

U.S. Department of Transportation Office of Inspector General

# SEMIANNUAL REPORT TO CONGRESS

October 1, 2018 – March 31, 2019

# Highlights

First Half FY 2019

## Investigative accomplishments



### 104/102

investigations  
closed/opened



### 46/37

convictions/indictments

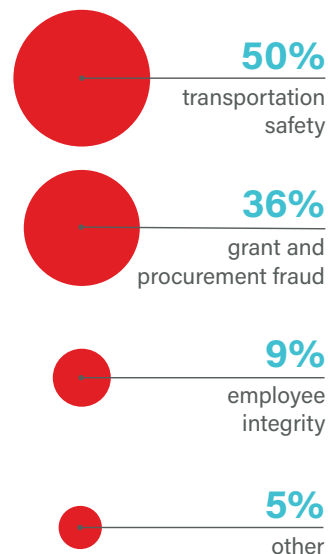


### \$81.92m

financial impact of  
DOT OIG investigations

First Half FY 2019

## Investigations opened, by priority area



## Audit accomplishments



### 47

audit reports issued



### 129

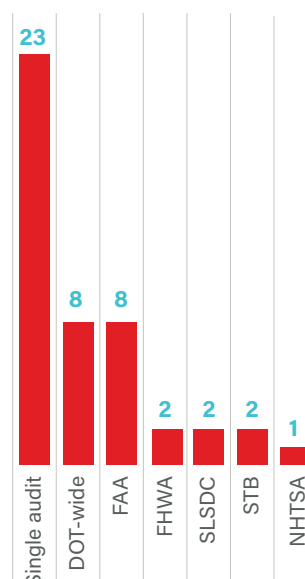
recommendations



### \$8.72m

financial impact of  
DOT OIG audit reports

## Audit reports issued



# Table of Contents

**Highlights** **2**

**Investigations** **4**

**Audits** **16**

**Testimony** **47**

**Correspondence** **48**

**Peer Review** **49**

**Index of Reporting Requirements** **50**

**Acronym Glossary** **51**

# 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 we investigated during this reporting period include:

- **Hazardous materials safety.** Five Louisiana employees were sentenced for their roles in a conspiracy to illegally transport and store over 15.6 million pounds of explosive munitions.
- **Public corruption.** A Chicago-area transit manager was sentenced to prison for demanding and accepting kickbacks and gratuities in return for employing certain contractors.
- **Grant fraud.** A bus and maintenance company owner was sentenced for multiple charges for billing for maintenance services that were never performed and bribing a New York county official.
- **Motor carrier safety.** Two physicians in Georgia were sentenced for routinely signing medical exam certificates and reports for commercial driver's license holders without examining the drivers.

### Investigative accomplishments



1,597

hotline contacts received



104/102

investigations closed/opened



107

investigations referred for criminal prosecution



46/37

convictions/indictments



201.2

total years of incarceration, probation, and supervised release



\$81.9 million

financial impact of DOT OIG investigations

# Investigations

## Statistical Data

### Financial impact of DOT OIG investigations



**\$81,917,689**

total financial impact

**\$4,082,942**

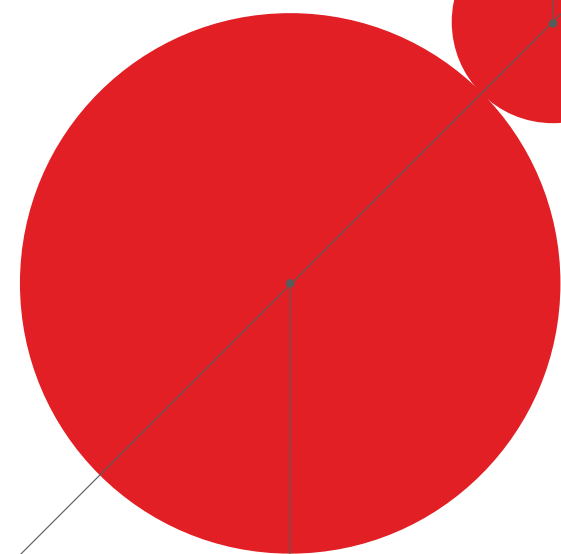
forfeitures

**\$4,270,567**

recoveries

**\$9,051,817**

finances and special assessments



**\$64,512,363**

restitution

### 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

102

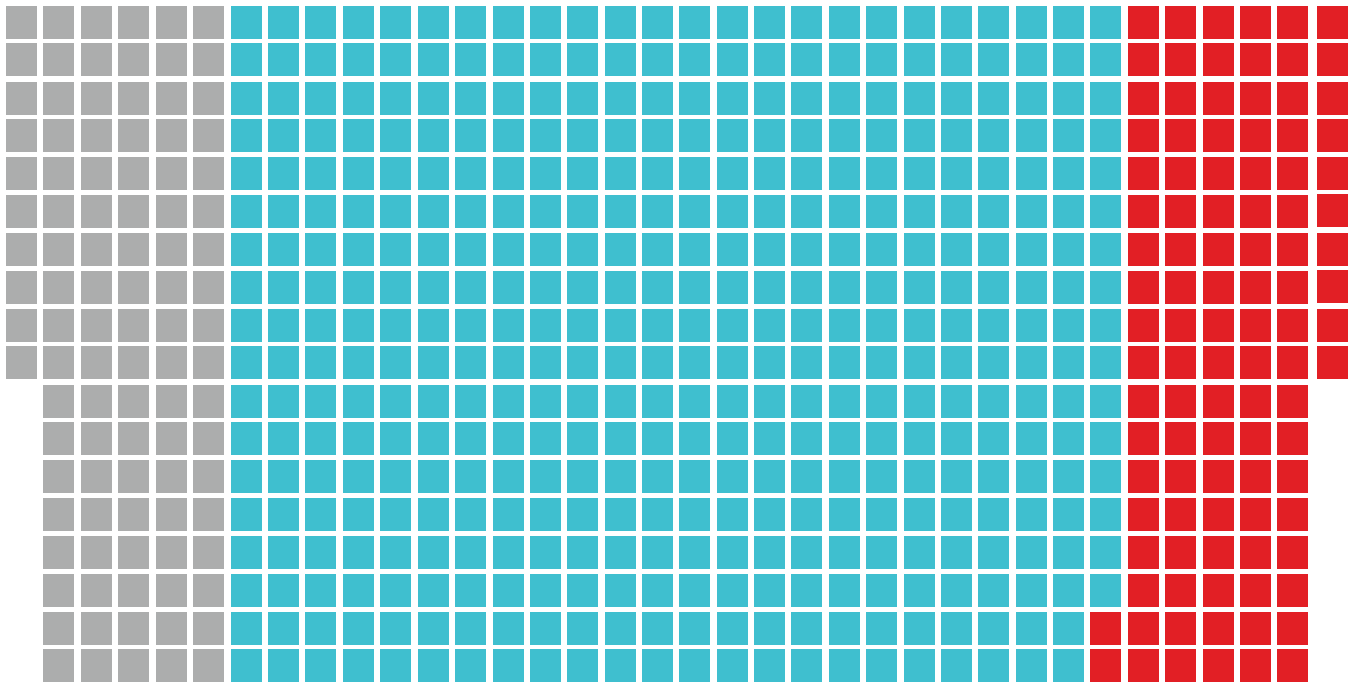
investigations closed  
this reporting period

430

ongoing  
investigations

104

investigations opened  
this reporting period



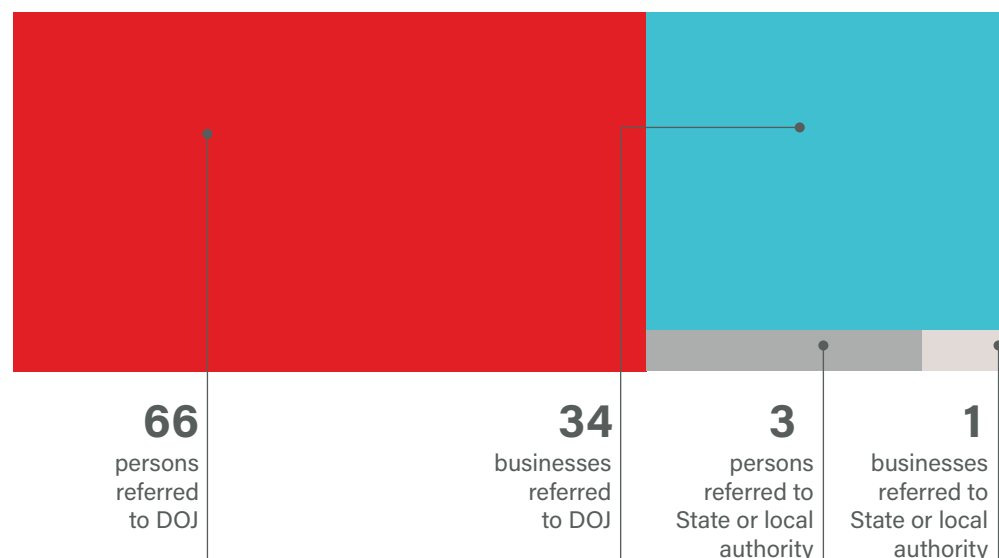
## Criminal prosecutions

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



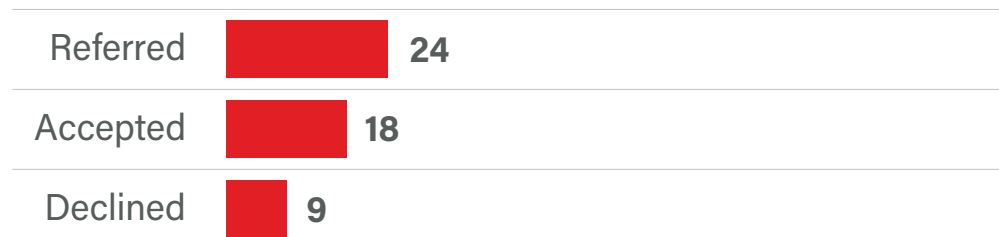
### Persons and businesses referred to the U.S. Department of Justice or State/local authorities for criminal prosecution



## Civil prosecutions

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

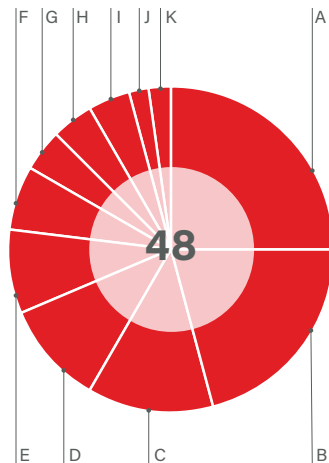
### Number of investigations referred, accepted, and declined for civil prosecution





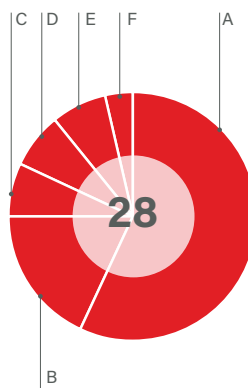
## Summary of referrals for criminal and civil prosecution

### Grant & procurement



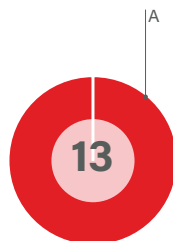
- A** false statements/claims | **12**
- B** DBE fraud | **10**
- C** product substitution/substandard work or materials | **6**
- D** embezzlement | **5**
- E** misappropriation of funds | **4**
- F** other | **3**
- G** public corruption/extortion | **2**
- H** anti-trust, bid rigging/collusion | **2**
- I** Buy America Act | **2**
- J** Small Business Innovative Research grant fund | **1**
- K** overbilling | **1**

### Aviation



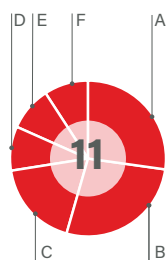
- A** certificate fraud | **16**
- B** suspected unapproved parts | **5**
- C** accident related | **2**
- D** unauthorized operation of an aircraft | **2**
- E** unmanned aircraft systems (UAS) | **2**
- F** aiming a laser pointer at an aircraft | **1**

### Workforce Protection



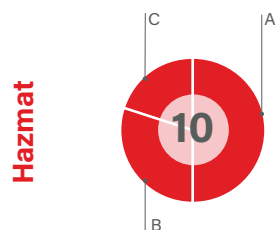
- A** household goods/moving companies | **13**

### Motor carrier



- A** certificate fraud | **3**
- B** attempted bribery | **3**
- C** log books | **2**
- D** other | **1**
- E** reincarnated carriers | **1**
- F** falsification/alteration of inspection records | **1**

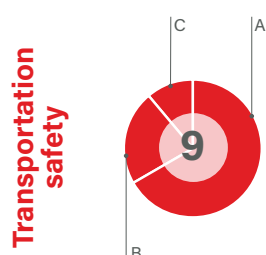
## Summary of referrals for criminal and civil prosecution (cont.)



**A** carriage by motor vehicle/public highway | **5**

**B** pipelines | **3**

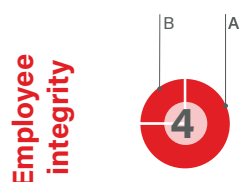
**C** carriage by air | **2**



**A** falsification of Federal Motor Vehicle Safety Standards | **6**

**B** falsification of FRA required records | **2**

**C** drug and alcohol program violation | **1**



**A** violation of law, rule, or regulation | **3**

**B** ethics violation | **1**



**A** theft of DOT funds or property | **3**



**A** theft of credentials | **2**

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### **Investigative reports**

DOT OIG distributed 74 investigative reports, including reports of investigation, stakeholder memos, and management implication reports.

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### **Indictments and informations from prior referrals**

A total of 23 indictments or criminal informations resulted from previous referrals for prosecution.

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### **Whistleblower retaliation**

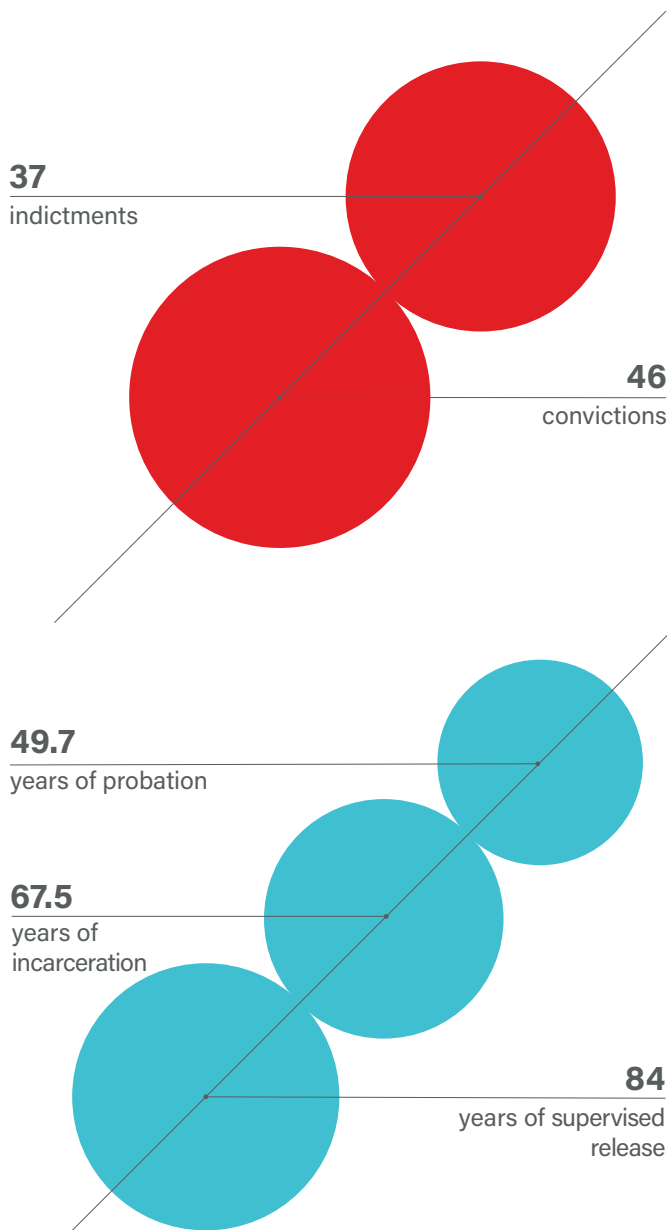
DOT OIG did not close any investigations in which a DOT official was found to have engaged in whistleblower retaliation.

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### **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



**650**

hours of community service

## 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 & debarment actions

**25**  
suspension  
referral



**13**  
debarment  
referral




### Personnel actions


**4**  
removal



**3**  
proposed  
removal



**3**  
resigned/  
retired during  
investigation



**1**  
reassignment/  
transfer




**1**  
restitution



### Other actions

**8**  
certificate/  
license/permit  
revoked/terminated



**6**  
enforcement  
action taken



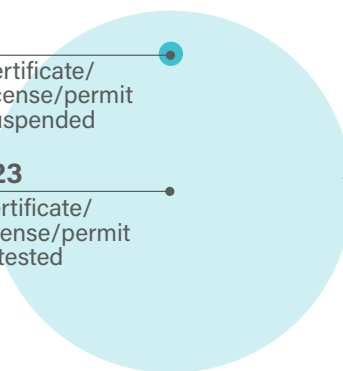
**1**  
MBE/DBE  
decertification



**1**  
certificate/  
license/permit  
suspended



**223**  
certificate/  
license/permit  
retested



## Types of administrative actions

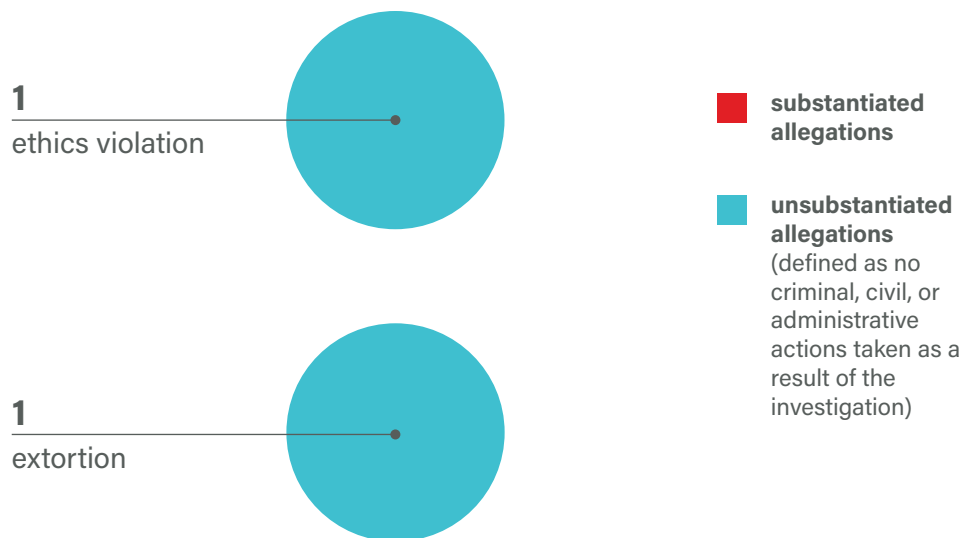
**Suspension and debarment** excludes an individual or entity from financial and nonfinancial assistance and benefits under Federal programs and activities.

**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.

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



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## 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.

**1,597**

total hotline contacts received

### 84 letters

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

### 820 telephone calls

1 (800) 424-9071

### 367 web

[www.oig.dot.gov/hotline](http://www.oig.dot.gov/hotline)

### 325 emails

[hotline@oig.dot.gov](mailto:hotline@oig.dot.gov)

### 1 walk in

# Audits



# Audits

## Summary of Performance

**W**e 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 we reviewed during this reporting period include:

- **Grant review and selection processes.** We did not find any evidence connecting DOT's grant review and selection processes to the collapse of a pedestrian bridge at Florida International University. While there were documentation shortfalls in those processes, they have since been addressed.
- **Unmanned aircraft systems (UAS).** FAA has improved its process for issuing waivers for several UAS operations. However, reviewing waiver requests in a timely manner remains a challenge for the Agency, and there is a risk that operators will bypass established processes and operate without FAA approval.
- **Public-private partnerships.** Constraints on public resources have led to greater private sector involvement in constructing highway infrastructure. Yet FHWA is not following its own guidance regarding its stewardship and oversight of these public-private partnerships.
- **Cybersecurity.** DOT submitted performance data for its Information Security Continuous Monitoring program, as required by the Office of Management and Budget, but lacked adequate procedures to verify the accuracy of the data.

### Audit accomplishments



47

audit reports issued



129

recommendations



\$8,717,290

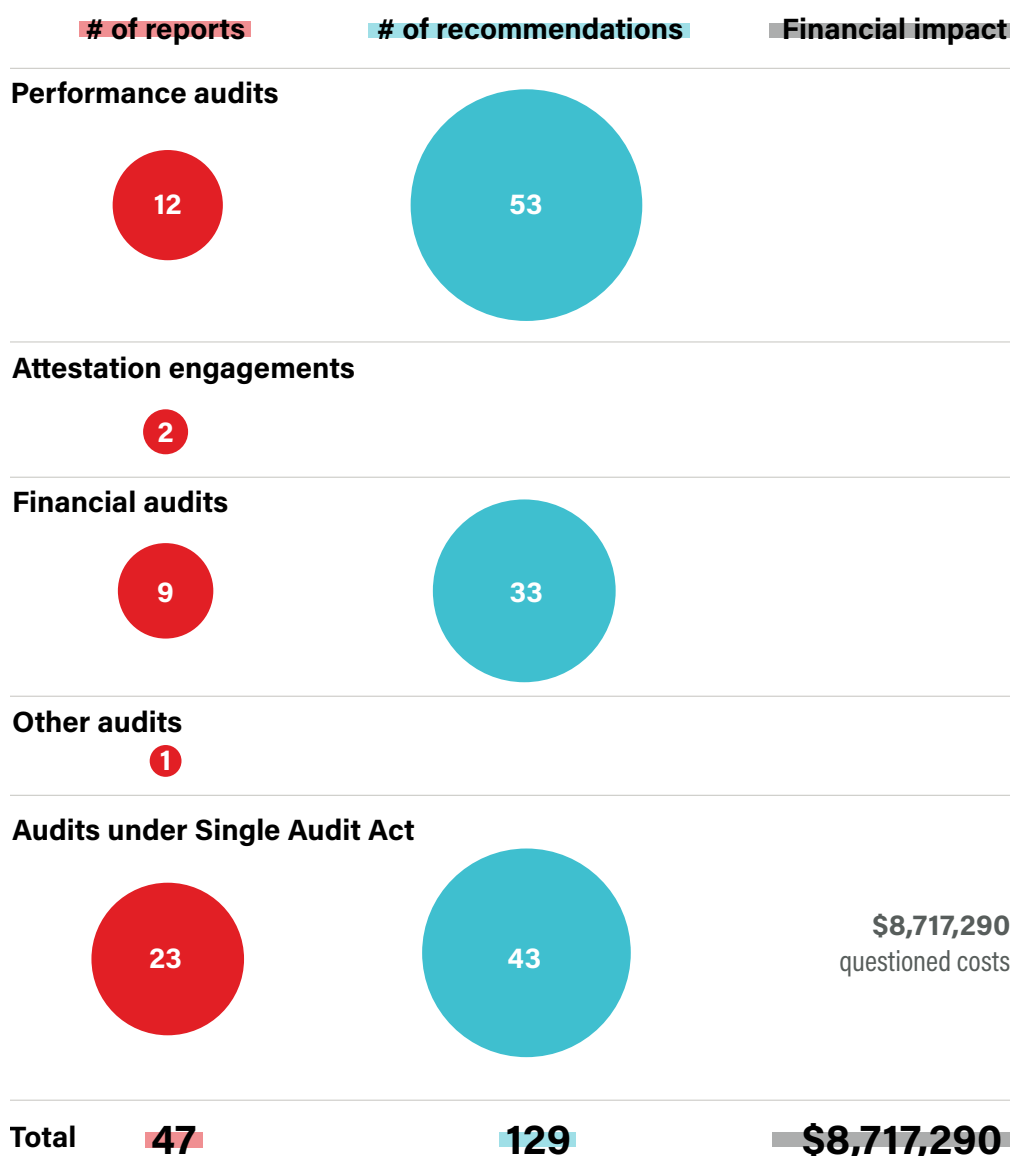
total financial impact of DOT OIG audits

# 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.

**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.

*\*Dollars shown are amounts reported to management. Actual amounts may change during final resolution.*

NOTE: See page 20 for definitions.

## Recommendations unresolved by end of reporting period

	Number of reports	Number of recommendations	Questioned costs*	Unsupported costs**	Funds to be put to better use*
<b>Unresolved recommendations at the start of the reporting period</b>					
That questioned costs	3	5	\$4,152,219		
That funds be put to better use	1	1			\$2,200,000
For safety, efficiency, and economy	18	29			
<b>A</b> Total unresolved recommendations at the start of the reporting period		35	\$4,152,219		\$2,200,000
<b>Recommendations made during reporting period</b>					
That questioned costs	8	13	\$8,717,290		
That funds be put to better use					
For safety, efficiency, and economy	40	116			
<b>B</b> Total recommendations made during reporting period		129	\$8,717,290		
Total recommendations to be resolved (A+B)		164	\$12,869,509		\$2,200,000
<b>Recommendations resolved during reporting period</b>					
That questioned costs					
(i) dollar value of recommendations that were agreed to by management (disallowed costs)	2	3	\$3,109,219		
(ii) dollar value of recommendations that were not agreed to by management (allowed costs)					
That funds be put to better use					
(i) dollar value of recommendations that were agreed to by management					
(ii) dollar value of recommendations that were not agreed to by management					
For safety, efficiency, and economy	30	103			
<b>C</b> Total resolved at the end of the reporting period		106	\$3,109,219		
<b>D</b> Total unresolved at the end of the reporting period [(A+B)-C]		58	\$9,760,290		\$2,200,000

\*Includes reports and recommendations where costs were both allowed and disallowed. Dollars shown are the amounts reported to management. Actual amounts may change during final resolution.

\*\*Unsupported costs are included in questioned costs. 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.

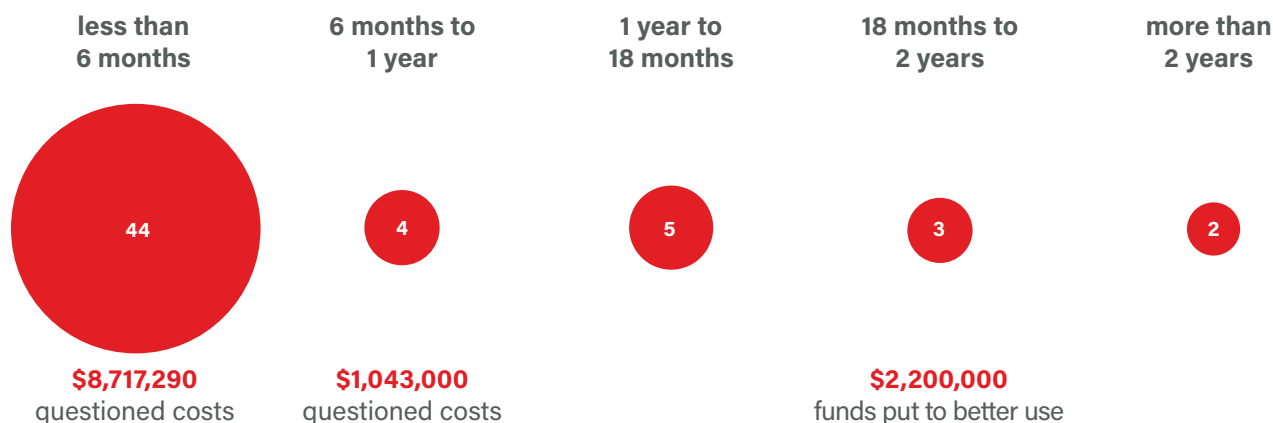
#### **Disallowed costs**

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
<b>More than 2 years</b>	
Long-Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency AV2012152 7/19/2012	<b>Recommendation 10.</b> 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	<b>Recommendation 1.</b> 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
<b>18 months to 2 years</b>	
<p>FAA Has Taken Steps To Identify Flight Deck Vulnerabilities But Needs To Enhance Its Mitigation Efforts (SSI) AV2017063 6/26/2017</p>	<p><b>Recommendation 3.</b> Publish an FAA Notice to inspectors that communicates the existence of AC 120-110 and RTCA Report DO-329, which highlights the blocking methods orchestrated by the Special Committee, and directs inspectors to communicate this information to the carriers they oversee.</p> <p><b>Recommendation 4.</b> Require air carriers to conduct a Safety Risk Assessment (under FAA's Safety Management System) of their current secondary barrier methods using all information from the 2011 RTCA report on secondary barriers, either as a stand-alone Notice or incorporated into another Notice recommended above.</p>
<p>DOT and FAA Lack Adequate Controls Over Their Use and Management of Other Transaction Agreements ZA2017098 9/20/2017</p>	<p><b>Recommendation 9.</b> 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>
<b>1 year to 18 months</b>	
<p>FAA Needs to Strengthen Its Management Controls Over the Use and Oversight of NextGen Developmental Funding AV2018030 3/6/2018</p>	<p><b>Recommendation 2.</b> 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><b>Recommendation 3.</b> 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><b>Recommendation 6.</b> 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>

Report	Unresolved Recommendations
<p>FISMA 2017: DOT's Information Security Posture Is Still Not Effective FI2018017 1/24/2018</p>	<p><b>Recommendation 3.</b> For the COE and FAA, update procedures and practices for monitoring and authorizing common security controls to (a) require supporting documentation for controls continual assessments, (b) complete reauthorization assessments for the controls, (c) finalize guidance for customers' use of controls, and (d) establish communication protocols between authorizing officials and common control providers regarding control status and risks.</p> <p><b>Recommendation 5.</b> Implement controls to continuously monitor and work with components to ensure network administrators are informed and action is taken to disable system accounts when users no longer require access or have been inactive beyond established thresholds.</p>
<b>6 months to 1 year</b>	
<p>Report on Single Audit of the State of Montana, Helena, MT SA2018079 9/10/2018</p>	<p><b>Recommendation 3.</b> Ensures that the State complies with the activities allowed or unallowed requirements.</p> <p><b>Recommendation 4.</b> Recovers \$900,000 from the State, if applicable.</p> <p><b>Recommendation 5.</b> Recovers \$143,000 from the State, if applicable.</p>
<p>Report on a Single Audit of the Massachusetts Bay Transportation Authority, Boston, MA SA2018082 9/10/2018</p>	<p><b>Recommendation 2.</b> Ensures that the Authority complies with the equipment and real property management requirements.</p>

## Open audit recommendations

As of March 31, 2019, DOT OIG had **620 open recommendations**, which were included in 241 audit reports issued between July 18, 2007, and March 27, 2019. Of these, 72 recommendations (from 57 reports) carry an **estimated monetary or cost savings totaling over \$6,099,843,387**, 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, 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.



### Reports with no agency comment within 60 days

We work closely with the Department to ensure timely responses to our draft audit reports. During this period, as a result of the government shutdown from December 22, 2018, until January 25, 2019, DOT OIG received two responses beyond 60 calendar days for two reports: 1) ST2019019, *FHWA Needs To Clarify Roles and Processes for Approving and Monitoring Public Private Partnerships* (80 days), and 2) FI2019023, *FISMA 2018: DOT's Information Security Program and Practices* (84 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

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### DEPARTMENT-WIDE

#### **Initial Audit of FIU Pedestrian Bridge Project— Assessment of DOT's TIGER Grant Review and Selection Processes**

*Requested by  
the Secretary of  
Transportation and the  
Ranking Member of the  
Senate Committee on  
Commerce, Science,  
and Transportation*

10.29.2018  
ST2019002

On March 15, 2018, a pedestrian bridge under construction at Florida International University (FIU) in Miami, FL, collapsed onto the highway below, resulting in six fatalities and eight injuries. As the FIU project was partially funded by a Transportation Investment Generating Economic Recovery (TIGER) discretionary grant, the Secretary of Transportation asked us to evaluate whether it complied with Federal requirements and specifications. In addition, Senator Bill Nelson, Ranking Member of the Senate Committee on Commerce, Science, and Transportation, asked us to review the implementation and oversight roles of the parties to the TIGER agreement. Accordingly, we announced an initial audit to assess whether the FIU project met Federal and DOT requirements for the TIGER application, selection, and grant agreement processes in place when the project began. A forthcoming audit will address post-award oversight roles and responsibilities. We did not find any evidence connecting the Office of the Secretary of Transportation's (OST) review and selection of the FIU project grant application in 2013 to the pedestrian bridge collapse in 2018. Decisions on the bridge's design and construction were made after the grant was selected. However, we did observe documentation shortfalls in the review and selection processes. Many of these observations mirror earlier recommendations issued by DOT OIG and GAO, and OST has addressed them. Specifically, OST's documentation of its decisions did not address all the factors included in the guidelines. In addition, OST did not document its justification for changing the FIU project's technical evaluation rating from recommended to highly recommended. Finally, while OST guidelines permit partial funding if the funded components maintain independent utility, OST made changes and reduced funding for the FIU project but did not document how it determined the completed project would be ready for its intended use. We did not make recommendations as this initial report responded to the Secretary's and Senator Nelson's requests and was intended for informational purposes only.

## DOT's FY 2019 Top Management Challenges

*Required by the Reports  
Consolidation Act of  
2000 and OMB Circular  
A-136*

11.15.2018  
PT2019006

As required by law, we report annually on DOT's most significant challenges to meeting its mission. We considered several criteria in identifying DOT's top management challenges for fiscal year (FY) 2019, including their impact on safety, documented vulnerabilities, large dollar implications, and the ability of the Department to effect change. We identified the following top management challenge areas for FY 2019:

- Air carrier oversight. Key focus areas: identifying and mitigating risks and balancing collaboration and enforcement.
- Aviation safety and security. Key focus areas: runway safety, aircraft evacuation, integration of Unmanned Aircraft Systems (UAS), cockpit security, and drug and alcohol testing.
- Rail safety. Key focus area: railroads' implementation of positive train control.
- Highway safety. Key focus areas: oversight of vehicle safety defects and management of vehicle recalls.
- Surface infrastructure safety and investments. Key focus areas: safety risk mitigation, use of limited infrastructure dollars, and infrastructure investment oversight.
- National Airspace System (NAS) modernization. Key focus areas: new flight routes, new capabilities for airspace users, implementation of a new radar system, and oversight of developmental funding.
- Cybersecurity. Key focus areas: risk management, prevention and response to security incidents, information technology infrastructure, and aviation cybersecurity.
- Acquisition and grant oversight. Key focus areas: innovative acquisition practices; agency oversight of assets, contracts, and grants; and public-private partnerships.

## DOT Has Completed FAST Act Requirements on Aligning Federal Environmental Reviews

*Mandated by the 2015  
Fixing America's Surface  
Transportation Act*

11.6.2018  
ST2019003

Accelerating project delivery has been a longstanding DOT priority and is a key part of the most recent reauthorization for surface transportation programs—the Fixing America's Surface Transportation (FAST) Act. The act includes a number of provisions intended to streamline the environmental review process for transportation projects. In particular, section 1313 of the act requires DOT to undertake several actions to align Federal environmental reviews such as developing a coordinated and concurrent environmental review and permitting process and a checklist to facilitate interagency collaboration. The FAST Act also directs DOT OIG to report on DOT's progress in implementing section 1313 and its associated impact. Accordingly, we initiated an audit to (1) determine DOT's progress in aligning Federal environmental reviews and (2) assess the impact of DOT's

actions on accelerating the environmental review and permitting process. DOT has completed all the actions required by section 1313 and has met or exceeded the associated deadlines. However, the impact of those actions is limited because the legislation applies to only a small subset of transportation projects. Specifically, section 1313 generally applies only to transportation projects when there is a major action that significantly affects the quality of the human environment, which requires agencies to initiate an environmental impact statement under the National Environmental Policy Act. Additionally, a statutory provision excludes highway, railroad, transit, and multimodal projects, which are subject to other requirements for streamlining environmental reviews. As a result, section 1313 only covers certain aviation and maritime projects. We identified two current aviation projects and no maritime projects that are subject to this section, and the actions mandated by section 1313 do not impose any additional requirements on the covered projects. Nonetheless, the Department has several other initiatives—based on the FAST Act, prior legislation, and executive action—to streamline environmental reviews for transportation projects. We did not make any recommendations in this report as the data gathered are informational and meant to be responsive to the statutory mandate.

**Quality Control  
Review of the  
Independent  
Auditor's Report  
on DOT's Audited  
Consolidated  
Financial  
Statements for FY  
2018 and FY 2017**

*Required by the Chief  
Financial Officers Act of  
1990*

11.15.2018  
QC2019010

We contracted with the independent public accounting firm KPMG LLP to audit DOT's financial statements as of and for the fiscal years ended September 30, 2018, and September 30, 2017, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget (OMB) audit guidance, and the Governmental Accountability Office (GAO) and Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Financial Audit Manual*. In connection with the contract, we performed a quality control review (QCR) of KPMG's report dated November 13, 2018, related documentation, and inquired of its representatives. Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards. DOT concurred with KPMG's four recommendations.

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**Quality Control  
Review of the  
Independent  
Auditor's Report  
on DOT's Audited  
Closing Package  
Financial Statements  
for FY 2018**

*Required by the Chief  
Financial Officers Act of  
1990*

11.16.2018  
QC2019012

We contracted with the independent public accounting firm KPMG LLP to audit DOT's closing package financial statements for FY 2018, and to provide a report on internal control over the financial reporting process for closing package financial statements and compliance with the U.S. Treasury's Financial Manual, chapter 4700. The contract required that the audit be performed in accordance with U.S. generally accepted Government auditing standards and OMB audit guidance. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards. KPMG did not include any recommendations in its report.

**DOT Has Not Met  
Federal Targets  
for Implementing  
Components of  
Its Information  
Security Continuous  
Monitoring Program**

*Self-initiated*

12.4.2018  
FI2019014

OMB requires Federal agencies to implement Information Security Continuous Monitoring (ISCM), which entails the near real-time detection of cybersecurity risks, threats, and malicious activity. ISCM enables agencies to more effectively address evolving, frequent, and increasingly aggressive cybersecurity attempts to compromise Federal information systems. A large number of DOT systems contain sensitive data that require protection; accordingly, we initiated this audit. Our audit objectives were to assess (1) how DOT's ISCM program conforms to OMB and National Institute of Standards and Technology requirements and (2) the status and progress of DOT's implementation of its ISCM program. This review also supports our annual audit mandated by the Federal Information Security Modernization Act (FISMA 2014). We found that DOT's program lacks a procedure for verifying FAA performance data reported to OMB. While DOT has met the requirement to submit quarterly reports, we identified significant errors in one submission. The Department also lacks adequate procedures for providing accurate submissions to OMB. In addition, FAA has not yet completed phase 1 of the Continuous Diagnostics and Mitigation Program, which targets the management of cybersecurity assets and activities. Finally, FAA does not have procedures for reporting on or validating its Cross Agency Priority goal data and cannot be certain those data are accurate. DOT concurred with our three recommendations to improve its ISCM program.

### **Quality Control Review of the Management Letter for DOT's Audited Consolidated Financial Statements for FY 2018 and FY 2017**

*Required by the Chief  
Financial Officers Act of  
1990*

3.20.2019  
QC2019024

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 DOT's consolidated financial statements for FY 2018 and FY 2017. In addition to its audit report on DOT's financial statements, KPMG issued a management letter that discusses four 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. DOT concurred with all eight recommendations.

### **FISMA 2018: DOT's Information Security Program and Practices**

*Required by the Federal  
Information Security  
and Management Act of  
2002*

3.20.2019  
FI2019023

The Federal Information Security Management Act of 2002 (FISMA 2002), as amended, requires inspectors general to conduct annual reviews of their agencies' information security programs and report the review results to OMB. DOT's operations rely on 471 information technology systems, which represent an annual investment of approximately \$3.6 billion. Consistent with FISMA 2002 and OMB requirements, our audit objective was to determine the effectiveness of DOT's information security program and practices in five cyber function areas—*Identify, Protect, Detect, Respond, and Recover*. In all five function areas, DOT is at the Defined maturity level—the second-lowest level of maturity in the model for information security—because the Department has, for the most part, formalized and documented its policies, procedures, and strategies. However, DOT still has policy gaps. We found a number of instances in which implementation of processes did not conform to policy. DOT's *Identify, Protect, Detect, Respond, and Recover* controls are currently inadequate. *Identify* controls include risk management, weakness remediation, and security authorization. *Protect* controls cover configuration management, identity and access management, data protection and privacy and security training. *Detect* controls identify cybersecurity incidents as part of information security continuous monitoring. *Respond* controls cover incident handling and reporting, and *Recover* controls cover development and implementation of plans to restore capabilities and services impaired by cybersecurity incidents. We made 12 recommendations to help the Department address challenges in its development of a mature and effective information security program. DOT concurred with all 12 of our recommendations.



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## FEDERAL AVIATION ADMINISTRATION

### **Opportunities Exist for FAA To Strengthen Its Review and Oversight Processes for Unmanned Aircraft System Waivers**

*Self-Initiated*

11.7.2018

AV2019005

UAS represent a substantial economic and technological opportunity for the United States. To advance the safe integration of commercial UAS into the NAS, FAA published a rule for small UAS in June 2016. However, the rule does not permit several operations that are highly valued by industry but considered to be higher risk, such as operating beyond line of sight or over people. To accommodate these operations, the rule allows FAA to issue waivers. Given the significant safety implications of integrating UAS into the NAS and an increase in the number of both requested and approved UAS waivers, we initiated an audit of FAA's approval and oversight processes for UAS waivers. Specifically, our objectives were to assess FAA's processes for (1) granting waivers under the rule for small UAS operations and (2) conducting risk-based oversight for UAS operators with waivers. FAA established processes for reviewing and granting waivers but has experienced difficulties obtaining sufficient information, managing the volume of requests, and communicating with applicants, particularly in explaining reasons for denying requests. As a result, FAA's Flight Standards office has disapproved 73 percent of operational waiver requests (e.g., over people and beyond line of sight), and a significant backlog of waiver requests to operate in airspace with manned aircraft exists. Although the Agency has improved its guidance and processes, FAA may continue to experience difficulty with review timeliness and responsiveness, given the growing demand for UAS operations, which could increase the risk that operators may continue to bypass established processes and operate without Agency approval. Further, FAA is still in the early stages of developing a risk-based oversight system for UAS operations. While FAA has developed guidance for planning annual inspections, few UAS operators have received inspections to verify their compliance with regulations and the terms of their waivers. Moreover, the Agency's ability to perform meaningful risk-based surveillance is hindered by limited access to detailed UAS operator, FAA inspection, and risk data. As a result, FAA does not have assurance of operators' compliance with regulations, is not well-positioned to develop an oversight strategy, and is missing opportunities to gather information that will help shape rulemaking and policies. We made eight recommendations to the Federal Aviation Administrator regarding strengthening the Agency's review and oversight processes for UAS waivers. FAA concurred with seven of our recommendations and partially concurred with one recommendation.

## **FAA Has Taken Steps To Address ERAM Outages, but Some Vulnerabilities Remain**

*Requested by Chair of the Senate Committee on Commerce, Science, and Transportation, and Chairs of the House Committee on Transportation, and Infrastructure and its Subcommittee*

11.7.2018  
AV2019004

FAA's air traffic controllers use the En Route Automation Modernization (ERAM) system to manage over 3 million high-altitude en-route aircraft a month. Because of ERAM's importance to air traffic management, system outages can significantly impact operations in the NAS. Our audit objective was to assess the causes of ERAM's outages and FAA's actions to address them. While FAA has taken steps to address the seven ERAM failures since 2014, some vulnerabilities remain. These seven failures included two serious incidents that significantly disrupted the NAS. During one of these incidents, in August 2015, ERAM failed when a software tool at controller workstations overloaded system memory. The incident caused flight delays and cancellations that impacted thousands of flights over several days. FAA has since taken corrective actions to resolve the causes of these two serious incidents and other issues that caused five less serious outages. However, other issues remain unresolved. For example, FAA has not implemented annual testing of ERAM's contingency plan, as called for by Federal guidelines. In addition, FAA plans to decommission ERAM's existing backup system, the Enhanced Backup Surveillance System (EBUS), due to its incompatibility with upgrades to ERAM. However, FAA has not yet determined whether ERAM's remaining backup capability—the system's redundant dual channel design—will be sufficient to prevent future outages once EBUS is removed. The lack of sufficient backup capabilities could increase ERAM's vulnerability in the event of future unanticipated incidents. We made three recommendations to improve FAA's ability to mitigate future ERAM disruptions. FAA has concurred with one of our recommendations and partially concurred with the other two. We consider all three of our recommendations resolved but open pending completion of planned actions.

## **Quality Control Review of the Independent Auditor's Report on FAA's Audited Consolidated Financial Statements for FY 2018 and FY 2017**

*Required by the Chief Financial Officers Act of 1990*

11.14.2018  
QC2019009

We contracted with the independent public accounting firm KPMG LLP to audit FAA's financial statements as of and for the fiscal years ended September 30, 2018, and September 30, 2017, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. generally accepted Government auditing standards, OMB audit guidance, and the GAO and CIGIE *Financial Audit Manual*. In connection with the contract, we performed a quality control review (QCR) of KPMG's report dated November 9, 2018, related documentation, and inquired of its representatives. Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards. FAA concurred with KPMG's five recommendations.



### **FAA Remains Several Years Away From a Standardized Controller Scheduling Tool**

*Requested by the House of Representatives Committee on Appropriations*

11.27.2018  
AV2019013

FAA employs over 14,000 air traffic controllers to operate 314 air traffic control facilities nationwide. As inefficient facility scheduling can lead to staffing issues and increased overtime costs, in July 2016, FAA and the National Air Traffic Controllers Association (NATCA) agreed to implement a commercially available tool, Operational Planning and Scheduling (OPAS), to standardize scheduling practices at all air traffic facilities. In 2017, the House Appropriations Committee directed DOT OIG to review FAA's progress in implementing a controller scheduling tool and determine whether it is benefiting air traffic managers. Accordingly, our audit objectives were to (1) determine FAA's progress in adopting and implementing a scheduling tool and (2) identify any challenges that will need to be addressed to realize potential benefits. After 2 years, FAA's air traffic control facilities remain without a standardized scheduling tool. Upon reviewing recommendations from a joint FAA-NATCA workgroup, the Agency decided to use OPAS as a management-only tool, used by managers to create the basic watch schedule, and another system, Air Traffic Operational Management System (ATOMS), to capture the real-time work assignments of air traffic controllers. According to FAA officials, this requires the Agency to modify the scope of OPAS and develop its own daily scheduler, which has extended the project timeline. Thus, FAA remains several years away from deploying a scheduling tool. FAA also faces significant challenges before it can realize the benefits of such a tool. In the 8 years since OPAS was procured for testing purposes at a cost of \$17 million, FAA has not established a finalized plan with the dates, system needs, potential risks, and costs of deployment. In addition, FAA's decision to partially implement OPAS and ATOMS increased the level of complexity, and the ATOMS scheduling capability has not been field tested. Training and deployment requirements may change over time. As a result, FAA does not know the final cost or how long it will take to deploy a scheduling tool for the controller workforce. We made two recommendations to help FAA implement a standardized scheduling tool at its air traffic control facilities, and FAA concurred with both recommendations.

### **Most Public Agencies Comply With Passenger Facility Charge Program Requirements, But FAA Can Improve the Use of Its Oversight Tools**

*Self-Initiated*

12.18.2018  
AV2019015

Congress created the Passenger Facility Charge (PFC) program in 1990 to provide funding for airports' capital improvement projects and to increase competition between air carriers. While PFCs are local funds, FAA oversees the program. Since 1990, FAA has approved the collection of \$103.2 billion in PFC fees, which air carriers collect through passenger tickets and remit to public agencies (airport operators). To be eligible for PFC funding, public agency projects must (1) preserve or enhance the safety, security, or capacity of the national air transportation system; (2) reduce or mitigate airport noise; or (3) promote competition between or among air carriers. Given the public's involvement with PFCs and the substantial dollars the program generates, we initiated this audit; our objective was to review FAA's administration and oversight of airport operators' compliance with the use of PFC funds. Most public agencies comply with PFC program requirements, but FAA could use available tools more effectively to strengthen its oversight. For example, to

assess compliance, FAA reviews public agencies' independent audit reports, but it does not ensure that those reports are timely or complete. FAA also lacks procedures for documenting public agency data in its database. As a result, the Agency does not require its Airport District Offices to verify that expenditure information is accurate or to record the receipt of audit reports and status of audit findings. Finally, while FAA officials work closely with public agency personnel to ensure that proposed projects are PFC eligible, the Agency does not have a process for determining whether completed projects meet PFC program goals. We made six recommendations to improve FAA's administration and oversight of the PFC program. FAA fully concurred with two recommendations and partially concurred with three, but did not concur with our final recommendation.

### **Inspector General Review of FAA's FY 2018 Drug Control Funds and Performance Summary Reporting**

*Required by the Office  
of National Drug  
Control Policy Circular,  
Accounting of Drug  
Control Funding and  
Performance Summary*

2.27.2019

FI2019018

Under the Office of National Drug Control Policy (ONDCP) Circular, *Accounting of Drug Control Funding and Performance Summary* (Circular), when drug-related obligations total less than \$50 million and a detailed accounting would be an unreasonable burden, agencies may submit alternative reports. For this reason, FAA submitted alternative Drug Control Obligation Summary and the Performance Summary reports for FY 2018. We reviewed the reports and related management assertions to determine the reliability of those assertions in compliance with the Circular in all material respects. We conducted our review in accordance with generally accepted Government auditing standards for attestation engagements. Specifically, we reviewed selected accounting internal controls to determine whether drug control funds were properly identified in the accounting system. In addition, we reviewed FAA's internal controls for performance measures to gain an understanding of how the measures were developed. We limited our review processes to inquiries and analytical procedures appropriate for an attestation review according to the Circular's criteria. FAA's Drug Control Obligation Summary report identified \$18,809,602 in obligations for two of FAA's drug control decision units. When we traced those obligations, we found no exceptions. The performance targets in FAA's Performance Summary report for FY 2018 were to: initiate regulatory investigations on 95 percent of all airmen involved in the sale or distribution of illegal drugs within 30 days of knowledge of a conviction or notification by law enforcement; ensure the aviation industry conducts random drug and alcohol testing of safety sensitive employees with results not exceeding 1 percent positives for drugs and 0.5 percent positives for alcohol; and conduct 1,205 drug and alcohol inspections of the aviation industry to ensure compliance with Federal regulations. FAA indicated that it met its performance targets. FAA conducted the activities in its alternative reports in accordance with a past Circular, instead of the current May 8, 2018 version. We conducted our review using the current version, and did not identify any issues with FAA's accounting of drug control activities or compliance with ONDCP's current standards. Based on our review, we are not aware of any material modifications that should be made to FAA's FY 2018 Drug Control Obligations Summary and Performance Summary reports in order for them to be in accordance with the Circular.

### **FAA Has Made Progress But Additional Actions Remain To Implement Congressionally Mandated Cyber Initiatives**

*Requested by the Committee on Transportation and Infrastructure, U.S. House of Representatives*

3.20.2019  
AV2019021

FAA manages air traffic control operations through a complex network of information systems and air traffic control facilities. Cyber-based threats are rapidly evolving and could threaten the connectivity of this complex aviation infrastructure. In 2016, Congress passed the FAA Extension, Safety, and Security Act. Section 2111 of the act establishes requirements for FAA to enhance cybersecurity. The Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and the Subcommittee on Aviation requested that we assess FAA's progress in addressing section 2111's requirements. As required by section 2111, FAA has completed a cybersecurity strategic plan, coordinated with other Federal agencies to identify cyber vulnerabilities, and developed a cyber-threat model and cyber research and development plan. However, the Agency has not completed a comprehensive, strategic policy framework to identify and mitigate cybersecurity risks. For example, it has not established target dates for implementing recommendations from its working group established to recommend cybersecurity rulemaking and policies for aircraft systems. Furthermore, while FAA is applying its cyber threat model across the NAS, mission support, and research and development areas, it has not established target dates for full model implementation. Finally, as outlined in its cybersecurity research and development plan, FAA anticipates increased investments in research areas, but has not completed decisions on its research and development priorities for upcoming fiscal years. FAA concurred with all three of our recommendations and proposed appropriate actions and completion dates.

### **Quality Control Review of the Management Letter for FAA's Audited Consolidated Financial Statements for FY 2018 and FY 2017**

*Required by the Chief Financial Officers Act of 1990*

3.26.2019  
QC2019025

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 FAA's consolidated financial statements for FY 2018 and FY 2017. In addition to its audit report on FAA's financial statements, KPMG issued a management letter that discusses four 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 four recommendations in its management letter. FAA concurred with all four recommendations.

## FEDERAL HIGHWAY ADMINISTRATION

### **FHWA Needs To Clarify Roles and Processes for Approving and Monitoring Public-Private Partnerships**

*Self-initiated*

3.6.2019

ST2019019

Rising demands on the transportation system and constraints on public resources have led to greater private sector involvement in constructing highway infrastructure through public-private partnerships (P3s). The use of P3s marks a shift from traditional ways of procuring and financing highway projects solely with Government funding. However, P3s must conform to the same Federal requirements as other Federal-aid projects. FHWA is responsible for stewardship and oversight of Federal-aid highway, bridge, and tunnel projects where P3s are being considered or implemented. We initiated this audit to determine whether FHWA is providing adequate oversight of P3 highway projects. Our specific objectives were to assess FHWA's (1) approval process for P3 highway and bridge projects that include Federal investments and (2) monitoring of P3s once approved. FHWA has not followed its procedures for ensuring compliance with a P3-related requirement. Specifically, FHWA has not followed its procedures to ensure project financial plans assess the appropriateness of a P3 for project delivery, as required by law. In addition, FHWA is not following its current guidance for approving P3 projects, which notes that P3 projects warrant additional stewardship considerations to address unique risks. During construction, FHWA enhances monitoring of approved P3 projects designated as Major Projects. However, it has not established processes for additional monitoring of P3s that are not Major Projects, even though they may also pose risks. In addition, although FHWA's guidance states that P3s that remain funded by Federal loans warrant additional oversight during the Operations and Maintenance phase, the Agency is not fully carrying out this guidance and has not clearly defined roles and responsibilities for this oversight. FHWA concurred with all five of our recommendations to improve its processes for approving P3 projects and monitoring approved projects. We consider all five recommendations resolved but open pending completion of planned actions.

### **FHWA Lacks Adequate Oversight and Guidance for Engineer's Estimates**

*Self-initiated*

3.13.2019

ST2019020

Each year, FHWA oversees more than \$40 billion in Federal funding for highway and bridge projects across the United States. For each project, a State DOT develops a conceptual cost estimate that is refined over time. The cost estimate prepared at the final design stage, called the Engineer's Estimate, is an essential element in the project-approval process—used by State DOTs as a benchmark for analyzing bids and to authorize the Federal funds. While underestimating the Engineer's Estimate can lead to project delays as additional funding is sought, overestimating causes an inefficient use of funds, which have been obligated and cannot be used for other projects. In either case, the Federal-aid highway program can be negatively affected. Accordingly, our objectives for this self-initiated audit were to assess (1) FHWA's progress in implementing key recommendations from its *2015 National Review of State Cost Estimation Practice* (2015 National Review) and (2) FHWA's *2004 Guidelines on Preparing Engineer's Estimate, Bid Reviews and Evaluation* (2004 Guidance), including how the Agency monitors the accuracy of the estimates prepared by the States. FHWA has made limited progress in implementing the six key recommendations from

its 2015 National Review, particularly those related to developing a national cost-estimation training and updating the Agency's 2004 Guidance. FHWA also has not followed up to determine whether and how its Division Offices are progressing on the other four key recommendations, which focused on their processes for developing reliable cost-estimating practices. Finally, FHWA lacks adequate guidance and processes to oversee and monitor the accuracy of Engineer's Estimates. We made four recommendations to help FHWA ensure that the Engineer's Estimate is accurate and an effective tool for evaluating highway construction bids. FHWA concurred with two recommendations and partially concurred with the other two. We consider all four recommendations resolved but open pending completion of planned actions.

## NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

### **Inspector General Review of NHTSA's FY 2018 Drug Control Funds and Performance Summary Reporting**

*Required by the Office  
of National Drug  
Control Policy Circular,  
Accounting of Drug  
Control Funding and  
Performance Summary*

3.13.2019  
FI2019022

Under the ONDCP Circular, when drug-related obligations total less than \$50 million and a detailed accounting would be an unreasonable burden, agencies may submit alternative reports. For this reason, NHTSA submitted alternative Drug Control Obligation Summary and the Performance Summary reports for FY 2018. We reviewed the reports and related management assertions to determine the reliability of those assertions in compliance with the Circular in all material respects. We conducted our review in accordance with generally accepted Government auditing standards for attestation engagements. Specifically, we reviewed selected accounting internal controls to determine whether drug control funds were properly identified in the accounting system. In addition, we reviewed NHTSA's internal controls for performance measures to gain an understanding of how the measures were developed. We limited our review processes to inquiries and analytical procedures appropriate for an attestation review according to the Circular's criteria. NHTSA's Drug Control Obligation Summary report identified \$11,013,185 in total obligations. When we traced those obligations to DOT's accounting system and underlying contracts, we found no exceptions. The performance target in NHTSA's Performance Summary report for FY 2018 was to complete testing of oral fluid drug screening devices by determining the sensitivity, specificity, and false positive and false negative rates for each device tested. NHTSA indicated that it met its performance target. Based on our review, we are not aware of any material modifications that should be made to NHTSA's FY 2018 Drug Control Obligation Summary and Performance Summary reports in order for them to be in accordance with the Circular.



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## NATIONAL TRANSPORTATION SAFETY BOARD

### **Quality Control Review of the Independent Auditor's Report on NTSB's Financial Statements for FY 2018 and FY 2017**

*Required by the  
Accountability of Tax  
Dollars Act of 2002*

11.13.2018  
QC2019007

We contracted with the independent public accounting firm of Allmond & Company, LLC, to audit NTSB's financial statements as of and for the fiscal years ended September 30, 2018, and September 30, 2017, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. generally accepted Government auditing standards, OMB audit guidance, and the GAO and CIGIE *Financial Audit Manual*. In connection with the contract, we performed a quality control review (QCR) of Allmond's report dated November 6, 2018, related documentation, and inquired of its representatives. Our QCR disclosed no instances in which Allmond did not comply, in all material respects, with U.S. generally accepted Government auditing standards. NTSB concurred with Allmond's two recommendations.

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## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

### **Independent Auditors' Report on SLSDC's Financial Statements for FY 2018 and FY 2017**

*Required by  
Government Corporation  
Control Act of 1945*

11.13.2018  
FI2019008

In accordance with the Government Corporation Control Act of 1945, we audited the financial statements of SLSDC, a U.S. Government Corporation, as of and for the fiscal years ended September 30, 2018, and September 30, 2017. In our opinion, SLSDC's financial statements present fairly, in all material respects, SLSDC's financial position as of September 30, 2018, and September 30, 2017, and its statements of operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses, and changes in equity of the U.S. Government for the years then ended, in accordance with U.S. generally accepted accounting principles. We found no material weaknesses in internal control over financial reporting based on the limited procedures we performed. However, we did identify a significant deficiency. In addition, we found no reportable noncompliance for FY 2018, with provisions of applicable laws, regulations, and contracts we tested. We made three recommendations to help SLSDC strengthen its controls over property, plant, and equipment reporting.

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**Independent  
Auditors'  
Management  
Letter on SLSDC's  
Audited Financial  
Statements for FY  
2018 and FY 2017**

*Required by the  
Government Corporation  
Control Act of 1945*

3.27.2019  
FI2019042

In accordance with the Government Corporation Control Act of 1945, we audited the financial statements of SLSDC, a U.S. Government Corporation, as of and for the years ended September 30, 2018 and September 30, 2017. In addition to our audit report on SLSDC's financial statements, we are issuing a management letter that discusses one internal control matter that we were not required to include in our report. We statistically sampled 30 inventory items as of June 30, 2018. We attempted to physically locate and confirm quantity levels or other units of measure, such as linear feet, for each inventory line item in our sample. We were able to reconcile our physical unit counts with SLSDC inventory records for 25 of our 30 sample items. We noted count differences for the remaining five line items. We made two recommendations in our management letter. SLSDC concurred with both of our recommendations.

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**SURFACE TRANSPORTATION BOARD**

**Quality Control  
Review of an  
Independent  
Auditor's Report on  
STB's Information  
Security Program  
and Practices**

*Required by the Federal  
Information Security  
Modernization Act of  
2014*

10.24.2018  
QC2019001

FISMA 2014 requires agencies to implement information security programs, have annual independent evaluations to determine the effectiveness of their programs, and report the results of these reviews to OMB. To meet this requirement, STB requested that we perform its FY 2018 FISMA review. We contracted with Williams Adley & Company DC LLP, 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 quality control review (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 concurs with Williams Adley's seven recommendations.

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**Quality Control  
Review of the  
Independent  
Auditor's  
Report on STB's  
Audited Financial  
Statements for FY  
2018 and FY 2017**

*Required by the  
Accountability of Tax  
Dollars Act of 2002*

11.15.2018  
QC2019011

We contracted with the independent public accounting firm of Leon Snead & Company, PC, to audit STB's financial statements as of and for the fiscal years ended September 30, 2018, and September 30, 2017, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. generally accepted Government auditing standards, OMB audit guidance, and the GAO and CIGIE *Financial Audit Manual*. We performed a quality control review (QCR) of Leon Snead's report dated November 6, 2018, related documentation, and inquired of its representatives. Our QCR disclosed no instances in which Leon Snead did not comply, in all material respects, with U.S. generally accepted Government auditing standards. STB concurs with Leon Snead's five recommendations.

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**SINGLE AUDITS****Quality Control  
Review on a  
Single Audit of  
the Metropolitan  
Transportation  
Commission, San  
Francisco, CA**

*Self-Initiated*

2.13.2019  
QC2019016

We performed a quality control review (QCR) on the single audit that PricewaterhouseCoopers LLP (PwC) performed for the Metropolitan Transportation Commission's fiscal year that ended June 30, 2017. During this period, the Commission expended approximately \$75.7 million from DOT grant programs. PwC determined that DOT's major programs were the Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Program, the Federal Transit Cluster, and the Transit Services Program Cluster. Our QCR objectives were to determine (1) whether the audit work complied with the Single Audit Act of 1984, as amended, and OMB's Uniform Guidance, as well as the extent to which we could rely on the auditors' work on DOT's major programs, and (2) whether the Commission's reporting package complied with the reporting requirements of the Uniform Guidance. PwC'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 PwC's opinion on each of DOT's major programs was inappropriate or unreliable. However, we identified a deficiency in the Commission's reporting package that required correction and resubmission.



### **Report on a Single Audit of the Kiowa Tribe of Oklahoma, Carnegie, OK**

*Self-Initiated*

2.13.2019  
SA2019017

**\$1,531,442**  
**QUESTIONED COSTS**

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Kiowa Tribe of Oklahoma's single audit report for the fiscal year ending June 30, 2014, which was prepared by an independent auditor and dated August 23, 2018. We found that the report contained a procurement and suspension and debarment finding that needed prompt action from FHWA management. We recommend that FHWA ensures that the Tribe complies with the procurement and suspension and debarment requirements. We also recommend that FHWA recovers \$1,531,442 from the Tribe, if applicable.

### **Report on a Single Audit of White County, Monticello, IN (2017)**

*Self-Initiated*

3.25. 2019  
SA2019029

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed White County's single audit report for the fiscal year ending December 31, 2017, which was prepared by an independent auditor and dated September 20, 2018. We found that the report contained a reporting finding that needs prompt action from FAA management. We recommend that FAA ensures that the County complies with the reporting requirements.

### **Report on a Single Audit of White County, Monticello, IN (2016)**

*Self-Initiated*

3.25.2019  
SA2019030

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed White County's single audit report for the fiscal year ending December 31, 2016, which was prepared by an independent auditor and dated September 20, 2018. We found that the report contained a reporting finding that needs prompt action from FAA management. We recommend that FAA ensures that the County complies with the reporting requirements.

### **Report on a Single Audit of the Frankfort Airport Authority, Frankfort, IN**

*Self-Initiated*

3.25.2019  
SA2019031

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Frankfort Airport Authority's single audit report for the fiscal year ending December 31, 2012, which was prepared by an independent auditor and dated July 29, 2013. We found that the report contained an internal control finding that needs prompt action from FAA management. We recommend that FAA ensures that the Authority complies with the internal control requirements.

### **Report on a Single Audit of the City of Columbus, Columbus, IN (2017)**

*Self-Initiated*

3.25.2019  
SA2019027

**\$156,981  
QUESTIONED COSTS**

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the City of Columbus's single audit report for the fiscal year ending December 31, 2017, which was prepared by an independent auditor and dated October 11, 2018. We found that the report contained activities allowed or unallowed; allowable costs/cost principles; and matching, level of effort, earmarking findings that needs prompt action from FTA management. We recommend that FTA ensures that the City complies with the activities allowed or unallowed; allowable costs/cost principles; and matching, level of effort, earmarking requirements. We also recommend that FTA recovers \$156,981 from the City, if applicable.

### **Report on a Single Audit of the City of Columbus, Columbus, IN (2016)**

*Self-Initiated*

3.25.2019  
SA2019026

**\$127,347  
QUESTIONED COSTS**

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the City of Columbus's single audit report for the fiscal year ending December 31, 2016, which was prepared by an independent auditor and dated October 11, 2018. We found that the report contained allowable costs/cost principles and cash management findings that needed prompt action from FTA management. We recommended that FTA ensure the City complies with the allowable costs/cost principles and cash management requirements. We also recommended that FTA recover \$127,347 from the City, if applicable.

### **Report on a Single Audit of the Massachusetts Bay Transit Authority, Boston, MA**

*Self-Initiated*

3.25.2019  
SA2019028

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Massachusetts Bay Transportation Authority's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated October 5, 2018. We found that the report contained equipment and real property management and reporting findings that need prompt action from FTA and OST management. We recommend that FTA ensures that the Authority complies with the equipment and real property management requirements. We recommend that FTA and OST ensure that the Authority complies with the reporting requirements.

### Report on a Single Audit of the City of Bangor, Bangor, ME

*Self-Initiated*

3.26.2019  
SA2019040

**\$81,888 QUESTIONED COSTS**

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the City of Bangor's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated January 15, 2019. We found that the report contained a procurement and suspension and debarment finding that needs prompt action from FTA management. We recommend that FTA ensures that the City complies with the procurement and suspension and debarment requirements. We also recommend that FTA recovers \$81,888 from the City, if applicable.

### Report on a Single Audit of the City of Phoenix, Phoenix, AZ

*Self-Initiated*

3.26.2019  
SA2019035

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the City of Phoenix's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated December 14, 2018. We found that the report contained a subrecipient monitoring finding that needs prompt action from FTA management. We recommend that FTA ensures that the City complies with the subrecipient monitoring requirements.

### Report on a Single Audit of Macon-Bibb County, Macon, GA

*Self-Initiated*

3.26.2019  
SA2019037

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed Macon-Bibb County's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated December 31, 2018. We found that the report contained a reporting finding that needs prompt action from OST management. We recommend that OST ensures that the County complies with the reporting requirements.

### Report on a Single Audit of the Greater New Haven Transit District, Hamden, CT

*Self-Initiated*

3.26.2019  
SA2019039

**\$221,551 QUESTIONED COSTS**

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Greater New Haven Transit District's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated December 7, 2018. We found that the report contained an activities allowed or unallowed finding that needs prompt action from FTA management. We recommend that FTA ensures that the District complies with the activities allowed or unallowed requirements. We also recommend that FTA recovers \$221,551 from the District, if applicable.

**Report on a Single Audit of the State of West Virginia, Charleston, WV***Self-Initiated*3.26.2019  
SA2019041**\$6,521,679  
QUESTIONED COSTS**

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the State of West Virginia's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated February 8, 2018. We found that the report contained a period of performance and a special tests and provisions finding that need prompt action from FHWA management. We recommend that FHWA ensures that the State complies with the period of performance and the special tests and provisions requirements. We also recommend that FHWA recovers \$6,521,679 from the State, if applicable.

**Report on a Single Audit of the New Mexico DOT, Santa Fe, NM***Self-Initiated*3.26.2019  
SA2019036

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the New Mexico DOT's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated October 25, 2018. We found that the report contained a subrecipient monitoring finding that needed prompt action from FHWA management. We recommend that FHWA ensures that the New Mexico DOT complies with the subrecipient monitoring requirements.

**Report on a Single Audit of the City of Long Beach, Long Beach, NY***Self-Initiated*3.26.2019  
SA2019038**\$1,656 QUESTIONED COSTS**

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the City of Long Beach's single audit report for the fiscal year ending June 30, 2017, which was prepared by an independent auditor and dated November 9, 2018. We found that the report contained an allowable costs/cost principles finding that needs prompt action from FTA management. We recommend that FTA ensures that the City complies with the allowable costs/cost principles requirements. We also recommend that FTA recovers \$1,656 from the City, if applicable.

### **Report on a Single Audit of the Puerto Rico Highways and Transportation Authority, San Juan, PR**

*Self-Initiated*

3.26.2019  
SA2019034

#### **\$74,746 QUESTIONED COSTS**

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Puerto Rico Highways and Transportation Authority's single audit report for the fiscal year ending June 30, 2017, which was prepared by an independent auditor and dated December 14, 2018. We found that the report contained a subrecipient monitoring finding that needed prompt action from FTA management and an activities allowed or unallowed finding that needed prompt action from FHWA management. We recommend that FTA ensures that the Authority complies with the subrecipient monitoring requirements. We also recommend that FHWA ensures that the Authority complies with the activities allowed or unallowed requirements, and recommend that FHWA recovers \$74,746 from the Authority, if applicable.

### **Report on a Single Audit of the Worcester Regional Transit Authority, Worcester, MA**

*Self-Initiated*

3.26. 2019  
SA2019033

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Worcester Regional Transit Authority's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated September 21, 2018. We found that the report contained a cash management finding that needs prompt action from FTA management. We recommend that FTA ensures that the Authority complies with the cash management requirements.

### **Report on a Single Audit of the Metro Regional Transit Authority, Akron, OH**

*Self-Initiated*

3.26.2019  
SA2019032

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Metro Regional Transit Authority's single audit report for the fiscal year ending December 31, 2017, which was prepared by an independent auditor and dated September 24, 2018. We found that the report contained a special test and provisions finding that needs prompt action from FTA management. We recommend that FTA ensures that the Authority complies with the special test and provisions requirements.

### **Report on a Single Audit of the City of Wolf Point, Wolf Point, MT**

*Self-Initiated*

3.27.2019  
SA2019044

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the City of Wolf Point's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated January 31, 2019. We found that the report contained a procurement and suspension and debarment finding that needs prompt action from FAA management. We recommend that FAA ensures that the City complies with the procurement and suspension and debarment requirements.



**Report on a  
Single Audit of  
the Medallion  
Foundation, Inc.,  
Anchorage, AK**

*Self-Initiated*

3.27.2019  
SA2019046

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Medallion Foundation's single audit report for the fiscal year ending December 31, 2017, which was prepared by an independent auditor and dated January 18, 2019. We found that the report contained a reporting finding that needs prompt action from FAA management. We recommend that FAA ensures that the Foundation complies with the reporting requirements.

**Report on a Single  
Audit of the Native  
Village of Kluti-  
Kaah, Copper  
Center, AK**

*Self-Initiated*

3.27.2019  
SA2019047

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Native Village of Kluti-Kaah's single audit report for the fiscal year ending September 30, 2016, which was prepared by an independent auditor and dated January 2, 2019. We found that the report contained a reporting finding that needs prompt action from FHWA management. We recommend that FHWA ensures that the Native Village of Kluti-Kaah complies with the reporting requirements.

**Report on a  
Single Audit of  
the Southern  
California Regional  
Rail Authority, Los  
Angeles, CA**

*Self-Initiated*

3.27.2019  
SA2019043

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the Southern California Regional Rail Authority's single audit report for the fiscal year ending June 30, 2018, which was prepared by an independent auditor and dated December 31, 2018. We found that the report contained an equipment and real property management finding that needed prompt action from FTA management. We recommended that FTA ensure the Authority complies with the equipment and real property management requirements.

**Report on a Single  
Audit of the St.  
Joseph County  
Airport Authority,  
South Bend, IN**

*Self-Initiated*

3.27.2019  
SA2019045

As part of our single audit program oversight responsibilities, we queried the Federal Audit Clearinghouse's Image Management System to identify single audit reports containing findings that affect directly awarded DOT programs. We reviewed the St. Joseph County Airport Authority's single audit report for the fiscal year ending December 31, 2017, which was prepared by an independent auditor and dated January 21, 2019. We found that the report contained a special tests and provisions finding that needed prompt action from FAA management. We recommended that FAA ensure the Authority complies with the special tests and provisions requirements.

# Testimony

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## **Perspectives on Overseeing the Safety of the U.S. Air Transportation System**

*Before the Senate  
Committee on  
Commerce, Science,  
and Transportation,  
Subcommittee on  
Aviation and Space*

3.27.2019  
CC2019002

On March 27, 2019, Inspector General Calvin L. Scovel III testified before the Senate Committee on Commerce, Science, and Transportation, Subcommittee on Aviation and Space, at a hearing focused on the state of aviation safety and FAA's oversight of commercial aviation. In his testimony, the Inspector General noted that recent events have brought new attention to FAA's safety oversight, including the two fatal accidents involving Boeing 737 MAX 8 aircraft that occurred in October 2018 and March 2019. He described important safety oversight issues—both new and longstanding—that need FAA's attention. In particular, the Inspector General focused on FAA's efforts related to (1) reducing hazards associated with flight deck automation; (2) implementing FAA and industry's evolving safety oversight systems; and (3) addressing other safety-critical watch items, including runway safety, UAS, cybersecurity, and suspected unapproved aircraft parts.

# Correspondence

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## **Letter to OMB on DOT Status of Charge Card Open Recommendations**

*Required by the  
Government Charge  
Card Abuse Prevention  
Act of 2012*

1.31.2019  
CC2019001

The Government Charge Card Abuse Prevention Act of 2012 requires us to report to OMB on DOT's implementation of recommendations that address findings from audits of DOT charge card programs. During FY 2014, we issued one report on DOT's travel card program. The Department agreed to implement all four of our recommendations to strengthen program controls and reduce program costs. Last year, FAA implemented the final open recommendation, which we closed on June 7, 2018.



# Peer Reviews

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## Peer reviews

DOT 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 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.

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## Peer reviews conducted of DOT OIG

Energy OIG conducted a CIGIE peer review of our Office of Auditing and Evaluation in 2016. Energy OIG concluded that the audit organization's system of quality control was suitably designed and provided reasonable assurance that performance and reporting complied with applicable professional standards in all material respects. Accordingly, Energy OIG provided a "pass" rating and did not make any recommendations. The report was released on March 31, 2016. The Office of Auditing and Evaluation is currently undergoing a peer review by HHS OIG.

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>.

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## Peer reviews conducted by DOT OIG

During this reporting period, 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	5–48
5(a)(2)	Significant recommendations for corrective action	17–46
5(a)(3)	Prior significant recommendations unimplemented	21–23
5(a)(4)	Matters referred and resulting prosecutions	5–14
5(a)(5)	Information or assistance refused by the Department	25
5(a)(6)	List of audits issued	26–46
5(a)(7)	Summaries of significant audits	17, 26–46
5(a)(8)	Statistical table for questioned/unsupported costs	19
5(a)(9)	Statistical table for funds to be put to better use	19
5(a)(10)	Summary of prior reports unresolved	21–23
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	49
5(a)(15)	Peer review recommendations	49
5(a)(16)	Peer reviews conducted by DOT OIG	49
5(a)(17)	Statistical table of investigative reports and referrals	8–10
5(a)(18)	Investigative reporting metrics	11
5(a)(19)	Substantiated misconduct of senior Government employees	14
5(a)(20)	Instances of whistleblower retaliation	11
5(a)(21)	Interference with DOT OIG independence	25
5(a)(22)	Closed but undisclosed audits and investigations of senior Government employees	11, 25

# Acronym Glossary

## Acronym glossary

AC	advisory circular	ISCM	Information Security Continuous Monitoring
ATOMS	Air Traffic Operational Management System	MBE	Minority Business Enterprise
ATSAP	Air Traffic Safety Action Program	NAS	National Airspace System
CIGIE	Council of Inspectors General on Integrity and Efficiency	NATCA	National Air Traffic Controllers Association
COE	common operating environment	NextGen	Next Generation Air Transportation System
DBE	disadvantaged business enterprise	NHTSA	National Highway Traffic Safety Administration
DOJ	U.S. Department of Justice	NTSB	National Transportation Safety Board
DOT	U.S. or State Department of Transportation	ONDCP	Office of National Drug Control Policy
EBUS	Enhanced Backup Surveillance System (EBUS)	OIG	Office of Inspector General
Energy	U.S. Department of Energy	OMB	Office of Management and Budget
ERAM	En Route Automation Modernization	OPAS	Operational Planning and Scheduling tool
FAA	Federal Aviation Administration	OST	Office of the Secretary of Transportation
FAST	Fixing America's Surface Transportation Act	P3	public-private partnership
FHWA	Federal Highway Administration	PFC	Passenger Facility Charges program
FISMA 2002	Federal Information Security Management Act of 2002	PLA	Project Level Agreements
FISMA 2014	Federal Information Security Modernization Act of 2014	PMA	Program Management Assessment
FRA	Federal Railroad Administration	QCR	quality control review
FTA	Federal Transit Administration	RTCA	Aviation-focused nonprofit
FTE	full-time equivalent	SBA	Small Business Administration
FY	fiscal year	SSI	sensitive security information
GAO	U.S. Government Accountability Office	TIGER	Transportation Investment Generating Economic Recovery grant
HHS	U.S. Department of Health and Human Services	UAS	unmanned aircraft system