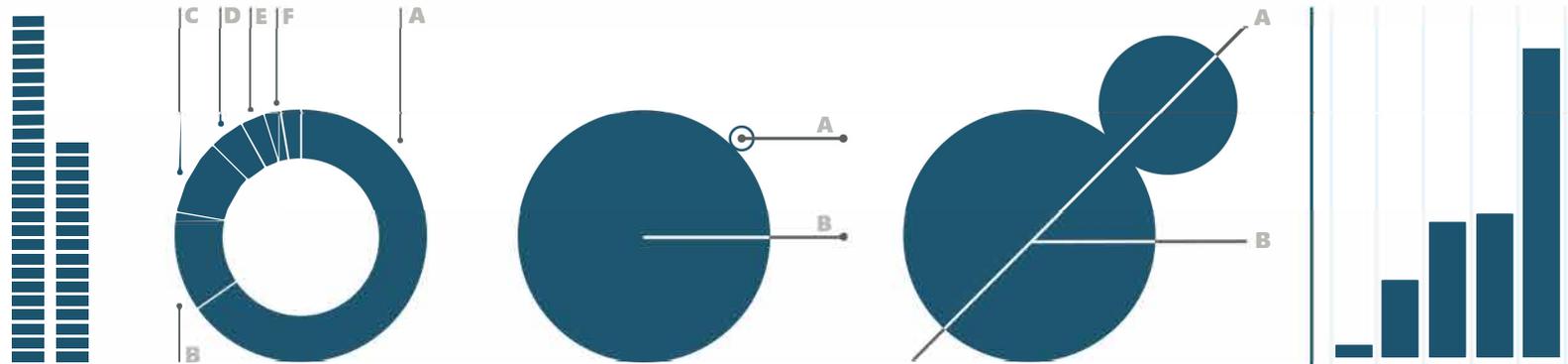




SEMIANNUAL REPORT TO CONGRESS

APRIL 1, 2020 - SEPTEMBER 30, 2020



Highlights

Second Half FY 2020

Investigative accomplishments



97/50

investigations closed/opened



17/32

convictions/indictments



\$79.17m

financial impact of DOT OIG investigations

Audit accomplishments



28

audit reports issued



96

recommendations



\$1.24b

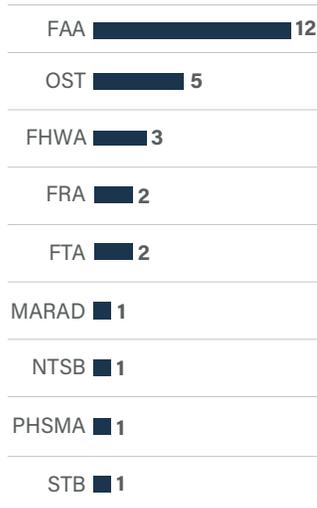
financial impact of DOT OIG audit reports

Second Half FY 2020

Investigations opened, by priority area



Audit reports issued



Total Audits: 28

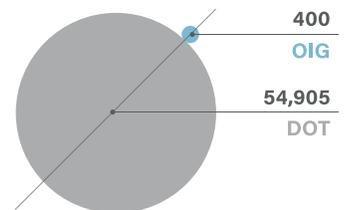
FY 2020

Return on investment

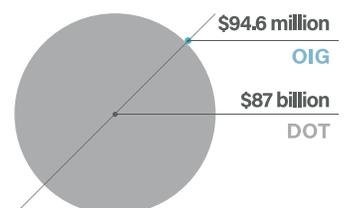


In FY 2020, DOT OIG returned \$80 for every appropriated dollar—achieving its return on investment with just a fraction of the Department’s total workforce and budget.

Enacted FTEs



Budgetary resources



Note: Return on investment compares the cost for DOT OIG to do business to the revenue and other savings generated through court-ordered fines, restitutions, recoveries, forfeitures, recoveries of improper payments, recommended cost savings, and recommendations for funds put to better use.

Table of Contents

Highlights 2

Investigations 4

Audits 17

Correspondence 42

Peer Review 44

Index of Reporting Requirements 45

Acronym Glossary 46

Investigations

Investigations

Summary of Performance

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 for which we completed or concluded investigations during this reporting period include:

- **Violation of the Pipeline Safety Act.** Columbia Gas of Massachusetts was sentenced to a criminal fine of \$53,030,116 and a 3-year term of probation for violating the Natural Gas Pipeline Safety Act. During the probation period, Columbia Gas must employ an in-house compliance monitor to oversee its compliance with the National Transportation Safety Board's recommendations and applicable laws and regulations.
- **Moving company fraud.** Moving company operators were sentenced to nearly 7 years' incarceration, 9 years' supervised release, \$223,096.15 in restitution, a forfeiture of \$200,000, and other penalties. The operators had offered "low ball" estimates for moving household goods and then raising prices after the goods were loaded, leaving customers in vulnerable positions.
- **Misuse of Federal funds.** An airport and airline official was sentenced to 2 years' incarceration, 30 months' home confinement, over \$3 million in restitution, and other penalties for misappropriation of State and Federal funds from the Small Community Air Service Development Program.
- **Unlawful operation of a drone.** A Pennsylvania man was sentenced to 5 years' incarceration and other penalties for operating an unregistered drone and possessing explosive devices and firearms while subject to a domestic violence protective order.

Investigative accomplishments



1,478

hotline contacts received



97/50

investigations closed/opened



97

investigations referred for criminal prosecution



17/32

convictions/indictments



94

total years of incarceration, probation, and supervised release



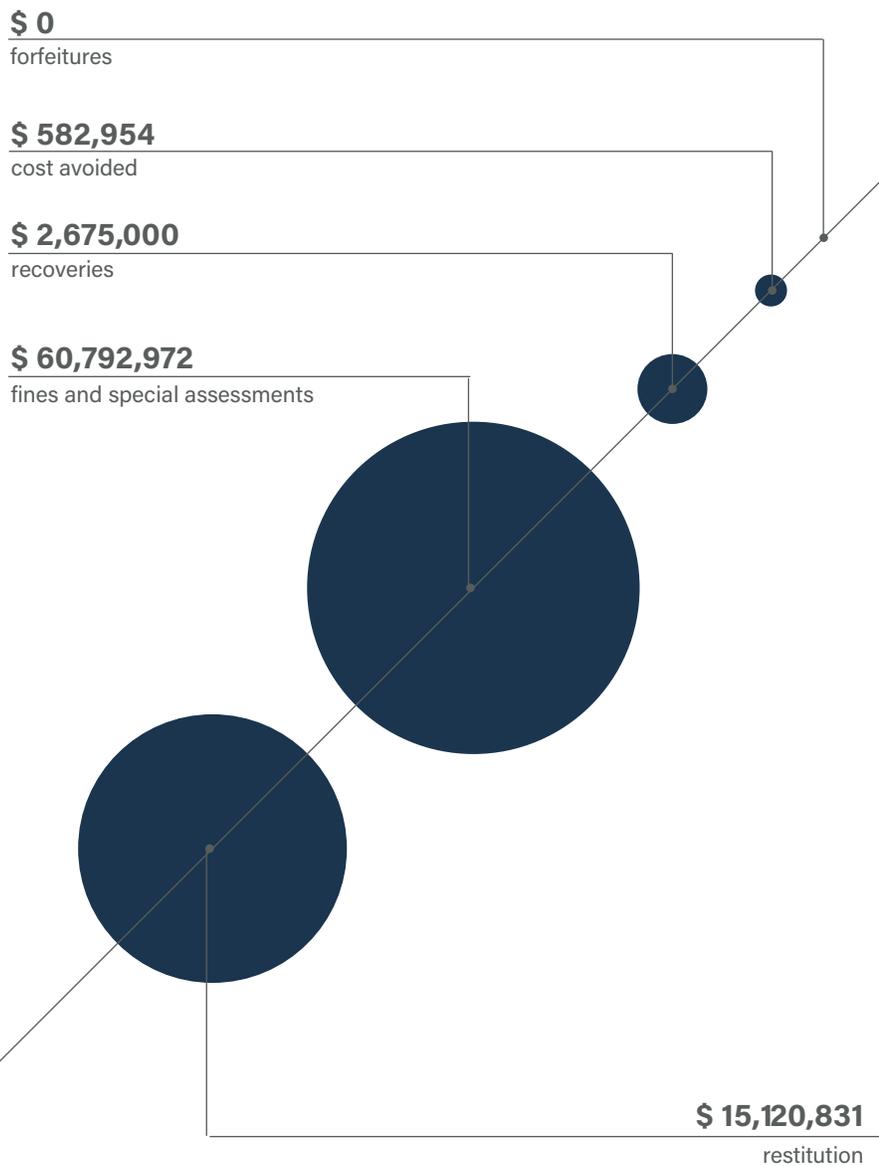
\$79.17m

financial impact of DOT OIG investigations

Investigations Statistical Data

Financial impact of DOT OIG investigations

 **\$79,171,757**
total financial impact



Types of criminal monetary impositions

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

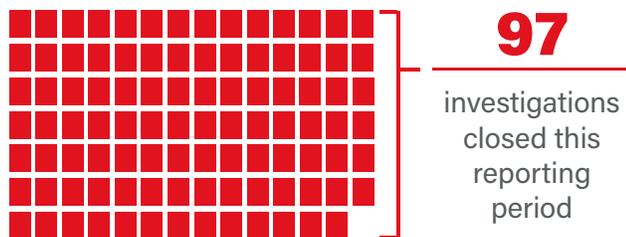
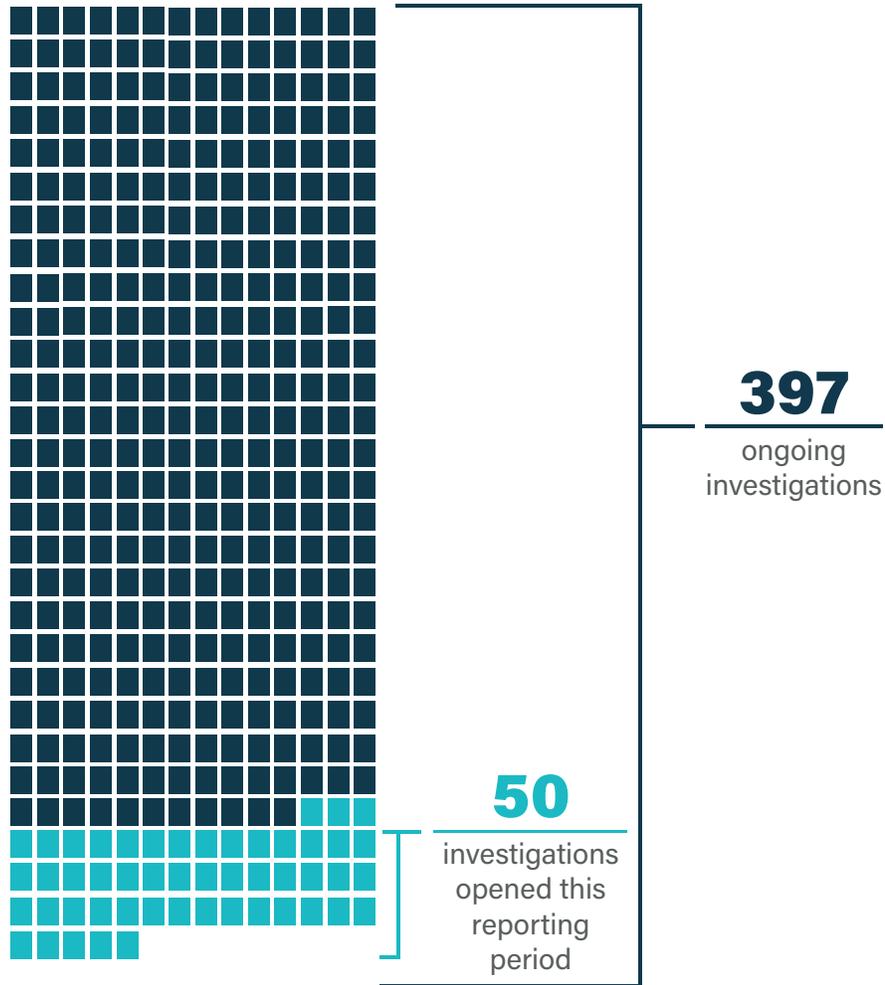
Fines are criminal or civil monetary penalties.

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

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

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

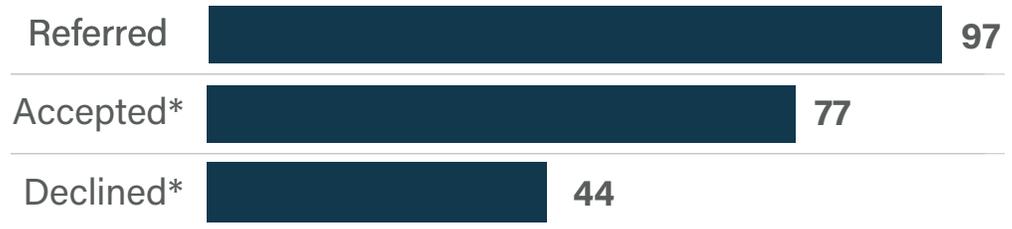
Investigative workload



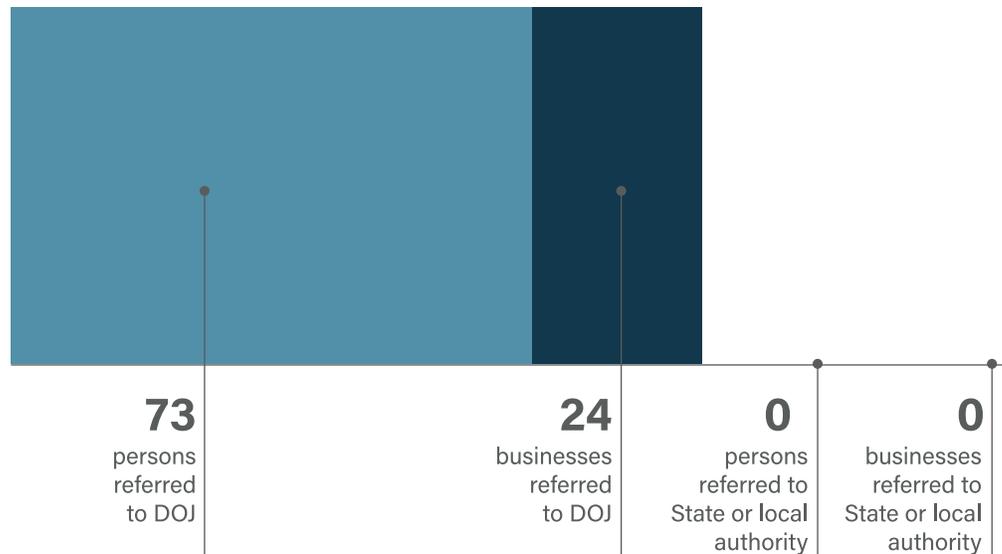
Criminal prosecutions

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.

Number of investigations referred, accepted, and declined for criminal prosecution



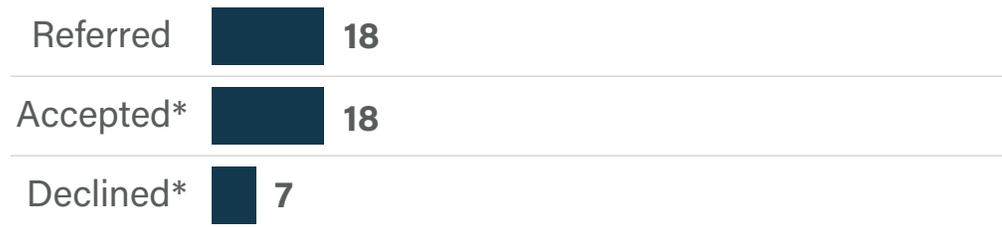
Persons and businesses referred to the U.S. Department of Justice or State/local authorities for criminal prosecution



Civil prosecutions

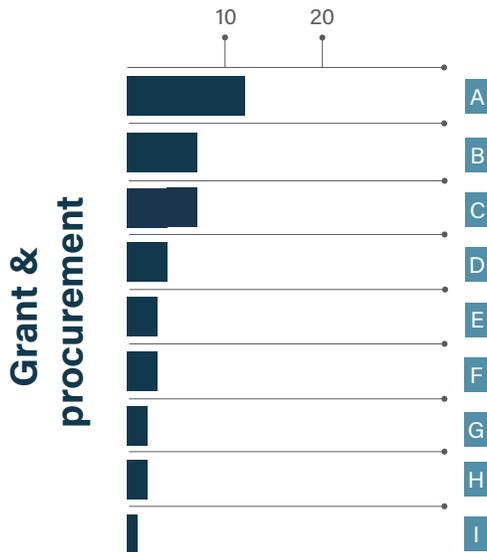
DOT OIG investigates and refers civil matters for prosecution, including False Claims Act cases involving fraud on DOT programs.

Number of investigations referred, accepted, and declined for civil prosecution

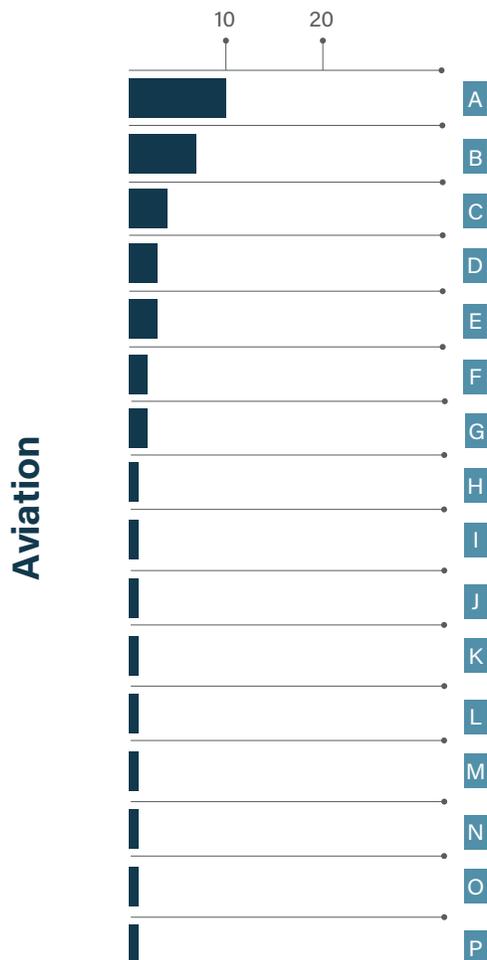


*Number of accepted and declined referrals may include investigations initiated in a prior reporting period.

Summary of referrals for criminal and civil prosecution

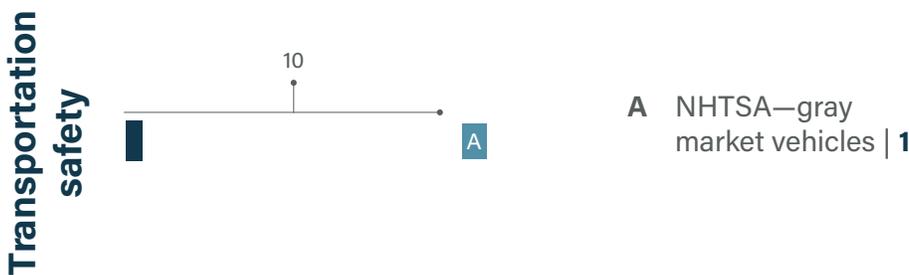
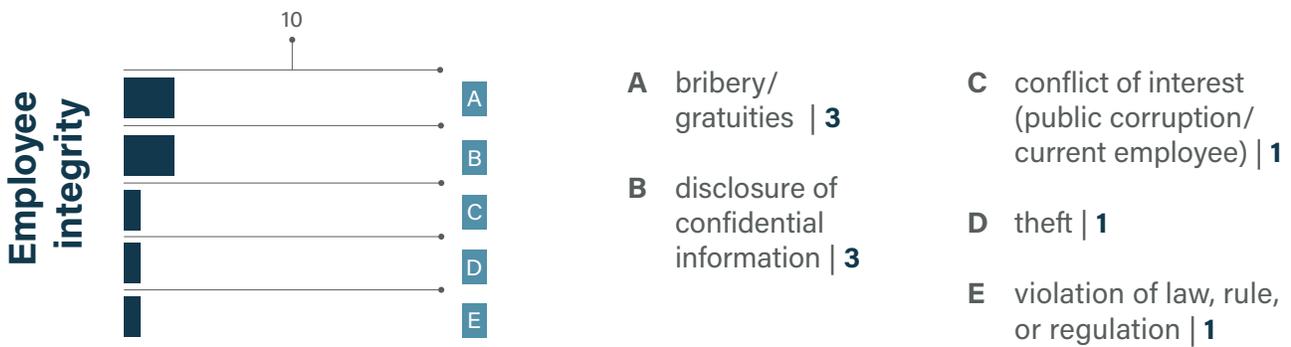
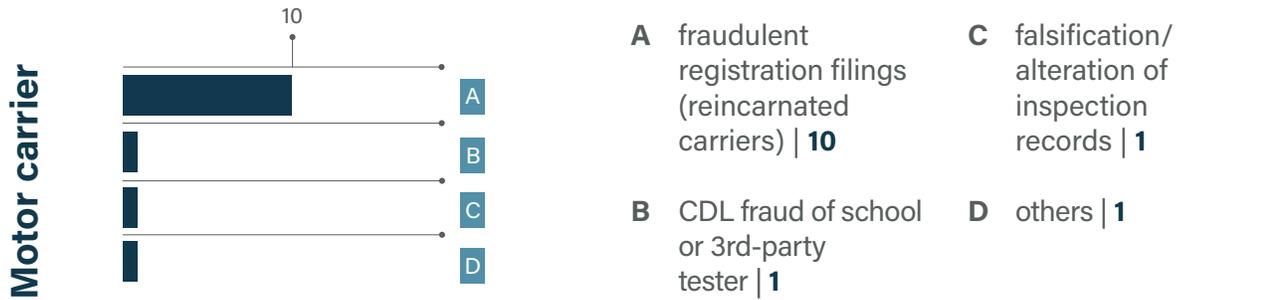


- A** anti-trust/bid rigging | **12**
- B** false claims | **7**
- C** false statement | **7**
- D** DBE eligibility fraud | **4**
- E** embezzlement | **3**
- F** overbilling | **3**
- G** product substitution/substandard work or materials | **2**
- H** public corruption/extortion | **2**
- I** DBE pass-through fraud | **1**

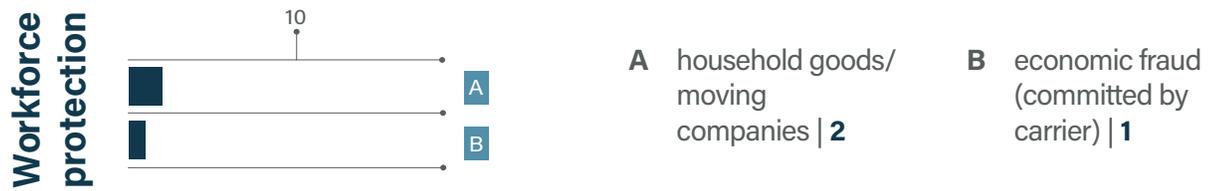
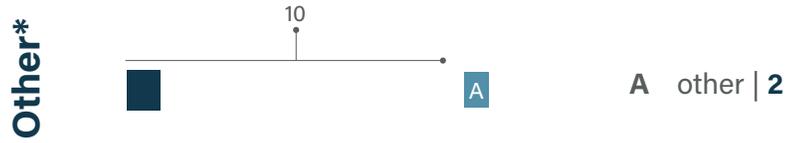


- A** fraudulent registration filings (reincarnated carriers) | **10**
- B** falsification of FAA orders or documents | **7**
- C** aiming a laser pointer at an aircraft | **4**
- D** unmanned aircraft systems (UAS) | **3**
- E** certificate fraud, medical by doctor | **3**
- F** certificate fraud, air carrier | **2**
- G** certificate fraud, medical by airman | **2**
- H** administrative—failure to comply with FAA orders regarding airworthiness directives | **1**
- I** CDL fraud of school or 3rd-party tester | **1**
- J** certificate fraud, flight instructor/school | **1**
- K** certificate fraud, aircraft | **1**
- L** certificate fraud, air carrier | **1**
- M** falsification/alteration of inspection records | **1**
- N** other | **1**
- O** SUPs—sale | **1**
- P** SUPs—maintenance | **1**

Summary of referrals for criminal and civil prosecution (cont.)



Summary of referrals for criminal and civil prosecution (cont.)



* For this reporting period, other referrals included false claims and access device fraud.

Investigative reports

DOT OIG distributed 41 investigative reports, including reports of investigation, stakeholder memos, and management implication reports.

Indictments and informations from prior referrals

A total of 13 indictments or criminal informations resulted from previous referrals for prosecution.

Whistleblower retaliation

DOT OIG did not close any investigations in which a DOT official was found to have engaged in whistleblower retaliation.

Metrics used to develop investigative statistical data

DOT OIG maintains an Investigative Case Management System to track the life of an investigation. It captures hundreds of data points, including dates, significant investigative steps, referrals, and outcomes (criminal, civil, and administrative). It is also the repository for reports of investigation, stakeholder communications, and management implication reports. Each statistic and outcome reported is validated against the appropriate legal documents.

Judicial actions and outcomes



Types of judicial actions

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

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

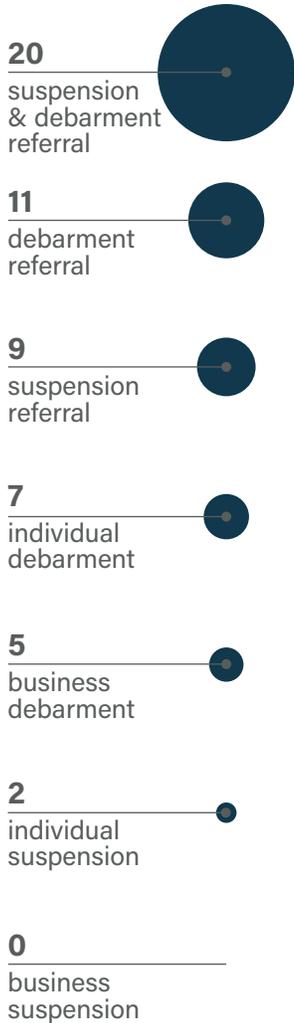
Supervised release is a period of supervision following an offender's release from prison. It is imposed in addition to a sentence of imprisonment.

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



Personnel action



Other actions



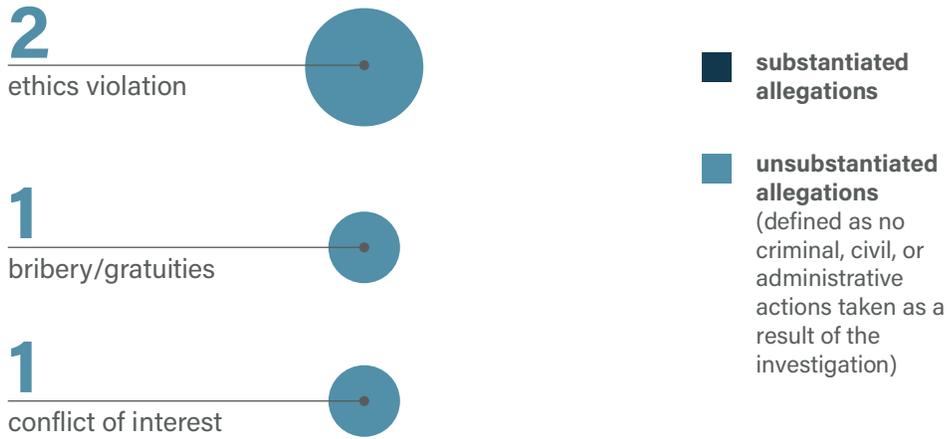
Types of administrative actions

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 employee 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.

Investigations involving senior Government employees that were closed but not disclosed to the public



Investigations involving senior Government employees where misconduct was substantiated

There were no investigations involving senior Government employees where misconduct was substantiated.

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.

 **1,478**
total hotline contacts received

5 faxes

1 (202) 366-7749

36 letters

1200 New Jersey Ave SE,
West Bldg, 7th floor,
Washington, DC 20590

337 web contacts

www.oig.dot.gov/hotline

421 telephone calls

1 (800) 424-9071

679 emails

hotline@oig.dot.gov

Audits

Audits

Summary of Performance

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

- Aircraft safety.** We provided a timeline of the activities that led to FAA's certification of the Boeing 737 MAX 8 aircraft, as well as the events that followed the fatal crashes of Lion Air in 2018 and Ethiopian Air in 2019.
- Air traffic control.** FAA is identifying risks to STARS, which provides critical services to air traffic controllers and pilots. However, the Agency is not mitigating those vulnerabilities in a timely manner.
- Railroad conductor certification.** FRA does not have sufficient oversight controls to consistently assess whether railroads are complying with its rule to ensure that only people who meet minimum safety standards are certified as conductors.
- Financial oversight.** MARAD's policies and procedures do not cover regulatory requirements for reviewing and approving loan guarantee applications.

Audit accomplishments



28

audit reports issued



96

recommendations



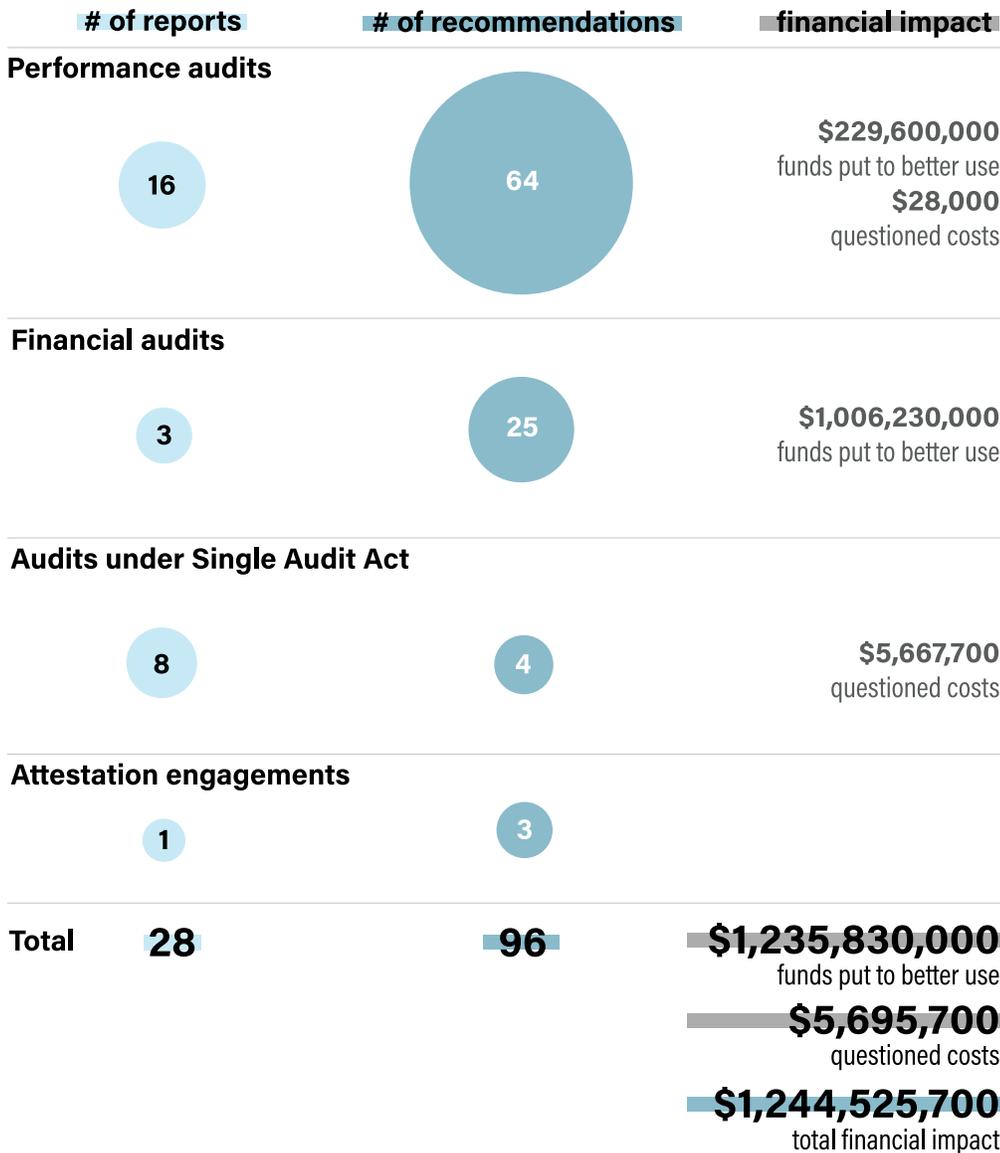
\$1.24b

total financial impact of DOT OIG audits

Audits

Statistical Data

Completed audits by type



Types of audits

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

Financial audits are assessments that determine whether the reported financial conditions, results, and use of resources are presented fairly in accordance with recognized criteria.

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.

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

NOTE: Dollars shown are amounts reported to management. Actual amounts may change during final resolution. See page 21 for definitions.

Recommendations unresolved by end of reporting period

	Number of reports	Number of recommendations	Funds put to better use	Questioned costs*	Unsupported costs
Unresolved recommendations at the start of the reporting period					
That questioned costs	3	4		\$835,310	
That funds be put to better use	1	1	\$2,200,000		
For safety, efficiency, and economy	9	12			
A Total unresolved recommendations at the start of the reporting period**	11	17	\$2,200,000	\$835,310	
Recommendations made during reporting period					
That questioned costs	3	3		\$5,695,700	
That funds be put to better use	3	3	\$1,235,830,000		
For safety, efficiency, and economy	19	90			
B Total recommendations made during reporting period**	20	96	\$1,235,830,000	\$5,695,700	
Total recommendations to be resolved (A+B)**	31	113	\$1,238,030,000	\$6,531,010	
Recommendations resolved during reporting period					
That questioned costs					
(i) dollar value of recommendations that were agreed to by mgmt	4	5		\$4,275,475	
(ii) dollar value of recommendations that were not agreed to by mgmt	2	2		\$2,255,535	
That funds be put to better use					
(i) dollar value of recommendations that were agreed to by mgmt	1	1	\$1,006,230,000		
(ii) dollar value of recommendations that were not agreed to by mgmt	1	1	\$169,000,000		
For safety, efficiency, and economy	25	96			
C Total resolved at the end of the reporting period**	27	105	\$1,175,230,000	\$6,531,010	
D Total unresolved at the end of the reporting period [(A+B)-C]**	5	8	\$62,800,000	\$0	

*Includes reports and recommendations where management both agreed to and disagreed with the costs. Dollars shown are the amounts reported to management. Actual amounts may change during final resolution. **Report totals may not add up precisely because one report may have multiple types of recommendations. NOTE: See next page for definitions.

Definitions

Resolved/unresolved recommendations

OMB Circular A-50 requires DOT OIG recommendations to be resolved within 6 months. Recommendation resolution refers to whether (a) the agency has provided a management decision that agrees with the recommendation and proposes corrective actions and (b) DOT OIG agrees that the proposed corrective actions are appropriate to address the recommendation.

Resolved recommendation

A recommendation is resolved if the agency agrees with the recommendation and DOT OIG agrees to the agency's proposed corrective actions.

Unresolved recommendation

A recommendation is unresolved if agency management does not agree with the recommendation or DOT OIG does not agree to the agency's proposed corrective actions.

Questioned costs

Costs that are questioned by DOT OIG because of an alleged violation of a provision; costs not supported by adequate documentation (unsupported costs); 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.

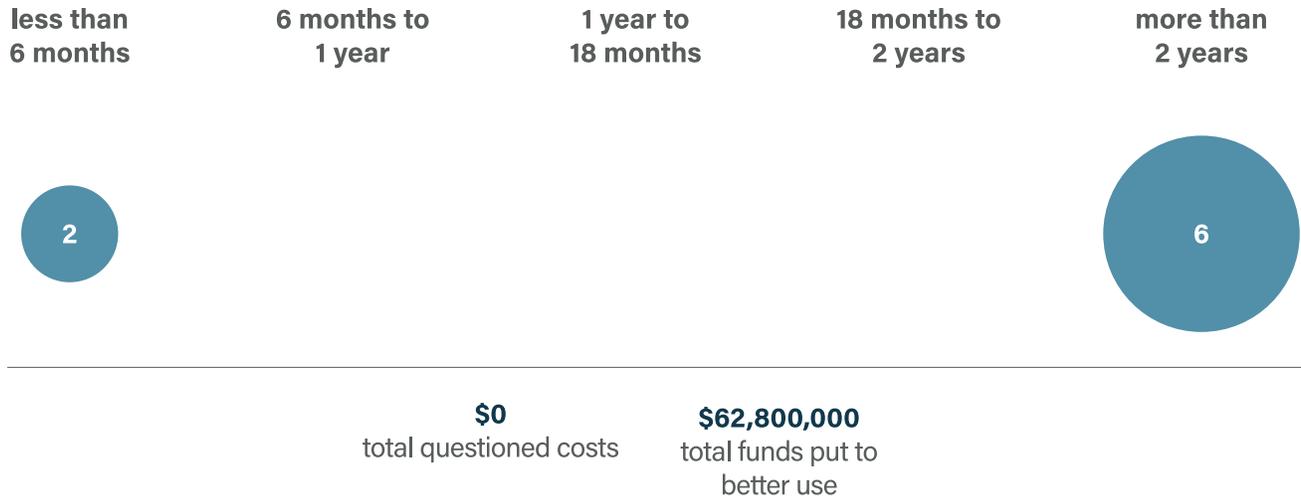
Disallowed costs

Dollar value that DOT management has decided should not be charged to the Government.

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.

Age of unresolved recommendations



Recommendations unresolved as of the end of the reporting period

Report	Unresolved Recommendations
More than 2 years	
Long-Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency AV2012152 7/19/2012	Recommendation 10. Revise ATSAP guidance to exclude accidents from the program.
Total Costs, Schedules, and Benefits of FAA's NextGen Transformational Programs Remain Uncertain AV2017009 11/10/2016	Recommendation 1. Develop and implement Agency-wide guidance for a uniform approach to segmentation that provides a common format to aid the management of multiple, complex, and interrelated programs needed to achieve NextGen capabilities for transforming the NAS.

Report	Unresolved Recommendations
<p>DOT and FAA Lack Adequate Controls Over Their Use and Management of Other Transaction Agreements ZA2017098 9/20/2017</p>	<p>Recommendation 9. Renegotiate tower leases requiring rent payments to airport sponsors to secure no-cost leases. Implementation of this recommendation could put \$2.2 million in Federal funds to better use.</p>
<p>FAA Needs To Strengthen Its Management Controls Over the Use and Oversight of NextGen Developmental Funding AV2018030 3/6/2018</p>	<p>Recommendation 2. Develop and implement a quality control checklist with criteria for determining when the use of incremental funding prior to PLA approval is permissible.</p> <p>Recommendation 3. Develop and implement a control for enforcing the PMA limits on the assessment of program management fees for various administrative and contract support specified in the Agency's standard operating procedures.</p> <p>Recommendation 6. Establish and implement a mechanism for providing oversight of developmental funding, to include records of decision regarding selecting, justifying, and measuring the outcomes of PLAs to ensure FAA is funding the highest priority work.</p>

Open audit recommendations

As of September 30, DOT OIG had **560 open recommendations**, which were included in 196 audit reports issued since February 5, 2009. Of these, 65 recommendations (from 50 reports) carry an **estimated monetary or cost savings totaling over \$8.7 billion**, including funds that could be put to better use and questioned costs.

Please visit our [Recommendation Dashboard](#) for accurate and timely data on the status of DOT OIG's audit recommendations, links to audit summaries associated with each recommendation, interactive charts and recommendation data visualizations, and reports on recommendations required by the Inspector General Act. and timely data on the status of DOT OIG's audit recommendations, a current list of open DOT OIG audit recommendations, and links to audit report summaries.

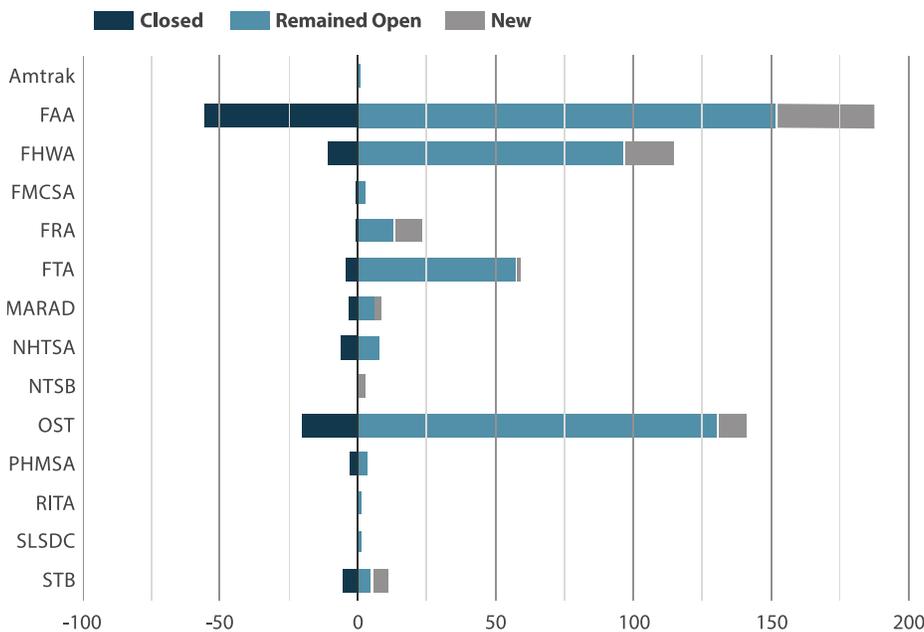


Open and closed audit recommendations

A recommendation is **opened** on the date the audit report is issued. Once opened, a recommendation is "unresolved" until the Department and DOT OIG agree on the step(s) necessary to address the recommendation. Then the recommendation is considered "resolved" and remains open until the Department completes the corrective action and provides DOT OIG with sufficient supporting evidence of the actions taken.

A recommendation is **closed** after the Department has agreed with the recommendation, takes appropriate corrective action, and provides DOT OIG with sufficient supporting evidence to demonstrate that the action was taken.

Status of audit recommendations, Second Half of FY 2020



Note: Amtrak, NTSB, and STB are independent Federal agencies within DOT OIG's audit jurisdiction; they are not DOT Operating Administrations.

Reports with no agency comment within 60 days

We work closely with the Department to ensure timely responses to our draft audit reports. All agency responses were received within 60 calendar days.

Audits closed but not disclosed to the public

It is our practice to post all closed nonsensitive audits and evaluations on our public website. Consequently, we have no previously undisclosed audits and evaluations to report.

Significant revised management decisions

DOT did not revise any significant management decisions.

DOT OIG disagreement with significant management decisions

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

Attempts to interfere with DOT OIG independence

We did not encounter any instances where DOT attempted to interfere with DOT OIG independence.

Compliance with Federal Financial Management Improvement Act

DOT is in compliance with the Federal Financial Management Improvement Act.

Information or assistance refused by DOT

DOT did not unreasonably refuse information or assistance.

Audits

Completed Audit Reports

DEPARTMENT-WIDE

Quality Control Review of the Management Letter for DOT's Audited Consolidated Financial Statements for Fiscal Years 2019 and 2018

Required by the Chief Financial Officer Act of 1990

April 8, 2020
QC2020025

This report presents the results of our quality control review (QCR) of KPMG LLP's management letter related to the audit it conducted, under contract with us, of the Department of Transportation's (DOT) consolidated financial statements for fiscal years 2019 and 2018. In addition to its audit report on DOT's financial statements, KPMG issued a management letter that discusses eight internal control matters that it was not required to include in its audit report. Our QCR of KPMG's management letter disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards. KPMG made 14 recommendations in its management letter. DOT concurred with all 14 recommendations.

DOT's Fiscal Year 2019 IPERA Compliance Review

Mandated by the Improper Payments Elimination and Recovery Act of 2010

April 27, 2020
FS2020029

The Improper Payments Elimination and Recovery Act (IPERA) requires Federal agencies to report improper payment estimates for all programs identified as susceptible to significant improper payments. It requires agencies to limit improper payments to less than 10 percent of their total program payments, publish their results in the Agency Financial Report (AFR), and comply with regulations the Office of Management and Budget (OMB) developed to implement the act. IPERA also requires inspectors general to submit reports on IPERA compliance to their agency heads. For fiscal year 2019, DOT reported approximately \$45 billion in payments in programs or activities susceptible to significant improper payments. DOT estimated that \$396 million of those payments were improper payments. We reviewed DOT's improper payment testing results for fiscal year 2019 to determine whether DOT complied with IPERA's requirements as implemented by OMB. DOT complied with IPERA and included all required reporting elements in its 2019 AFR. Specifically, DOT reported improper payment estimates for the Federal Highway Administration's (FHWA) Highway Planning and Construction program (HPC)—the only program the Department identified as susceptible to significant improper payments. In addition, the payment integrity information in the AFR was accurate and complete. Furthermore, DOT reported an improper payment rate of less than 10 percent and published corrective action plans for FHWA HPC. However, the corrective action plan has not helped one HPC grantee prevent improper

\$28,000 IN QUESTIONED COSTS

\$169,000,000 IN FUNDS PUT TO BETTER USE

payments for the last 3 years. In fiscal year 2019, FHWA projected the amount of improper payments to be approximately \$169 million for this grantee only and categorized these funds as monetary losses or overpayments. The lack of an effective corrective action for this HPC grantee jeopardizes DOT's efforts to prevent improper payments and remain compliant with IPERA. DOT concurred with both of our recommendations and provided an appropriate action and completion dates.

**Report on the
Quality Control
Review of the
Independent
Auditor's Report on
DOT's Enterprise
Services Center**

*Required by the Office
of Management and
Budget's Bulletin
No. 19-03, Auditing
Requirements for
Financial Statements*

September 22, 2020
QC2020046

This report presents the results of our QCR of an audit of DOT's Enterprise Services Center (ESC) controls. ESC provides financial management services to DOT and other agencies, and operates under the direction of DOT's Chief Financial Officer. 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. We contracted with KPMG LLP to conduct this audit subject to our oversight. The objectives of the review were to determine whether (1) management's descriptions of ESC's systems are fairly presented, (2) ESC's controls are suitably designed, and (3) ESC's controls are operating effectively throughout the period of October 1, 2019, through June 30, 2020. KPMG will do additional testing and issue a follow-up letter to our office for the period July 1, 2020, through September 30, 2020. We performed a QCR on KPMG's report and related documentation. Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards. DOT concurred with KPMG's three recommendations.

The quality control review and attachments have been marked as For Official Use Only to protect sensitive information exempt from public disclosure under the Freedom of Information Act, 5 U.S.C. § 552. To receive a copy of the report, please contact our Freedom of Information Act Office.

FEDERAL AVIATION ADMINISTRATION

Quality Control Review of the Management Letter for FAA's Audited Consolidated Financial Statements for Fiscal Years 2019 and 2018

Required by the Chief Financial Officer Act of 1990

April 8, 2020
QC2020024

\$1,006,230,000
IN FUNDS PUT TO
BETTER USE

This report presents the results of our QCR of KPMG LLP's management letter related to the audit it conducted, under contract with us, of the Federal Aviation Administration's (FAA) consolidated financial statements for fiscal years 2019 and 2018. In addition to its audit report on FAA's financial statements, KPMG issued a management letter that discusses eight internal control matters that it was not required to include in its audit report. Our QCR of KPMG's management letter disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards. KPMG made eight recommendations in its management letter. FAA concurred with all eight recommendations.

FAA Lacks Sufficient Security Controls and Contingency Planning for Its DroneZone System

Self-initiated

April 15, 2020
IT2020027

In 2012, Congress directed FAA to develop a plan for the safe integration of unmanned aircraft systems (UAS)—also known as drones—into the National Airspace System (NAS). As part of its integration and oversight of UAS, FAA compiles data in its UAS registration service—known as FAA DroneZone—as well as in its Low Altitude Authorization and Notification Capability (LAANC), an automated system that authorizes registered UAS users to fly their drones near airports. Both DroneZone and LAANC are cloud-based systems that contain sensitive data provided by the general public, including personally identifiable information (PII). We initiated this audit to determine whether FAA's UAS registration system has the proper security controls and recovery procedures in place. Our audit objectives were to (1) assess the effectiveness of FAA's UAS registration system security controls, including controls to protect PII, and (2) determine whether FAA's contingency planning limits the effects caused by the loss of DroneZone during disruptions of service. FAA has not effectively ensured that DroneZone and LAANC have adequate security—including privacy—controls. For example, FAA has continued to authorize DroneZone operations without conducting a comprehensive assessment of its security controls since it first began to operate the system in 2015. In addition, FAA's inadequate monitoring of security controls and use of unauthorized cloud systems increases the risk of the systems being compromised. Furthermore, FAA could not demonstrate that 24 of 26 privacy controls were assessed to protect 1.5 million DroneZone users' PII. We also found that FAA's contingency planning does not adequately limit the effects caused by a potential disruption of services. Finally, FAA does not have sufficient controls for handling backups and off-site storage to ensure continuous operations and maintain data availability. FAA concurred with all 13 of our recommendations to improve the security of the DroneZone and LAANC systems and privacy of user information.

Contract Towers Are More Cost Effective Than Comparable FAA Towers and Have Similar Safety Records

Requested by the U.S. House of Representatives Committee on Transportation and Infrastructure and its Subcommittee on Aviation

April 28, 2020
AV2020028

Established in 1982 at 5 low-activity control towers, the FAA Contract Tower (FCT) Program currently consists of 254 contract towers in 46 States operated by 3 contractors and the Air National Guard. Managing about 28 percent of the Nation's air traffic control operations, contract towers constitute an essential part of the NAS. Our audit objective was to assess the FCT Program's cost effectiveness and safety record. We statistically grouped towers based on characteristics that affect air traffic controller and tower workloads. Specifically, we gathered and examined hours of operations, numbers of takeoffs and landings, types of aircraft handled, and runway configurations. Based on these characteristics, we used two statistical methods to group 351 air traffic control towers, consisting of 248 contract towers and 103 lower level FAA towers. Our methods produced groups containing a mixture of comparable FAA and contract towers. We determined the towers within each group were similar to each other and then analyzed and directly compared their cost and safety data. We reviewed cost and safety data between fiscal years 2015 and 2018 for the universe of 351 towers. Between fiscal years 2015 and 2018, contract towers were more cost effective per aircraft handled than comparable FAA towers, and the safety records of contract and comparable FAA towers were similar. On average, contract towers used at least 47.6 percent fewer resources—or incurred lower controller staffing costs—per aircraft handled per year even though comparable FAA towers handled more total flights. Furthermore, while contract towers had statistically fewer safety events per aircraft handled, we do not believe the difference between these numbers and those of FAA's towers is meaningful because, among other reasons, the numbers of safety related events across the NAS were very low relative to the total number of flights. We did not make recommendations in this report.

Timeline of Activities Leading to the Certification of the Boeing 737 MAX 8 Aircraft and Actions Taken After the October 2018 Lion Air Accident

Requested by Secretary Elaine Chao; the Chairmen of the House Committee on Transportation and Infrastructure and its Aviation Subcommittee; the Chairman and Ranking Member of the Senate Appropriations Transportation-HUD Subcommittee; and Senator Blumenthal

June 29, 2020
AV2020037

FAA is responsible for the safety and certification of all civilian aircraft manufactured and operated in the United States. However, two accidents in late 2018 and early 2019 involving Boeing 737 MAX 8 aircraft raised significant safety concerns about FAA's certification of this aircraft. On March 19, 2019, Secretary of Transportation Elaine L. Chao requested that we compile an objective and detailed factual history of the activities that resulted in the certification of the 737 MAX 8. We also received similar requests from the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation; the Chairman and Ranking Member of the Senate Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies; and Senator Richard Blumenthal. They requested that we review aspects of FAA's approach to certifying the MAX series of aircraft, its reliance on the Organization Designation Authorization (ODA) program, and the Agency's actions following the two accidents. Our overall audit objective was to determine and evaluate FAA's process for certifying the Boeing 737 MAX series of aircraft. In this report, we provide a detailed timeline of the activities resulting in the certification of the 737 MAX 8, beginning in January 2012, when Boeing submitted its initial application for an Amended Type Certificate to FAA. This report also compiles a timeline of events following the October 29, 2018, crash of Lion Air Flight 610 up until the crash of Ethiopian Air Flight 302 on March 10, 2019. In addition, during the same time period as FAA's certification efforts, Boeing, FAA, and our office were identifying issues that—although not specific to the 737 MAX 8—may have impacted the original certification of the aircraft. As such, we also provided a timeline of concurrent related oversight actions and events related to FAA's ODA program. We did not make recommendations in this report. The data gathered are informational and represent our observations in response to the Secretary's and other congressional requests. We will report further on FAA's oversight of the certification process and other related matters, as well as make recommendations as applicable, in future reports.

FAA Is Not Remediating STARS Security Weaknesses in a Timely Manner, and Contingency Planning Is Insufficient

Self-initiated

July 15, 2020
IT2020039

FAA operates up to 172 Terminal Radar Approach Control (TRACON) facilities, which provide air traffic control services to pilots in the airspace immediately surrounding major airports. Currently, air traffic controllers use the Standard Terminal Automation Replacement System (STARS) to provide critical air traffic services at the 11 largest TRACONs, which handle about 33 percent of all TRACON traffic in the United States. Effective security controls and contingency plans at these 11 facilities are critical to maintaining the safety and security of the NAS. Accordingly, we initiated this audit to (1) assess FAA's identification and mitigation of security risks in STARS and (2) determine whether FAA's contingency planning limits the effects caused by the loss of STARS operations at large TRACON facilities during emergencies. FAA is identifying STARS' security risks but is not mitigating vulnerabilities in a timely manner. In March 2019, for example, FAA found vulnerabilities in 53 of 73 STARS security controls but did not meet its own schedule for remediating them. DOT policy requires timely

remediation of vulnerabilities to reduce the risk that an attacker could gain unauthorized access to mission-critical systems. In addition, the Agency's STARS incident response policy does not comply with Federal requirements, and we found security control weaknesses that could make it harder for the Agency to ensure the confidentiality, integrity, and availability of STARS. Finally, FAA's contingency plans for three large TRACONS are not sufficient to maintain continuity of air traffic operations during unplanned outages, as Agency policy requires. We made 11 recommendations and consider recommendations 1–9 and 11 resolved but open pending completion of FAA's planned actions. In accordance with DOT Order 8000.1C, we have asked the Agency to provide additional information on its planned actions.

THE DEPARTMENT HAS DETERMINED THAT THIS REPORT CONTAINS SENSITIVE SECURITY INFORMATION (SSI) that is controlled under 49 CFR parts 15 and 1520 to protect SSI exempt from public disclosure. For U.S. Government agencies, public disclosure is governed by 5 U.S.C. 552 and 49 CFR parts 15 and 1520. A redacted version of the report has been posted on our website.

FAA Has Begun To Update ERAM but Faces Challenges Realizing Full Benefits for Airspace Users

Requested by the Senate Committee on Commerce, Science, and Transportation and the House Committee on Transportation and Infrastructure and its Aviation Subcommittee

July 29, 2020
AV2020040

The NAS serves over 44,000 flights a day with over 5,000 aircraft in the sky at peak times. Critical to the NAS' operations are the FAA's 20 Air Route Traffic Control Centers (Centers) that manage high-altitude air traffic. These Centers are equipped with the En Route Automation Modernization (ERAM) system to manage and control high-altitude operations and provide infrastructure for new systems such as high-altitude data link communications for FAA's Next Generation Air Transportation System (NextGen). In response to requests from the Senate Committee on Commerce, Science, and Transportation and the House Committee on Transportation and Infrastructure and its Aviation Subcommittee, we conducted this audit. Our objectives were to (1) evaluate FAA's planned upgrades to ERAM and (2) assess ERAM's ability to support key NextGen capabilities. FAA is making a significant investment to sustain and enhance ERAM's hardware and software at the Centers. Over 6 years, the Agency will replace ERAM's original computer hardware and modernize ERAM's software to allow system improvements and new capabilities. Once these upgrades are complete, ERAM will essentially be a new system with enhanced capabilities. FAA plans to continue to add capabilities and keep the system up to date. FAA has re-categorized ERAM from a moderate to a high-impact system but has not yet determined what security controls the system will require as a high-impact system. FAA has integrated NextGen capabilities into ERAM but faces challenges realizing full benefits for airspace users. FAA considers ERAM foundational to many NextGen systems, including the Automatic Dependent Surveillance—Broadcast (ADS-B) system, performance based navigation (PBN), and data communications (DataComm). The Agency has integrated ADS-B and PBN with ERAM but has encountered delays implementing DataComm's high-altitude services due to the impact of the Federal Government shutdown in late 2018 and early 2019, air-to-

ground network problems, and other issues. Because FAA will develop new procedures and training for controllers and pilots for these capabilities, it is uncertain when these enhancements and NextGen capabilities will provide full benefits for airspace users. We made one recommendation to help FAA improve its efforts to upgrade ERAM to support NextGen capabilities. FAA concurred with our recommendation.

FAA and Its Partner Agencies Have Begun Work on the Aviation Cyber Initiative and Are Implementing Priorities

Requested by the House Committee on Transportation and Infrastructure

September 2, 2020
AV2020043

FAA oversees the safety of civil aviation through a complex network of information systems at air traffic control facilities. Cyber-based threats are rapidly evolving and may put air traffic control systems at risk for compromise. The FAA Extension, Safety, and Security Act of 2016 directs FAA to develop a comprehensive, strategic framework to reduce cybersecurity risks to civil aviation. Part of FAA's efforts to implement this framework involves coordination and collaboration on aviation cybersecurity with the Departments of Homeland Security (DHS) and Defense (DoD) through the Aviation Cyber Initiative (ACI). The former Chairman of the House Committee on Transportation and Infrastructure requested that we examine FAA's roles, responsibilities, and actions as an ACI member. Specifically, we assessed ACI's progress in achieving its mission. For 3 years, FAA and its ACI partners have been providing regular updates to Federal agencies on their work, and are collaborating with Federal and aviation industry cybersecurity stakeholders. In May 2019, the Secretaries of DHS, DoD, and DOT finalized the approval of a charter that outlines ACI's objectives. As DOT's representative, FAA is an ACI co-chair with DHS and DoD. The co-chairs report to an Executive Committee of senior Agency executives. At the first ACI Executive Committee meeting in May 2019, 10 priorities were set for 2019 and 2020. ACI has implemented three of these priorities and they are ongoing. ACI has also initiated work on the remaining seven. However, ACI has not developed mechanisms to monitor and evaluate results for meeting milestones and timetables for its priorities. ACI lacks an integrated budget and dedicated resources. As a result, FAA and its ACI partners face challenges in achieving its priorities; these challenges could inhibit FAA's ability to develop a comprehensive and strategic framework for cybersecurity. To enhance FAA's progress in achieving ACI's mission, we made one recommendation. FAA concurred with our recommendation.

FAA Issued New Medical Requirements for Small Aircraft Pilots but Lacks Procedures and Data To Oversee the Program

Requested by the Chairmen of the House Committee on Transportation and Infrastructure and its Aviation Subcommittee

September 2, 2020
AV2020044

The United States has the largest and most diverse general aviation community in the world. In 2017, FAA issued a new rule, referred to as BasicMed, which implemented an alternative way for many general aviation pilots to establish medical eligibility without having to undergo the previous medical certification process. As of April 2020, more than 55,000 pilots had been registered for BasicMed. To aid in their oversight of the new BasicMed process, then Chairmen Bill Shuster of the House Committee on Transportation and Infrastructure and Frank A. LoBiondo of the Subcommittee on Aviation requested that we examine FAA's implementation of the new BasicMed requirements. Our audit objectives were to assess FAA's (1) procedures for implementing new medical requirements for certain small aircraft pilots, including identifying challenges to its implementation and (2) plans for measuring the impact of the new BasicMed process on aviation safety. FAA issued the BasicMed rule in compliance with the Act on January 11, 2017, and provided guidance and conducted outreach to stakeholders to implement the program. Under BasicMed, pilots can fly an aircraft the moment they complete the online medical course and submit other required information. However, FAA lacks an effective process to confirm pilots meet all eligibility requirements, such as whether they have a valid U.S. driver's license. FAA also does not have a process to verify that pilots' medical examinations are being performed by State-licensed physicians as required. In addition, FAA's plan to measure the safety impact of the program is limited by a lack of available data. According to FAA, it may take several more years until there is sufficient data to identify trends and evaluate the rule's safety impacts, due in part to the lengthy process for accident investigations. FAA concurred with our two recommendations to improve FAA's process for verifying pilot's eligibility for the BasicMed program and measuring the program's impact on aviation safety.

FAA's Process for Updating Its Aircraft Evacuation Standards Lacks Data Collection and Analysis on Current Evacuation Risks

Requested by the U.S. House of Representatives Committee on Transportation and Infrastructure and its Subcommittee on Aviation

September 16, 2020
AV2020045

Effective evacuations of aircraft during emergencies can help save lives. Two aircraft accidents involving evacuations—one in September 2015 involving a British Airways aircraft and another in October 2016 involving an American Airlines aircraft—resulted in no fatalities, and highlighted the importance of effective aircraft evacuation standards. FAA regulations require that aircraft manufacturers demonstrate that all passengers and crew can evacuate an aircraft within 90 seconds by conducting live demonstrations of simulated evacuations or through a combination of analyses and testing. Our audit objective was to assess FAA's process for developing and updating aircraft emergency evacuation standards, including how changes in passenger behavior, passenger demographics, and seating capacity affect the standards. FAA's process for updating its evacuation standards lacks data collection and analysis on current risks. FAA largely updates evacuation standards only after accidents and it conducted its last update based on an accident in 1991. FAA also has not conducted sufficient research on passenger behaviors—such as evacuations with carry-on bags and the presence of emotional support animals—and seat dimensions to show how they affect evacuation standards. Furthermore, FAA does not collect comprehensive evacuation data to identify needs for regulation updates, and allows manufacturers

to use decade-old data in evacuation analyses. FAA's Safety Management System requires FAA programs to collect and analyze comprehensive data using systematic procedures and policies for the management of safety risk. However, FAA has not established a systematic process to obtain and evaluate data from accidents and demonstrations. As a result, FAA is inhibiting its ability to identify current evacuation risks and updates to its aircraft emergency evacuation standards. We made two recommendations to help FAA improve its data collection and analysis for developing and updating aircraft emergency evacuation standards. FAA concurred with both recommendations.

FEDERAL HIGHWAY ADMINISTRATION

Gaps in FHWA's Guidance and the Florida Division's Process for Risk-Based Project Involvement May Limit Their Effectiveness

Requested by the Secretary of Transportation; Ranking Member of the Senate Committee on Commerce, Science, and Transportation; and members of the Florida delegation to the House of Representatives

May 12, 2020
ST2020035

After the fatal collapse of a pedestrian bridge at Florida International University (FIU) on March 15, 2018, the Secretary of Transportation and the Ranking Member of the Senate Committee on Commerce, Science, and Transportation asked us to review DOT's oversight role in the FIU project. In July 2018, citing safety concerns, three Florida members of the House of Representatives asked us to examine DOT's role in a project to improve Interstate 4 in Orlando. Within DOT, the Federal Highway Administration (FHWA) had primary responsibility for both projects and designated them for greater oversight under its risk-based stewardship and oversight framework. Thus, we initiated this audit to assess FHWA's oversight of transportation projects in Florida, with a focus on the FIU and I-4 projects. While FHWA has general guidance for implementing its framework for risk-based project involvement Agencywide, it does not clearly explain how FHWA Divisions should assess and document project risks, use experts to evaluate technical risks, or help Division staff determine when greater oversight is warranted. The lack of a fully developed process could reduce the effectiveness of FHWA's risk-based oversight for Florida projects. In addition, FHWA's guidance and the Florida Division's process lack details to help staff develop effective risk-based project oversight plans. For example, the Florida Division does not always clearly define its role in the plans or their associated documentation. As a result, FHWA's risk-based project oversight plans do not provide a complete record of the Agency's involvement or help management determine if that involvement is adding value—a core principle of the FHWA framework. Finally, FHWA Headquarters lacks a process for monitoring and evaluating the impact of its risk-based project involvement, which limits the Agency's ability to determine if it is achieving its goal—to improve projects and make efficient and targeted use of its limited resources. We made eight recommendations to improve FHWA's guidance and the Florida Division's process for risk-based project involvement. FHWA concurred with six recommendations and partially concurred with two.

FEDERAL RAILROAD ADMINISTRATION

Oversight Weaknesses Limit FRA's Review, Approval, and Enforcement of Railroads' Drug and Alcohol Testing Programs

Self-initiated

April 29, 2020
ST2020030

Preventing accidents in railroad operations that result from employees' illicit drug and/or alcohol impairment is critical to ensuring the safety of the traveling public. Illicit drug use discovered during investigation of fatal railroad accidents and a recent increase in the percentage of railway workers testing positive for drug use underscore the importance of the Federal Railroad Administration's (FRA) oversight of railroads' drug and alcohol testing programs. Given the importance of drug and alcohol testing to protecting transportation safety, our office is conducting a series of reviews on drug testing programs within the transportation industry. Our objectives for this self-initiated audit were to assess FRA's (1) review and approval of railroads' random alcohol and drug testing program plans and (2) controls for enforcing compliance with the plans and minimum annual random alcohol and drug testing rates. FRA has not adequately reviewed and approved railroads' drug and alcohol testing plans as required or documented its review and approval process. Our review found that FRA reviewed and approved incomplete plans that do not fully adhere to FRA regulations. Specifically, we reviewed 102 drug and alcohol testing plans from applicable railroads and determined that approximately 51 percent of the reviewed and approved plans were incomplete and did not contain key elements required by FRA regulations. In addition, FRA's ability to verify and enforce railroads' compliance with drug and alcohol testing requirements is limited by internal control weaknesses. For example, FRA's program guidance for overseeing drug and alcohol testing compliance is outdated and does not reflect current regulations or provide for supervisor review. FRA has also not established a process for following up on action items issued to railroads during compliance audits to verify they undertake recommended actions. Furthermore, FRA procedures do not fully meet its drug and alcohol testing compliance audit goals. FRA concurred with all four of our recommendations to improve its guidance and oversight of the drug and alcohol testing program.

FRA Lacks Sufficient Oversight Controls To Consistently Assess Conductor Certification Compliance

Self-initiated

September 28, 2020
ST2020050

Freight trains in the United States generally operate with a conductor, who is responsible for the train, freight, and crew, and an engineer, who operates the locomotive. To ensure that only people who meet minimum Federal safety standards serve as conductors, in 2011, FRA issued a rule for the certification of conductors, Title 49, Code of Federal Regulations, Part 242. This rule requires railroads to have a formal program for training prospective conductors and determining that they are competent before they are certified. Given the potential impact of the conductor certification rule on railroad safety, we initiated this audit to assess FRA's oversight of railroad conductor certification programs. FRA does not have sufficient oversight controls to consistently assess railroads' compliance with Part 242 requirements. Specifically, FRA reviews of railroad conductor certification programs lack formal procedures. FRA officials currently evaluate programs using

a checklist with some Part 242 requirements, an industry group program template, and officials' professional judgment. These narrow reviews are not comprehensive, however, because programs are not evaluated at a consistent level of detail, and the process remains undocumented. FRA officials also perform Part 242 inspections and compliance audits without comprehensive procedures. As a result, the audit documentation and inspection data do not identify all of the Agency's Part 242 compliance audits or demonstrate audit quality. However, FRA is responsive to Part 242 waiver requests and conductor certification petitions. Specifically, the Agency has procedures in place for handling waiver requests and is meeting its goal timelines for reviewing and deciding on petitions. We made five recommendations to improve FRA's oversight of railroad conductor certification programs, guidance for program officials and inspectors, and quality of its audit data. FRA concurred with all of our recommendations.

MARITIME ADMINISTRATION

MARAD's Policy and Procedures for the Title XI Program's Application Review Process Do Not Ensure Full Compliance With Requirements

Required by the Fiscal Year 2019 John S. McCain National Defense Authorization Act

July 8, 2020
ST2020038

Title XI of the Merchant Marine Act of 1936 established the Maritime Administration's (MARAD) Federal Ship Financing Program (Title XI), which provides loan guarantees to private companies for ship construction and shipyard modernization. The Fiscal Year 2019 John S. McCain National Defense Authorization Act requires us to audit MARAD's policies and procedures for reviewing and approving loan guarantee applications. Our audit objectives were to assess (1) the completeness of the program's policy for application reviews and (2) the program's adherence to the policy in its application reviews. MARAD's Title XI policy manual does not fully cover 13 of 28 regulatory requirements that address program eligibility and applications. A MARAD official acknowledged that the manual does not cover all requirements but pointed out that missing requirements are not frequently relevant to application reviews. However, lack of inclusion of all requirements creates a risk that the program will omit attention to relevant requirements, and in turn, diminish the reliability of information the program uses to assess applicants' eligibility and creditworthiness. MARAD lacks adequate procedures to ensure that staff fully comply with requirements. The program also takes longer to process applications than the 9-month statutory review period, and the program's controls are inadequate to ensure staff comply with policy requirements. According to the Government Accountability Office, management must enforce accountability for the entity's internal control, including through supervisory feedback. However, the program supervisor reviews applications for completeness on an ad-hoc basis. The lack of internal controls could inhibit assessments of applicants' eligibility and creditworthiness. We made three recommendations, and MARAD concurred with all three.

NATIONAL TRANSPORTATION SAFETY BOARD

Quality Control Review of the Management Letter for NTSB's Audited Financial Statements for Fiscal Years 2019 and 2018

Required by the Accountability of Tax Dollars Act of 2002

April 8, 2020
QC2020026

This report presents the results of our QCR of Allmond & Company, LLC's management letter related to the audit it conducted, under contract with us, of the National Transportation Safety Board's (NTSB) financial statements for fiscal years 2019 and 2018. In addition to its audit report on NTSB's financial statements, Allmond issued a management letter that discusses internal control matters that it was not required to include in its audit report. Our QCR of Allmond's management letter disclosed no instances in which Allmond did not comply, in all material respects, with generally accepted Government auditing standards. Allmond made three recommendations in its management letter. NTSB concurred with all recommendations.

OFFICE OF THE SECRETARY

Changes in Airline Service Differ Significantly for Smaller Communities, but Limited Data on Ancillary Fees Hinders Further Analysis

Self-initiated

May 27, 2020
EC2020036

\$60,600,000 IN FUNDS PUT TO BETTER USE

In 2013 and 2014, reports from the Government Accountability Office (GAO) and the Massachusetts Institute of Technology (MIT) documented a disproportionate decline in commercial air service to smaller communities. Since that time, there have been concerns that small- and medium-sized communities continue to have limited access to the National Airspace System. The lack of a recent analysis, as well as major changes in the industry, prompted our office to update the GAO and MIT reports. Accordingly, our objective for this self-initiated audit was to detail recent trends in the aviation industry, particularly as they relate to small- and medium-sized communities. Compared to larger metropolitan areas, smaller communities have experienced disparate effects from several recent aviation industry trends. For example, departures declined in larger communities by roughly 12 percent and in smaller communities by about 34 percent. Connectivity—the ability to connect to and move throughout the national air system—declined by 16 percent in smaller communities, double the rate in larger communities; however, data limitations hindered our analysis of delays and cancellations. Similarly, competitive conditions improved in larger communities, but grew worse in smaller communities, where the cost to fly was also greater. Finally, we found that some airlines have dramatically increased their revenues from booking charges and other ancillary fees. However, DOT does not collect adequate data on ancillary fees, which reduces its ability to fully assess competition in the industry. Also, ancillary fees are not subject to the excise tax that funds the Airport and Airway Trust Fund (AATF). We conservatively estimate that certain carriers' use of booking fees as a revenue source reduced AATF revenues by \$60.6 million in 2019 alone. We made three recommendations to address DOT's data shortcomings and improve departmental clarity on the impact of ancillary fees on AATF receipts. The Department concurred with one of our three recommendations.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

PHMSA Has Incomplete Guidance for Evaluating the Siting of Proposed Liquefied Natural Gas Facilities and Monitoring State Pipeline Safety Programs

Self-initiated

April 28, 2020
ST2020031

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is responsible for determining whether proposed and existing liquefied natural gas (LNG) facilities meet Federal safety standards. According to the U.S. Energy Information Administration, LNG exports from the United States are projected to rise from about 2 trillion cubic feet in 2020 to 6 trillion cubic feet in 2030. Given the importance of PHMSA's oversight of LNG facilities, we initiated this audit with the following objectives: to assess PHMSA's (1) review of new LNG facilities' plans for compliance with Federal siting requirements, (2) inspection of existing LNG facilities in accordance with Agency policies and Federal standards, and (3) evaluation of State gas programs' oversight of LNG facilities. PHMSA's standard operating procedures for its reviews of LNG facility developer applications are generally comprehensive, but they do not include a second-level verification of reviews by engineers. Second-level verification steps reduce the risk that PHMSA's analysis will be incomplete, contain errors, or lack consistency. In addition, while PHMSA's inspections of existing interstate LNG facilities met Agency standards, its evaluations of State gas programs missed deficiencies in inspection intervals and inspector training. One factor is that PHMSA's guidance does not require evaluators to document which records they review. Evaluators described using their own judgment when selecting records, but that means some State records may never be reviewed due to the inherent biases in judgmental sampling. As a result, there is an increased risk that the Agency's evaluation results will neither accurately measure State gas program performance nor give PHMSA the information it needs to respond to inquiries, conduct inspections, and pass on institutional knowledge to new evaluators. PHMSA concurred with and implemented our three recommendations to improve its guidance on reviewing applications and evaluating State programs.

SURFACE TRANSPORTATION BOARD

Quality Control Review of an Independent Auditor's Report on the Surface Transportation Board's Information Security Program and Practices

Required by the Federal Information Security Modernization Act of 2014

September 28, 2020
QC2020049

The Federal Information Security Modernization Act of 2014 (FISMA) requires agencies to implement information security programs. FISMA also requires agencies to have annual independent evaluations performed to determine the effectiveness of their programs and report the results of these reviews to OMB. To meet this requirement, the Surface Transportation Board (STB) requested that we perform its fiscal year 2020 FISMA review. We contracted with Williams Adley & Company-DC LLP (Williams Adley), an independent public accounting firm, to conduct this audit subject to our oversight. The audit objective was to determine the effectiveness of STB's information security program and practices in five function areas—Identify, Protect, Detect, Respond, and Recover. We performed a QCR of Williams Adley's report and related documentation. Our QCR disclosed no instances in which Williams Adley did not comply, in all material respects, with generally accepted Government auditing standards. STB concurred with Williams Adley's six recommendations.

SINGLE AUDITS

Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2020

Self-initiated

May 4, 2020
SA2020032

We queried and downloaded 94 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between January 1, 2020, and March 31, 2020, to identify significant findings related to programs directly funded by DOT. We found that the reports contained a range of findings that affected DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 17 grantees that require prompt action from DOT's Operating Administrations (OA). The auditors also identified questioned costs totaling \$2,227,535 for seven grantees. We recommended that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommended that DOT determine the allowability of the questioned transactions and recover \$2,227,535, if applicable.

\$2,227,535 IN QUESTIONED COSTS

Quality Control Review on a Single Audit of the Wyoming Department of Transportation, Cheyenne, WY

Self-initiated

May 6, 2020
QC2020033

We performed a QCR on the single audit that McGee, Hearne & Paiz, LLP (MHP) performed for the Wyoming Department of Transportation's (WYDOT) fiscal year that ended September 30, 2018. During this period, WYDOT expended approximately \$285 million from DOT's grant programs. MHP determined that DOT's major programs were the Highway Planning and Construction Cluster, the Formula Grants for Rural Areas Program, and the Highway Research and Development Program. Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs and (2) whether WYDOT's reporting package complied with the reporting requirements of the Uniform Guidance. MHP's audit work complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs. We found nothing to indicate that MHP's opinion on each of DOT's major programs was inappropriate or unreliable. However, we identified a deficiency in MHP's audit work that should be corrected in future audits. We did not identify any deficiencies in WYDOT's reporting package.

Quality Control Review on a Single Audit of the Delaware Valley Regional Planning Commission, Philadelphia, PA

Self-initiated

May 6, 2020
QC2020034

We performed a QCR on the single audit that Baker Tilly Virchow Krause, LLP (Baker Tilly) performed for the Delaware Valley Regional Planning Commission's (Commission) fiscal year that ended June 30, 2018. During this period, the Commission expended approximately \$19.2 million from DOT's grant programs. Baker Tilly determined that DOT's major program was the Highway Planning and Construction Cluster. Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major program and (2) whether the Commission's reporting package complied with the reporting requirements of the Uniform Guidance. Baker Tilly's audit work complied with the requirements of the Single Audit Act, the

Uniform Guidance, and DOT's major program. We found nothing to indicate that Baker Tilly's opinion on DOT's major program was inappropriate or unreliable. However, we identified deficiencies in the Commission's reporting package that required correction and resubmission.

Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2020

Self-initiated

August 5, 2020
SA2020041

We queried and downloaded 95 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between April 1, 2020, and June 30, 2020, to identify significant findings related to programs directly funded by DOT. We found that reports contained a range of findings that impacted DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 21 grantees that require prompt action from DOT's OAs. The auditors also identified questioned costs totaling \$3,440,165 for 10 grantees. We recommended that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommended that DOT determine the allowability of the questioned transactions and recover \$3,440,165, if applicable.

\$3,440,165 IN QUESTIONED COSTS

Quality Control Review on a Single Audit of the Metropolitan Washington Council of Governments, Washington, DC

Self-initiated

August 24, 2020
QC2020042

We performed a QCR on the single audit that PBMares, LLP performed for the Metropolitan Washington Council of Governments' (MWCOG) fiscal year that ended June 30, 2018. During this period, MWCOG expended approximately \$17.9 million from DOT's grant programs. PBMares determined that DOT's major programs were the Highway Planning and Construction Cluster, and the Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Program. Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs and (2) whether MWCOG's reporting package complied with the reporting requirements of the Uniform Guidance. PBMares' audit work complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs. We found nothing to indicate that PBMares' opinion on each of DOT's major programs was inappropriate or unreliable. However, we identified a deficiency in MWCOG's reporting package that required correction and resubmission.

Quality Control Review on a Single Audit of the City of Fayetteville, Fayetteville, NC

Self-initiated

September 22, 2020
QC2020047

We performed a quality control review (QCR) on the single audit that RSM US LLP performed for the City of Fayetteville's (City) fiscal year that ended June 30, 2018. During this period, the City expended approximately \$6.8 million from DOT's grant programs. RSM determined that DOT's major programs were the Airport Improvement Program and the Federal Transit Cluster. Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs and (2) whether the City's reporting

package complied with the reporting requirements of the Uniform Guidance. RSM's audit work complied with the requirements of the Single Audit Act, the Uniform Guidance, 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. However, we identified deficiencies in the City's reporting package that required correction and resubmission.

**Quality Control
Review on a Single
Audit of the City of
Charlotte, Charlotte,
NC**

Self-initiated

September 23, 2020
QC2020048

We performed a QCR on the single audit that Cherry Bekaert, LLP performed for the City of Charlotte's (City) fiscal year that ended June 30, 2018. During this period, the City expended approximately \$100 million from DOT's grant programs. Cherry Bekaert determined that DOT's major programs were the Federal Transit Cluster, the Airport Improvement Program, and the Highway Planning and Construction Cluster. Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs and (2) whether the City's reporting package complied with the reporting requirements of the Uniform Guidance. Cherry Bekaert's audit work complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major programs. We found nothing to indicate that Cherry Bekaert's opinion on each of DOT's major programs were inappropriate or unreliable. However, we identified deficiencies in Cherry Bekaert's audit work that should be corrected in future audits. In addition, we identified a deficiency in each of the City's initial and revised reporting packages that required correction and resubmission.

**Quality Control
Review on a
Single Audit of
Green Mountain
Transit Authority,
Burlington, VT**

Self-initiated

September 28, 2020
QC2020051

We performed a QCR on the single audit that RHR Smith & Company (Smith) performed for the Green Mountain Transit Authority's (Authority) fiscal year that ended June 30, 2018. During this period, the Authority expended approximately \$14.5 million from the U.S. DOT's grant programs. Smith determined that DOT's major program was the Federal Transit Cluster. Our QCR's objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, the Office of Management and Budget's Uniform Guidance, and the extent to which we could rely on the auditors' work on DOT's major programs and (2) whether the Authority's reporting package complied with the reporting requirements of the Uniform Guidance. Smith's audit work complied with the requirements of the Single Audit Act, the Uniform Guidance, and DOT's major program. We found nothing to indicate that Smith's opinion on DOT's major program was inappropriate or unreliable. However, we identified a deficiency in Smith's audit work that should be corrected in future audits. We also identified deficiencies in the Authority's reporting package that required correction and resubmission.

Correspondence

**Letter From
Deputy Inspector
General Behm
to Chairwoman
Maloney and
Chairmen DeFazio
and Connolly
Regarding Howard
“Skip” Elliott’s
Designation as
Acting Inspector
General and
Ongoing OIG Work**

June 2, 2020
CC2020004

Deputy Inspector General Mitch Behm responded to a May 19, 2020, letter from Chairwoman Maloney and Chairmen DeFazio and Connolly requesting information about OIG’s ongoing work at the time of the President’s designation of Howard R. “Skip” Elliott to serve as Acting Inspector General of the Department of Transportation. In his letter, Deputy Inspector General Behm confirmed that he is prepared to assume oversight of all of OIG’s efforts related to the Pipeline and Hazardous Materials Safety Administration (PHMSA), given Acting Inspector General Elliott’s recusal from those matters. In light of this recusal and his commitment to preserving the independence of OIG, Acting Inspector General Elliott requested that Deputy Inspector General Behm provide the detailed information requested by the Chairwoman and Chairmen. As such, the enclosure to this letter provides (1) a list of audits and investigations that were ongoing as of Mr. Elliott’s appointment as Acting Inspector General on May 15, 2020, and (2) a list of projects relating to the Office of the Secretary of Transportation that were opened between January 20, 2017, and the present. Deputy Inspector General Behm also confirmed that since becoming Acting Inspector General, Mr. Elliott has not directed or requested the modification of any audit or investigation.

**Letter From
Acting Inspector
General Elliott
to Chairwoman
Maloney and
Chairmen DeFazio
and Connolly
Regarding His
Designation as
Acting Inspector
General and
Ongoing OIG Work**

June 2, 2020
CC2020003

This letter responded to a May 19, 2020, letter from Chairwoman Maloney and Chairmen DeFazio and Connolly regarding Howard R. “Skip” Elliott’s designation by President Donald J. Trump to serve as Acting Inspector General of the Department of Transportation. Acting Inspector General Elliott stated that he is honored by the opportunity to fill the role of Acting Inspector General and that he intends to remain in the position until a permanent Inspector General is confirmed or he is otherwise directed by the President. In addition, he confirmed that Mitch Behm will continue to serve as the Deputy Inspector General, a position he has held for more than 4 years. Acting Inspector General Elliott wrote that he holds a deep respect for the mission and role of OIG and that he will perform his duties with the utmost integrity and without any inappropriate influence or interference with OIG’s ongoing or planned work. To that end, Acting Inspector General Elliott stated that he is recusing himself from any audit or investigative matters that pertain directly to PHMSA, where he will continue to serve as Administrator. He stated that he asked Deputy Inspector General Behm to provide the information Chairwoman Maloney and Chairmen DeFazio and Connolly requested on OIG’s ongoing work in a separate correspondence. Acting Inspector General Elliott also confirmed that he has not directed or requested the modification of any audit or investigation since his appointment on May 15, 2020.

Memorandum to the Secretary: Key Potential Risk Areas for the Department of Transportation in Overseeing CARES Act Requirements

June 17, 2020
CC2020005

Implementing the Coronavirus Aid, Relief, and Economic Security (CARES) Act is among DOT's highest priorities in this time of national emergency. The CARES Act provides DOT with over \$36 billion to prevent, prepare for, and respond to COVID-19 across all modes of transportation. To its credit, DOT swiftly distributed these funds and has begun implementing the Act's requirements to provide much-needed relief to American workers, families, and businesses. As the Department is aware, the volume of CARES Act funds and the speed with which the funds have been disbursed creates oversight challenges. Therefore, to support the Department in meeting its mission while promoting effective stewardship of significant taxpayer dollars, we provided a summary of key risk areas for DOT's consideration in bolstering its oversight of CARES Act grantees and contractors. These potential risk areas and our suggested actions to mitigate those risks are drawn largely from our prior work assisting DOT with oversight of a significant influx of funds for economic stimulus and emergency relief. By maintaining focus on these risk areas early on and putting in place key internal controls, DOT can promote efficiencies; help ensure compliance; and better prevent fraud, waste, and abuse.

Letter to the House and Senate Transportation Appropriations Subcommittees on the Firms Involved With the Florida International University Pedestrian Bridge

July 20, 2020
CC2020006

On July 20, 2020, we issued a letter to the Chairmen and Ranking Members of the House and Senate Appropriations Subcommittees on Transportation, Housing and Urban Development, and Related Agencies related to the fatal collapse of a pedestrian bridge at Florida International University in Miami on March 15, 2018. The letter provides a summary of firms involved in the design, construction, and inspection of the bridge, including information on safety violations and prior criminal convictions. Congress directed us to provide this information in the explanatory statement that accompanied the Fiscal Year 2019 Appropriations Act.

Letter to Congress on DOT's Efforts To Prevent and Detect Fraud, Waste, and Abuse in Small Business Innovative Research and Technology Transfer Programs

Required by the National Defense Authorization Act of 2012

August 27, 2020
CC2020007

The National Defense Authorization Act of 2012 requires us to send an annual report to the Senate and the House of Representatives regarding our efforts to prevent and detect fraud, waste, and abuse in Small Business Innovative Research (SBIR) and Transfer Technology (STTR) programs. The act also requires us to describe the number of cases referred in the preceding year, the actions taken in each case, justifications when no action was taken, and an accounting of funds used. During fiscal years 2017, 2018, and 2019, we conducted one investigation related to fraud in SBIR/STTR programs, and closed none.

Peer Reviews

Peer reviews

DOT OIG's auditing and investigations functions are subject to peer reviews in accordance with generally accepted Government auditing standards, CIGIE guidelines, and the Attorney General Guidelines for Federal OIGs with statutory law enforcement authority. These peer reviews provide formal, objective assessments of DOT OIG's adherence to prescribed standards, regulations, and legislation.

Peer reviews conducted of DOT OIG

The Department of Health and Human Services (HHS) OIG conducted a CIGIE peer review of our Office of Auditing and Evaluation in fiscal year 2019. HHS OIG concluded that the audit organization's system of quality control was suitably designed and complied with to provide DOT OIG with reasonable assurance of performing and reporting with applicable professional standards in all material respects. Accordingly, HHS OIG provided a "pass" rating and did not make any recommendations. The report was released on April 23, 2019.

The Small Business Association (SBA) OIG conducted a CIGIE peer review of our Office of Investigations in fiscal year 2018. SBA OIG concluded that the system of internal controls and management procedures used for our investigative operations complied with the quality standards established by CIGIE and other applicable guidelines and statutes, and did not make any recommendations. The report was released on August 29, 2018.

Both reports are available on our website at <https://www.oig.dot.gov/about-oig/peer-review>.

Peer reviews conducted by DOT OIG

During this reporting period, DOT OIG did not conduct a CIGIE peer review.

Index of Reporting Requirements

Index of reporting requirements under the Inspector General Act of 1978, as amended

Section	Requirement	Page
5(a)(1)	Significant problems, abuses, and deficiencies	5-44
5(a)(2)	Significant recommendations for corrective action	18-41
5(a)(3)	Prior significant recommendations unimplemented	22-23
5(a)(4)	Matters referred and resulting prosecutions	5-16
5(a)(5)	Information or assistance refused by the Department	25
5(a)(6)	List of audits issued	26-41
5(a)(7)	Summaries of significant audits	18, 26-41
5(a)(8)	Statistical table for questioned/unsupported costs	20
5(a)(9)	Statistical table for funds to be put to better use	20
5(a)(10)	Summary of prior reports unresolved	22-23
5(a)(11)	Significant revised management decisions	25
5(a)(12)	Significant management decisions with which DOT OIG disagreed	25
5(a)(13)	Compliance with Federal Financial Management Improvement Act	25
5(a)(14)	Peer reviews conducted of DOT OIG	44
5(a)(15)	Peer review recommendations	44
5(a)(16)	Peer reviews conducted by DOT OIG	44
5(a)(17)	Statistical table of investigative reports and referrals	8-11
5(a)(18)	Investigative reporting metrics	12
5(a)(19)	Substantiated misconduct of senior Government employees	15
5(a)(20)	Instances of whistleblower retaliation	12
5(a)(21)	Interference with DOT OIG independence	25
5(a)(22)	Closed but undisclosed audits and investigations of senior Government employees	12, 25

Acronym Glossary

Acronym glossary

AATF	Airport and Airway Trust Fund	IPERA	Improper Payments Elimination and Recovery Act
ADS-B	Automatic Dependent Surveillance-Broadcast system	LNG	liquid natural gas
ACI	Aviation Cyber Initiative	MARAD	Maritime Administration
CDL	commercial driver's license	NAS	National Airspace System
CIGIE	Council of Inspectors General on Integrity and Efficiency	NextGen	Next Generation Air Transportation System
DBE	Disadvantaged Business Enterprise	NHTSA	National Highway Traffic Safety Administration
DHS	U.S. Department of Homeland Security	NTSB	National Transportation Safety Board
DoD	U.S. Department of Defense	OA	Operating Administration
DOJ	U.S. Department of Justice	ODA	Organization Designation Authorization
DOT	U.S. or State Department of Transportation	OIG	Office of Inspector General
ERAM	En Route Automation Modernization	OMB	Office of Management and Budget
ESC	Enterprise Services Center	OST	Office of the Secretary of Transportation
FAA	Federal Aviation Administration	PHMSA	Pipeline and Hazardous Materials Safety Administration
FCT	FAA Contract Tower program	QCR	quality control review
FHWA	Federal Highway Administration	SBA	Small Business Administration
FISMA	Federal Information Security Modernization Act of 2014	SSI	sensitive security information
FIU	Florida International University	STARS	Standard Terminal Automation Replacement System
FRA	Federal Railroad Administration	STB	Surface Transportation Board
FTA	Federal Transit Administration	SUPs	Suspected Unapproved Parts
FTE	full-time equivalent	TRACON	Terminal Radar Approach Control
FY	fiscal year	UAS	Unmanned Aircraft Systems
GAO	U.S. Government Accountability Office		
HHS	U.S. Department of Health and Human Services		