allowed and disallowed.

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

UNRESOLVED RECOMMENDATIONS

OMB Circular A-50 requires OIG recommendations to be resolved within 6 months. Unresolved recommendations are those for which management does not agree with the recommendation or OIG does not agree with management's proposed corrective action. OIG is working with the Department to resolve recommendations over 6 months old and obtain DOT's timeframe for achieving management decision.

REPORT	UNRESOLVED RECOMMENDATIONS
<p>Long Term Success of ATSAP Will Require Improvements In Oversight, Accountability, and Transparency AV-2012-152 7/19/2012</p>	<p>Recommendation No. 10 Revise ATSAP guidance to exclude accidents from the program.</p>
<p>FAA and Industry Are Advancing the Airline Safety Act but Challenges Remain To Achieve Its Full Measure AV-2013-037 1/31/2013</p>	<p>Recommendation No. 5 In developing the Pilot Records Database, require training records for all unsatisfactory pilot evaluation events to include written comments from the examiner to aid in identifying specific performance deficiencies.</p>
<p>Further Actions Are Needed to Improve FAA's Oversight of the Voluntary Disclosure Reporting Program AV-2014-036 4/10/2014</p>	<p>Recommendation No. 8 Analyze VDRP data from a national perspective to aid in the identification of system-wide trends and patterns that represent risks.</p>
<p>ADS-B Benefits Are Limited Due to a Lack of Advanced Capabilities and Delays in User Equipage AV-2014-105 9/11/2014</p>	<p>Recommendation No. 2 Develop a schedule and plan to expedite the continued development and deployment of SBS Monitor and ensure that the system is adequately staffed and funded so it can effectively access the performance and integrity of the ADS-B system now and as it evolves.</p> <p>Recommendation No. 3 Develop and implement a plan to improve communications with the aviation community to ensure it understands the intended use of ADS-B services and applications being provided, including that ADS-B initial capabilities are for advisory use only.</p>

REPORT	UNRESOLVED RECOMMENDATIONS
<p>Enhanced FAA Oversight Could Reduce Hazards Associated With Increased Use of Flight Deck Automation AV-2016-013 1/17/2016</p>	<p>Recommendation No. 1 Develop guidance defining pilot monitoring metrics that air carriers can use to train and evaluate pilots.</p> <p>Recommendation No. 2 Develop standards to determine whether pilots receive sufficient training opportunities to develop, maintain, and demonstrate manual flying skills.</p>

SIGNIFICANT REVISED MANAGEMENT DECISIONS

DOT did not revise any of its significant management decisions during the reporting period.

OIG DISAGREEMENT WITH SIGNIFICANT MANAGEMENT DECISIONS

DOT made no significant management decisions with which DOT OIG disagreed.

INFORMATION OR ASSISTANCE REFUSED BY DOT

DOT did not unreasonably refuse information or assistance to DOT OIG during the reporting period.

FEDERAL AVIATION ADMINISTRATION

September 30, 2016

LETTER RESPONDING TO QUESTIONS ABOUT THE COST AND SCHEDULE OF FAA'S NEXTGEN

Chairman Bill Shuster, House Committee on Transportation and Infrastructure

In July 2016, the Chairman of the House Committee on Transportation and Infrastructure requested responses to questions related to the cost and schedule of FAA's Next Generation Air Transportation System (NextGen). His questions were (1) the amount FAA has invested in NextGen since fiscal year 2003; (2) the date when NextGen will be completed; and (3) the amount of additional funding needed to complete NextGen compared to initial estimates. Our letter to the Chairman summarizes information we obtained from completed and ongoing NextGen work. We stated that Congress has provided over \$7 billion to FAA through fiscal year 2016 to invest in NextGen. However, the NextGen completion date is unclear due to shifting Agency priorities and undefined final requirements for major acquisition systems. The amount of additional funding needed to complete NextGen is also uncertain due to several factors. For example, FAA has not fully identified the total costs for six NextGen transformational programs. Other factors that will impact the overall cost of NextGen include cost control during new system acquisition; identification and prevention of cybersecurity risks; improvements in system resiliency; and integration of Unmanned Aircraft Systems.

August 25, 2016

FAA LACKS A CLEAR PROCESS FOR IDENTIFYING AND COORDINATING NEXTGEN LONG-TERM RESEARCH AND DEVELOPMENT

Requested by the Chairman and Ranking Member of the House Committee on Science, Space, and Technology, Subcommittee on Space

In 2003, Congress mandated that FAA establish the Joint Planning and Development Office (JPDO) to develop a plan for implementing NextGen by 2025 and coordinate research efforts with other Federal agencies. However, concerned that FAA had failed to establish a clearly defined role for JPDO, Congress eliminated funding for JPDO in 2014. We conducted this review to determine (1) how FAA has reallocated JPDO's responsibilities for identifying high-priority research and development (R&D), and (2) whether FAA has developed an effective structure to coordinate high-priority R&D with other Federal agencies. While FAA reallocated JPDO's statutory responsibilities to its NextGen Office, the

Agency lacks a clear process for identifying high-priority R&D to support NextGen, which was one of JPDO's roles. In May 2014, FAA established an Interagency Planning Office (IPO) to coordinate NextGen R&D across the Federal Government. One of IPO's first tasks was identifying and prioritizing R&D areas with the potential to advance NextGen capabilities. However, these activities are only a starting point for identifying long-term R&D and have not been synchronized with any long-term vision for NextGen. FAA is in the process of developing a mechanism for coordinating NextGen R&D with other Federal agencies. The agreement between the partner agencies that defines the agencies' structures, roles, and responsibilities has been drafted but not yet finalized. In addition, while FAA has continued interagency coordination since JPDO's dissolution, particularly with the National Aeronautics and Space Administration, the Agency has not developed a structure for coordinating high-priority R&D with its other three partner agencies, and the level of coordination varies widely. We made five recommendations to improve FAA's process and structure for identifying and coordinating long-term NextGen R&D. FAA concurred with all five recommendations.

August 23, 2016

QUALITY CONTROL REVIEW ON THE SINGLE AUDIT OF THE WAYNE COUNTY AIRPORT AUTHORITY, DETROIT, MI

Self-Initiated

This report presents the results of our self-initiated quality control review on Plante & Moran, PLLC's (Plante & Moran) single audit of the Wayne County Airport Authority's (Authority) use of DOT grants during the Authority's fiscal year ended September 30, 2015. During this period, the Authority expended approximately \$8.6 million from DOT grant programs. Plante & Moran determined that DOT's major program was the Airport Improvement Program. We assigned an overall rating of pass to Plante & Moran's work. Therefore, Plante & Moran met the requirements of the Single Audit Act, OMB Circular A-133, and the Airport Improvement Program. We found nothing to indicate that Plante & Moran's opinion on the Airport Improvement Program was inappropriate or unreliable.

June 15, 2016

KEY ISSUES FACING FAA'S AIR TRAFFIC CONTROLLER WORKFORCE

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

At the Subcommittee's hearing on FAA's air traffic controller hiring, staffing, and training plans, the Assistant Inspector General for Aviation Audits testified on three areas involving FAA's controller workforce: (1) FAA's progress and challenges addressing its controller staffing levels at the Agency's most critical facilities; (2) FAA's implementation of its new hiring process; and (3) significant workforce issues that require top FAA management's attention and action. The Assistant Inspector General testified that FAA faces challenges ensuring it has enough fully certified controllers to effectively balance controller training requirements with pending retirements, especially at its most critical facilities. These challenges exist in part because FAA does not consider facility-specific information when anticipating future retirements and lacks sufficient data to determine how many controllers it needs. The Assistant

Inspector General also stated that FAA recently introduced a new process for hiring controllers but lacked an effective implementation strategy for the new process. While it is too soon to assess the overall impact of the new hiring process, the Agency continues to fall short of its hiring goals due to the length of time it takes to hire and train controllers. Finally, the Assistant Inspector General noted that there are several issues that will affect the controller workforce and require senior FAA management's attention, including: effective implementation of a new scheduling tool; integration of Unmanned Aircraft Systems into the national airspace; and transition to new NextGen technologies.

May 31, 2016

FAA LACKS SUFFICIENT OVERSIGHT OF THE AIRCRAFT RESCUE AND FIRE FIGHTING PROGRAM

Self-Initiated

In July 2013, Asiana Flight 214 crashed on final approach at San Francisco International Airport, resulting in three fatalities and drawing attention to the importance of emergency response at the Nation's airports. In its report on the accident, the National Transportation Safety Board (NTSB) highlighted safety issues related to the training and staffing of aircraft rescue and firefighting (ARFF) personnel and FAA's oversight of emergency response services. As a result, we initiated this audit to assess FAA's oversight of the ARFF program. While FAA has provided approximately \$750 million since 2004 to fund ARFF buildings, facilities, vehicles, and equipment, we identified several challenges related to the Agency's oversight and enforcement. For example, FAA inspectors did not consistently review airports' compliance with ARFF regulations and policy. FAA has also not sufficiently investigated potentially serious violations of ARFF requirements or reported enforcement data to its own database, as required by FAA policy, in part because the Agency has no guidance that clearly delineates when a violation should be investigated. In addition, FAA either lacks policies regarding key components of the ARFF program—the review of vehicle maintenance records—or the policies are not effective. In one case, FAA issued guidance to airports that conflicted with FAA regulations. Finally, FAA's policies and guidance on ARFF training are voluntary and do not establish required standards for content, length, and methods of teaching. We made 10 recommendations to help FAA improve its oversight and enforcement of emergency response services at the Nation's airports. FAA concurred with eight of our recommendations and partially concurred with two recommendations.

May 9, 2016

FAA LACKS ADEQUATE CONTROLS TO ACCURATELY TRACK AND AWARD ITS SOLE SOURCE CONTRACTS

Self-Initiated

In July 2009, OMB directed all Federal agencies to reduce the amount of dollars obligated on noncompetitive contracts, including sole-source contracts. Sole-source contracts are considered high-risk and can result in wasted resources, poor contractor results, and inadequate accountability. According to the Department's annual reports to Congress on sole-source contracts, FAA accounted for

approximately 65 percent of DOT's sole-source awards between fiscal years 2008 and 2013. FAA took limited actions to reduce its use of sole-source contracts and did not achieve a sustained reduction in its use of these contracts between fiscal years 2008 and 2014. The number of FAA's new sole-source contracts fluctuated from year to year, and the Agency awarded a total of 624 sole-source contracts—valued at about \$2.2 billion—during this period. In 2009, FAA developed a plan to respond to OMB's directive to reduce sole-source contracts but did not establish performance measures to demonstrate whether the plan would impact its use of sole-source contracts. In addition, FAA's pre-award practices for sole-source contracts did not fully comply with its Acquisition Management System (AMS) policy and guidance. AMS requires a number of actions before awarding sole-source contracts to help ensure that acquisitions are properly planned, awards are properly justified, and prices are fair and reasonable. However, 29 of 34 FAA sole-source contracts in our sample did not fully comply with AMS guidelines. We project that the total estimated value of sole-source contracts that did not fully comply with AMS pre-award requirements is \$962 million or 51 percent of the total estimated value of contracts in our universe. FAA concurred with our five recommendations to help reduce the Agency's use of sole-source contracts and increase its compliance with AMS pre-award policies and guidance.

April 20, 2016

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

Requested by Chairman Jason Chaffetz and Ranking Member Elijah Cummings

We issued a letter to Chairman Jason Chaffetz and Ranking Member Elijah Cummings of the House Committee on Oversight and Government Reform regarding the status of our open audit recommendations. Specifically, the Chairman and Ranking Member requested: (1) the current number of open recommendations; (2) cumulative estimated cost savings associated with the current open recommendations; (3) specifics on the recommendations that could result in cost savings, including their dates and potential monetary benefits; (4) our three most important or urgent open recommendations; (5) a summary of all investigations, evaluations, and audits closed since March 1, 2015 that were not disclosed to the public; (6) total number of individuals referred by your office to the Department of Justice for criminal prosecution and the total number of prosecutions in response; and (7) a list and description of any instance in which the Department refused to provide, or otherwise delayed or restricted access to records or other information since March 1, 2015. As of April 1, 2016, we have identified 555 open recommendations that were included in 190 audit reports issued between July 18, 2007, and March 28, 2016. Of these, 35 recommendations (from 28 reports) carry an estimated monetary benefit or cost savings totaling over \$1.54 billion. We identified our three most important open recommendations based on their impact on safety, economy, or efficiency; documented vulnerabilities; and the ability of the Department to effect change in these programs or areas. We selected one recommendation from each of the following reports: FAA Faces Significant Barriers To Safely Integrate Unmanned Aircraft Systems Into the National Airspace System; Weak Internal Controls for Collecting Delinquent Debt Put Millions of DOT Dollars at Risk; and Additional Efforts Are Needed To Ensure NHTSA's Full Implementation of OIG's 2011 Recommendations.

FEDERAL HIGHWAY ADMINISTRATION

August 25, 2016

FHWA DOES NOT EFFECTIVELY ENSURE STATES ACCOUNT FOR PRELIMINARY ENGINEERING COSTS AND REIMBURSE FUNDS AS REQUIRED

Self-Initiated

FHWA authorizes billions of dollars in Federal-aid funding to assist States in the design and related ground work—known as preliminary engineering (PE)—needed before a highway or bridge project advances to physical construction or acquires right-of-way. If a project does not acquire right-of-way or start construction within 10 years after the Federal funds expended on PE became available, Federal law requires States to repay the Highway Trust Fund the full amount of Federal-aid expended on PE. Given the billions of dollars in Federal funds spent on State highway and bridge PE projects, we assessed FHWA's policies and procedures for (1) accounting for Federal PE funds used for highway projects, and (2) ensuring States repay the Highway Trust Fund for Federal PE expenditures when required. FHWA does not effectively account for Federal highway and bridge funds used for PE. Specifically, the four FHWA Division Offices we reviewed do not effectively assess whether States' systems and processes accurately account for PE projects. In addition, FHWA lacks effective controls and practices to promote transparent and accurate accounting for PE projects. For example, States incorrectly coded non-PE projects as PE in FHWA's financial information database. Based on these results, we project that Division Offices approved approximately \$3.1 billion in Federal PE expenditures (8 percent of total PE expenditures) for non-PE highway and bridge projects nationwide. We also found that FHWA lacks adequate processes to ensure States repay Federal funds spent on PE. For one-third of the projects in our statistical sample, FHWA did not take prompt action to ensure the State complied with Federal PE requirements when the project did not acquire right-of-way or start construction within the 10 year limit. Based on these results, we project that \$3.3 billion of Federal funds authorized during fiscal years 2000 through 2004 were at risk of not being repaid to the Highway Trust Fund or not used effectively due to FHWA's inaction. When PE actions were taken, the four Division Offices we reviewed did not consistently follow FHWA policy. For example, the Division Offices allowed States to avoid PE repayment without adequate justification, and did not ensure States repaid PE costs timely. These issues occurred, in part, because FHWA has not implemented sufficient controls and guidance for enforcing compliance with PE requirements. FHWA concurred or partially concurred with our seven recommendations to help FHWA better account for Federal funds spent on PE and ensure States reimburse the Highway Trust Fund when required.

FEDERAL RAILROAD ADMINISTRATION

August 11, 2016

LETTER RESPONDING TO A REQUEST FOR INFORMATION FROM THE RANKING MEMBER OF THE HOUSE OF REPRESENTATIVES' SUBCOMMITTEE ON RAILROADS, PIPELINES, AND HAZARDOUS MATERIALS

Ranking Member Michael Capuano

We prepared this letter in response to a request from Ranking Member Capuano for information on Federal Railroad Administration's (FRA) oversight of railroad tunnel safety. The Rail Safety Improvement Act of 2008 (RSIA) established a goal for FRA to improve the safety of railroad bridges, tunnels, and related infrastructure. During our research for this response, FRA indicated that it has not issued regulations to govern tunnel safety and does not plan to do so. FRA also has not assigned staff to perform specific tunnel safety oversight, but FRA inspectors, in the course of their normal duties, observe tunnel conditions and notify railroads of any potential safety issues. FRA officials stated that Agency safety staff have not received specific training or guidance for tunnel observations and that their observations do not include tunnel structural integrity assessments.

April 21, 2016

FRA LACKS GUIDANCE ON OVERSEEING COMPLIANCE WITH BRIDGE SAFETY STANDARDS

Self-Initiated

Everything transported by rail in the U.S.—including passengers, consumer goods, coal, and hazardous materials—likely travels across one or more of approximately 100,000 railroad bridges. While structural failures of railroad bridges are rare, increasing traffic volume and loads traveling over aging bridges are causes for concern. In 2010, FRA issued a rule on Bridge Safety Standards that requires railroad track owners to implement bridge management programs that include procedures for determining bridge load capacities and inspecting bridges. In light of congressional interest and the importance of bridge structural integrity for safety, we conducted this audit. Our objective was to assess FRA's oversight for ensuring that track owners' bridge management programs comply with FRA's rule on bridge safety. Specifically we examined FRA's processes for (1) prioritizing track owners for bridge safety reviews, and (2) conducting bridge safety reviews and following up on identified issues of non-compliance. FRA has

not developed guidance on prioritization of track owners for bridge safety reviews. According to an FRA official, the Agency instead relies on the professional judgment of its bridge safety specialists, who have reached informal consensus on how to prioritize track owners. Furthermore, FRA does not maintain a comprehensive list of track owners that must comply with its Bridge Safety Standards. The Agency lacks information on industrial operations and certain tourist railroads that own railroad track and are subject to the rule. The lack of comprehensive identification of risks and guidance on prioritization makes it difficult for FRA to be sure it is effectively deploying oversight resources to review the highest-risk track owners. FRA also has not developed guidance for its specialists on conducting bridge safety reviews, and as a result, the specialists may not appropriately address all issues of regulatory non-compliance. Furthermore, FRA lacks guidance for its specialists on how to track and follow up on non-compliance and recommend civil penalties. FRA relies on each specialist to determine how to track and follow up on non-compliance. However, within our sample, specialists did not conduct follow-up reviews of track owners responsible for 55 percent of non-compliance issues and track owners were 35 percent less likely to correct issues when FRA did not follow-up. Therefore, FRA cannot be sure that track owners mitigate bridge safety risks. We made six recommendations to FRA to improve its oversight of track owners' compliance with the Bridge Safety Standards and FRA concurred with all six.

FEDERAL TRANSIT ADMINISTRATION

September 20, 2016

QUALITY CONTROL REVIEW ON THE SINGLE AUDIT OF THE CITY OF FRESNO, CA

Self-Initiated

This report presents the results of our quality control review on Brown Armstrong Accountancy Corporation's (Brown Armstrong) single audit of the City of Fresno's (City) use of DOT grants during the City's fiscal year ending June 30, 2015. During this period, the City expended approximately \$34 million from DOT grant programs. Brown Armstrong determined that DOT's major programs were the Federal Transit Cluster and the Highway Planning and Construction Cluster. We limited our review to the Federal Transit Cluster grants because they were awarded directly to the City. We assigned an overall rating of pass with deficiencies to Brown Armstrong's work. Therefore, Brown Armstrong generally met the requirements of the Single Audit Act, OMB Circular A-133, and the Federal Transit Cluster. We found nothing to indicate that Brown Armstrong's opinion on the Federal Transit Cluster was inappropriate or unreliable.

August 24, 2016

QUALITY CONTROL REVIEW ON THE SINGLE AUDIT OF THE NEW JERSEY TRANSIT CORPORATION, NEWARK, NJ

Self-Initiated

The report presents the results of our quality control review on Ernst & Young LLP's (E&Y) single audit of the New Jersey Transit Corporation's (NJT) use of DOT grants during NJT's fiscal year ending June 30, 2015. During this period, NJT expended approximately \$692 million from DOT grant programs. E&Y determined that DOT's major program was the Federal Transit Cluster. We assigned an overall rating of pass to E&Y's work. Therefore, E&Y met the requirements of the Single Audit Act, OMB Circular A-133, and the Federal Transit Cluster. We found nothing to indicate that E&Y's opinion on the Federal Transit Cluster was inappropriate or unreliable.

August 24, 2016

QUALITY CONTROL REVIEW ON A SINGLE AUDIT OF THE CITY OF PHOENIX, AZ

Self-Initiated

This report presents the results of our self-initiated quality control review on Grant Thornton LLP's single audit of the City of Phoenix's (City) use of DOT grants during the City's fiscal year ending June 30, 2014. During this period, the City expended approximately \$184 million from DOT grant programs. Grant Thornton determined that the major DOT programs were the Federal Transit Cluster, the Airport Improvement Program, and the Highway Planning and Construction Cluster. We limited the scope of our QCR to the Federal Transit Cluster and the Airport Improvement Program because no Highway Planning and Construction Cluster funds were awarded directly to the City. We assigned overall rating of pass with deficiencies to Grant Thornton's work. Therefore, Grant Thornton generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that Grant Thornton's opinion on each of DOT's major programs was inappropriate or unreliable.

August 23, 2016

QUALITY CONTROL REVIEW ON A SINGLE AUDIT OF THE WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY, WASHINGTON, DC

Self-Initiated

This report presents the results of our self-initiated quality control review on RSM US LLP's single audit of Washington Metropolitan Area Transit Authority's (WMATA) use of DOT grants during WMATA's fiscal year ending June 30, 2015. During this period, WMATA expended approximately \$670 million from DOT grant programs. RSM determined that the major DOT programs were the Federal Transit Cluster and the Passenger Rail Investment and Improvement Act of 2008 program. We assigned an overall rating of pass with deficiencies to RSM's work. Therefore, RSM generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that RSM's opinion on each of DOT's major programs was inappropriate or unreliable.

July 21, 2016

FTA CAN IMPROVE ITS OVERSIGHT OF HURRICANE SANDY RELIEF FUNDS

Mandated by the Disaster Relief Appropriations Act of 2013

The Disaster Relief Appropriations Act of 2013 (DRAA) appropriated over \$10 billion to FTA's Public Transportation Emergency Relief Program (ERP) for Hurricane Sandy-related recovery programs and directed our office to support oversight of those funds. Our office has conducted three previous audits since 2013 in response to this mandate. We conducted this audit to determine whether FTA provides effective oversight of grantees' contracting practices using DRAA funds. Out of FTA's top four grantees, the Metropolitan Transit Authority (MTA) received 70 percent of the \$1.16 billion in funds disbursed as of November 30, 2015. We focused our review on New York City Transit (NYCT)—a subsidiary of MTA—which holds most of MTA's DRAA-funded contracts. FTA's oversight practices do not fully ensure

that NYCT uses DRAA funds properly and in compliance with FTA procurement requirements. While FTA quickly and effectively assessed damage and assisted impacted transit agencies after Hurricane Sandy, we identified concerns with how it ensures NYCT's use of DRAA funds for eligible expenditures and oversees change order approvals. NYCT drew down \$17.7 million in DRAA funds for procurement actions that FTA determined were ineligible for inclusion in a grant. In addition, NYCT spent these DRAA funds on out-of-scope work, which is not permissible under FTA policies. Of 205 change orders we reviewed, 154 were not approved per FTA policy. After we notified FTA of our findings, the Agency requested that NYCT return \$17.7 million in improper payments, and in April 2016, NYCT repaid it in full with interest. FTA concurred with our five recommendations to help improve the Agency's oversight of its grantees' practices for proper use of Federal funds.

June 20, 2016

QUALITY CONTROL REVIEW OF A SINGLE AUDIT OF THE CITY OF ALBUQUERQUE, NM

Self-Initiated

This report presents the results of our self-initiated quality control review on Moss Adams LLP's single audit of the City of Albuquerque's use of Department of Transportation grants during the City's fiscal year ending June 30, 2014. During this period, the City expended approximately \$32 million from DOT grant programs. Moss Adams determined that DOT's major program was the Federal Transit Cluster. We assigned an overall rating of pass with deficiencies to Moss Adams' work. Therefore, Moss Adams generally met the requirements of the Single Audit Act, OMB Circular A-133, and the Federal Transit Cluster. We found nothing to indicate that Moss Adams' opinion on the Federal Transit Cluster was inappropriate or unreliable.

June 20, 2016

QUALITY CONTROL REVIEW OF A SINGLE AUDIT OF THE SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY, PHILADELPHIA, PA

Self-Initiated

This report presents the results of our self-initiated quality control review on Zelenkofske Axelrod LLC's single audit of the Southeastern Pennsylvania Transportation Authority's (SEPTA) use of DOT grants during its fiscal year ending June 30, 2014. During this period, SEPTA expended approximately \$222 million from DOT grant programs. Zelenkofske Axelrod determined that DOT's major programs were the Federal Transit Cluster, the Transit Services Program Cluster, the Clean Fuels program, and the Transit Investments for Greenhouse Gas and Energy Reduction program. We limited the scope of our QCR to the Federal Transit Cluster because expenditures from this program made up approximately 96 percent of the total expenditures from DOT's major programs. We assigned an overall rating of pass to Zelenkofske Axelrod's work. Therefore, Zelenkofske Axelrod met the requirements of the Single Audit Act, OMB Circular A-133, and the Federal Transit Cluster. We found nothing to indicate that Zelenkofske Axelrod's opinion on the Federal Transit Cluster was inappropriate.

April 25, 2016

QUALITY CONTROL REVIEW ON THE SINGLE AUDIT OF VIA METROPOLITAN TRANSIT, SAN ANTONIO, TX

Self-Initiated

This report presents the results of our self-initiated quality control review on Padgett, Stratemann & Co. LLP's single audit of VIA Metropolitan Transit's use of DOT grants during VIA's fiscal year ending September 30, 2014. During this period, VIA expended approximately \$40.8 million from DOT grant programs. Padgett, Stratemann & Co. determined that the major DOT programs were the Federal Transit Cluster and the Transportation Investment Generating Economic Recovery program. We assigned an overall rating of pass to Padgett, Stratemann & Co.'s work. Therefore, Padgett, Stratemann & Co. met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that Padgett, Stratemann & Co.'s opinion on each of DOT's major programs was inappropriate or unreliable.

April 12, 2016

FTA MONITORED GRANTEES' CORRECTIVE ACTIONS BUT LACKS POLICY AND GUIDANCE TO OVERSEE GRANTEES WITH RESTRICTED ACCESS TO FEDERAL FUNDS

Self-Initiated

More than 2,000 urban and rural transit operators receive FTA grants funds and technical assistance. If FTA becomes aware that a grantee has a significant internal control weakness or does not comply with Federal requirements, the Agency can temporarily restrict the grantee's access to Federal grant funds. From October 2010 through March 2014, FTA restricted access to Federal funds for 35 grantees for a variety of reasons, including unauthorized funding sources and inadequate competition for major procurements. In fiscal year 2013, these 35 grantees received over \$1.7 billion in FTA grant funding. FTA monitored grantees' progress on corrective actions but lacks policies and guidance on the Federal funding restriction process. For the three grantees we reviewed (Chicago Metra, Miami-Dade Transit, and Washington Metropolitan Area Transit Authority), FTA regional offices took steps to protect Federal funds and monitored the grantees' progress in taking corrective actions. However, we found differences in FTA regional offices' approaches that, in some cases, led to inefficiencies in monitoring and unclear documentation of transit agencies' corrective actions. These different approaches are attributable to FTA's lack of policies and guidance specifically geared toward grantees with restricted access to Federal funding. As a result, it is difficult for FTA Headquarters to track issues over time and across multiple transit agencies to gain assurance that its regional offices provide sufficient oversight of at-risk grantees and adequately protect millions of dollars in Federal grant funding. FTA concurred with our one recommendation to improve the Agency's policies and guidance for grantees with restricted access to Federal funding.

MARITIME ADMINISTRATION

August 11, 2016

LETTER TO CONGRESS REGARDING USMMA'S ACTIONS TO ADDRESS SEXUAL ASSAULT AND HARASSMENT

House and Senate Subcommittees on Transportation, Housing and Urban Development, and Related Agencies

On August 11, 2016, we issued a letter on our congressionally requested review of the United States Merchant Marine Academy's (USMMA) actions to prevent, respond to, and resolve instances of sexual assault and harassment. Specifically, Congress asked that we examine the Academy's progress in implementing its 2014–2015 action plan, which was based on an anonymous survey of midshipmen. From the survey, USMMA identified seven areas in need of attention, including establishing a “no tolerance and full reporting” climate; improving training for faculty, staff, and senior leadership; and increasing gender diversity at the Academy. We found that USMMA completed 29 of the 44 action items listed in its plan and that many of the incomplete items are issues that the Academy continues to face, including incident reporting and enhanced awareness among its midshipmen, faculty, and leadership. We disagreed with USMMA's reported completion status for eight action items and did not have sufficient information in two cases to make an assessment.

OFFICE OF THE SECRETARY OF TRANSPORTATION

September 8, 2016

DOT'S CONFERENCE SPENDING POLICIES REFLECT FEDERAL REQUIREMENTS, BUT INEFFECTIVE CONTROLS DO NOT ENSURE COMPLIANCE

Self-Initiated

In recent years, the President and OMB have issued guidance and the Congress has enacted legislation to promote efficient spending and curb conference-related costs in the Federal Government. We conducted this audit to determine whether DOT has implemented effective internal controls over conference-related activities and expenses to ensure compliance with these requirements. DOT's policies on conference spending reflect Federal laws, regulations, and OMB guidance. However, DOT's guidance for tracking and reporting conference costs does not clearly define what constitutes a conference or conference-related activities, how to determine sponsorship, or how to ensure that event costs are accurately reported. As a result, DOT did not report all reportable conferences—those exceeding \$20,000 and sponsored by an agency—for the period we reviewed, and DOT's total conference costs were understated. Furthermore, when multiple Operating Administrations (OA) participate in the same conference, DOT does not compile department-wide conference data and related costs, increasing the risk of violations of spending laws and regulations. In addition, DOT has not established adequate procedures to ensure compliance with conference approval, spending, and reporting requirements. OAs did not comply with at least 1 of these requirements for 88 percent of the 60 conferences we sampled. Our sample also revealed questioned costs and funds that could have been put to better use. Finally, some OAs either have policies that do not align with DOT's conference policy or do not follow their own policies. These weaknesses diminish the strength and authority of DOT's internal controls for ensuring that the OAs comply with Federal laws, regulations, and OMB requirements. We made six recommendations to help DOT eliminate unnecessary conference spending and strengthen internal controls associated with conference reporting. DOT concurred with our six recommendations and provided appropriate planned actions and completion dates.

August 31, 2016

QUALITY CONTROL REVIEW OF CONTROLS OVER DOT'S ENTERPRISE SERVICES CENTER

Required by the Office of Management and Budget's Bulletin No. 08-24, Audit Requirements for Federal Financial Statements

This report presents the results of our quality control review of KPMG LLP's report on the Enterprise Service Center's (ESC) description of its controls system and the suitability of the controls' design and operating effectiveness. KPMG conducted this attestation engagement in accordance with the American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagements Number 16, OMB requirements, and generally accepted Government auditing standards. OMB requires ESC, as a management services provider, to either provide its user organizations with independent audit reports on the design and effectiveness of its internal controls or allow user auditors to perform tests of its controls. To meet this requirement for the period of October 1, 2015 through June 30, 2016, we contracted with KPMG. KPMG found that: (1) in all material respects, from October 1, 2015, through June 30, 2016, ESC's description of controls fairly presented ESC's implemented system; (2) the controls were suitably designed to provide reasonable assurance that their objectives would be achieved if they operated effectively throughout the period; and (3) the controls tested, which were those necessary to provide reasonable assurance that the control objectives were achieved, operated effectively throughout the period. Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards. The quality control review and attachments have been marked For Official Use Only to protect sensitive information exempt from public disclosure under the Freedom of Information Act, 5 U.S.C. § 552.

August 11, 2016

REPORT REQUIRED BY CYBERSECURITY ACT OF 2015

Required by Cybersecurity Act of 2015 Section 406—Federal Computer Security

In December 2015, President Obama signed into law the Cybersecurity Act of 2015. Section 406—Federal Computer Security—of the act requires that by August 14, 2016, inspectors general submit reports to Congress that contain information on their agencies' systems covered by the act—national security systems (NSS) and Federal computer systems that provide access to personally identifiable information (PII). A national security system is one whose operation involves intelligence activities; cryptologic activities related to national security; command and control of military forces; equipment integral to a weapon or weapon system; or is critical to military or intelligence missions. As required by the act, we conducted this audit to identify DOT's (1) access controls, and (2) other information security management practices to safeguard information stored in DOT's systems covered by the Cybersecurity Act of 2015. DOT has policies and practices for logical access and multifactor user identity authentication for most covered systems. The Department also has procedures for multifactor authentication of privileged users' identities, but has not implemented them for many covered systems. The Department also does not have policies and practices for logical access to its NSS and

does not use multifactor user identity authentication for this system. According to OCIO officials, the Department has not completed its implementation of multifactor user identity authentication due in part to unclear guidance and a lack of resources. DOT also does not have adequate safeguards for much of the information stored in its covered systems because it has either not established or not implemented the following requirements or best practices: (1) policies and procedures for conducting inventories of software and associated licenses; (2) capabilities for data-loss prevention; (3) forensics and visibility capabilities sufficient to identify PII and monitor its movements; and (4) digital rights management capabilities. Furthermore, the Department has acquired digital rights capabilities but has not implemented them for any sampled system. OCIO officials informed us that the Department has not implemented these capabilities due to a lack of resources.

June 16, 2016

IMPROVEMENTS NEEDED IN DOT'S PROCESS FOR IDENTIFYING UNFAIR OR DECEPTIVE PRACTICES IN AIRLINE FREQUENT FLYER PROGRAMS

Requested by Representative Alan Grayson

Designed to promote travel and secure customer loyalty, frequent flyer programs are extremely popular, with approximately 630 million participants worldwide and over 300 million members enrolled in U.S.-based programs. In a July 2014 letter to OIG, Representative Alan Grayson expressed concerns about practices associated with these programs including how far in advance members are notified about service changes, devaluations in awards and benefits over time, and the availability of award seats. Because DOT is authorized to investigate unfair and deceptive practices in air transportation, we initiated an audit to review departmental monitoring of airline frequent flyer programs. In particular, we looked at the Department's oversight of air carriers' disclosure agreements and process for reviewing passenger complaints. We also examined airlines' practices regarding the availability of award seats and valuation of frequent flyer miles. We found that DOT conducts oversight of air carriers' frequent flyer program disclosures as part of its compliance inspections, and that airlines include frequent flyer rules in their customer service plans as the Department requires. However, DOT's reviews of passenger complaints are insufficient to determine whether airlines engage in unfair and deceptive practices. For example, from 2012 to 2014, consumers filed 76 complaints about frequent flyer programs with U.S. airlines but none of the complaints was forwarded to DOT attorneys for review. Our review of 36 of these complaints showed that 4 (11 percent) warranted additional review. In addition, while award seats are available for most flights, it is unclear how many miles are redeemed at different award levels because airlines do not publicly disclose this information. Finally, airlines do not fully explain to the public their processes for determining award-seat availability. We made two recommendations to help DOT improve its process for identifying unfair or deceptive practices in frequent flyer programs. DOT concurred with both recommendations. We also encouraged airlines to provide consumers with more transparency regarding frequent flyer seat availability when feasible.

June 7, 2016

LETTER TO CHAIRMAN RON JOHNSON AND CHAIRMAN CHARLES GRASSLEY ON THE STATUS OF OIG OPEN AUDIT RECOMMENDATIONS

Requested by the Chairman of the Senate Committee on Homeland Security and Governmental Affairs and the Chairman of the Senate Committee on Judiciary

We sent our latest response to Senator Ron Johnson and Senator Charles E. Grassley regarding their February 27, 2015, request that we provide the status of our open audit recommendations. Specifically, they requested: (1) the current number of open recommendations, their dates, and cumulative estimated cost savings; (2) a description of all audits and investigations provided to the Agency for comment that did not receive a response within 60 days; (3) a report on each investigation involving a GS-15 level or equivalent employees and above in which misconduct was found but no prosecution resulted; (4) a description of any instances of whistleblower retaliation and any consequences imposed by the Agency; (5) a description of any attempts to interfere with our independence, including restricting our communications with Congress and budgetary constraints designed to limit our capabilities; (6) a description of any instances in which the Department restricted or significantly delayed our access to information; and (7) a description of all closed audits and investigations that were not disclosed to the public.

May 13, 2016

DOT'S FISCAL YEAR 2015 IMPROPER PAYMENT REPORTING DOES NOT COMPLY WITH IPERA REQUIREMENTS

Required by the Improper Payment Elimination and Recovery Act of 2010

In July 2010, President Obama signed the Improper Payments Elimination and Recovery Act (IPERA) to encourage the elimination of payment errors, waste, fraud, and abuse in Federal programs. IPERA requires that Federal agencies limit improper payments to less than 10 percent of their total program payments; test annually for improper payments in their programs and publish the results in their Agency Financial Reports (AFR); comply with OMB's implementing regulations; and inspectors general review their agencies' compliance with IPERA and submit reports to their agency heads. To meet IPERA's and OMB's requirements, we reviewed the Department's improper payment testing results in the fiscal year 2015 AFR to determine whether (1) DOT complied with IPERA's requirements as implemented by OMB, (2) the improper payment information in the AFR was accurate, and (3) DOT met its improper payment reduction targets for fiscal year 2015. DOT contracted with a consulting firm to assist in its implementation of IPERA's annual estimation requirements. While DOT's AFR included all required reporting elements, we found errors that constitute noncompliance. For example, FHWA's Highway Planning and Construction (HPC) program did not achieve its own target to reduce improper payments to 0.25 percent or less for fiscal year 2015 as required by OMB guidelines. DOT officials estimated HPC's 2015 improper payments were \$479.2 million, or 1.08 percent of the total FHWA Federal-aid payment amount. Therefore, the amount of improper payments exceeded FHWA's target

amount (\$112.93 million) by \$366.27 million and the reduction target (0.25 percent) by 0.83 percent. Additionally, DOT's future year outlays reported in the 2015 AFR do not match the future outlays reported in the 2016 President's Budget estimates as required by OMB. In one instance, the discrepancy exceeded \$700 million. Finally, an FHWA employee did not collect adequate documentation to determine that the hourly rate paid to a grantee's employee was correct. Without this documentation, FHWA could not conclude that a payment of \$245.56 was not improper. DOT officials concurred with our two recommendations.

May 9, 2016

WEAKNESSES IDENTIFIED IN VOLPE'S COST ACCOUNTING PRACTICES FOR THE V-TRIPS CONTRACT

Self-Initiated

DOT's John A. Volpe National Transportation Systems Center (Volpe) performs transportation-related systems research and application development for the Department and other Federal and non-Federal sponsors. To provide the needed information technology support services, Volpe relied on its Transportation Information Project Support (V-TRIPS) contract—a 5-year, \$234 million, multi-award service contract. Because Volpe puts all sponsor funds into a working capital fund, its cost accounting and financial reporting systems must track costs by project and charge sponsors accurately—especially for contracts like V-TRIPS with multiple projects and sponsors. Our prior reviews of Volpe have identified problems with its accounting practices, including weaknesses in how it allocates indirect costs. We conducted this follow-on audit to assess the reliability of Volpe's accounting practices for administering the V-TRIPS contract. Volpe's cost and general accounting practices were not always reliable or sufficiently transparent to verify that V-TRIPS funds were appropriately administered. Specifically, 36 of the 129 transactions we tested—totaling nearly \$8.7 million—were not properly recorded. Additionally, Volpe did not follow current DOT policy or maintain transparency when collecting indirect costs from sponsors for its risk mitigation account, resulting in the approved cap being exceeded by as much as \$7.4 million in 2014. These errors occurred because Volpe does not have formal cost accounting policies and procedures or strong internal management controls. DOT has been challenged to ensure Volpe takes needed corrective actions, due largely to Volpe's complex funding arrangement and shifting departmental oversight resulting from several reorganizations over the last 12 years. We made four recommendations to improve Volpe's cost and general accounting practices. The Department concurred with all four recommendations.

AUDITS // ONLINE



Office of Inspector General

U.S. Department of Transportation | Calvin L. Scovel III, Inspector General

REPORT FRAUD, WASTE & ABUSE

Audits

Investigations

Testimony

Correspondence

Videos

About OIG

Subscribe

Twitter

YouTube

RSS

Search



Browse By Agency

Oversight Areas

Acquisition & Procurement

Auto Safety

Aviation

Commercial Vehicles

Criminal Investigations

Read more about DOT OIG audits at www.oig.dot.gov/audits

Latest Audits and Testimonies

Search for reports by agency or oversight area

Top Management Challenges

Annual report on the Department's top challenges

New Audit Announcements

Find out what audit topics we're currently reviewing

The Audit Process

What exactly is involved in an audit?

DOT OIG YouTube Videos

Watch clips of OIG testimony

Removing High Risk Motor Carriers From the Nation's Roads



PEER REVIEW

OIG's auditing and investigations functions are subject to peer reviews in accordance with Generally Accepted Government Auditing Standards, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) guidelines, and the Attorney General Guidelines for Federal Office of Inspectors General with statutory law enforcement authority. These peer reviews provide a formal, objective assessment of OIG's adherence to prescribed standards, regulations, and legislation.

PEER REVIEWS CONDUCTED OF DOT OIG

OIG was not the subject of a CIGIE peer review during this reporting period. The most recent peer reviews of OIG's Office of Audit and Office of Investigations were completed earlier in fiscal year 2016:

- On March 31, 2016, OIG's Office of Auditing and Evaluation was the subject of a CIGIE peer review report by the U.S. Department of Energy (Energy) OIG. Energy OIG concluded that the system of quality control for our audit organization 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, Energy OIG provided a "pass" rating, and no recommendations were made.
- On February 4, 2016, OIG's Office of Investigations was the subject of a CIGIE peer review report by the U.S. Department of the Treasury, Treasury Inspector General for Tax Administration (TIGTA). TIGTA concluded that the system of internal controls 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.

For the reports of the most recent peer reviews conducted on OIG's Office of Auditing and Evaluation and Office of Investigations, go to: <https://www.oig.dot.gov/about-oig/peer-review>.

PEER REVIEWS CONDUCTED BY DOT OIG

DOT OIG did not conduct any peer reviews of other Offices of Inspectors General during this performance period, and there are no outstanding recommendations from prior peer reviews.

OTHER ACCOMPLISHMENTS

OIG's other accomplishments are contributions that extend beyond the reporting requirements of the Inspector General Act.

INITIATIVES AND ARTICLES

- On September 12, as part of a CIGIE cross-cutting initiative, eight OIGs—including a team from our own Office of Surface Transportation Audits—reviewed the 2013 Disaster Relief Appropriations Act and the eight agencies that received \$46.5 billion for expenses related to Hurricane Sandy and other disasters. The eight agencies had made progress in budgeting, obligating, and expending their allocated funds; however, they had expended only \$15 billion of the \$46.5 billion allocated. The review also identified contracting issues, the significant risk of duplicate assistance, and issues associated with OIG oversight funding as well as the need to increase coordination, data-matching, and the use of analytical tools. The report recommended that CIGIE and the OIGs work with Congress and the agencies to ensure that the remaining funds are budgeted, obligated, and expended in a timely manner, and agencies, grantees, and contractors comply with Federal contracting requirements. In addition, it recommended that CIGIE and the OIGs work with Congress to (1) amend the Inspector General Act of 1978 to exempt the OIGs from data-matching requirements, (2) ensure each OIG receives oversight funding separate from its agency for future disaster relief allocations, and (3) ensure that the OIGs' oversight funding does not expire before the agencies and their grantees expend all of their funds.
- On September 12, "The Nonlinear Effects of Market Structure on Service Quality: Evidence from the U.S. Airline Industry," an article compiled by the OIG economics group from the Office of Surface Transportation Audits, was accepted for publication in the *Review of Industrial Organization*. This well-regarded economics journal is published by the Industrial Organization Society. The article covered the effect of changes in competition on airline service quality and is notable for our finding that the relationships between measures of service quality and market concentration are nonlinear; thus, the scale of the effects of a change in airline competition appears to depend on the initial level of competition.

SPEAKING ENGAGEMENTS

In addition to our other accomplishments, OIG staff shared their knowledge by speaking or participating in panel sessions at conferences hosted by DOT, the IG community, and other transportation-related organizations through the following:

- On April 12–13, a Program Director (PD) from the Office of Acquisitions Audits participated in the CIGIE Training Institute’s Intermediate Auditor Training Curriculum Development Conference in Washington, DC. The training program was developed by the PD and officials from other IG offices. This 2-day event was an intensive planning meeting that aimed to build an Intermediate Auditor Training Curriculum. Participants developed five curriculum areas to help midlevel auditors and analysts assume greater responsibilities in their offices.
- On June 2, the Deputy Inspector General, along with a Program Manager and Senior Analyst from the Surface Transportation Audit Office, spoke at the Mid-Atlantic Intergovernmental Audit Forum in Ocean City, MD. They spoke about the findings in our audit report of NHTSA’s Pre-Investigative Processes for Identifying Potential Vehicle Safety Defects, specifically our review of NHTSA’s Office of Defect Investigation and the General Motors (GM) ignition switch defect. In addition, a Special Agent from the Office of Investigations in New York discussed how the office operates and its part in the joint investigation with the FBI and Special Inspector General for the Troubled Asset Relief Program (SIGTARP) of GM regarding what the company knew about its faulty ignition switches.
- On June 17, the Senior Procurement Advisor from the Office of Acquisitions Audits chaired the 2016 Federal Audit Executive Council’s Procurement Conference, held at the US Patent and Trademark Office in Alexandria, VA. More than 600 attendees from Government and industry attended the conference, whose topics included procurement and contract audits.
- On June 29, the Assistant Inspector General, PDs, and Project Managers from the Office of Acquisition Audits presented “Common Causes of Reputable Audit Conditions”—lessons learned from contracting audits—at the Office of the Secretary Procurement Conference in Washington, DC. The conference was attended by contracting specialists, program managers, contract representatives, and procurement attorneys from across DOT.
- On August 9, the Assistant Inspector General for Financial and Information Technology Audits spoke at the American Institute of Certified Public Accountants’ Governmental Accounting and Auditing Update Conference about emerging issues in cybersecurity. The conference was attended by CPAs working in Federal, State and local government, public practitioners who have government clients, accounting professionals, and auditors.

INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT OF 1978

Section	Requirement	Page Number
5(a)(1)	Significant problems, abuses, and deficiencies	1–50
5(a)(2)	Significant recommendations for corrective action	27–50
5(a)(3)	Prior significant recommendations unimplemented	30–32
5(a)(4)	Matters referred for prosecution	7–9
5(a)(5)	Information or assistance refused by the Department	33
5(a)(6)	List of audits issued	18–26
5(a)(7)	Summaries of significant audits	34–50
5(a)(8)	Statistical table for questioned/unsupported costs	27
5(a)(9)	Statistical table for funds to be put to better use	28
5(a)(10)	Prior reports unresolved	30–32
5(a)(11)	Significant revised management decisions	33
5(a)(12)	Significant management decisions with which OIG disagreed	33
5(a)(13)	Compliance with Federal Financial Management Improvement Act	N/A
5(a)(14)	Peer reviews conducted of OIG	52
5(a)(15)	Peer review recommendations	52
5(a)(16)	Peer reviews conducted by OIG	52