



U.S. DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

APRIL 1, 2012 – SEPTEMBER 30, 2012

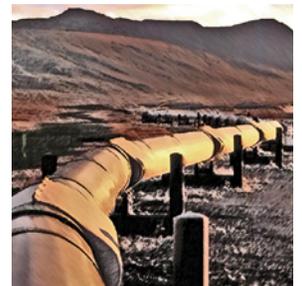


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From the Inspector General

I am pleased to present the Department of Transportation (DOT), Office of Inspector General's Semiannual Report to Congress for the second half of fiscal year 2012. Our audit and investigative work supports the Department's strategic goals of safety, livable communities, economic competitiveness, environmental sustainability, and state of good repair. Over the past 6 months, we issued 105 reports with a total of 355 recommendations, including financial recommendations totaling nearly \$350 million. Our investigative work resulted in 59 indictments, 62 convictions, and a total of more than \$13 million in fines, restitutions, and recoveries.

Our aviation work continued to identify opportunities to improve safety and achieve savings in large programs, particularly those related to the Federal Aviation Administration's (FAA) management of the Nation's airspace. Four of our five testimonies this period highlighted our concerns regarding FAA's efforts to realign air traffic facilities; ensure transparency and accountability in its Air Traffic Safety Action and Contract Tower programs; and address cost, schedule, and performance risks in implementing the Next Generation Air Transportation System (NextGen). Persistent problems in NextGen's transformational programs continue to threaten the system's viability. To protect the integrity of our Nation's aviation system, our investigations continued to aggressively pursue individuals who compromise safety through greed-based schemes, including the use of unapproved parts in aircraft repairs, fraudulent pilot certification, bogus safety inspections, and the illegal transport of hazardous materials.

Our special programs work highlighted significant deficiencies in the Pipeline and Hazardous Materials Safety Administration's efforts to ensure pipeline operators comply with pipeline risk mitigation requirements. A key challenge for the agency is how to address data management deficiencies and manage a growing backlog of inspections as it transitions to a new risk-based inspection program.

Our highway and transit work also identified areas where action is needed to ensure safety and protect Federal investments. Unsafe passenger carriers that continue to operate under a new identity pose a significant safety threat to our highways. While the Federal Motor Carrier Safety Administration has begun to take action to close enforcement gaps, deficiencies remain in its oversight of the passenger carrier industry—including its process to detect reincarnated carriers. Our investigations similarly identified commercial trucking companies that were operating illegally under out-of-service orders, falsified drivers' logs, deceptive drug testing, or fraudulent commercial driver's licenses. We also stepped up our efforts to stop extortion by household goods movers—a particularly egregious fraud scheme, which we testified on this period. Our current household goods investigations involve 3,800 potential victims and around \$1.9 million in fraud. The highway- and transit-related deficiencies and fraud schemes we identified have also put considerable Federal dollars at risk, including more than \$57 billion in transit enhancement grants provided to more than 1,200 State and local grantees, and \$3.1 billion in discretionary grants for highway, bridge, public transportation, rail, and port infrastructure projects. Embezzlement, bid

rigging, bribery, and disadvantaged business enterprise fraud have already diverted millions of Federal dollars from legitimate firms, as well as degraded the quality of taxpayers' investments and increased infrastructure costs.

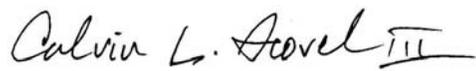
Our rail work continued to focus on the Federal Railroad Administration's (FRA) efforts to meet its responsibilities under the Passenger Rail Investment and Improvement Act, improve and expand intercity passenger rail, and ensure that the Government's investments in the \$10 billion grant program for high-speed intercity passenger rail achieve their intended benefits. The Surface Transportation Board is relying on our in-depth analysis of the causes of Amtrak delays—a significant barrier to realizing high speed rail—as it assumes responsibility for levying fines on freight railroads that cause substantial delays. We also identified ongoing challenges FRA faces in carrying out its expanded role—challenges that have undermined its efforts to effectively administer and ensure the accountability of grant funds across all its active programs.

Our audits of DOT's substantial information technology (IT) portfolio continue to identify vulnerabilities. A key concern is the Department's approach for implementing an effective enterprise architecture (EA), a congressionally mandated requirement for all Federal departments. Specifically, DOT has not developed—and does not plan to develop—a departmentwide EA program for making sound IT investments. Instead, it delegated EA development to its components without establishing procedures to assess their progress. We determined that components have yet to implement complete programs with up-to-date policies and sufficient IT security processes. Our ability to gain full access to the U.S. Merchant Marine Academy's LAN and sensitive information indicates significant cyber security weaknesses remain in the Department.

Opportunities to increase efficiency, accountability, and transparency in some of DOT's acquisitions and procurements continue to be lost. The impact of insufficient acquisition planning and poor contracting practices was demonstrated in FAA's NextGen program. Insufficient acquisition planning led to poor design of a transformational program's contract—which was not structured or administered to control costs and achieve desired outcomes—and ineffective contract management. Strategically managing acquisitions, which is critical to maximizing limited resources and achieve mission results, remains a top management challenge for the Department.

Finally, our audits and investigations identified fraud, waste, and abuse in the Metropolitan Washington Airports Authority's (MWAA) governance. We observed that weak policies and procedures have diminished MWAA's ability to ensure compliance with provisions of the law and have limited its transparency and accountability to the Congress, stakeholders, and the public. Our observations prompted MWAA to initiate immediate actions in an effort to strengthen its governance.

Our work continues to reflect our commitment to fully inform Congress, the Department, and the public of pressing transportation concerns and to aggressively pursue individuals intent on defrauding the Government and victimizing citizens. I commend and thank our hard-working staff for their outstanding efforts and dedication to our critical mission. I would also like to thank Secretary LaHood for his strong leadership in these challenging times. I look forward to continuing to work with the Secretary, his team, and the modal administrators to provide Americans with a safe transportation system that meets the national objectives of general welfare, economic growth and stability, and security.

A handwritten signature in black ink that reads "Calvin L. Scovel III". The signature is written in a cursive style with a prominent "C" and "S".

Calvin L. Scovel III



Aviation and Special Programs

Audits

April 23, 2012

Status of Transformational Programs and Risks to Achieving NextGen Goals

*Requested by the Chairmen and Ranking
Members of the Senate Committee on
Commerce, Science, and Transportation and
Subcommittee on Aviation Operations, Safety,
and Security*

FAA's Next Generation Air Transportation System (NextGen) relies on six transformational programs to provide foundational technologies

and infrastructure. However, FAA has yet to establish total program costs, schedules, or performance baselines for these programs—which limits visibility into NextGen's total costs and timelines—or develop an integrated master schedule, a key planning tool to manage the programs' interdependencies. Evolving program requirements and integration issues with complex automation systems have created additional risks. We made four recommendations aimed at addressing these risks, and FAA concurred with three and partially concurred with one. We are requesting additional information regarding FAA's plans to baseline each segment of the six programs, as well as expected timeframes for delivering NextGen benefits and capabilities.

April 25, 2012

The State of Aviation Safety and FAA's Oversight of the National Airspace System

Testimony before the House Committee on Transportation and Infrastructure's Aviation Subcommittee

The Assistant Inspector General for Aviation and Special Programs testified that while FAA is taking important steps to improve safety, such as implementing voluntary safety reporting for controllers, the Agency will need to ensure that the reported data are accurate, comprehensive, and effectively analyzed in order to establish baselines and identify safety trends and address concerns. The Assistant Inspector General also noted that FAA must strengthen and better use its risk-based approach for oversight. Finally, while FAA has made progress implementing important mandated safety provisions, the Agency has not implemented other requirements such as improved pilot training standards and a new pilot records database.

May 31, 2012

Progress and Challenges With FAA's Facility Consolidation Effort

Testimony before the House Committee on Transportation and Infrastructure's Aviation Subcommittee

The Principal Assistant Inspector General for Auditing and Evaluation testified on FAA's efforts to consolidate the Nation's air traffic facilities, many of which are outdated and cannot take advantage of newer technologies. FAA plans to consolidate these facilities over the next 2 decades, beginning with facilities managing airspace in the Northeast. However, FAA has delayed making a final decision until next May on where to build the first facility. FAA is also challenged to align consolidation plans with ongoing construction projects, make technical decisions that could significantly alter the cost and schedules for other modernization programs, finalize project cost estimates, and address associated workforce issues. Although FAA's consolidation plans are evolving, a number of near-term actions could better position the Agency for success. These actions include incorporating lessons learned from prior consolidation efforts, developing metrics to identify and track anticipated benefits, and determining how best to keep Congress and other stakeholders informed as the effort progresses.

June 18, 2012

Hazardous Liquid Pipeline Operators' Integrity Management Programs Need More Rigorous PHMSA Oversight

Self-initiated

In 2002, the Pipeline and Hazardous Materials Safety Administration (PHMSA) initiated a program to oversee hazardous liquid pipeline operators' implementation of PHMSA-required integrity management (IM) programs for mitigating pipeline risks. Since the oversight program was launched, PHMSA has inspected all pipeline operators at least once and operators have identified and repaired more than 35,000 defects. However, PHMSA is challenged to manage a growing backlog of inspections as it transitions to a new risk-based inspection program. PHMSA oversight is further limited by infrequent onsite inspections and less rigorous IM requirements for non-line pipe facilities such as valves, pump and meter stations, and storage tanks. Finally, PHMSA has not yet resolved key data-management deficiencies or established meaningful analysis capabilities to improve IM oversight. We made nine recommendations to strengthen PHMSA's oversight program; PHMSA concurred with seven and partially concurred with two. However, PHMSA's responses did not fully meet the intent of six of our recommendations, and we are requesting additional information for these recommendations.

July 17, 2012

The Success of FAA's Long-Term Plan for Air Traffic Facility Realignment and Consolidations Depends on Addressing Key Technical, Financial, and Workforce Challenges

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

Over the next 2 decades, FAA plans to consolidate the Nation's air traffic facilities—many of which are deteriorating and outdated—into large facilities, beginning in the Northeast at an estimated cost of \$2.3 billion. While FAA has decided to build its first integrated facility for the New York/New Jersey/Philadelphia area, it has not decided on the facility's location. Delays in the construction of the first integrated facility could have a cascading effect on FAA's schedule for consolidating other facilities. The success of FAA's consolidation plans also depends on developing metrics to measure the plans' effectiveness, aligning ongoing construction projects, making critical technical decisions, coordinating with NextGen offices, finalizing cost estimates, and addressing the impacts of consolidations on the workforce and affected communities. We made five recommendations to assist the Agency in addressing these challenges. FAA concurred with all five; however, we are requesting that the Agency provide target completion dates for two recommendations.

July 18, 2012

Update on the Safety and Cost Aspects of the Federal Aviation Administration's Contract Tower Program

Testimony before the Senate Subcommittee on Aviation Operations, Safety, and Security

The Inspector General testified on FAA's Contract Tower Program, which currently oversees 250 contract towers providing air traffic control services to airports nationwide. The Inspector General testified that, based on our ongoing work, contract towers continue to provide safe air traffic services, as contract towers have a lower number and rate of reported safety incidents and Agency-identified deficiencies when compared with similar FAA towers. In addition, contract towers remain strongly supported by users and continue to provide cost-efficient air traffic control services. Our work found that the average contract tower costs roughly \$1.5 million less to operate annually than a comparable FAA tower, largely due to lower staffing and salary levels. However, the Inspector General noted that FAA can improve its oversight of the program by implementing a voluntary safety incident reporting program at contract towers, reviewing labor hours worked to ensure contract compliance, and implementing processes to regularly evaluate contract towers as required by Congress.

July 19, 2012

Long Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency

Requested by the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation; Its Subcommittee on Aviation Operations, Safety, and Security; and the Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation

As of October 2010, all air traffic facilities have implemented FAA's Air Traffic Safety Action Program (ATSAP)—a voluntary non-punitive program for air traffic controllers to report safety concerns, such as operational errors and events that present hazards to aviation. However, potential deficiencies in transparency and accountability may lead to the perception that ATSAP is an amnesty program in which reports are automatically accepted, regardless of whether they qualify under the program's guidelines. Moreover, because ATSAP provisions protect controller confidentiality, much of the ATSAP data that FAA collects are not validated, raising questions about the effectiveness of the data for analyzing safety trends and identifying root causes of safety risks. At the same time, FAA does not have a formal process to assess the program's review committees' decisions to ensure that report acceptance criteria are rigorously followed and that conduct issues are appropriately addressed. We made 10

recommendations to strengthen internal controls, use of data, and performance management within the ATSAP program. FAA fully concurred with five recommendations, partially concurred with three, and did not concur with two. We are requesting that the Agency reconsider its responses for these two recommendations, particularly regarding the validation of all data accepted through ATSAP.

August 1, 2012

Challenges With Implementing Near-Term NextGen Capabilities at Congested Airports Could Delay Benefits

Requested by the Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and Its Subcommittee on Aviation

In September 2009, a government-industry task force made 32 recommendations for accelerating NextGen's deployment. While FAA quickly incorporated the task force's recommendations into its NextGen strategic plans and budgets, efforts are delayed in key areas, including FAA's critical metroplex initiative to improve airspace efficiency at large, congested metropolitan airports. In addition, industry is concerned that the initiative does not yet include other related task force recommendations, such as better managing surface operations, and may not deliver all desired benefits. Moreover, FAA has not yet resolved many of the barriers that will impede implementation of the task force recommendations, such as streamlining the

process for deploying new flight procedures and training controllers on advanced procedures. We made seven recommendations to FAA to improve its implementation of the task force recommendations. However, FAA's response did not meet the intent of four of our recommendations, and we are requesting additional information from the Agency.

August 22, 2012

FAA Has Not Effectively Implemented Its Wildlife Hazard Mitigation Program

Self-initiated

FAA's Wildlife Hazard Mitigation Program aims to reduce the risk of aviation wildlife strikes—which have increased fivefold over the past 2 decades—by requiring airports to create and implement plans to assess and minimize the risk of wildlife hazards. From 1997 to 2011, FAA provided airports an estimated \$458 million to assess and mitigate wildlife hazards, and estimates it will spend an additional \$366 million over the next 20 years. However, FAA's oversight and enforcement activities do not ensure airports fully adhere to program requirements or effectively implement their wildlife hazard plans. In addition, FAA's policies and guidance for monitoring, reporting, and mitigating wildlife hazards are mostly voluntary. As a result, FAA's strike data are incomplete, which impacts the Agency's ability to evaluate program effectiveness. Further, while FAA coordinates effectively with the U.S. Department of Agriculture Wildlife Services,

its main partner in wildlife hazard mitigation, coordination with other relevant Government agencies is limited and infrequent. We made 10 recommendations aimed at improving FAA's management and oversight of the program. FAA concurred with six, partially concurred with three, and did not concur with one. We are requesting additional information or revised responses for five recommendations—particularly related to improving the quality and quantity of the Agency's wildlife strike data.

September 12, 2012

Update on FAA's Progress and Challenges in Advancing the Next Generation Air Transportation System

Testimony before the House Committee on Transportation and Infrastructure Subcommittee on Aviation

The Inspector General testified on three challenges that continue to impact FAA's ability to realize NextGen's benefits: (1) implementing NextGen capabilities at congested airports; (2) resolving technical and program management problems with the En Route Automation Modernization (ERAM) program; and (3) managing program costs and schedules in developing and implementing NextGen's transformational programs. The Inspector General noted that while FAA has made progress in improving air traffic management at congested airports in major cities, the Agency has not yet fully resolved key barriers to implementing NextGen capabilities in the near term. In addition, extensive software-related problems have caused cost increases

and schedule delays for FAA's critical, multibillion dollar ERAM program—exposing significant programmatic and contract management issues. Finally, the Inspector General noted that FAA has not approved total cost, schedule, or performance baselines for any of NextGen's transformational programs or developed an integrated master schedule for managing NextGen.

Investigations

April 2012

Former Executives of Ciellos Airlines, Arrow Air, and South Winds Cargo Sentenced for Fixing Fuel Surcharge Rates on Air Cargo Shipments

George Gonzalez, former Chief Commercial Officer of Peruvian air cargo carrier Cielos Airlines; Buillermo Cabeza, former President of Arrow Air; and Luis Juan Soto, former President of South Winds Cargo, were sentenced in U.S. District Court, Miami, FL. The three airline executives and others conspired to suppress and eliminate competition on cargo rates by fixing and coordinating customer charges, including security and fuel surcharges, for air cargo services to and from the United States.

Gonzalez was sentenced to 5 months imprisonment, 5 months home detention, and 3 years probation. Cabeza was sentenced to 3 years probation and fined \$20,000. Soto was sentenced to 6 months home detention and 3 years probation. All three were fined \$20,000 and ordered to perform 100 hours of community service.

This investigation is being conducted jointly with the Federal Bureau of Investigation (FBI) and the U.S. Postal Service Office of Inspector General.

April 5, 2012

South Florida Men Jailed and Ordered to Pay \$1.45 Million in Restitution in Aircraft Parts Fraud Conspiracy

Henry McFlicker and Ayodha Persaud—owners of Daytona Aerospace, a South Florida aviation parts broker—were sentenced to U.S. District Court, Miami, FL, for conspiracy to commit aircraft parts fraud. Our investigation revealed that Daytona Aerospace purchased, sold, and traded aircraft parts between commercial airlines, private aircraft, other brokers, and the U.S. Department of Defense. Specifically, McFlicker and Persaud misrepresented the condition and origin of aircraft parts in their responses to numerous bids advertised by the U.S. Air Force and U.S. Navy. Although the orders and contracts specifically required the defendants to supply new surplus parts manufactured by The Boeing Company, they used various unauthorized local dealers to manufacture the requested parts. McFlicker and Persaud, in concert with their employees, concealed the fraud by completing a certificate of conformance and other paperwork, such as packing slips and invoices, that misrepresented either the condition of the parts or the manufacturer. To further conceal the fraud, McFlicker and Persaud created fraudulent inventory lists, certification forms, and letters bearing various airlines' corporate logos; attached these false forms to shipments containing the parts; then forwarded the completed fraudulent paperwork and counterfeit parts to the

purchasers, including the Air Force and others in the commercial and military aviation industry. McFlicker was sentenced to 45 months in prison; Persaud was ordered to serve 37 months. McFlicker and Persaud will each serve a term of 36 months probation, as well as pay a \$100 special assessment fee. The court also ordered the owners to pay \$1.45 million in restitution and ordered a \$1 million forfeiture.

This investigation is being conducted jointly with the Defense Criminal Investigative Service, Air Force Office of Special Investigations, the FBI, Department of Homeland Security's (DHS) Immigration and Customs Enforcement (ICE), with FAA providing technical assistance.

April 18, 2012

Former FAA Aviation Safety Inspector Sentenced for Accepting Illegal Gratuities

Harrington Bishop was sentenced in U.S. District Court, Camden, NJ, for accepting illegal gratuities. Bishop, a former FAA safety inspector assigned to the Teterboro Flight Standards Safety District Office, Saddle Brook, NJ, was sentenced to a year and a day in prison, a \$5,000 fine, 1 year of supervised release, and a \$100 special assessment. As part of his sentencing, Bishop was also subject to a criminal forfeiture in the amount of \$70,000.

On October 27, 2011, Bishop pleaded guilty to accepting illegal gratuities as a public official. Bishop admitted to accepting tens of thousands of dollars for hundreds of unauthorized pilot check

rides he personally performed between May 2004 and February 2011. Bishop spent weekends, holidays, and other days of approved leave to conduct flight checks, including private-pilot and airline transport pilot certificate tests. In exchange for these check flights, he routinely accepted \$300 “tips” from the pilots, fully aware that he was not allowed to accept payment from pilots in exchange for the performance of his official duties. Bishop admitted that nearly all of the check flights resulted in the pilot passing the tests.

On October 21, 2011, Bishop retired from Federal service after being served with a Notice of Proposed Removal in connection with the investigation.

April 23, 2012

Ohio Contractor Agrees To Pay \$500,000 to Settle DBE Fraud Claims

Anthony Allega Cement Contractor, Inc., signed a civil settlement agreement in U.S. District Court, Cleveland, OH, agreeing to pay the U.S. Government \$500,000 to settle allegations that they committed disadvantaged business enterprise (DBE) fraud between August 2000 and January 2006.

Allega (the prime contractor) indicated that certain services and supplies on a runway project at Cleveland Hopkins International Airport would be provided by Chem-Ty (the DBE), when in fact Allega provided those services and used Chem-Ty as a pass through.

This investigation was conducted in cooperation with the U.S. Attorney’s Office, Cleveland, OH

May 4, 2012

Former Air Traffic Controller Sentenced for Worker’s Compensation Fraud

Raymond Elmo Deskins, III, a former air traffic controller, was sentenced in U.S. District Court, Alexandria, VA, to 24 months imprisonment, 3 years supervised release, a \$1,200 special assessment, and \$682,438.08 in restitution for his role in a worker’s compensation fraud scheme. Deskins failed to disclose work activities in the construction industry to the Department of Labor’s Office of Workers’ Compensation Programs (OWCP).

The investigation revealed that in June 2004, Deskins submitted a notice of traumatic injury to OWCP, claiming Federal Employees’ Compensation Act benefits in connection with an injury sustained during his employment with FAA. In August 2004, OWCP accepted Deskins’ claim and began issuing Deskins monthly benefits. From 2005 through 2008, while receiving disability benefits based on his inability to perform work of any kind, Deskins worked as a construction foreman for a Sterling, VA, based general contractor. To continue receiving disability benefits, Deskins falsely certified to the Department of Labor on annual forms that he had not been engaged in any work activities during the reported periods. Deskins subsequently received nearly \$700,000 in Federal workers’ compensation benefits.

This investigation was conducted jointly with the FBI and the U.S. Department of Labor, Office of Inspector General.

May 21, 2012

California Man Pleads Guilty To Unlawfully Refilling and Transporting Uncertified Compressed Gas Cylinders

James Richard Giles of Stockton, CA, and former owner of Clean Fuels, LLC, pleaded guilty in U.S. District Court, Sacramento, CA, to charges involving the unlawful refilling of a cylinder with compressed natural gas, a hazardous material, knowing that the cylinder was overdue for its 5-year recertification. Giles then offered the cylinder for transportation.

The charge to which Giles pleaded guilty pertains to a trailer used to transport 38 cylinders of compressed natural gas. All 38 cylinders refilled by Giles had service certification dates that expired months before. He personally transported them from his business in Stockton on his trailer to Pacific Gas & Electric's natural gas refilling station on McDonald Island, in San Joaquin County. Our investigation also found that Giles did not have a DOT required Retester's Identification Number and is not a DOT authorized tester.

This investigation is being conducted with substantial assistance from PHMSA.

May 24, 2012

Virginia Man Sentenced for Faulty Inspections and Certifications of Cylinders Containing Hazardous Materials

Stephen Paul Ganger, of Norfolk, VA, was convicted and sentenced in District Court, Norfolk, VA, to a suspended sentence of 24 years of incarceration and a \$60,000 fine for multiple violations of failing to properly test cylinders containing hazardous materials according to PHMSA regulations and the Commonwealth of Virginia's fire prevention code. In lieu of incarceration, Ganger was ordered to serve 36 months probation and to meet certain special conditions, including performing 100 hours of community service and to reimburse \$4,275 to the City of Norfolk for response costs.

The investigation revealed that Ganger, owner of Atlas Fire Protection, conducted faulty inspections of fire extinguishers in schools, hospitals, and restaurants and falsely certified that the cylinders complied with Norfolk Fire Code and the Virginia Statewide Fire Prevention Code. During June 2011, OIG, PHMSA, Norfolk Fire Marshal's Office, and Chesapeake Fire Marshal's Office executed a search warrant on Atlas Fire Protection. As a result of the search warrant, Ganger was charged by Norfolk's Fire Marshal's Office with numerous safety violations including failure to hydrostatically test cylinders in accordance with DOT standards.

This investigation was conducted jointly with PHMSA, Norfolk Fire Marshal's Office, and Chesapeake Fire Marshal's Office.

June – September 2012

Massachusetts Company Owner Pleads Guilty to DBE Fraud

David Hebert, Dennis Degrazia, and Robert Dickerson pleaded guilty in U.S. District Court, Boston, MA, to conspiracy in a scheme to obstruct DOT's DBE program. Hebert and Degrazia, partial owners of U.S. Window and Door Construction, Inc., and Dickerson, sole proprietor of Woodchuck's Building and Home Center, a State-certified DBE, were previously indicted for their roles in this scheme.

For approximately 10 years, Hebert and Degrazia indicated that Dickerson—doing business as Woodchuck's, which was awarded FAA-funded Residential Soundproofing Improvement Program contracts by the Massachusetts Port Authority (Massport) in excess of \$2.5 million—was a supplier of windows and doors and eligible towards its DBE goal on each contract. All parties knew that Dickerson was merely a pass-through and would not actually supply any materials, incur any expenses, or perform any work. Over the 10 years, companies that Hebert and Degrazia worked for or owned were awarded over \$9.5 million in FAA-funded residential soundproofing contracts. Dickerson was paid a fee of up to 4 percent of the material costs for his role in the conspiracy. With Dickerson's concurrence, the defendants submitted false documents to

Massport in order to conceal Dickerson's lack of activity and to give the appearance that the DBE goal had been met.

June 12, 2012

Florida Pilot Pleads Guilty to Falsifying His FAA Airmans Medical Application

Jonathon Vondracek, a commercial pilot and certified flight instructor, pleaded guilty in U.S. District Court, Tampa, FL, for falsifying his FAA Airman Medical Application. The investigation revealed that previously, the Veteran's Administration (VA) awarded Vondracek, a Navy veteran, 80 percent medical disability benefits for a series of service-related medical conditions that included chronic obstructive pulmonary disease (COPD). Vondracek failed to disclose these medical conditions along with receipt of disability benefits on three FAA airman medical certificate applications. The investigation further determined that Vondracek did not actually suffer COPD. As part of his plea agreement, Vondracek will make restitution to VA in an amount not to exceed \$51,237 for the COPD disability benefits he received.

This investigation is being conducted jointly with the Department of Veteran Affairs, Office of Inspector General.

June 27, 2012

South Florida Airline Pilot Sentenced for Falsification of His FAA Airman's Medical Certificate

Kelvin Romello Changur, Airline Transport Pilot, was sentenced in U.S. District Court, Miami, FL, to 3 years probation, and ordered to perform 120 hours of community service for falsifying his FAA Airman Medical Application and for using a U.S. passport containing the same false information he provided to FAA.

This investigation revealed that on several occasions, Changur provided a false date of birth on FAA documents and on a U.S. passport to FAA and DHS's Homeland Security Investigations (HSI). Changur maintained employment with a commercial air carrier utilizing this fraudulent documentation until it was discovered through verification checks done by another commercial air carrier in which he was seeking employment.

This investigation is being conducted jointly with DHS HSI with assistance from FAA's Office of Security.

July – September 2012

Prosecutions in Florida Aircraft Parts Fraud Conspiracy

In March 2012, a multi-count indictment was filed against 16 employees of Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG) for conspiracy to

sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows. The investigation revealed that from approximately August 2009 to August 2010, ATR employees continued repairing cockpit windows despite having its repair station certificate revoked in July 2009. As part of the scheme, ATR and TEG purchased "as removed" cockpit windows in the open market and backdated documents to make it appear that the windows had been retrieved from ATR's or TEG's inventory prior to ATR's repair station certificate revocation. Additionally, serial numbers on the windows were changed to disguise the source of the windows and to further make it appear that all ATR work had been performed prior to its certificate revocation.

Between July 18 and 20, 2012, former ATR and TEG employees Diego Garcia, Ivonne Portales, and Chabela Aneiros were sentenced. Garcia was sentenced to 2 years probation; 100 hours of community service; and was ordered to pay a \$500 fine, \$5,440 in restitution, and a \$100 special assessment. Portales was sentenced to 3 years probation, 150 hours of community service, and ordered to pay \$9,550 in restitution and a \$100 special assessment. Aneiros was sentenced to 3 years probation, 100 hours of community service, and ordered to pay \$6,300 restitution, and a \$100 special assessment.

In August 2012, after a 4-week trial, Dennis Romero, Shop Supervisor, ATR and TEG, was convicted in U.S. District Court, Fort Lauderdale, FL, for his participation in an aircraft parts conspiracy. Additionally, Rangel Fernandez, President; Ivan Fernandez,

Vice-President; Jerry Frystak, General Manager; and former employees Lisbet Gonzalez and Francisca Diaz pleaded guilty for their participation in the scheme.

In September 2012, Aileen Bermudez and Geovanni Hernandez, former employees of ATR and TEG, were sentenced. Bermudez was sentenced to 3 years probation and was ordered to pay \$23,200 in restitution and a \$100 special assessment. Hernandez was sentenced to 3 years probation and was ordered to pay \$10,200 in restitution and a \$100 special assessment.

This investigation is being conducted jointly with the U.S. Department of Labor, Office of Inspector General; the FBI; and ICE; with substantial assistance from FAA.

July 2, 2012

Southern California Chemical Processing Company Pleads Guilty

Bowman Plating Company, Inc., a chemical processing company located in Compton, CA, pleaded guilty in U.S. District Court, Los Angeles, CA, to providing false statements related to chemical processing of aircraft parts sold to commercial aviation companies and to the U.S. Department of Defense.

In 2007, OIG began investigating allegations that Bowman failed chemical process control tests, but it had not notified customers of the failures. In 2006, a private testing company notified Bowman that its chemical film coating had failed the

testing process. Several companies had retained Bowman to complete chemical film coating for their aircraft parts, submitting purchase orders listing the required specifications for the coating. After the coating was performed, Bowman certified that the aircraft parts were processed in accordance with applicable specifications, and the parts were shipped to customers. Although the parts and the certificates of conformance had been shipped, Bowman did not notify its customers of the failure, so intermediary and end users of the parts were unaware of the testing failures.

This investigation is being conducted jointly with the Defense Criminal Investigative Service.

July 6, 2012

Chicago Contractor Pleads Guilty to DBE Fraud

Anthony Cappello pleaded guilty in U.S. District Court, Chicago, IL, to a mail fraud charge.

Our investigation determined that from approximately 1999 through May 2006, Cappello participated in a scheme to defraud the Government of more than \$2.3 million in contracts with the Chicago Department of Aviation related to the Women in Business Enterprise (WBE) and DBE programs. Cappello falsely represented that his company, Diamond Coring, was a legitimate WBE DBE eligible to receive contracts related to those designations and participation requirements. However, Diamond Coring was not certified or eligible to be certified as a WBE DBE.

July 31, 2012

Project Manager Pleads Guilty in Connection With DBE Fraud Scheme

Richard Schultz, project manager of Nationwide Construction (a non-DBE), pleaded guilty to mail and wire fraud conspiracy. Between 2007 and March 2011, Schultz conspired with Madeline Pepe of Staten Island-based MS Construction Corporation, a DBE, by performing the fencing work that was contracted to MS Construction on an FAA-funded JFK International Airport project. Pursuant to the plea, Schultz agreed to a monetary forfeiture of \$61,750.

This case is being conducted jointly with the U.S. Department of Labor, Office of Inspector General; the Port Authority of New York & New Jersey, Office of Inspector General; and the New York City Department of Investigation.

August 6, 2012

California Man Sentenced in Airport Copper Theft Conspiracy

Robin Neal Vanderheiden, also known as Jeremy Wayne Patrick, was sentenced in U.S. District Court, Fresno, CA, to serve 16 months in prison for conspiring to steal 2,800 feet of copper cable from the Medium Intensity Approach Lighting System at the Modesto Airport. Vanderheiden was also ordered to pay \$60,000 to FAA for the damage caused to the Modesto Airport.

OIG began its investigation based on a referral from FAA alleging vandalism to the airport

approach lighting system at the Modesto Airport. As part of the joint investigation, Modesto Police Department subsequently put up surveillance cameras, which led them to Vanderheiden. OIG subsequently interviewed Vanderheiden, who confessed to the theft of copper cable and implicated Kody Esstep.

In May 2012, Vanderheiden and Esstep, both residents of Modesto, CA, pleaded guilty in U.S. District Court, Fresno, CA, to the theft of Government property and conspiracy, admitting to having stolen the copper cable. The damage to the airport is valued at more than \$40,000. Further, the theft resulted in the failure of the approach lighting—which is needed for poor visibility situations, such as fog and heavy rain—posing a significant safety risk to incoming aircraft and neighboring residents and the potential need to divert aircraft.

This investigation is being conducted jointly with the Modesto Police Department and with assistance from FAA.

August 8, 2012

California Man Guilty of Submitting a False Document to FAA

In U.S. District Court, Sacramento, CA, Michael D. Maupin—former Quality Assurance Manager for WECO Aerospace Systems, Incorporated, Lincoln, CA—pleaded guilty in connection with his involvement in an aircraft repair scheme. Maupin was charged for submitting an aviation quality assurance manual to FAA that contained false statements. In September 2011, Maupin

and five other defendants were indicted on charges of conspiracy to commit fraud involving aircraft parts in interstate commerce and mail fraud. The defendants are former executives and supervisors at WECO, an FAA-certified repair station that was purchased by Gulfstream Aerospace Corporation in 2007. WECO was required to use FAA-approved parts and procedures in the repair and overhaul of aircraft parts; however, the investigation disclosed that WECO technicians used unapproved parts during their repair.

This investigation is being conducted jointly with the FBI and DHS Office of Inspector General.

August 14, 2012

Pennsylvania Aircraft Repair Company Indicted for Aircraft Parts Fraud; Company Official Arrested

The U.S. Attorney's Office, Philadelphia, PA, announced the unsealing of an indictment charging Flying Tigers, Inc. and its president, Jay Stout, and his son, Joel Stout, with various crimes including conspiracy, fraud involving aircraft parts, wire fraud, and obstruction of justice. In addition, the indictment charged Howard Gunter, a former FAA-certified mechanic and inspector, with conspiracy and fraud involving aircraft parts.

The investigation revealed that Flying Tigers—a Lancaster, PA, based aircraft maintenance facility operated by Jay and Joel Stout—was neither an FAA-certified repair station nor a certified maintenance facility, but instead relied on individuals' mechanics' FAA certifications and inspection authority. In 2003, FAA permanently revoked Jay Stout's authority to conduct aircraft inspections. Joel Stout did not hold an FAA certificate or inspection authority past March 2006. However, the investigation revealed that between October 2006 and October 2009, Flying Tigers charged customers for annual aircraft inspections that were not performed by FAA-certified mechanics or not performed at all. The indictment further alleged that Gunter certified annual inspections although he did not perform those inspections and that Jay and Joel Stout prepared fraudulent certifications and forged signatures of an unsuspecting certified inspector who had not performed the inspections. The 5-year transportation safety investigation revealed that the defendants routinely altered airframe and engine logbooks and made false entries to conceal their actions. Flying Tigers allegedly conducted more than 75 questionable aircraft inspections between 2006 and 2009.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

August 16, 2012

FAA Employee Convicted for Theft

In Cleveland County Court, Norman, OK, Perry Morrison, a mechanic with FAA, pleaded guilty to a charge of false declaration to a pawn broker in connection with his theft of tools from FAA. On August 12, 2011, Morrison pawned tools belonging to FAA while claiming to be the owner.

The investigation disclosed that Morrison stole over \$2,400 in tools, which he pawned at two pawn shops located in Cleveland and Oklahoma counties. Morrison was subsequently sentenced and given a 5-year deferred sentence. He was also ordered to perform 200 hours of community service, serve 2 years of supervised release, and pay \$565.50 in fines.

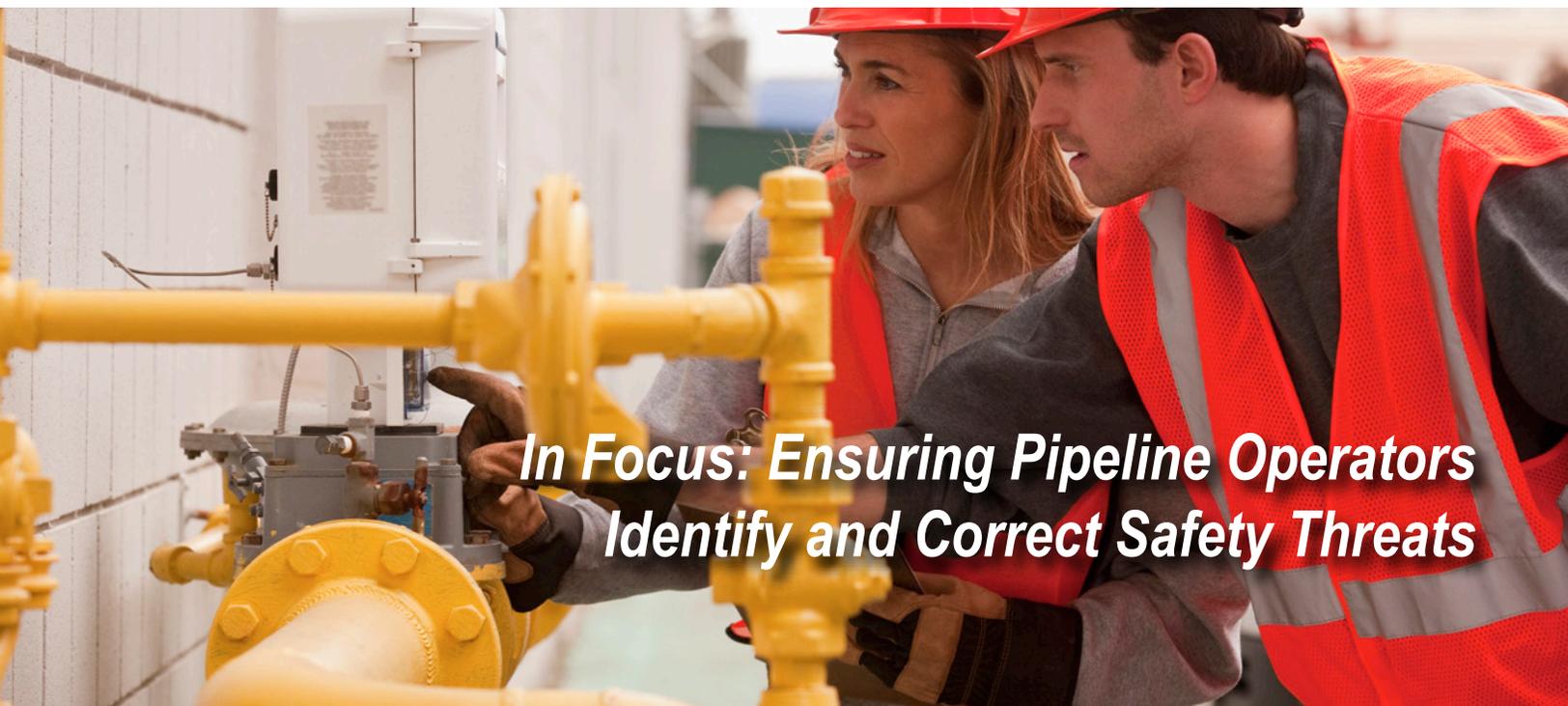
August 23, 2012

Pennsylvania Man Indicted for Attempting to Board Plane With Explosives

A Federal grand jury in Philadelphia, PA, returned an indictment against Joseph Picklo, charging him with possessing an explosive in an airport and carrying an explosive on an aircraft. On March 29, 2012, Picklo, of Dallas, PA, arrived at the Philadelphia International Airport, and allegedly attempted to pass through security screening with explosives in his carry-on backpack. Airport security officials searched his backpack and confiscated two M80-style fireworks, flash-powder in a concealed container, a lighting wick, and a flammable lighter. Picklo was subsequently arrested.

This investigation is being conducted jointly with the Alcohol Tobacco Firearms and Explosives and the FBI.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



In Focus: Ensuring Pipeline Operators Identify and Correct Safety Threats

Every day in the United States, 175,000 miles of pipelines transport crude oil, refined petroleum products, and other hazardous liquids, while another 2.4 million miles of pipelines gather, transmit, and distribute natural gas. Even though these pipelines are considered safe, accidents still occur. Over the last 12 years, there have been 525 serious pipeline accidents in the United States due to causes that are potentially detectable, such as internal corrosion, and undetectable, such as excavation damage. These serious accidents resulted in 200 deaths, 747 injuries, and \$539 million in property damage. Notable examples include the July 2010 Marshall, MI, oil spill; the September 2010 San Bruno, CA, gas transmission explosion; and the January 2012 Austin, TX, gas distribution explosion.

Over the last decade, PHMSA has required pipeline operators to implement a series of

safety programs designed to significantly reduce threats, incidents, and accidents to the Nation's pipeline systems. All operators—hazardous liquid, gas transmission, and gas distribution—are required to establish an Integrity Management Program (IMP) to identify and mitigate threats to pipeline integrity. All hazardous liquid operators' IMPs have been inspected at least once, and PHMSA has taken more than 1,400 enforcement actions against hazardous liquid operators that failed to comply with elements of PHMSA's IMP regulations and proposed more than \$3 million in civil penalties. Despite these actions, the National Transportation Safety Board (NTSB) in investigating recent hazardous liquid and gas transmission pipeline accidents criticized operators' IMPs as well as PHMSA and State partners' oversight and enforcement of such programs.

We recently identified significant challenges PHMSA must overcome to effectively oversee hazardous liquid pipeline operators' IMPs. First, PHMSA must implement multiple strategies to address its backlog of inspections, caused in part by the Agency redirecting resources to fulfill other requirements, such as inspecting pipelines under construction. PHMSA plans to transition to an integrated, risk-based inspection process by 2013 to target high-risk areas. However, while this decision may allow PHMSA to conduct IMP inspections more efficiently, the success of the new inspection process depends on the Agency's ability to complete other safety initiatives.

PHMSA also needs to step up its IMP oversight requirements for non-line pipe facilities—such as valves, pump and meter stations, and storage tanks—which account for more than half of all hazardous liquid accidents. PHMSA does not require pipeline operators to perform regular and consistent assessments of these facilities, largely because when PHMSA drafted its IMP requirements in 2000, the assessment technologies were of little benefit when inspecting such facilities. For example, the assessment tools could not pass through the sharp turns and small pipes within non-line pipe facilities. However, technological advances have improved the ability to assess facilities. One device, for example, uses ultrasonic guided waves to inspect facility piping for corrosion and pipeline dents.

Finally, PHMSA needs better data systems and integrity management-specific performance measures to identify and mitigate pipeline risks. Currently, the Agency lacks the capability to identify high-risk pipelines by linking accidents, oversight actions, and pipeline characteristics to their geographic location. While PHMSA has begun developing such a system, it will take years and additional resources to implement. In addition, the Agency has not established performance measures for assessing the IMP's effectiveness. Instead, PHMSA focuses on overall pipeline safety measures that provide no feedback on the IMP's impact, such as the number of fatalities and injuries.

PHSMA has begun implementing our recommendations but also cautioned that its ability to complete the effort requires additional staffing and financial resources contained in its fiscal year 2013 budget request. We continue to monitor the Agency's progress in implementing our recommendations to strengthen its processes and capabilities.



Highway and Transit Programs

Audits

April 17, 2012

Timely and Targeted FMCSA Action Is Needed To Fully Address National Transportation Safety Board Recommendations for Improving Passenger Carrier Oversight

Requested by the House Transportation, Housing and Urban Development Appropriations Subcommittee

Following a fatal motorcoach accident near Victoria, TX, in January 2008, NTSB raised concerns about the Federal Motor Carrier Safety Administration's (FMCSA) ability to detect reincarnated carriers—carriers that

attempt to operate as a different entity to evade enforcement action, out-of-service orders, or both. NTSB also highlighted issues related to Federal oversight of passenger carrier compliance with Federal Motor Vehicle Safety Standards (FMVSS). In its final report, NTSB recommended that FMCSA review multiple years of carrier applications for Federal operating authority to identify reincarnated carriers, issue new rules to strengthen its capabilities to oversee the passenger carrier industry, and enhance oversight efforts to enforce FMVSS. We found that while FMCSA took action on rules NTSB recommended to improve passenger carrier oversight, it has yet to implement those rules. Further, FMCSA's vetting process to detect reincarnated carriers could be improved, and FMCSA has not implemented NTSB's recommendations on enhancing FMVSS compliance. We made

five recommendations to improve FMCSA's oversight of passenger carriers; FMCSA concurred with all five.

May 17, 2012

FTA Can Improve Procedures To Ensure More Effective Implementation of the Charter Service Regulation

Requested by the Senate Transportation, Housing and Urban Development Appropriations Subcommittee

In January 2008, the Federal Transit Administration (FTA) amended the Federal Charter Service Regulation to clarify disputed provisions regarding competition between private charter operators and federally funded public transit agencies. While FTA improved procedures for overseeing the implementation of the regulation—including procedures for responding to stakeholder concerns and for notifying private charter operators of potential business opportunities—inaccuracies in FTA data and misinterpretations of the regulation's requirements still exist. We made five recommendations to FTA to improve data quality, monitor stakeholder issues, and provide targeted outreach. Based on FTA's response, we considered all five recommendations resolved but open pending completion of its planned actions.

July 26, 2012

Actions Needed To Improve FTA's Oversight of the Dulles Corridor Metrorail Project's Phase I

Self-initiated

Phase 1 of the Dulles Corridor Metrorail Project—a joint Federal-State-local project expected to provide a mass transit link to Dulles International Airport—is estimated to cost \$3.1 billion. FTA is responsible for overseeing the significant Federal investment in phase 1 of the project—close to one-third of the estimated cost. In October 2009, we raised concerns in a Management Advisory to FTA about the safety of 11 pier foundations to support part of the project's guideway. While FTA subsequently implemented an oversight process to ensure that the 30-year-old pier foundations were tested, the testing process has not yet provided assurance that the structures will meet the 50-year service life specified in FTA guidance. In addition, FTA had not taken sufficient mitigation actions to address key project issues that put the schedule, cost estimate, and funding from the 2009 Full Funding Grant Agreement at risk. We made seven recommendations aimed at strengthening FTA's oversight of the project. FTA agreed to direct additional testing to further ensure the 50-year service life for the structures and to take acceptable actions to address our recommendations.

August 2, 2012

Improvements Needed in the Federal Transit Administration's Grant Oversight Program

Requested by the Federal Transit Administration

To enhance the effectiveness and efficiency of the Nation's transit systems, FTA provides funding to more than 1,200 State and local grantees. From fiscal year 2006 through fiscal year 2010, FTA awarded over \$57 billion in grants. FTA's regional offices, as well as its contractors, play an important role in establishing proper stewardship over these Federal investments by ensuring grantees spend funds effectively and comply with Federal laws and regulations. However, FTA does not provide its regions or contractors with adequate guidance or oversight to ensure they consistently identify and track grantee deficiencies. Further, FTA Region III has not effectively followed up on grantee deficiencies. We made six recommendations to enhance the level of oversight FTA provides, to develop performance measures assessing the effectiveness of the outcomes of its overall oversight program, and to ensure regions do not close findings before receiving documentation showing that a finding has been fully resolved. FTA fully concurred with our six recommendations and provided responsive plans to address them. We consider the recommendations resolved but open pending completion of the planned actions.

August 16, 2012

Increased Participation and Improved Oversight Mechanisms Would Benefit the NAFTA Pilot Program

Required by the U.S. Troop Readiness, Veteran's Care, Katrina Recovery, and Iraq Accountability Act, 2007, Pub. L. 110-28

In October 2011, FMCSA officially launched a pilot program authorizing long-haul, cross-border trucking services between the United States and Mexico under the provisions of the North American Free Trade Agreement (NAFTA). However, low participation in the pilot program creates the risk that FMCSA will not have an adequate and representative sample of Mexico-domiciled carriers and inspections to assess the program's impact on motor carrier safety. A low participation rate also prevents us from making reliable statistical projections regarding safety attributes of program participants. In addition, FMCSA's oversight mechanisms did not ensure full compliance with pilot program requirements, and at the time of our review, FMCSA was still developing some monitoring mechanisms.

We made four recommendations to enhance FMCSA's monitoring and enforcement activities. FMCSA concurred with two recommendations and agreed to re-emphasize and monitor its existing procedures in lieu of pursuing the other two recommendations. Given that the program has had minimal participation and thus provided limited operational data for review, we consider FMCSA's actions to be sufficient at this time. We will evaluate FMCSA's actions to address all

recommendations during our final audit of the pilot program, the results of which are to be issued 6 months after the pilot program ends.

September 20, 2012

DOT Established Timely Controls for the TIGER Discretionary Grants Program, but Opportunities Exist To Strengthen Oversight

Self-initiated

The Office of the Secretary's (OST) Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants Program uses competitive discretionary grants for capital investments in highway, bridge, public transportation, rail, and port infrastructure projects. Congress initially appropriated \$1.5 billion for the program through the American Recovery and Reinvestment Act (ARRA) of 2009; the program has since grown to over \$3.1 billion. Through this review, conducted as part of our ongoing ARRA oversight work, we determined that while OST's TIGER program policies generally adhered to best practices, vulnerabilities remain in reviewing grant agreements, overseeing individual projects, assessing program risks, and measuring performance. In addition, we identified discrepancies in the requirements for safety standards in the grant agreements for rail infrastructure projects.

We made seven recommendations to strengthen OST's oversight of the TIGER

program; OST concurred with three and partially concurred with four. We will close six of the recommendations, pending receipt of appropriate documentation of actions taken or planned. For one recommendation aimed at improving collaboration between operating administrations to avoid inconsistent grant requirements, we are requesting additional information to fully assess OST's response.

Investigations

April – June 2012

Former General Manager of Virginia Transit Agency Pleads Guilty to Theft of FTA Grant Funds

David Morgan, former general manager of Valley Metro Transit, pleaded guilty to theft of Government funds in U.S. District Court, Roanoke, VA.

In 2006, FTA awarded Valley Metro an \$80,000 grant to replace furniture at the company's downtown Roanoke administration building. Valley Metro hired Diane B. Holdren, a local interior designer, to complete the project. Holdren admitted to fabricating and inflating all competitors' bids to ensure Valley Metro would have to pay more than the true costs associated with the project. Following Valley Metro's acceptance of the bids, Holdren submitted falsified invoices related to the bids that included inflated and nonexistent shipping costs. Subsequently, Valley Metro made direct payment to the furniture vendors on the inflated

bills received from Holdren. The vendors then issued checks back to Holdren for the difference between the true costs and the cost paid by Valley Metro based on Holdren's deception. The total estimated loss caused by Holdren's actions is between \$80,000 and \$120,000.

Between July 1, 2007, and June 20, 2008, Morgan admitted to using Valley Metro Transit credit cards to make inappropriate purchases that were paid for, in part, with FTA operating grant funds. Morgan used the grant funds to purchase meals, alcohol, golf fees, cigars, and gift cards totaling more than \$14,000. In April 2012, Holdren was sentenced to 4 months in prison, 4 months of home confinement, a \$3,000 fine, and \$45,728 in restitution.

This investigation was conducted jointly with the U.S. Postal Inspection Service, Virginia State Police, and the City of Roanoke Police Department.

April – June 2012

Former El Paso Police Officers Indicted for Traffic Ticket Scheme

Twelve former El Paso Police Department police officers were indicted by a Grand Jury in El Paso County, TX. The former police officers were indicted on multiple counts of tampering with a Government record and are accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued. The requests were submitted in 2009 and 2010 while working overtime under the

Selective Traffic Enforcement Program, which is funded through a NHTSA grant. The officers are part of a group of 25 El Paso police officers suspected of submitting fraudulent documents in this scheme.

This investigation is being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and the Texas Department of Transportation.

April – September 2012

Former Moving Company Employees Sentenced for Their Roles in a Household Goods Fraud Scheme

Based on information from FMCSA, OIG began investigating owners and employees of National Moving Network (NMN), a Miami-based household goods broker, and AY Transport, a San Jose-based moving company. As part of its daily business practice, NMN booked moves nationwide, then referred a majority of the moves to AY Transport for the transportation of the household goods. NMN employees and owners and employees of AY Transport participated in a "low-ball estimate" scheme, where NMN estimators quoted customers a low estimate to move their household goods, and upon taking custody of customers' goods, raised the price to exorbitant rates.

A Superseding Information was filed in U.S. District Court, San Jose, CA, charging Brandi Aycock, sales manager for NMN with charges

associated with the failure to observe published moving tariffs. Aycock subsequently pleaded guilty to the charges and was sentenced to serve 6 months probation and ordered to pay a \$25 special assessment fee and \$10,765 restitution to two NMN victims.

In April and May, Christopher Sariol and Stuart Sheinfield, estimators for NMN, pleaded guilty. Sariol was sentenced to 6 months probation, and ordered to pay a \$25 special assessment fee and \$2,104 restitution to NMN and AY Transport victims. Sheinfield was sentenced to 12 months probation and ordered to pay \$4,900 in restitution to his victims.

In August 2012, Limor Gefen, a data entry clerk and customer service representative for AY Transport, pleaded guilty to her participation in the scheme. She was sentenced to 6 months probation and ordered to pay a \$100 special assessment fee and \$1,248 restitution to two AY Transport victims.

This investigation is being conducted jointly with the FBI and the Internal Revenue Service (IRS), with assistance from FMCSA.

April 4, 2012

New York Construction Firm Agrees to Pay \$7.5 Million To Settle Fraud Allegations

New York—based trucking companies Judlau Contracting, Inc., Dragados USA, Inc., and a joint venture of Dragados and Judlau signed a civil settlement agreement in U.S. District Court, New York, NY. The joint venture of Dragados and Judlau agreed to pay a \$7.5 million civil settlement related to DBE fraud on a major public works project that received \$2 billion in FTA funding. Dragados and Judlau was the prime contractor on the East Side Access Project, which involves the construction of a tunnel connecting the Long Island Railroad to Grand Central Station.

As part of the settlement, Dragados and Judlau admitted that between 2006 and 2008, they listed four DBEs as subcontractors and indicated that the total contract amount was approximately \$22 million. Rather than pay DBEs for the work they performed, the joint venture paid three DBEs fees to act as pass-throughs while the work was being performed by non-DBE subcontractors.

As part of this settlement, approximately \$6 million was returned to FTA. This investigation was conducted jointly with the U.S. Attorney's Office for the Southern District of New York and the Inspector General for the New York State Metropolitan Transportation Authority.

April 4, 2012

Guardrail Manufacturer Agrees to Civil Settlement for Alleged Buy America Violations

Trinity Highway Products, LLC, Dallas, TX—a leading manufacturer of highway guardrail, highway guardrail end treatments, and other highway safety products—entered into a civil settlement agreement with the U.S. Department of Justice. The settlement agreement called for Trinity to pay the Federal Highway Administration (FHWA) \$142,000 for alleged violations of the Buy America Act.

The allegations of Buy America Act violations were brought by the Montana Department of Transportation (MDT), which alleged Trinity failed to secure proper Buy America Act documentation from companies that supplied steel to its Centerville, UT, facility. The investigation identified several instances of Trinity's guardrail accessories being made from steel with non-compliant documentation. The non-compliant steel was installed in Trinity products used in federally funded MDT projects.

FHWA determined Trinity took appropriate action to implement more effective internal controls, which represented a willingness to accept responsibility. Trinity entered into an administrative settlement and compliance agreement, which includes a requirement for Trinity to appoint an independent corporate compliance officer responsible for

implementation and day-to-day administration and oversight of its corporate compliance program.

April 5, 2012

Former Owner of Pennsylvania Bridge Beam Manufacturer Convicted

Joseph W. Nagle, former co-owner of Schuylkill Products Incorporated (SPI) and its wholly-owned subsidiary, CDS Engineers (CDS), was convicted by a Federal jury in Harrisburg, PA, after a 4-week trial. Nagle was found guilty on numerous counts of conspiracy, mail fraud, wire fraud, and money laundering. The jury determined that Nagle participated in a large-scale DBE fraud scheme that was conducted over a 15-year period and involved over \$136 million in fraudulent DBE subcontracts on 340 federally funded highway and transit construction projects performed throughout the Commonwealth of Pennsylvania. These projects were awarded by the Pennsylvania Department of Transportation and the Southeastern Pennsylvania Transportation Authority.

SPI used Marikina Construction Corporation, a Connecticut-based certified DBE, as a “front” company to fraudulently obtain DBE subcontracts. Between 1993 and 2008, over \$136 million in DBE subcontracts were awarded to Marikina. Contract documents were created to appear that Marikina was involved, when in reality, SPI and CDS negotiated, managed, and supervised all

the Marikina subcontracts. In exchange for allowing SPI and CDS to use its DBE status, Marikina was paid a small fixed fee and all the profits ended up with SPI and CDS.

Ernest Fink, former co-owner of SPI and CDS; Romeo Cruz, former owner of Marikina; Dennis Campbell, former vice president of SPI; and Timothy Hubler, former vice president of CDS, pleaded guilty to criminal conspiracy charges for their part in this scheme.

This investigation is being conducted jointly with the FBI; the U.S. Department of Labor, Office of Inspector General; and the IRS, Criminal Investigation Division.

April 25, 2012

Philadelphia Truck Driver Jailed for Falsifying Hours of Service Resulting in Fatal Crash

Valerjis Belovs was sentenced in U.S. District Court, Philadelphia, PA, to 18 months in prison, 36 months supervised release, and imposed \$2,500 in fines for his role in a false logbook scheme and a fatal truck crash in Philadelphia. In October 2011, Belovs admitted to falsifying his FMCSA regulated logbooks to conceal that he drove in excess of the allowable driving hours without the required period of rest. The Federal charges are related to an accident on US 76 in Philadelphia, in which one person died and five others were seriously injured when Belovs' truck plowed into stopped traffic.

Belovs previously pleaded guilty to various State charges, including one count of vehicular homicide. OIG analysis of Belovs' regulated driver logbooks revealed that he was driving in excess of FMCSA maximum hours of operating a commercial vehicle at the time of the accident. The truck's owner, Victor Kalinitchll, was previously sentenced on State charges, as was Joseph Jadczyk, who admitted to selling inspection stickers to Kalinitchll without inspecting the truck Belovs drove into stopped traffic.

This investigation is being conducted jointly with the Montgomery County District Attorney's Office and the Pennsylvania State Police. FMCSA assisted with the investigation.

May 8, 2012

South Carolina Department of Motor Vehicle Employee Sentenced for Issuing Fraudulent Commercial Driver's Licenses

Brenda Kay Poston, a former South Carolina Department of Motor Vehicles (SCDMV) customer service representative, was sentenced in U.S. District Court, Columbia, SC, to 3 years probation, a \$100 special assessment, 6 months home confinement, and ordered to undergo vocational and psychiatric evaluations for her role in a scheme to provide commercial driver licenses (CDL) to unqualified applicants.

SCDMV discovered that Poston aided several individuals in creating false CDL test scores;

knowledge and road test scores; and operational enhancements, such as hazardous materials and passenger endorsements, and entered the false information into SCDMV databases. OIG and SCDMV conducted a historical review of the driver history records system and identified 19 drivers with suspicious or unverifiable credentials dating back to 2004. Poston confessed to her role in the issuance of 19 CDLs, and 13 drivers admitted to obtaining their CDLs or endorsements fraudulently. SCDMV officials instituted administrative revocations of those drivers' credentials and offered re-examinations of all drivers believed to be recipients of fraudulent CDLs. Poston was subsequently terminated from her position.

This joint investigation is being conducted with the South Carolina Law Enforcement Division.

May 11, 2012

Former New York Construction Company Executive Ordered to Forfeit \$100,000

John Athanasiou, former Vice President of Purchasing for Perini Corporation's Civil Division, also known as Tutor Perini, was sentenced in U.S. District Court, Brooklyn, NY, following his October 29, 2010, guilty plea to money laundering and conspiracy charges.

The charges stem from Athanasiou's involvement in the fraudulent use of front DBEs as subcontractors on several DOT, State, and local funded roadway improvement projects in the New York City metropolitan area. Athanasiou admitted that during the period 1998 through 2001, the Perini Corporation awarded approximately \$19 million in fraudulent DBE subcontracts in order to qualify for four construction projects, collectively worth \$284 million, in the New York City area. These projects included work on the Westside Highway, the Brooklyn-Queens Expressway/Williamsburg Bridge Connector, the Queens Boulevard/Honeywell Street Bridges, and the Long Island Expressway/Cross Island Parkway interchange. Athanasiou and others conspired to use three front DBE subcontractors to obtain various levels of DBE credit on these projects and relied on a number of non-DBE contractors to do the actual work. The front DBEs generally received between 3 percent and 5 percent of the subcontract value as a fee to process payroll and other required paperwork.

As a result of Athanasiou's guilty plea on charges of money laundering and conspiracy, he was ordered to forfeit \$100,000 and placed on probation for 1 year. The DBE owners and others involved in this conspiracy have since pleaded guilty. The Perini Corporation has paid \$9.75 million in a negotiated civil settlement to resolve its criminal and civil liability in the matter.

June 7, 2012

North Carolina Trucking Company, Owner, and Safety Consultant Sentenced for Falsifying Drivers' Logs

Mabe Trucking Company (MTC), Eden, NC; its owner, Roger "Butch" Mabe, Jr.; and James J. Brylski, owner of DOT Advisor, a Raleigh, NC, motor carrier consulting firm, were sentenced in U.S. District Court, Greensboro, NC, for falsifying drivers' logs. Each previously pleaded guilty to falsifying drivers' records for the purpose of concealing that drivers logged more hours than allowed by Federal Motor Carrier Safety regulations, which limit the number of hours a truck driver can operate a vehicle to prevent motor vehicle accidents caused by driver fatigue.

MTC was sentenced to 5 years probation and fined \$8,000, and Mabe was sentenced to 1 year probation and fined \$2,000. Brylski, MTC's safety consultant, was sentenced to 12 months probation and was fined \$3,000 and a \$100 special assessment.

FMCSA assisted in this investigation.

July 10, 2012

Georgia Women Indicted or Pleaded Guilty in Fraudulent Double Brokering Scheme

Pauline Robinson-Kirkland, of Donalsonville, GA, was indicted in U.S. District Court, Albany, GA, on a mail fraud charge, and in May 2012, Tina Blyth pleaded guilty to a mail fraud charge. Both Robinson-Kirkland's and Blyth's charges stem from their involvement in a fraudulent double brokering scheme.

The investigation revealed that Robinson-Kirkland and Blyth accessed Web sites where companies advertised loads of commercial freight available for transport. They bid on and were awarded the freight loads using various shell company names, which are listed as having broker authority with FMCSA. They led the sender to believe their trucking business would deliver the freight for the contracted price and the sender of the freight would pay them the agreed upon price. However, after accepting the bid, they immediately re-advertised the job, using a different company name. They accepted bids from legitimate trucking companies and had them deliver the freight from the sender to the intended destination, never disclosing that they had arranged for the sender to send payment to them instead of the company that actually transported the freight.

This investigation is being conducted jointly with the Decatur County Sheriff's Office, Decatur, GA.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

July 10, 2012

Vermont Man Sentenced to Jail for Falsifying Documents Used in Drug Testing Transportation Companies

Mounir R. Khouri was sentenced to 1 month incarceration, 2 years supervised release, and \$22,513.10 in restitution in U.S. District Court, Brattleboro, VT, for his involvement in a scheme to defraud transportation companies employing drivers subject to random drug testing.

Khouri, who did business as Mobile Testing Services, Inc. (MTSI), represented himself as a third party administrator, capable of assisting transportation companies in complying with DOT regulations requiring that urine samples be obtained by trained collectors and shipped to licensed labs with a completed Control and Custody Form (CCF) for drug testing. Test results must then be reviewed by a Medical Review Officer (MRO), a licensed physician trained in substance abuse. However, in 2009, Khouri subverted the role of the MRO by completing the CCFs and giving test results that were not reviewed by an MRO. After Khouri's contracted drug testing lab stopped testing due to nonpayment, he prepared false CCFs for

untested specimens, misrepresenting that the specimens had tested negative and billing his clients for services not provided.

This investigation was conducted with assistance from FMCSA.

July 18, 2012

Former President of Texas Company Indicted on Environmental Charges After the Deaths of Two Employees

Port Arthur Chemical and Environmental Services (PACES), and its owner Matthew Bowman, were indicted in U.S. District Court, Beaumont, TX, on charges involving the transport of hazardous materials without a placard and the illegal treatment of hazardous waste.

This investigation was initiated as a result of the deaths of two PACES employees who were exposed to unsafe levels of hydrogen sulfide, a poisonous gas, which was released during the treatment and processing of hazardous materials. The investigation revealed that Bowman was directing employees to load tanker trucks containing hazardous waste, flammable liquids, poisonous gases, and caustic liquids, and transporting them without the required identifying placards between PACES and a deep well injection site.

In addition, it is alleged that Bowman ordered hazardous waste water loads, which were received in Bowman's Houston, TX, facility, to be

illegally transported on public roads without the required placards. PACES employees accepted hazardous waste and treated it without the proper Environmental Protection Agency (EPA) or Texas Commission on Environmental Quality (TCEQ) permits and submitted false shipping documents to conceal these loads were being treated at an unpermitted facility.

This investigation is being conducted jointly with EPA-Criminal Investigation Division, Houston Police Department, Texas Parks and Wildlife, and TCEQ Criminal Enforcement.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

July 24, 2012

Pennsylvania Trucking Company Owner Sentenced

Dean A. Landis, the owner—operator of D.A. Landis Trucking, Inc., a Lancaster, PA, company, was sentenced in U.S. District Court, Allentown, PA, to 5 years probation, including 12 months home detention and electronic monitoring. In addition, he was ordered to pay a criminal fine of \$15,000. His company was sentenced to 4 years probation and was ordered to pay a \$250,000 fine, a \$4,400 special assessment, and to implement a comprehensive compliance and ethics plan. The sentencing follows a March 2012 guilty plea in which Landis admitted to routinely disregarding FMCSA regulations by

allowing and causing commercial truck drivers employed by D.A. Landis Trucking to operate in violation of FMCSA “hours of service” safety regulations. The company also dispatched drivers on trips it knew required excessive hours of driving time and excessive hours of on-duty time, without allowing the required hours of rest or regulated off-duty time. Landis instructed company employees to prepare two sets of driver’s logs, one of which was false and intended for FMCSA inspectors to conceal violations of safety regulations. During the execution of a search warrant of the company, Federal agents seized numerous logbooks and documents marked “Not for DOT.”

Further, the judge ordered Landis to publish, within 2 months, an approved advertisement in a trucking industry publication taking responsibility for the criminal acts in this case and informing the industry of this investigation and his role in the scheme.

This investigation was conducted jointly with the Food and Drug Administration’s Office of Criminal Investigation, with assistance from FMCSA.

July 31, 2012

Two Alabama Trucking Companies and Their Owners Indicted for Violating FMCSA Out-of-Service Order

Isaac McWilliams, Heronda McWilliams, and their companies BM&L Trucking and IDM Transportation, were indicted in U.S. District

Court, Birmingham, AL, for false statements and for operating while under an Imminent Hazard Out-of-Service Order issued by FMCSA.

On December 2, 2010, FMCSA conducted a compliance review of IDM Transportation and identified serious violations of Federal Motor Vehicle Safety Regulations. On June 14, 2011, an Operations Out-of-Service Order was issued to IDM, prohibiting IDM from operating under any name or through another company. However, in May 2011, Isaac McWilliams failed to disclose his involvement with IDM when he applied for motor carrier authority for BM&L Trucking. McWilliams falsely certified to FMCSA that he did not have or ever have any relationship with any other FMCSA regulated entity in the past 3 years. In May 2012, FMCSA completed an investigation of BM&L and again found widespread serious safety violations, similar to those found during its review of IDM. Consequently, FMCSA issued an Imminent Hazard Out-of-Service Order to BM&L, IDM, and to Isaac and Heronda McWilliams. Despite this imminent hazard order, our investigation found that BM&L and the McWilliamses continued to operate commercial motor vehicles in commerce.

This investigation was conducted with the assistance of FMCSA and the Alabama Department of Public Safety.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

July 31, 2012

Maine Man Pleads Guilty to \$900,000 Embezzlement From a Federally Funded Program

Thomas Nelson, former Chief Executive Officer of York County Community Action Corporation (YCCAC), pleaded guilty in U.S. District Court, Portland, ME, to conspiracy, embezzlement from a federally funded program, tax evasion, and signing false tax return charges.

YCCAC provides social service, health, educational, and transportation-related assistance to York County individuals and families living in poverty. From 2006 to 2010, YCCAC received in excess of \$30 million in Federal funds, including approximately \$7 million in FTA grants, nearly \$4 million of which were funds from FTA's ARRA rural transit assistance and urban transit assistance programs.

The investigation disclosed that from 2004 to 2010, Nelson embezzled approximately \$900,000 from YCCAC. He diverted \$413,000 in funds to a consulting company that had submitted only one invoice for \$8,700. In exchange for the fraudulent payments, the consulting company paid more than \$20,000 of Nelson's personal expenses, including his home mortgage, and provided Nelson with a cash kickback. From 2004 to 2009, Nelson diverted more than \$400,000 in YCCAC funds to New England Community Action Agency (NECAA), a defunct non-profit entity, and recorded those

payments as donations or consulting expenses. After transferring these funds to NECAA, Nelson used more than \$300,000 to gamble and to pay personal credit card bills and his home mortgage, failing to report over \$400,000 in embezzled income to the IRS. Finally, in 2005 and 2006, he prepared and signed NECAA tax returns, which suggested the agency had revenue and assets when it did not.

As part of his plea agreement, Nelson agreed to pay restitution of approximately \$1.2 million to YCCAC and \$150,000 to the IRS.

This investigation is being conducted jointly with the IRS, Criminal Investigation Division; the U.S. Department of Health and Human Services, Office of Inspector General; U.S. Department of Housing and Urban Development, Office of Inspector General; and U.S. Department of Agriculture, Office of Inspector General.

August 7, 2012

Salesman for DBE Firm Sentenced for Role in \$21 Million DBE Fraud Scheme

Tony Edmund Weekes, salesman for VVSS Co., Inc., a certified DBE, was sentenced in U.S. District Court, Central Islip, NY, for his role in a \$21 million DBE fraud scheme. Weekes was sentenced to serve 3 years probation, and to pay a \$1,000 fine and a \$100 special assessment. In addition, he was ordered to cooperate with the IRS in calculating the amount of unpaid taxes, interest, and penalties he owes.

The judge also barred Weekes from participating in any municipal construction contracts during his period of probation. Weekes pleaded guilty in 2001 and admitted that VVSS acted as a DBE front on approximately 35 public works construction projects for numerous general contractors in the New York City area. He further admitted that he helped negotiate some of these fraudulent subcontracts between VVSS and the general contractors.

The investigation was conducted by the Federal Construction Fraud Task Force for the Eastern District of New York, whose members include OIG; the IRS, Criminal Investigation Division; the U.S. Department of Labor OIG Office of Labor Racketeering and Fraud Investigations; and the New York City Department of Investigation.

August 13, 2012

The United States and LaFarge North America Settle Civil Fraud Claims for \$950,000

In U.S. District Court, Buffalo, NY, a civil settlement was reached between the U.S. Attorney's Office and LaFarge North America (LNA). The settlement was based on claims that LNA fraudulently obtained subcontracts that were supposed to be performed by certain minorities and DBEs. It was alleged that between June 2001 and March 2006, employees of LNA entered into a fraudulent agreement with Oscar Rayford of Rayford Enterprises, a certified DBE construction company, and contracted to obtain DBE

concrete supply subcontracts from Rayford on eight separate projects in the Buffalo, NY, area funded, in part, by FHWA. Rayford claimed his company was a bona fide DBE that performed concrete work on highway construction projects, but Rayford used LNA, a non-DBE manufacturer, to perform all of the concrete work on the projects. Rayford previously pleaded guilty to mail fraud charges and forfeited \$1.8 million. Pursuant to the settlement, LNA agreed to pay the United States \$950,000. The settlement does not constitute an admission of liability by LNA.

August 30, 2012

Georgia Man Sentenced for Violating an Imminent Hazard Out-of-Service Order

Devasko Lewis was sentenced in U.S. District Court, Albany, GA, to 6 months incarceration, followed by 12 months supervised release, and was ordered to pay a fine of \$3,000 for operating a commercial motor vehicle in violation of an Imminent Hazard Out-of-Service Order issued by FMCSA in October 2008. Lewis, doing business as Lewis Trucking Company/DDL Transport/DL Transport, Cordele, GA, was placed under an Imminent Hazard Order to cease all operations due to serious violations discovered during a compliance review conducted by FMCSA. The compliance review was subsequent to a crash in Alabama that resulted in the deaths of seven State of Alabama prison guards.

FMCSA and the Georgia Department of Public Safety assisted in this investigation.

September 17, 2012

Anchorage Company Manager Charged in Connection With an Alaska Highway Project Double-Billing Scheme

Darrell Underwood, a highway construction project manager for Quality Asphalt Paving (QAP), was charged in U.S. District Court, Anchorage, AK, with false statements in connection with highway rehabilitation work QAP performed on the federally funded Chief Eddie Hoffman Highway project.

This investigation was initiated when OIG was advised that employees of QAP were allegedly conducting deceptive business practices on the highway project between the airport in Bethel, AK, and the highway's intersection with Ridgecrest Drive. The project was estimated to cost \$12,260,852, with \$11,089,218 to be paid by Federal-aid funds. The investigation disclosed that Underwood directed QAP employees he supervised to create duplicate weight tickets for single truckloads of gravel in order to collect additional weight tickets for which QAP could bill the State of Alaska. The result of this fraud was that QAP double billed the State for multiple shipments of gravel in the total dollar amount of just under \$70,000. The scheme was reported to FHWA by a QAP driver who was directed by Underwood to falsify weight tickets on the job. In May 2012, FHWA suspended Underwood from working on Federal-aid contracts.

FHWA, Alaska State Department of Transportation, and Alaska State Troopers assisted in this investigation.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

September 18, 2012

Montana Man Charged With Concealing Improper Bolt Installation on a \$21 Million ARRA Idaho Bridge Project

Kip Harris, former lead superintendent for Sletten Construction, Granite Falls, MT, was indicted in U.S. District Court, Boise, ID. Harris was charged with making false statements regarding the quality of work Sletten performed on the US 2 Dover Bridge project near Coeur d'Alene, a \$21.6 million project funded by ARRA. According to the indictment, Harris directed laborers under his supervision to modify nonconforming anchor bolts so they would appear to the inspection team hired by the Idaho Transportation Department (ITD) to conform to project plans.

OIG began investigating this case after receiving a referral from ITD and FHWA alleging the fraud. OIG was advised that Harris misrepresented the quality of workmanship regarding anchor bolt installation on bridge bearings. After determining the anchor bolts were not installed in accordance with the contract specifications

to achieve the designed tensile capacity, Harris directed his employees to engage in a number of practices to misrepresent the quality of the anchor bolt installation, which included tack welding or epoxying an additional piece of bolt and/or nut onto an embedded but short anchor bolt. ITD inspectors, however, discovered the deficiencies during a routine construction inspection of the new bridge's piers. Inspectors found approximately 100 of the improperly installed bolts. FHWA and ITD had bridge experts evaluate the potential safety risks to the bridge the deficient anchor bolts posed. Both agencies determined that the consequences of not discovering and repairing the non-confirming anchor bolts would have had a minimal impact on the structural integrity of the bridge. Sletten has since made repairs to the bridge to correct the deficiencies, which caused the project to be delayed for approximately 1 week. Harris was suspended by FHWA in October 2011, and Sletten terminated his employment with the company shortly thereafter.

This investigation is being conducted jointly with the FBI, with assistance from FHWA and ITD.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

September 20, 2012

Investigating Household Goods Fraud

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

The Principal Assistant Inspector General for Investigations testified on OIG's investigative work involving household goods transportation fraud and the criminal conduct OIG has targeted through its investigations—conduct that typically involves holding a customer's household goods hostage while demanding significantly larger sums of money than originally quoted. The Principal Assistant Inspector General also described OIG's national fraud project to proactively identify the most egregious consumer complaints involving hostage loads, a project that focuses on carriers and brokers that illicitly engage in hostage fraud schemes, and highlighted several options available to consumers who believe they have been victimized by such schemes.

September 25, 2012

Northern California Man Sentenced in Scheme to Defraud NHTSA's "Cash for Clunkers" Program

James Taylor, owner of Pinole-Rodeo Auto Wreckers, Rodeo, CA, was sentenced in U.S. District Court, Oakland, CA, for falsely certifying that he had destroyed vehicles after receiving payment from dealerships to dispose of them in accordance with NHTSA's Consumer Assistance to Recycle and Save Act (CARS) program. Taylor devised a scheme in which the

vehicles were actually sold and exported out of the country. Taylor was sentenced to 1 year probation and ordered to pay a \$3,500 fine and \$25 special assessment.

This investigation was initiated based on the discovery of two vehicles by the California Highway Patrol (CHP) at the Port of Oakland that were identified as having been trade-ins from the CARS program. OIG executed a search warrant at Taylor's place of business in March 2011, and through the evidence obtained, determined that Taylor falsely represented to NHTSA and to car dealerships that he had destroyed the vehicles as he had been paid to do. Specifically, our investigation found that Taylor sold the two cars and had plans to export them out of the country by using the services of a freight-forwarder located in southern California. At the conclusion of the investigation, the two vehicles were crushed so as to render them inoperable, a requirement under the CARS program.

This investigation was conducted jointly with CHP, with assistance from NHTSA.

September 27, 2012

Former Virginia Railway Express Employee Charged With Accepting Over \$200,000 in Bribes

Kevin Wirth Jannell, of Fredericksburg, VA, pleaded guilty in U.S. District Court, Alexandria, VA, to accepting more than \$200,000 in bribes to ensure a Virginia Railway Express (VRE) subcontractor would be retained by VRE. The investigation revealed that from 2003 and continuing through March 2012, Jannell, a former facilities manager for VRE, agreed to take up to \$4,000 each month in return for giving favorable evaluations that would ensure a company would be retained as a subcontractor for VRE. Jannell concealed the bribes by creating a nominee company and sent monthly invoices to the subcontractor from that company, falsely billing the company for services that were never rendered.

This investigation was conducted jointly with the FBI.



In Focus: OIG Investigations Uncover Weaknesses in NHTSA's Strategic Traffic Enforcement Program

During fiscal year 2012, NHTSA awarded \$235 million in grants to support State and local efforts to reduce fatalities and serious injuries on public roads. One such program—DOT's Selective Traffic Enforcement Program (STEP)—supports law enforcement saturation patrols to reduce speeding, drunk driving, red-light running, and other traffic safety hazards. STEP is widely known for its high-visibility traffic enforcement campaigns, such as DOT's "Click It or Ticket" and "Over the Limit. Under Arrest" campaigns. To receive STEP funding, law enforcement agencies must meet the performance indicators submitted in their STEP grant proposals to NHTSA. One commonly used performance indicator is the average number of tickets issued by State and local law enforcement. To help fund States' STEP efforts, NHTSA provides reimbursement grants to States for overtime pay accrued by local police officers who conduct intensive traffic safety enforcement.

However, weaknesses in STEP implementation and oversight have been exploited by unethical police officers. In the past year, our investigations identified four police departments that have misused over \$500,000 in STEP grant funds. These investigations have resulted in criminal charges for over 25 police officers, who falsified traffic citations and other records to inflate their overtime hours. Additionally, 27 police officers have been removed from their positions or resigned while under investigation.

Our investigations have exposed fraud schemes used by police officers to inflate their overtime hours. Log sheet falsification was the most prevalent fraud scheme. Investigators discovered the fraud scheme by comparing officers' log sheets with documents detailing their actual time worked—such as dispatch logs, ticket records, and vehicle logs. To receive pay for hours not worked, some officers misreported the times

they worked, the number of tickets they wrote, or the times the tickets were written. Sometimes log sheets were falsified with the tacit approval of a supervisor. At one department, officers reported that a supervisor openly approved log sheet falsification, as long as the officers wrote enough tickets to maintain the department's STEP performance indicator.

Our investigators also discovered ticket falsification fraud when they found no court system records that corresponded with the officers' tickets. At two departments, officers falsified tickets to give the impression that the tickets had been issued during their overtime shift. In one case, an officer omitted times from tickets so that he could fill in times that corresponded with his log sheet. Sometimes officers submitted tickets that had never been issued—using either false names, names of passengers, or names of individuals pulled over for unrelated matters.

Another common scheme we identified is the misuse of administrative time—the time officers spend completing paperwork, such as log sheets and ticket submission, which usually takes place during the last hour of officers' shifts. Our review found that officers sometimes claimed 1 to 2 hours of administrative time when they had little or no paperwork to complete.

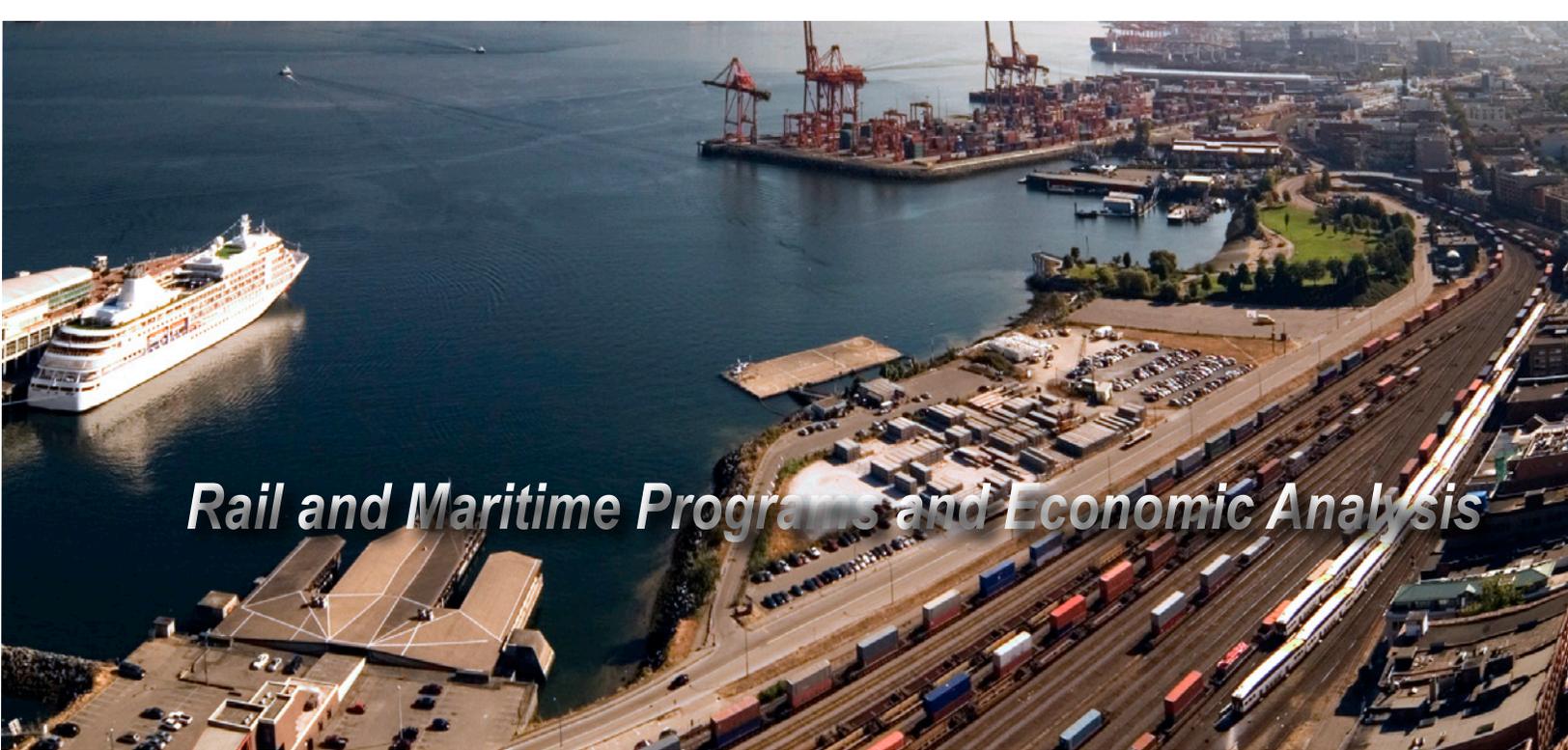
We identified several management and oversight weaknesses that increased the risk of STEP grant fraud.

- *Limited Communication:* Communication among NHTSA, State transportation agencies, and police departments primarily focused on STEP grant administrative requirements, rather than focusing on program oversight or stewardship. Oversight responsibilities were not clearly communicated to program oversight staff; some grant agreements did not outline daily oversight responsibilities.
- *Inadequate Monitoring and Supervision:* Officers and supervisors in police departments with weaker STEP grant programs treated grant-funded shifts the same as their standard overtime or traffic shifts. In police departments with the strongest grant programs, supervisory officers adhered to grant oversight action plans. For example, some police departments required sergeants to work the same shifts as officers working the grant, which provided on-site supervision. Other departments had dedicated grant supervisors aware of their officers' activities. It appears that officers who knew that their managers were watching closely were less likely to commit fraud.

- *Lack of Training:* At police departments with incidences of STEP grant fraud, supervisors and officers were not given formal STEP training. In contrast, departments with strong STEP grant programs generally had strong training programs, often required annually. STEP grant training at these police departments emphasized the unique nature of the grant overtime program, explained officers' responsibilities under the program, stressed that officers must observe the

program's stringent policies and procedures, and communicated department goals.

In May 2012, we issued a memorandum to NHTSA's associate administrator responsible for STEP grants, which identified our investigative findings to help NHTSA strengthen STEP grant management and oversight. We will continue to proactively review STEP and other departmental programs to identify vulnerabilities and to ensure that departmental funds are properly spent.



Rail and Maritime Programs and Economic Analysis

Audits

July 10, 2012

Analysis of the Causes of Amtrak Train Delays

Self-initiated

Our analysis of the causes of Amtrak train delays in fiscal years 2002 through 2007 determined that the chief causes of delays systemwide were host effects and slow orders. Host effects are delays associated with operating on the infrastructure of a particular railroad or group of railroads. In our analysis, slow orders are speed restrictions imposed by a host railroad because of poor track conditions, repairs, or infrastructure improvements. The delays contributed by host effects differed

considerably by host railroad. Only slow orders may have produced delays large enough to exceed the delays caused by the largest host effects. Other factors, such as capacity utilization and activities at Amtrak crew change locations, contributed significantly to delays systemwide, but considerably less than either host effects or slow orders.

September 11, 2012

Completing a Grants Management Framework Can Enhance FRA's Administration of the HSIPR Program

Self-initiated

In the 3 years since it set up the High Speed Intercity Passenger Rail Program (HSIPR), the Federal Railroad Administration (FRA) has

awarded and obligated over 95 percent of the program's \$10.1 billion in grant funds—\$8 billion of which was appropriated by ARRA. HSIPR gave FRA significant new grant-making and oversight duties, presenting unique challenges for the Agency. In an effort to meet ARRA timelines and other requirements, FRA obligated grant funds while simultaneously developing its Grants Management Manual—which sets forth the policies and procedures for HSIPR grants management. FRA has also determined that additional guidance on standard operating procedures is needed to help ensure HSIPR program staff and grantees comply with the policies and procedures. While the Agency has take action develop this guidance, these actions may not result in guidance that meets the grantees' needs. Insufficient staffing and training have further undermined FRA's efforts to effectively administer and ensure the accountability of HSIPR grant funds across all its active programs. Finally, FRA lacks effective mechanisms for assessing program and grantee performance. We made five recommendations to FRA to improve HSIPR grant fund administration and accountability. The Agency concurred with all five recommendations

Investigations

July 3, 2012

Saint Lawrence Seaway Development Corporation Employee Pleads Guilty to Workers' Compensation Fraud

Thomas Schneller, a millwright/welder employed by the Saint Lawrence Seaway Development Corporation (SLSDC), pleaded guilty to fraud regarding Federal worker's compensation benefits in U.S. District Court, Syracuse, NY. Schneller claimed an on-the-job injury in February 2004, yet continued to work in his welding business—AKJ Marine, established about a week after his purported injury—while receiving Federal workers' compensation benefits. Schneller failed to disclose his outside source of income on the annual Office of Workers' Compensation Program certification forms and remained in the program. As a result of his guilty plea, Schneller agreed to make restitution to the U.S. Department of Labor in the amount of \$84,987.

This investigation is being conducted jointly with the U.S. Department of Labor, Office of Inspector General.



In Focus: Bringing Amtrak Up to Speed for High Speed Rail

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA)¹ and the American Recovery and Reinvestment Act of 2009² together have provided over \$10 billion to create and sustain a High Speed Intercity Passenger Rail program. A substantial portion of these funds is geared towards improving the speed and reliability of Amtrak services.

Amtrak train delays outside the Northeast Corridor have been a long-standing concern, and we previously reported that they substantially increased Amtrak's need for subsidies. Their cause, however, has been the subject of much debate. Amtrak has consistently pointed to freight railroads' dispatching practices as having the greatest impact on Amtrak train delays, while the

freight railroads have contended that capacity limitations contribute more heavily.

Our analysis found that the main causes of delays have been slow orders and host effects.³ Slow orders are speed restrictions imposed by freight railroads—which own and operate the infrastructure that Amtrak almost exclusively uses outside the Northeast Corridor—along track segments in poor condition or undergoing repairs or improvement.⁴ Host effects capture the delays associated with factors such as dispatching practices, management capability, and business model of the freight railroads. The magnitude of host effects differs widely across freight railroads.

¹ P.L. No.110-432, Div. B.

² P.L. No. 111-5

³ The focus here and in our analysis is on delay causes that can be affected by stakeholder actions, unlike, for example, weather.

⁴ Slow orders can also be imposed because of adverse weather conditions. However, we analyzed weather effects separately, and our results on slow orders relate only to infrastructure issues.

Our analysis also found four other factors that contributed significantly to delays: capacity utilization, a measure of capacity limitations or congestion; Amtrak crew changes; Amtrak trains operating well outside their scheduled time slots; and Amtrak mechanical problems. However, their contributions measured considerably less than those of either host effects or slow orders.

Our analysis is proving useful to the Surface Transportation Board (STB) as it takes up a PRIIA-mandated duty. Specifically, STB is consulting with us about our methodology, as it assumes responsibility for levying fines on

freight railroads it determines cause substantial delays on Amtrak routes.

Understanding the causes of delays is critical for stakeholders making and overseeing investments in rail infrastructure involving public funds. Of key concern is the need to differentiate those factors in passenger train delays that may not require public capital investment to address, such as host effects and slow orders, from those that do. Making this distinction is critical to ensure funds are targeted to locations where capacity constraints are the primary cause of delays.



Financial and Information Technology

Audits

April 9, 2012

Quality Control Review of Single Audit on the Utah Transit Authority

Self-initiated

We conducted a quality control review on a single audit performed by Deloitte & Touche, LLP, on the Utah Transit Authority's use of DOT grants for the fiscal year ending December 31, 2010. During this period, Utah Transit expended approximately \$215 million from DOT grant programs. The major program tested by Deloitte & Touche was the Federal Transit Cluster. We determined the work performed by Deloitte & Touche was acceptable and met the requirements of generally accepted Government auditing standards, the Single Audit Act, and

OMB Circular A-133. We found nothing to indicate that Deloitte & Touche's opinion on Utah Transit's reports on internal control and compliance were inappropriate or unreliable.

April 17, 2012

DOT Does Not Have an Effective Enterprise Architecture Program for Management of Information Technology Changes

Self-initiated

With approximately \$3 billion in annual expenditures and reliance on about 400 IT systems to conduct business and meet its missions, DOT has one of the largest IT investments in the Federal Government. Under the Clinger-Cohen Act, each Federal department must implement a management framework that ultimately

reduces its IT expenditures through investments in projects with reasonable costs and solid management of acquisition risks. This framework—commonly referred to as an enterprise architecture (EA)—describes a department’s current state of IT operations (the baseline architecture) as well as the future state of these operations after the implementation of improvements (the target architecture). The framework also includes a transition plan to move from the baseline to the target architecture. DOT has assigned authority for EA development to its components and has no plan to integrate the individual components’ EA programs into a Departmentwide program. The components’ EA programs are incomplete, and policies and procedures are outdated at both the Department and component levels. Neither the Department nor the components sufficiently address IT security in their IT investment planning and management. Further, DOT does not have procedures for EA assessment and, consequently, cannot measure the status and progress of its components’ EAs. We made eight recommendations to the Department for EA improvements. DOT concurred with or met the intent of our recommendations.

May 30, 2012

The U.S. Merchant Marine Academy’s Security Controls Were Not Sufficient To Protect Sensitive Data From Unauthorized Access

Self-initiated

In March 2011, we successfully penetrated the U.S. Merchant Marine Academy’s network security and were able to gain full access to its LAN and sensitive information. Our test demonstrated that the Academy’s network security controls were not sufficient to protect its data, including personally identifiable information, from hackers. Additional information security weaknesses exist in the Academy’s LAN, Website, and databases because the Academy has not implemented information security programs to protect information and information systems, as required by the Federal Information Security Act and DOT policies. As a result, the Academy runs the risk that intruders will gain unauthorized access to the large amount of sensitive information stored in its systems without being detected. The Maritime Administration (MARAD), the operating administration responsible for the Academy, concurred with our findings and nine recommendations. MARAD’s corrective action plan is responsive to our recommendations.

June 4, 2012

Quality Control Review on the Suburban Bus Division of the Northeastern Illinois Regional Transportation Authority's Use of DOT Grants

Self-initiated

We conducted a quality control review of a single audit performed by Crowe Horwath, LLP, on Pace, the Suburban Bus Division of the Regional Transportation Authority Northeastern Illinois' use of DOT grants for the fiscal year ending December 31, 2010. During this period, Pace expended approximately \$50 million from DOT grant programs. The DOT program determined to be major by Crowe Horwath was the Federal Transit Cluster. We determined that Crowe Horwath's work was acceptable and, therefore, met the requirements of generally accepted Government auditing standards, the Single Audit Act, and OMB Circular A-133. We found nothing to indicate that Crowe Horwath's opinion on Pace's reports on internal control and compliance were inappropriate or unreliable.

June 20, 2012

Quality Control Review of Single Audit on Department of Transportation

Self-initiated

We conducted a quality control review of a single audit performed by Moss Adams LLP on the New Mexico Department of Transportation's use of DOT Transportation grants for the fiscal year ending June 30, 2010. During this period, New Mexico DOT expended approximately \$452 million from DOT grant programs. The major programs tested by Moss Adams included (1) the Highway Planning and Construction Program, (2) the Federal Transit Cluster, (3) the Nonurbanized Area Formula Program, (4) the Highway Safety Cluster, and (5) the Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program. We determined that the audit work was acceptable with deficiencies and, therefore, generally met the requirements of generally accepted Government auditing standards, the Single Audit Act, and OMB Circular A-133. We found nothing to indicate that Moss Adams' reports on New Mexico DOT's internal control and compliance were inappropriate or unreliable. However, we identified deficiencies in audit documentation that Moss Adams needs to correct in future audits.

September 12, 2012

Review of DOT's Reporting of Improper Payments Under Executive Order 13520

Required by Executive Order 13520

Executive Order 13520 requires OIGs to review their agency's reports and provide recommendations to agency heads for improvements to their improper payment corrective action plans. We reviewed DOT's High Dollar Improper Payments report for the quarter ending December 31, 2011, for accuracy and compliance with OMB Circular A-123 Appendix C requirements. We did not identify any additional high-dollar overpayments that DOT should have reported for the quarter. The report contained the required information, except for (1) whether the improper payments were made by individuals or entities and (2) the actions taken to prevent improper payments in the future. DOT included this information in its fiscal year 2011 Agency Financial Report. We are not making any recommendations at this time.



Acquisition and Procurement

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

Audits

April 5, 2012

Lessons Learned From ARRA: Improved FHWA Oversight Can Enhance States' Use of Federal-aid Funds

Self-initiated

ARRA added roughly \$27 billion to FHWA's Federal-aid program for State highway construction and improvement projects.

To ensure these funds are used wisely—as well as improve contractor performance, curb fraud, and promote accountability for results—States are required to use fixed-price contracts and competitive procedures to the maximum extent possible. However, almost one-fifth of State DOT ARRA contracts were awarded with one or two bids—more often at prices exceeding the engineer's estimate than contracts with three bids. We determined that FHWA does not require States to use contract award practices that promote increased competition or have effective controls for monitoring State

award policies and procedures. We made five recommendations aimed at ensuring FHWA takes advantage of opportunities to foster competition and maximize use of Federal-aid funds. FHWA concurred with four recommendations and partially concurred with one.

September 13, 2012

Weaknesses in Program and Contract Management Contribute to ERAM Delays and Put Other NextGen Initiatives at Risk

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

Since 2002, FAA has been developing the \$2.1 billion ERAM program to replace and significantly enhance the existing hardware and software at facilities that manage high-altitude air traffic. ERAM is a foundational component of FAA's NextGen program and is critical to meeting FAA's goals for increasing airspace capacity and reducing flight delays. However, ERAM has experienced software problems that impacted the system's ability to safely manage and separate aircraft. As a result of delays at the key sites, FAA now projects that ERAM will be almost 4 years behind schedule, with an uncertain final completion date. ERAM's problems are also traceable to weaknesses in its contract, which is not structured or administered to effectively manage costs

and achieve desired program outcomes. Due to insufficient acquisition planning, FAA did not fully adopt best practices that would have permitted more effective contract management when designing the ERAM contract structure. In addition, ERAM's delays pose significant risks to FAA's plans to implement critical NextGen initiatives because of complex interdependencies between ERAM and other key systems needed to advance NextGen.

We made 13 recommendations to improve ERAM's contract structure and oversight and reduce the associated risks to future NextGen related programs. FAA concurred with 12, and partially concurred with 1.



Departmentwide Issues

Audits

April 26, 2012

Letter to Chairman Issa on OIG's Open Audit Recommendations

Requested by Representative Darrell Issa, Chairman of the House Committee on Oversight and Government Reform

As of April 16, 2012, we identified 536 open recommendations, which were included in 193 audit reports. Of the 536 open recommendations, 50 were included in 42 reports and carry an estimated monetary

benefit or cost savings totaling over \$1.9 billion. To determine the three most significant open recommendations, we assessed whether the recommendation would lead to significant safety improvements, financial benefits, or increased economy or efficiency of the program audited. We selected one recommendation from each of these reports: *FAA and Industry Are Taking Action To Address Pilot Fatigue, but More Information on Pilot Commuting Is Needed*; *Assessment of FHWA Oversight of the Highway Bridge Program and the National Bridge Inspection Program*; and *Timely Actions Needed To Improve DOT's Cybersecurity*. Last, between April 7, 2011, and April 16, 2012, we have closed 466 recommendations from 204 audit reports.

May 15, 2012

Interim Response Letter to Congressmen Wolf and Latham Regarding MWAA

*Requested by Congressmen Frank R. Wolf
and Tom Latham*

The Metropolitan Washington Airports Authority (MWAA) operates the federally owned Washington Dulles International and Ronald Reagan Washington National airports; it is also responsible for designing, constructing, and partially financing the Dulles Corridor Metrorail Project. Although MWAA is a public body and its Board of Directors are Government appointees, it is independent of the Federal Government and not subject to Federal or State laws that govern ethics, transparency, access to information, procurement, and other areas. As such, MWAA's governance depends on the strength of its internal codes, policies, and processes, and its adherence to them. However, our observations to date indicate that weaknesses in MWAA's policies and procedures related to financial disclosures, travel, and transparency have limited the Board's accountability to the public, Congress, and stakeholders. MWAA's contracting policies and practices are also insufficient to ensure compliance with provisions of the Washington Metropolitan Airports Act of 1986 as well as with its internal procurement procedures. Our letter also includes a preliminary assessment of MWAA's Dulles Toll Road revenue assumptions, which overall appear reasonable.

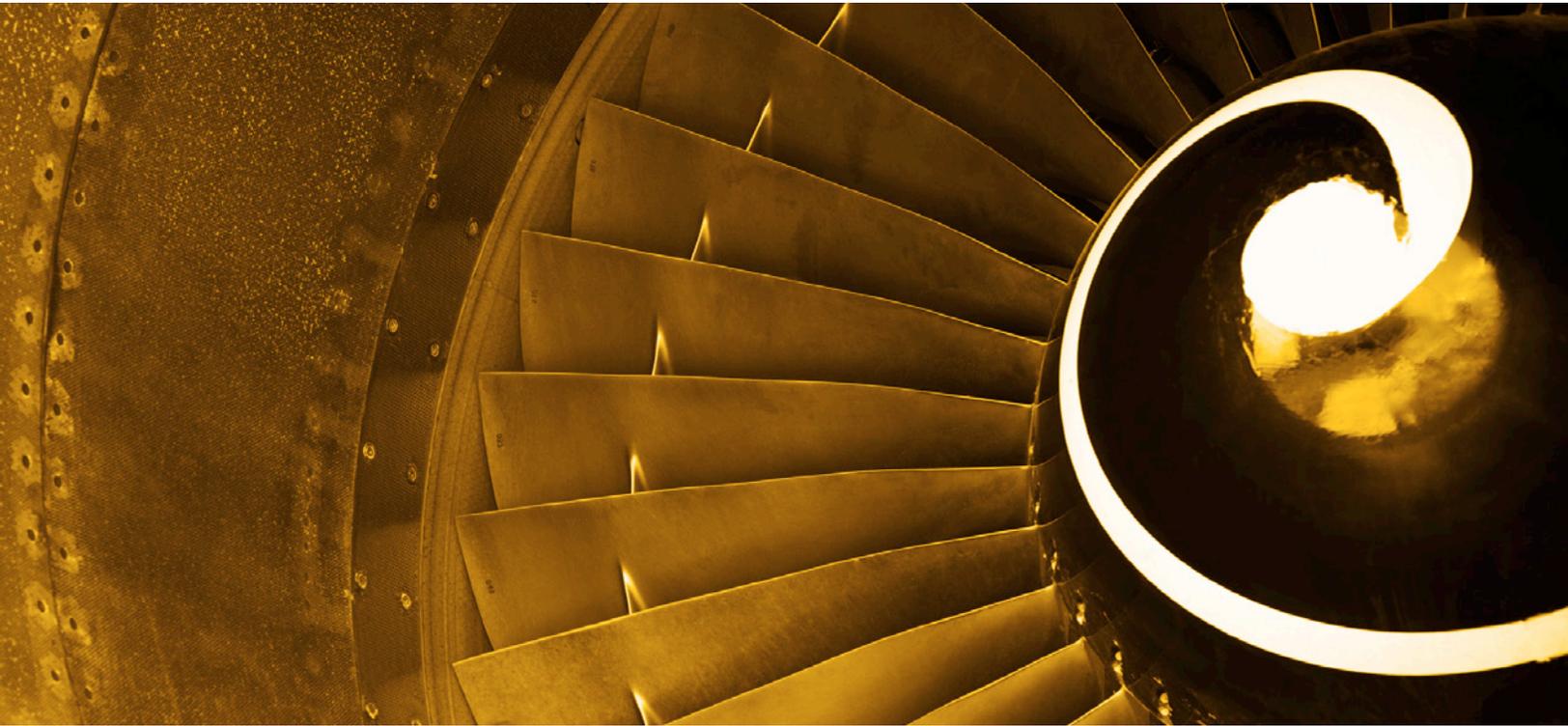
August 24, 2012

Letter to Chairman Issa Regarding Use of the Seven-Day Letter by the IG Community

*Requested by Representative Darrell Issa,
Chairman of the House Committee on Oversight
and Government Reform*

As of August 24, 2012, DOT-OIG has not issued a 7-day letter to DOT or otherwise reported particularly serious or flagrant problems through the specific mechanism authorized in section 5(d) of the Inspector General Act since January 1, 2009. We are also not aware of any particularly serious or flagrant problems at DOT that have not been reported to Congress since January 1, 2009. We further explained our understanding of our reporting requirements and identified various additional measures through which we keep the Secretary and Congress fully and currently informed of our work.

Other Accomplishments



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

April 17, 2012

Presentations on OIG's Acquisitions Work

A Program Director from OIG's Acquisition and Procurement Audits Office, who also co-chairs the Federal Audit Executive Council Contracting Committee, organized the Council's Annual Procurement Conference. The conference featured speakers who presented on a variety of procurement topics, including the Associate Administrator for OMB's Office of Federal Procurement Policy and representatives from other Federal OIGs. Staff from OIG's Office of Acquisition

and Procurement Audits and Office of Investigations also gave presentations that highlighted the effectiveness of OIG's acquisitions work.

April 18, 2012

Presentation on Contracting and Panel Discussion on OIG's Acquisition and Procurement Audits, Investigations, and Methodologies

A Program Director from OIG's Acquisition and Procurement Audits Office provided a presentation on "Smarter Contracting Saves Taxpayer Dollars" at DOT's First

Annual Spring Acquisition Conference. OIG Acquisition and Procurement Audit staff also participated in a panel discussion on the mission and role of the office, how their work impacts DOT acquisition professionals, recent accomplishments, current reviews, and success stories that resulted from these audits. The Office of Investigations highlighted its procurement and DBE fraud teams' ongoing work, fraud prevention techniques, and grant and procurement fraud schemes. Additionally, OIG's Senior Statistician highlighted the important work of statisticians in ensuring that audits are methodologically sound.

April 23, 2012

Presentation on New Aviation Technologies in Tough Financial Times

The Deputy Assistant Inspector General for Aviation and Special Programs spoke at Aviation Week and Space Technology's NextGen Ahead Conference on "Moving Forward With New Technologies in Tough Financial Times." The Deputy Assistant Inspector General's comments focused on upgrading the existing air traffic infrastructure (communication equipment and controller automation systems) to incorporate new satellite-based systems for improving the flow of air travel. A key theme of the presentation was the need to address persistent problems with FAA's \$2.1 billion effort to replace software and hardware at the Nation's facilities that manage high-altitude traffic. The conference was attended by leaders of U.S. and foreign aerospace firms as well as various Government agencies, including the Department of Defense.

May 3, 2012

Presentation on OIG's Investigative Priorities as They Relate to FHWA

An Assistant Special Agent in Charge provided a presentation to the FHWA Director of Field Operations, South, and her respective State Division Administrators. The presentation centered on communicating OIG's investigative priorities as they relate to FHWA. Additional highlights included trends and the types of fraud schemes that our investigation offices are currently investigating.

May 7, 2012

Presentation on FAA's Fiscal Year 2013 Budget Request

The Deputy Assistant Inspector General for Aviation and Special Programs spoke at the Air Traffic Controller Association's annual conference on FAA's Fiscal Year 2013 budget request. The Deputy Assistant Inspector General focused on the importance of modernizing the National Airspace System to enhance safety, replace aging equipment, and reduce delays at congested airports. In looking at FAA's \$15.5 billion budget request, the Agency will be challenged to (1) sustain the current system and transition new NextGen technologies; (2) define the timeframes, costs, and benefits from major transformational programs; and (3) address cyber security issues. The conference was attended by aircraft and avionics manufacturers, trade associations, and airlines.

May 15, 2012

Presentation on OIG's Interim Letter Regarding Our Ongoing MWAA Audit

The Inspector General, Deputy Inspector General, and OIG Senior Executives briefed stakeholders regarding our ongoing audit work on the governance and management policies and processes of MWAA. The presentation focused on our observations to date, which indicate that weaknesses in MWAA's policies and procedures related to financial disclosures, travel, and transparency have limited MWAA's accountability to the public, Congress, and stakeholders. OIG officials also highlighted insufficient contracting policies and practices, which are insufficient to ensure compliance with provisions of the Washington Metropolitan Airports Act of 1986 as well as with its internal procurement procedures. We also discussed our preliminary assessment of Dulles Toll Road revenue estimates, suggesting that the assumptions MWAA used to arrive at the estimates are generally reasonable.

May 31, 2012

Fraud Awareness Briefing

Two Assistant Special Agents in Charge and a Program Manager from our Western regional offices presented a Fraud Awareness Briefing at the Olympia Chapter of the Association of Government Accountant's annual fraud conference. The presentation included information on OIG's fraud prevention efforts, use of computer forensics to identify fraud,

and auditing to identify fraud in airport grant programs. Conference attendees included members representing Federal, State and Local government agencies.

June 6, 2012

Briefing on OIG's Office of Investigations

The Office of Investigation's Chief of Complaint Center Operations (Hotline) and a Desk Officer provided a briefing to the International Road Federation conference on the roles and responsibilities of the Office of Investigations. The briefing was provided via Webinar. Conference attendees included individuals from transportation departments in Saudi Arabia, Jamaica, and Bangladesh.

June 7, 2012

Presentation on OIG's Efforts To Ensure Accountability Across DOT

The Deputy Inspector General and the Principal Assistant Inspector General for Investigations provided a keynote presentation, "Ensuring Accountability Through Accountability," at the Mid Atlantic Intergovernmental Audit Forum. The presentation focused on OIG's audit and investigative initiatives to ensure accountability across DOT's operating administrations by ensuring accountability within OIG. Forum participants included Federal, State, and local auditors from the Mid Atlantic chapter of the Intergovernmental Audit Forum.

June 26, 2012

Presentation on OIG's Efforts To Ensure Ethics in DOT Programs and Operations

The Deputy Inspector General and a Special Agent from OIG's New York, NY, Regional Investigations Office spoke at the Illinois Department of Transportation Ethics in the Workplace Seminar—a conference organized by OIG's Chicago, IL, Regional Investigations Office. The presentation, “Ensuring Ethical Behavior in Department of Transportation Programs and Operations,” focused on OIG's role in investigating and auditing ethics concerns in DOT programs as well as ensuring OIG employees comply with Federal ethics standards; the net effects of public malfeasance; and the major components of ethical government.

June 27, 2012

Presentation on Cyber Security and the U.S. Air Transportation System

The Deputy Assistant Inspector General for Aviation and Special Programs spoke at the Air Traffic Control Association's conference on emerging issues with cyber security and the air transportation system. The Deputy Assistant Inspector General emphasized the importance of safeguarding the National Airspace System from malicious cyber attacks. A key theme for the discussion focused on the need for

FAA to be proactive in assessing risks to current systems as well as new satellite-based systems for communications, navigation, and surveillance that will form the cornerstone of a new air traffic system. The conference was attended by aerospace companies, trade associations, and various Federal agencies.

July 16, 2012

Presentation on Lessons Learned From ARRA

The Assistant Inspector General for Highway and Transit Audits presented “Lessons Learned and Future Implications from the ARRA Era” at the annual conference of the Audit Subcommittee, American Association of State Highway and Transportation Officials. The presentation focused on OIG's broad range of ARRA audit and investigative work, paying particular attention to reviews related to the \$8 billion provided for local highway and bridge projects and FHWA's oversight of contracting issues. Conference participants included State auditors and program staff, as well as private sector consultants.

August 1, 2012

Presentation on Recent OIG Work on the Federal Contract Tower Program

The Assistant Inspector General for Aviation and Special Programs spoke at the American Association of Airport Executive's Annual "Contract Tower Program Workshop." The Assistant Inspector General's comments focused on recent OIG audit work, including a summary of a July 18, 2012, testimony before the House Subcommittee on Aviation regarding FAA's Contract Tower Program, which noted that while contract towers provide safe and cost-efficient air traffic control services and users strongly support them, some improvements are needed in the areas of voluntary self-reporting programs and recurring evaluations. The conference was attended by airport managers, officials from the firms that provide contract tower services, and FAA representatives.

September 13, 2012

Presentation on OIG's Efforts To Ensure Accountability Across DOT

The Deputy Inspector General presented "Ensuring Accountability Through Accountability" at the Southeastern Intergovernmental Audit Forum. The presentation focused on OIG's audit and investigative initiatives to ensure accountability across DOT's operating administrations by ensuring accountability within OIG. Forum

participants included Federal, State, and local auditors from the Southeastern chapter of the Intergovernmental Audit Forum.

September 17, 2012

Presentation on OIG's Rail Work

The Assistant Inspector General for Rail, Maritime, and Economic Analysis spoke at the Rail Transportation Annual Meeting, sponsored by the American Association of State Highway and Transportation Officials Standing Committee, on the role of the Inspector General as well as a discussed recently issued, in process, and planned rail-related products. Participants included State transportation officials, Amtrak, freight railroad representatives, and other interested parties from the private sector.

September 18, 2012

Presentation on Closing the Business Case for Several Major FAA NextGen Initiatives

The Deputy Assistant Inspector General for Aviation and Special Programs spoke at the Avionics for NextGen Conference on closing the business case for several major FAA initiatives that require joint investment by the Government and airspace users. The Deputy Assistant Inspector General highlighted the results of a recent OIG report on progress with developing near-term initiatives at metroplex locations—

major cities with several busy airports, such as New York. The key to closing the business case for airspace users and realizing benefits of new cockpit technologies—depends on addressing a number of barriers, including refining new flight procedures, improving controller training, and resolving policy issues about how to handle diverse aircraft with different capabilities in congested airspace. The conference was attended by U.S. and foreign aerospace companies and various U.S. Government agencies.

September 20, 2012

“Wanted Fugitives” Link Added to OIG Web Site

OIG created a “Wanted Fugitives” link on its Web site to elicit credible tips to locate and bring to justice defendants charged with transportation-related crimes and who have fled the court’s jurisdiction.

Work Planned and In Progress

This section describes OIG's work planned or in progress for October 1, 2012, through March 31, 2013. The work focuses on the Department's Strategic Plan and responds to requests by Administration officials and Congress. We take into account the need to support DOT's most critical programs and to ensure that the Department's resources are protected from fraud, waste, and abuse.

AVIATION AND SPECIAL PROGRAMS

IN PROGRESS

FAA's Controller Facility Training Program

FAA plans to hire and train nearly 11,000 new air traffic controllers through fiscal year 2020 to offset impending retirements. Training and certifying these large numbers of newly hired controllers pose significant challenges for FAA. Over the past 2 years, average training times for controllers assigned to terminal facilities increased significantly, primarily due to the increased number of new hires who have no prior air traffic experience. In addition, some facilities have experienced high training attrition rates. For example, at New York Terminal Radar Approach Control, 77 percent of new controllers who completed facility training between fiscal years 2008 and 2010 did not successfully complete controller certification. Given these challenges, our audit objectives are to (1) identify steps FAA has taken to improve the facility training program for air traffic controllers and (2) assess the effectiveness of those steps in improving training times, staffing composition, and training completion rates.

FAA Oversight of Aircraft Repair Stations

At the request of the former Chairman of the House Transportation and Infrastructure's Subcommittee on Aviation, OIG is assessing U.S. airlines' use of aircraft repair stations. The objectives of our audit are to (1) examine changes FAA has made to its repair station oversight, (2) assess the effectiveness of these changes in bolstering FAA's oversight of both domestic and foreign repair stations, and (3) identify challenges to effective oversight that FAA still needs to address.

FAA's Terminal Automation Modernization Program

FAA plans to invest about \$1 billion through 2018 to modernize terminal automation systems that controllers rely on to manage air traffic near airports. This effort is key to replacing aging equipment and achieving FAA's goals for NextGen. Our audit objectives are to determine whether FAA's (1) acquisition strategy for terminal modernization effectively addresses technological and operational

risks and (2) terminal modernization efforts are compatible with key NextGen programs and schedules.

FAA and Air Carrier Efforts To Enhance Safety in Response to the Colgan Accident

At the request of the Chairman and Ranking Member of the House Committee on Transportation and Infrastructure, we are reviewing FAA and industry efforts to enhance safety. Since the fatal crash of Colgan Air flight 3407 in February 2009, FAA, Congress, and air carriers have recognized the need for safety initiatives that address pilot fatigue, training, and professionalism. These initiatives, while ongoing, were not completed during FAA's Call to Action on Airline Safety and Pilot Training and subsequently became requirements under the Airline Safety and FAA Extension Act of 2010. Accordingly, we are (1) examining FAA and industry progress in implementing elements of the Airline Safety and FAA Extension Act of 2010 and (2) identifying any challenges to completing these actions.

FAA's Aviation Safety Inspector and Analyst Staffing

The Airline Safety and FAA Extension Act of 2010 directed OIG to review staffing levels for FAA's aviation safety inspectors and operations research analysts. The 2009 Colgan crash raised concerns about the experience and numbers of inspectors and analysts assigned to oversee air carriers and

review inspection data. Accordingly, our audit objectives are to (1) determine the status of FAA's implementation of its new staffing model, (2) evaluate the process FAA uses to assess the number and level of experience of inspectors and analysts assigned to each part 121 carrier, and (3) evaluate FAA's use of other surveillance processes to supplement the inspections performed by assigned oversight offices.

Challenges and Risks With Automatic Dependent Surveillance-Broadcast (ADS-B) Implementation

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

Aviation Safety Information Analysis and Sharing (ASIAS) System

The Airline Safety and FAA Extension Act of 2010 directed OIG to assess the feasibility of FAA establishing a comprehensive repository

containing data from multiple sources that is accessible by aviation safety inspectors and analysts. FAA's ASIAS system contains data from numerous safety databases, including the Aviation Safety Action Program and other voluntary safety reporting programs. In the past, access to such data has been limited. Our audit objectives are to assess FAA's (1) progress in implementing ASIAS, (2) process and plan for allowing system access at both field and headquarters levels, and (3) use of ASIAS data to assist in commercial air carrier safety oversight.

Underlying Causes for Limited Progress With NextGen

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

Air Carrier Flight Delays, Cancellations, and Associated Causes

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

FAA's Efforts To Streamline Its Process for Implementing New Performance-Based Flight Procedures

In 2009, RTCA Task Force 5—a joint FAA-industry task force—completed an assessment and identified near-term performance-based flight procedure priorities for the 2012 to 2018 timeframe. Key recommendations focus on developing high-value flight procedures that rely on equipment already onboard aircraft and resolving longstanding approval and certification issues for new flight procedures. In response to the Task Force's recommendations, FAA performed a study (the NAV Lean Project) that identified 21 needed improvements. However, these improvements could take as long as 5 years to complete, and new flight procedures are not yet yielding expected

benefits—raising congressional and industry concern. At the request of the Chairmen of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we are assessing FAA’s progress in (1) providing new high-value performance-based navigation procedures and (2) implementing improvements recommended by the NAV Lean Project.

Air Traffic Controller Scheduling Practices

The FAA Modernization and Reform Act of 2012 required OIG to review FAA’s air traffic controller scheduling practices, mandating that the review include an assessment of FAA’s process for determining controller schedules. Accordingly, our audit objectives are to (1) determine the impact that controller scheduling practices have on safety and air traffic controller performance, (2) evaluate the cost effectiveness of controller scheduling practices, and (3) assess air traffic control facilities’ compliance with FAA scheduling policies.

FAA’s Oversight of the Voluntary Disclosure Reporting Program

In 2006, FAA established the Voluntary Disclosure Reporting Program (VDRP), which allows air carriers to voluntarily report adverse safety issues to the Agency in exchange for immunity from FAA enforcement actions. While this program provides an important opportunity to identify and mitigate safety issues that might not otherwise come to FAA’s attention, it also requires close monitoring to

ensure the program is not misused. The FAA Modernization and Reform Act of 2012 included a mandate that OIG examine FAA’s oversight of VDRP. Accordingly, our audit objectives are to determine whether FAA (1) ensures that air carrier disclosure reports meet FAA requirements prior to acceptance into VDRP and (2) evaluates the effectiveness of air carrier corrective actions prior to closing the reports.

Los Angeles International Airport Revenue Use

FAA regulations and Federal statutes require that airport revenue be used for the airport’s operating and capital costs. Using any airport-generated funds for non-airport purposes constitutes illegal revenue diversion and is grounds for FAA remediation—including withholding of grants. Our office has received requests by several Members of Congress to review allegations of revenue diversion at Los Angeles International Airport. Accordingly, our audit objective is to evaluate FAA’s oversight of the airport’s revenue use.

PHMSA Oversight and Enforcement of the State Pipeline Safety Program

The September 2010 pipeline explosion in San Bruno, CA—which killed eight and destroyed 37 homes—as well as other recent accidents called into question the effectiveness of Federal and State oversight and enforcement of pipeline operators’ compliance with federally mandated safety requirements. Our objectives are to assess PHMSA’s policies and processes

for (1) executing the State Pipeline Safety Program and (2) verifying States execute their pipeline safety oversight and enforcement responsibilities.

PLANNED

FAA's Surface Surveillance Programs for Runway Safety

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

FAA Policy Regarding Use of Unmanned Aerial Systems (UAS)

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security, as well as the Chairmen and Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we plan to conduct an audit to assess FAA's (1) efforts to mitigate safety risks for integrating UAS into the National Airspace System and (2) progress and

challenges in meeting the UAS requirements of the FAA Modernization and Reform Act of 2012.

DOT Oversight and Enforcement of Selected Airline Passenger Protection Rules

OIG's work over the past decade has consistently shown that strong oversight of airline passenger protections is needed. We recommended several actions that DOT has taken to strengthen the accountability, enforcement, and the protection afforded to air travelers. We plan to assess the effectiveness of DOT's oversight and enforcement of airline passenger protection requirements, including air carriers' compliance with requirements relating to (1) lengthy tarmac delays, (2) flight delay information, (3) chronically delayed flights, (4) customer service plans, and (5) consumer complaints.

FAA Data Communications

DataComm, a NextGen transformational program, is expected to provide digital communications with data link capability for routine pilot-controller communications, including air traffic clearances, advisories, and flight crew requests and reports. Airspace users have raised significant concerns about DataComm's development, and industry and FAA have not reached consensus on how to implement the technology. We plan to conduct an audit to determine (1) whether FAA's acquisition strategy for DataComm addresses the cost, schedule, and performance risks

associated with FAA's NextGen plans and goals and (2) whether there are difficulties or uncertainties in integrating new DataComm services with existing or planned automation platforms, such as the Standard Terminal Automation Replacement System and ERAM.

Air Traffic Controller Productivity

Since 2000, air traffic operations have dropped by 21 percent while controller staffing levels have remained essentially unchanged, resulting in controller productivity dropping by nearly 23 percent over this time frame. FAA introduced several initiatives in its initial controller workforce plan that it stated would improve operational productivity and encourage efficiency within the controller workforce. However, it is unclear whether these initiatives are achieving the promised efficiencies. We plan to review operational data to determine

(1) controller productivity and factors that may impact controller productivity and (2) whether FAA's productivity and efficiency initiatives are producing the desired outcomes.

DOT's Transportation Employee Drug and Alcohol Testing Program

The Transportation Employee Testing Act of 1991 requires drug and alcohol testing of safety-sensitive transportation employees in aviation, trucking, railroads, mass transit, pipelines, and other transportation industries. For DOT this is roughly 12.1 million people of which 3 million are contract workers. We plan to assess the effectiveness of DOT's Office of Drug and Alcohol Policy and Compliance oversight of operating administrations' implementation of their respective drug and alcohol testing programs.

HIGHWAY AND TRANSIT PROGRAMS

IN PROGRESS

FHWA's Full Oversight of ARRA Projects

OIG is conducting an audit of FHWA's oversight of ARRA projects for which FHWA has retained full oversight—that is, project-level approval responsibilities for project design, plans, specifications, estimates and contract awards, and inspections. These responsibilities are typically delegated to States in accordance with Stewardship and Oversight Agreements. Our objectives are to (1) determine whether FHWA's full oversight inspections detected instances of noncompliance with select Federal requirements and (2) assess whether FHWA's oversight guidance adequately defines full oversight activities to ensure a comprehensive review of full oversight projects during construction.

FHWA's Highway Safety Improvement Program (HSIP)

HSIP is a data-driven and performance-based program that aims to significantly reduce traffic fatalities and serious injuries on public roads. OIG is assessing whether FHWA (1) provides sufficient guidance and assistance to enable States to effectively implement the data-driven, performance-based approach called for in HSIP's enabling legislation and (2) evaluates HSIP results, which States report to FHWA annually, to determine the program's impact.

Dulles Corridor Metrorail Project, Phase 2

At the request of Representatives Frank R. Wolf and Tom Latham, OIG is conducting an audit of phase 2 of the Dulles Corridor Metrorail Project in Northern Virginia. Our objectives are to (1) evaluate FTA's oversight role and determine whether its approach will address project risks and (2) review the phase 2 financial plan and determine whether anticipated Dulles Toll Road revenue expectations are based on credible and supportable toll road demands and forecasts.

NHTSA Oversight of Highway Safety Grants to the State of Mississippi

Over the past 4 years, NHTSA provided more than \$57 million in highway safety grants to Mississippi's State Office of Highway Safety (MOHS); in 2011, NHTSA placed the State of Mississippi Highway Safety Program on its "high risk" list. Accordingly, OIG is conducting an audit of the Mississippi MOHS's management of highway safety grants. Our objectives are to (1) determine whether MOHS sufficiently administered the highway safety grant program to ensure compliance with Federal grant requirements and (2) assess NHTSA's oversight of MOHS's compliance with Federal grant requirements.

Federal Lands Highways Indian Reservation Roads (IRR) Program

FHWA's IRR program provides financial resources and technical assistance for public roads that service the needs of Indian lands. For fiscal years 2005 through 2011, the program received \$3.17 billion, including \$310 million provided by ARRA. Our objectives are to assess whether FHWA is (1) effectively coordinating with the Bureau of Indian Affairs to administer and manage the IRR program and (2) providing adequate oversight of projects.

FTA's National Transit Database (NTD)

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

New York City Major Projects: East Side Access Project

FTA has committed to investing almost \$2.7 billion in Federal funds for the East Side Access project, one of the largest and most complex transit projects in the country. Though it is in construction, the East Side Access project has experienced billions in cost increases and years of schedule delays. Our objectives are to evaluate whether FTA's efforts have ensured that (1) the East Side Access project's current plans will mitigate cost, schedule, and local funding risks and (2) ARRA funding and oversight requirements were met.

Follow-up Audit on Cross-Border Trucking

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

FHWA Oversight of Unexpended ARRA Obligations

ARRA established tight timeframes for the use of over \$27 billion invested in highway infrastructure projects. As of September 2012, approximately \$1.6 billion, or 6 percent, of the ARRA funds that States obligated to projects had not been expended. We initiated two related audits. The objectives of the first audit are to (1) assess FHWA's controls for monitoring unexpended ARRA obligations and (2) identify unexpended ARRA funds at risk of not being expended before final deadlines. The objective of the second audit is to determine whether FHWA's policies, procedures, and management activities result in the prompt and appropriate use or return of unexpended ARRA funds.

PLANNED

DOT's Efforts to Implement Moving Ahead for Progress in the 21st Century Act (MAP-21) Project and Program Delivery Requirements

The new surface transportation authorization, MAP-21, was enacted in July 2012 and included program reforms designed to reduce project delivery time and costs while protecting the environment, such as allowing for early right-of-way acquisitions, encouraging early coordination between relevant agencies to avoid delays later in the environmental impact review process, and accelerating project delivery decisions within specified deadlines. MAP-21 directs OIG to assess the Department's related efforts, within 2 years of enactment of MAP-21.

FHWA's Efforts to Improve Operational Efficiency

FHWA's 3,000 staff are decentralized across headquarters, 52 State division offices, and other smaller field activities. As Federal and State funds available for overseeing FHWA programs decrease, FHWA needs to effectively manage its resources to meet current and future risks with little to no duplication of efforts. We plan to (1) evaluate FHWA's actions to improve operational efficiency and (2) review selected FHWA operations and organizational structures to identify opportunities to increase efficiency.

Final Audit of the NAFTA Pilot Program

OIG plans to conduct the final in a series of three congressionally mandated audits of FMCSA's NAFTA cross-border trucking pilot program. We will assess whether (1) the pilot program consists of an adequate and representative sample of Mexico-domiciled carriers that are likely to engage in cross-border operations beyond U.S. municipalities and commercial zones on the U.S.–Mexico border, (2) Federal and State monitoring and enforcement activities are sufficient to ensure that pilot program participants comply with all applicable laws and regulations, and (3) the Department has established sufficient mechanisms to determine whether the pilot program is adversely affecting motor carrier safety.



RAIL AND MARITIME PROGRAMS AND ECONOMIC ANALYSIS

IN PROGRESS

MARAD Oversight and Coordination of Port Infrastructure Development Projects

Since 2003, MARAD has played a key role in overseeing and coordinating port infrastructure development projects, acting as a central procurement organization, leveraging Federal and non-Federal funding resources, and streamlining environmental review and permit processes. OIG is assessing MARAD's (1) oversight and risk management of port infrastructure development projects and (2) oversight of port infrastructure projects' contract awards and administration.

FRA's Progress in Implementing the Rail Safety Improvement Act of 2008

In response to several fatal rail accidents between 2002 and 2008, Congress passed the Rail Safety Improvement Act of 2008 (RSIA)—the first authorization FRA's safety programs since 1994—which directs FRA to promulgate new safety regulations. OIG is assessing FRA's progress in (1) developing and issuing the new regulations and (2) establishing or modifying policies and procedures to ensure compliance with the new RSIA-required regulations.

Amtrak's Financial Accounting and Reporting System

Section 203(b) of PRIIA mandates OIG to conduct an audit of the Amtrak Performance Tracking (APT) system, Amtrak's financial accounting and reporting system. Accordingly, we are assessing whether APT (1) allocates all of Amtrak's revenues to each of its routes, lines of business, and major activities; (2) assigns all of Amtrak's fully allocated costs to each of its routes, lines of business, and major activities in accordance with standard cost accounting practices; and (3) calculates all of Amtrak's avoidable costs with respect each of its routes using a sound methodology.

FRA's National Environmental Protection Act Process

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

PLANNED

Effects of Limited Air Service Options on Quality of Service

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

Amtrak Annual Budget and 5-Year Plan

Pursuant to Section 204 of PRIIA, OIG plans to review the annual budget and the 5-year financial plans prepared by Amtrak to determine whether they meet the requirements of PRIIA and furnish any relevant findings to the House Committee on Transportation and Infrastructure; the Senate Committee on Commerce, Science, and Transportation; and the House and Senate Committees on Appropriations.

FRA's Progress in Implementing the Provisions of the Passenger Rail Investment and Improvement Act of 2008

As required by Section 221 of PRIIA, OIG plans to assess FRA's implementation of the provisions of this act. Our audit objectives will be to (1) evaluate FRA's progress in implementing its PRIIA responsibilities and (2) determine how the status of FRA's implementation of its PRIIA responsibilities impacts the improvement and expansion of intercity passenger rail.

FINANCIAL AND INFORMATION TECHNOLOGY

IN PROGRESS

Quality Control Review of Standards for Attestation Engagements (SSAE-16) Review of DOT's Enterprise Services Center

OIG is performing a quality control review of the audit performed by an independent public accounting firm to determine whether (1) management's description of the service organization's systems are fairly presented; (2) controls are suitably designed; and (3) controls operate effectively during the period of October 1, 2011, to June 30, 2012.

DOT's Information Security Program and Practices for Fiscal Year 2012

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

Security Protection of Airmen Registry Systems

OIG is assessing FAA's registry systems for airmen certification, rating, and authorization to determine whether (1) personally identifiable information is secure from unauthorized use or access, (2) information in the registry systems is sufficient for managing aircraft registrations and airmen's records, and (3) registry contingency

planning ensures FAA's continued ability to accomplish its mission of aviation safety.

DOT's Common Operating Environment Assessment

The Common Operating Environment (COE), DOT's largest non-FAA network, supports the Department in fulfilling its missions. It also contains considerable amounts of personally identifiable information. Accordingly, DOT needs to protect COE and the availability, integrity, and confidentiality of its information. OIG is performing a review of COE to (1) determine whether it is secure from compromise and (2) identify other security weaknesses.

FAA's Air Traffic Control System Command Center

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

Quality Control Review of DOT's Fiscal Years 2012 and 2011 Consolidated Financial Statements, and FAA's, SLSDC's, and NTSB's Financial Statements

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

Quality Control Reviews of Single Audits on DOT Grantees

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

DOT's Purchase Card Program

OIG is performing an audit of DOT's purchase card program. Issued via the General Services Administration's SmartPay® program, these cards offer a convenient and efficient way for Government agencies to purchase a wide variety of goods and services. In fiscal year 2010, DOT employees made more than \$200 million in purchases with purchase cards. Recent OIG investigations have identified internal control issues within the program that have led to instances of fraud. We are assessing the adequacy of controls established to prevent and detect inappropriate or unauthorized use of DOT-issued purchase cards.

FTA's Improper Payment Controls

The Improper Payments Information Act of 2002 holds Federal agencies accountable for preventing and detecting improper payments in their programs. More recent legislation has implemented consequences for noncompliance with statutory requirements for the reduction and recovery of improper payments. The Department has identified FTA's Formula Grant and Capital Investment Grant Programs as susceptible to significant improper payments; 99 percent of FTA's ARRA funds were awarded through these programs. We are assessing FTA's internal controls to determine if they are adequate to prevent and detect improper payments to ARRA grant recipients.

Union Station Redevelopment Corporation

At the request of Representatives Nick J. Rahall II and Eleanor Holmes Norton, OIG is performing an audit of the management and financial viability of the Union Station Redevelopment Corporation (USRC). Our objectives are to (1) conduct a quality control review of USRC's latest financial statement audit to determine if the audit was performed in accordance with applicable standards and (2) assess the adequacy of USRC's oversight of Union Station's development.

PLANNED

Quality Control Review of Standards for Attestation Engagements (SSAE-16) Review of DOT's Enterprise Services Center

OIG will perform a quality control review of the audit performed by an independent public accounting firm to determine whether (1) management's description of the service organization's systems are fairly presented; (2) controls are suitably designed; and (3) controls operate effectively during the period of October 1, 2012, to June 30, 2013.

DOT's Information Security Program and Practices for Fiscal Year 2013

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

DOT's Privacy Management Program

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

FAA's Air Traffic Organization Network Assessment

The FAA Air Traffic Organization (ATO) network is critical in supporting FAA in fulfilling its mission to move air traffic safely and efficiently. This network is used to support the work performed by 35,000 controllers, technicians, engineers, and support personnel. Accordingly, FAA needs to protect the ATO network and the availability, integrity, and confidentiality of its information. OIG will perform a review of the ATO network to (1) determine whether it is secure from compromise and (2) identify other security weaknesses.

DOT's Travel Card Program

OIG will perform an audit of DOT's travel card program. Issued via the General Services Administration's SmartPay® program, these cards are used by DOT employees to pay for travel expenses related to official government travel. In fiscal year 2011, DOT employees made 1.2 million payments or charges totaling \$172 million on their travel cards. A prior DOT audit on the use of travel cards identified instances of employees abusing their travel cards by charging personal purchases, withdrawing cash in excess of their needs, and not paying their bills on time. We will assess DOT's internal controls to determine their effectiveness in preventing and detecting travel charge misuse.

DOT Drug Control Reporting

OIG will perform a review of the reasonableness of the Fiscal Year 2012 NHTSA and FAA Drug Control Funds Summary Reports submitted to the Office of National Drug Control Policy.

Quality Control Review of DOT's Fiscal Years 2013 and 2012 Consolidated Financial Statements, and FAA's, SLSDC's, and NTSB's Financial Statements

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

Earned Value Management

OIG and GAO have previously reviewed DOT's use of earned value management (EVM)—a tool to plan, execute, and control IT project costs and schedule—and have made recommendations to implement EVM. However, there has been limited follow-up to determine the status of DOT's EVM implementation and assess its guidelines' compliance with EVM legislation, policy, and standards. We plan to assess DOT's (1) management and monitoring of IT investments against their approved performance measurement baselines; (2) controls to ensure the IT Investment Manager performs EVM as an integral part of standard investment management operations, (3) performance measurement baselines for IT

investments, and (4) methodology for analyzing and using EVM data to assess and monitor contract performance.

Review of DOT's Reducing Over-Classification Program

On October 7, 2010, the President signed legislation to decrease over-classification and promote information sharing across the Federal Government and with State, local, tribal, and private sector entities. The act also directs Federal Inspectors General to assess the effectiveness of agency classification policies. We plan to (1) assess whether applicable classification policies, procedures, rules, and regulations have been effectively administered within DOT; (2) identify policies, procedures, rules, regulations, or management practices that may be contributing to persistent misclassification of material within DOT; and (3) evaluate DOT's classification training program.

ACQUISITION AND PROCUREMENT

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

IN PROGRESS

DOT's Administration of the Disadvantaged Business Enterprise Program

DOT's DBE program distributes approximately \$3 billion annually to increase the participation of socially and economically disadvantaged firms in State and local contract awards. OIG is reviewing DOT's management and oversight of its DBE program. Specifically, we are assessing DOT and State policies, internal controls, and program management to determine whether they are adequate to ensure only eligible firms are certified as DBEs and funds are effectively used to meet the program's objectives.

Update on FAA's Challenges for the Air Traffic Controller Optimum Training Solution (ATCOTS) Contract

At the request of the Chairman of the Senate Homeland Security and Governmental Affairs Committee's Subcommittee on Contracting Oversight, OIG is conducting a follow-up audit of FAA's ATCOTS contract, an \$859-million contract

intended to provide up to 10 years of controller training support and to assist in modernizing the training program. In September 2010, we reported that the ATCOTS contract faces challenges. Our audit objectives are to determine whether FAA (1) implemented our prior reported recommendations to improve program and contract oversight, (2) established effective performance measures to support ATCOTS training goals, and (3) can achieve ATCOTS training goals under the current contract.

Departmental Governance Processes for Major IT Acquisitions

DOT's Investment Review Board (IRB) and FAA's Joint Resources Council (JRC) are executive governance boards responsible for approving and overseeing the annual investment of billions of dollars in major systems acquisitions. Within DOT, FAA manages most of the Department's major IT investments; in fiscal year 2012, FAA is expected to spend approximately \$2 billion (94 percent) of DOT's estimated \$2.2 billion major IT investment portfolio. We are assessing DOT's and FAA's compliance with IRB and JRC investment controls and governance processes, and whether

these processes are structured to effectively oversee FAA’s major program acquisitions.

DOT’s Administration of Cost-Reimbursable Contracts

In fiscal year 2010, DOT obligated \$1.7 billion for new cost-reimbursable contracts. However, this contract type carries a significant risk of overspending because it shifts cost risk from the contractor to the Government. Recent legisla-

tion requires that Federal Inspectors General review their agencies’ use of these contracts for compliance with Federal acquisition regulations. Accordingly, we are assessing DOT’s compliance with the Federal acquisition regulations revisions resulting from Section 864(a) of the Duncan Hunter National Defense Authorization Act, which addresses the proper use and management of cost-reimbursement contracts.

Office of Acquisition and Procurement Joint Audits in Progress

In Progress	Partner Office	Objective
MARAD’s Oversight and Coordination of Port Infrastructure Development Projects	Rail and Maritime Programs and Economic Analysis	Evaluate MARAD’s oversight of port infrastructure projects’ contract awards and administration

PLANNED

DOT’s Contract Closeout Processes

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

Contract Audit Support Services

The FAR requires annual post-award reviews of contractors’ incurred costs to establish annual rates for cost-reimbursable contracts. Since fiscal year 2009, Defense Contract Audit Agency (DCAA) pre-award audits obtained by DOT agencies—other than FAA—have decreased by more than 70 percent. Between fiscal years 2008 and 2011, the number of DCAA’s incurred cost audits of DOT’s cost-reimbursable contracts also declined, from 140 to less than 20. We plan to conduct an audit to determine whether DOT and its operating administrations obtain contract audit services according to acquisition regulations and guidance, and perform sufficient alternate procedures when audit services are not obtained.

FTA Oversight of Grantees' Contract Award and Administration Practices

FTA has awarded billions of dollars for transit projects involving the construction and renovation of transit facilities and preventative maintenance. We plan to conduct an audit to determine whether FTA's oversight of transit agencies' construction and renovation grants is sufficient to ensure (1) that grantees' contract award and administration practices comply with laws, regulations, policies, and procedures and (2) that grantees achieve the cost, schedule, and performance goals of their infrastructure investments.

Participation in FAA's Airport Disadvantaged Business Enterprise Program

Under FAA's DBE program, an airport receiving Federal grants must establish an annual aspirational goal that reflects what DBE participation would be in the absence of discrimination. In achieving its goal, an airport seeks to award contracts—procurement, construction, professional services, or concessions—to women and minority-owned small businesses. However, based on congressional concerns that discrimination

against such firms continues, Congress directed OIG to identify significant obstacles for new airport DBE entrants, including those owned by veterans. We will also identify any steps that large and medium hub airports have taken to facilitate participation by newly certified DBE firms, and the significant reasons for any differences between the two.

Volpe Center's Use of Interagency Agreements (IAA) to Fulfill DOT Projects

DOT's Volpe Center provides analytical, scientific, and engineering project support to DOT, other Federal agencies, and non-Federal agencies. Rather than receive direct appropriations from Congress, Volpe projects are funded through fees-for-service, which entails recovering costs through IAAs with its customers. For fiscal year 2012, Volpe requested \$250 million in budget authority to support customers' projects using a workforce of approximately 500 Federal employees. We plan to assess Volpe's IAA process for ensuring recently completed projects meet cost, schedule, and technical requirements, as well as Volpe's project and financial controls for ensuring timely reimbursement of excess funds.

DOT's Use of Management Support Services Contracts

The Office of Management and Budget's procurement reforms focus on improving agencies' planning and use of management support services contracts. DOT relies heavily on support services contracts to meet its mission needs. However, DOT frequently obtains these services using contract vehicles that pose cost risks to DOT, such as time-and-materials or cost-

reimbursable pricing methods. Such contracts are also more complex to manage and oversee, which poses challenges to DOT's acquisition workforce and its contracting officer technical representatives who work first-hand to monitor contractor performance. We plan to conduct an audit to determine whether DOT (1) structures management support service contracts with clear requirements to reduce risks and maximize competition and (2) maintains effective processes to oversee such contracts.

Summary of Performance

Office of Inspector General

April 1 – September 30, 2012

(Dollars in Thousands)

Reports Issued	105
Recommendations Issued	355
Congressional Testimonies	5
Total Financial Recommendations	\$349,212
That Funds Be Better Used	\$336,000
Questioned Costs	\$13,212
Indictments	59
Convictions	62



Audits

Completed OIG Reports

April 1 – September 30, 2012

(Dollars in Thousands) *

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds To Be Put to Better Use
Internal Audits					
Performance Audits	18	124	\$0	\$0	\$336,000
Financial Audits	0	0	\$0	\$0	\$0
Attestation Engagements	0	0	\$0	\$0	\$0
Other OIG Reports	0	0	\$0	\$0	\$0
Total Internal Audit Reports	18	124	\$0	\$0	\$336,000
Grant Audits					
Audits of Grantees under Single Audit Act	87	231	\$13,212	\$0	\$0
Total Completed OIG Reports	105	355	\$13,212	\$0	\$336,000

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

Department of Transportation programs and operations are primarily carried out by Department personnel and recipients of Federal grants. As a result, audits by DOT's Office of Inspector General generally fall into three categories: internal audits of departmental programs and operations, audits of grant recipients, and other OIG reports.

OIG Reports With Recommendations That Questioned Costs

April 1 – September 30, 2012

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs ^a
A. For which no management decision had been made by the start of the reporting period	5	6	\$1,222	\$0
B. Which were issued during the reporting period	19	28	\$13,212	\$0
Totals (A+B)	24	34	\$14,434	\$0
C. For which a management decision was made during the reporting period	18	27	\$10,768	\$0
(i) dollar value of disallowed costs ^b	15	24	\$10,687	\$0
(ii) dollar value of costs not disallowed ^b	3	3	\$106	\$0
D. For which no management decision had been made by the end of the reporting period	6	7	\$3,666	\$0

^a Unsupported costs are also included in the figures shown as questioned costs.

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

OIG Reports With Recommendations That Funds Be Put To Better Use

April 1 – September 30, 2012

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Funds to Be Put To Better Use
A. For which no management decision had been made by the start of the reporting period	1	1	\$426
B. Which were issued during the reporting period	2	2	\$336,000
Totals (A+B)	3	3	\$336,426
C. For which a management decision was made during the reporting period	2	2	\$336,000
(i) dollar value of recommendations that were agreed to by management ^a	1	1	\$157,000
(ii) dollar value of recommendations that were not agreed to by management ^a	1	1	\$179,000
D. For which no management decision had been made by the end of the reporting period	1	1	\$426

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

OIG Reports Recommending Changes for Safety, Economy, or Efficiency

April 1 – September 30, 2012

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	40	104
B. Which were issued during the reporting period	92	325
Totals: (A+B)	132	429
C. For which a management decision was made during the reporting period ^a	112	335
D. For which no management decision had been made by the end of the reporting period ^a	38	94

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

Management Decisions Regarding OIG Recommendations

April 1 – September 30, 2012

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs ^a	Funds To Be Put to Better Use
Unresolved as of 4/1/2012	43	111	\$1,222	\$0	\$426
Audits with Findings During Current Period	93	355	\$13,212	\$0	\$336,000
Total to be Resolved	136	466	\$14,434	\$0	\$336,426
<i>Management Decisions:</i>					
Audits Prior Period ^b	29	69	\$709	\$0	\$0
Audits Current Period ^b	86	295	\$10,059	\$0	\$336,000
Total Resolved	115	364	\$10,768	\$0	\$336,000
<i>Aging of Unresolved Audits ^c</i>					
Less than 6 months old	21	60	\$3,153	\$0	\$0
6 months – 1 year	8	16	\$20	\$0	\$0
1 year – 18 months	6	12	\$493	\$0	\$426
18 months – 2 years	3	8	\$0	\$0	\$0
Over 2 years old	2	6	\$0	\$0	\$0
Unresolved as of 09/30/2012	40	102	\$3,666	\$0	\$426

^a Unsupported costs are also included in the figures shown as questioned costs.

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

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

Office of Inspector General Reports

April 1 – September 30, 2012

DEPARTMENTWIDE

Internal Audits: Performance – 1 report

Report	Date	Title	Focus of Report/ Recommendations
FI-2012-086	04/17/2012	DOT Does Not Have an Effective Enterprise Architecture Program for Management of Information Technology Changes	DOT does not have a departmentwide Enterprise Architecture (EA) plan, having delegated authority to its components. The components' EA programs are incomplete and outdated. Neither the Department nor the components sufficiently address IT security in their IT investment planning and management. Furthermore, DOT does not have procedures for EA assessment, and consequently, cannot measure the status and progress of its components' EAs.

Grant Audits: Audits of Grantee Under Single Audit Act – 4 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2012-149	07/17/2012	State of Ohio	The State Auditor's work, as it related to DOT's major program, was Acceptable. The audit work met the requirements of the Single Audit Act, OMB Circular A-133, and the Federal Highway Planning and Construction Cluster. OIG found nothing to indicate the State Auditor's opinion on DOT's major program was inappropriate or unreliable.
QC-2012-150	07/17/2012	State of Florida	The Auditor General's work, as it related to DOT's major programs, was Acceptable. The audit work met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. OIG found nothing to indicate that the Auditor General's opinions on DOT's major programs were inappropriate or unreliable.

QC-2012-153	07/25/2012	State of Mississippi	The State Auditor's work, as it related to DOT's major program, was Acceptable. The audit work met the requirements of the Single Audit Act, OMB Circular A-133 and DOT's major program. OIG found nothing to indicate the State Auditor's opinion on the DOT major program was inappropriate or unreliable.
QC-2012-154	07/25/2012	State of Delaware	KPMG, LLP's work, as it related to DOT's major programs, was Acceptable. The audit work met the requirements of the Single Audit Act, OMB Circular A-133 and DOT's major programs. OIG found nothing to indicate KPMG's opinions on DOT's major programs were inappropriate or unreliable.

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance – 6 reports

Report	Date	Title	Focus of Report/ Recommendations
AV-2012-094	04/23/2012	Status of Transformational Programs and Risks To Achieving NextGen Goals	FAA has not established total program costs, schedules, or performance baselines for any of the six NextGen transformational programs, which limits visibility into the total costs and timelines required to achieve benefits.
AV-2012-151	07/17/2012	Success of FAA's Long-Term Plan for Air Traffic Facility Realignments and Consolidations Depends on Addressing Key Technical, Financial, and Workforce Challenges	Successful implementation of FAA's plans will depend on addressing key challenges—such as aligning ongoing construction projects, making critical technical decisions, coordinating with NextGen offices, finalizing cost estimates, and addressing the impacts of consolidations on the workforce and affected communities.
AV-2012-152	07/19/2012	Long-Term Success of ATSAP Will Require Improvements in Oversight Accountability and Transparency	Although FAA completed ATSAP implementation at all air traffic control facilities in 2010, the Agency will need to make significant improvements before ATSAP will be able to effectively identify and address the root causes of safety risks. In addition, FAA's oversight of ATSAP lacks effective program management controls.

AV-2012-167	08/01/2012	Challenges With Implementing Near-Term NextGen Capabilities at Congested Airports Could Delay Benefits	FAA efforts are delayed in key areas, including its critical metroplex initiation. FAA has not yet resolved many of the barriers that will impede implementing task force recommendations.
AV-2012-170	08/22/2012	FAA Has Not Effectively Implemented Its Wildlife Hazard Mitigation Program	FAA coordinates with the U.S. Department of Agriculture Wildlife Services, its main partner in wildlife hazard mitigation, but its efforts to coordinate with other relevant Government agencies are limited and infrequent.
AV-2012-179	09/13/2012	Weaknesses in Program and Contract Management Contribute to ERAM Delays and Put Other NextGen Initiatives at Risk	While FAA has made strides towards improving its program and contract management for ERAM, considerable risk remains as FAA implements ERAM at some of the Nation's busiest facilities. Put \$157 million to better use.

Grant Audits: Audits of Grantee Under Single Audit Act – 13 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-098	04/23/2012	State of Georgia (also listed under Federal Highway Administration and Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA, FHWA, and FTA improve grantee oversight.
SA-2012-110	05/03/2012	City of Albuquerque, NM (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight.
SA-2012-117	05/10/2012	State of Minnesota (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight. \$7,627,000 questioned.
SA-2012-130	05/16/2012	Sioux Falls Regional Airport Authority, SD	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA improve grantee oversight. \$20,658 questioned.

SA-2012-134	05/29/2012	Port Authority of New York and New Jersey (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight.
SA-2012-135	05/29/2012	McComb-Pike County Airport Board, MO	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FAA improve grantee oversight.
SA-2012-137	05/29/2012	Town of Dexter, ME	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FAA improve grantee oversight.
SA-2012-146	06/19/2012	Wyoming Department of Transportation (also listed under the National Highway Traffic Safety Administration)	OIG recommends FAA and NHTSA improve grantee oversight.
SA-2012-156	07/30/2012	Federated States of Micronesia National Government	OIG recommends FAA improve grantee oversight. \$33,580 questioned.
SA-2012-171	08/30/2012	State of Illinois (also listed under Federal Highway Administration and Federal Railroad Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA, FHWA, and FRA improve grantee oversight.
SA-2012-172	08/30/2012	City of Mount Ida, AR	OIG recommends FAA improve grantee oversight. \$131,000 questioned.
SA-2012-173	08/30/2012	Republic of Palau National Government	OIG recommends FAA improve grantee oversight. \$270,327 questioned.
SA-2012-185	09/17/2012	Territory of American Samoa Government (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight. \$1,890,766 questioned.

FEDERAL HIGHWAY ADMINISTRATION

Internal Audits: Performance – 1 report

Report	Date	Title	Focus of Report/ Recommendations
ZA-2012-084	04/05/2012	Lessons Learned From ARRA: Improved FHWA Oversight Can Enhance States' Use of Federal-aid Funds	One-fifth of State DOT ARRA contracts were awarded with one or two bids, and FHWA does not require States to use contract award practices that promote increased competition or have effective controls for monitoring State award policies and procedures. Put \$179 million to better use.

Grant Audits: Audits of Grantee Under Single Audit Act – 47 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-088	04/23/2012	Wyoming Department of Transportation (also listed under Federal Transit Administration and National Highway Traffic Safety Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA, NHTSA, and FTA improve grantee oversight.
SA-2012-091	04/23/2012	State of Nebraska	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-092	04/23/2012	State of Ohio	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-093	04/23/2012	Salt River Pima-Maricopa Indian Community, AZ	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-096	04/23/2012	State of Texas (also listed under Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FTA improve grantee oversight. \$42,655 questioned.
SA-2012-097	04/23/2012	State of Colorado	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.

SA-2012-098	04/23/2012	State of Georgia (also listed under Federal Aviation Administration and Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA, FHWA, and FTA improve grantee oversight.
SA-2012-099	04/23/2012	State of Wisconsin	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-100	04/23/2012	State of Florida	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-103	05/02/2012	State of Tennessee (also listed under Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FTA improve grantee oversight. \$30,408 questioned.
SA-2012-104	05/02/2012	State of Rhode Island and Providence Plantations (also listed under Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FTA improve grantee oversight. \$1,118,335 questioned.
SA-2012-107	05/02/2012	State of New Hampshire	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-108	05/02/2012	State of West Virginia	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-109	05/03/2012	Commonwealth of Pennsylvania	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-110	05/03/2012	City of Albuquerque, NM (also listed under Federal Aviation Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight.
SA-2012-111	05/03/2012	State of New Jersey	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-113	05/03/2012	State of Nevada	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.

SA-2012-114	05/03/2012	Commonwealth of Kentucky (also listed under Office of the Secretary)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends OST improve grantee oversight.
SA-2012-115	05/03/2012	State of Maryland	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight. \$41,471 questioned.
SA-2012-116	05/03/2012	State of Oklahoma (also listed under Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FTA improve grantee oversight.
SA-2012-117	05/10/2012	State of Minnesota (also listed under Federal Aviation Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight. \$7,627,000 questioned.
SA-2012-119	05/10/2012	State of Maine	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-120	05/10/2012	State of California	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-121	05/10/2012	State of Montana (also listed under Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FTA improve grantee oversight. \$350,000 questioned
SA-2012-122	05/10/2012	State of Connecticut (also listed under Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FTA improve grantee oversight.
SA-2012-123	05/10/2012	City of Stamford, CT (also listed under Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FTA improve grantee oversight.
SA-2012-125	05/10/2012	State of Louisiana	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.

SA-2012-126	05/10/2012	State of Delaware (also listed under Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FTA improve grantee oversight.
SA-2012-127	05/16/2012	Commonwealth of the Northern Mariana Islands, HI (also listed under Federal Motor Carrier Safety Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FMCSA improve grantee oversight. \$701,460 questioned.
SA-2012-134	05/29/2012	Port Authority of New York and New Jersey (also listed under Federal Aviation Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight.
SA-2012-143	06/19/2012	State of Arizona	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight. \$24,603 questioned.
SA-2012-145	06/19/2012	Pueblo of Pojoaque, NM	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
QC-2012-147	06/20/2012	Quality Control Review of Single Audit on the New Mexico Department of Transportation (also listed under Federal Transit Administration and National Highway Traffic Safety Administration)	Moss Adams LLP rendered an unqualified opinion on DOT's major programs, but made recommendations to correct internal control and compliance deficiencies that directly affect FHWA, FTA, and NHTSA programs.
SA-2012-157	07/30/2012	Metropolitan Council of the Twin Cities, Minnesota (also listed under Federal Transit Administration)	OIG recommends FHWA and FTA improve grantee oversight.
SA-2012-161	07/30/2012	Government of the District of Columbia	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.

SA-2012-162	07/30/2012	Eastern Band of Cherokee Indians, NC	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-163	07/30/2012	Mescalero Apache Tribe, NM	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-164	07/30/2012	St. Croix Chippewa Indians, WI	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-165	07/30/2012	City of Whittier, AR	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-171	08/30/2012	State of Illinois (also listed under Federal Aviation Administration and Federal Railroad Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA, FHWA, and FRA improve grantee oversight.
SA-2012-174	08/30/2012	Native Village of South Naknek, AK	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-175	08/30/2012	Assiniboine and Sioux Tribes of the Fort Peck Indian Reservation	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-181	09/17/2012	Hydaburg Cooperative Association, AK	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-182	09/17/2012	Town of Gloucester, NJ	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight. \$13,144 questioned.
SA-2012-183	09/17/2012	Confederated Tribes of Warm Springs, Reservation of Oregon (also listed under Federal Transit Administration)	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA and FTA improve grantee oversight.

SA-2012-185	09/17/2012	Territory of American Samoa Government (also listed under Federal Aviation Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight.
QC-2012-186	09/17/2012	Quality Control Review on the Metropolitan Transit Authority of Harris County, TX (also listed under Federal Transit Administration)	KPMG, LLP rendered an unqualified opinion on DOT's major programs, but made recommendations to correct internal control and compliance deficiencies that directly affect FTA programs.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Internal Audits: Performance – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
MH-2012-087	04/17/2012	Timely and Targeted FMCSA Action Is Needed To Fully Address National Transportation Safety Board Recommendations for Improving Passenger Carrier Oversight	FMCSA could improve its vetting process to detect reincarnated carriers; while FMCSA took action on rules NTSB recommended to improve passenger carrier oversight, it has yet to implement those rules. FMCSA has not implemented NTSB's recommendations on enhancing Federal Motor Vehicle Safety Standards compliance.
MH-2012-169	08/16/2012	Increased Participation and Improved Oversight Mechanisms Would Benefit the NAFTA Pilot Program	FMCSA's oversight mechanisms did not ensure full compliance with pilot program requirements; and at the time of OIG's review, it was still developing certain monitoring mechanisms. The current low participation rate does not allow us to make reliable statistical projections regarding safety attributes of program participants.

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

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-127	05/16/2012	Commonwealth of the Northern Mariana Islands, HI (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA and FMCSA improve grantee oversight. \$701,460 questioned.

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
CR-2012-148	07/10/2012	Analysis of the Causes of Amtrak Train Delays	The chief causes of systemwide delays were (1) host effects, delays associated with operating on the infrastructure of a particular railroad or group of railroads, and (2) slow orders, speed restrictions imposed by a host railroad because of poor track conditions, repairs, or infrastructure improvements.
CR-2012-178	09/11/2012	Completing a Grants Management Framework Can Enhance FRA's Administration of the HSIPR Program	FRA lacks effective mechanisms for assessing program and grantee performance. While FRA has outlined HSIPR goals in several documents, the goals are inconsistent across these documents, and the goals' performance measures are not specific enough to determine overall program progress.

Grant Audits: Audits of Grantee Under Single Audit Act – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-095	04/23/2012	National Railroad Passenger Corporation (Amtrak), District of Columbia	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FRA improve grantee oversight. \$53,121 questioned.
SA-2012-105	05/02/2012	State of Vermont	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FRA improve grantee oversight.
SA-2012-171	08/30/2012	State of Illinois (also listed under Federal Aviation Administration and Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA, FHWA, and FRA improve grantee oversight.

FEDERAL TRANSIT ADMINISTRATION

Internal Audits: Performance –3 reports

Report	Date	Title	Focus of Report/ Recommendations
MH-2012-132	05/17/2012	FTA Can Improve Procedures To Ensure More Effective Implementation of the Charter Service Regulation	FTA improved procedures for overseeing the implementation of the charter service regulation, including procedures for responding to stakeholder concerns and for notifying private charter operators of potential business opportunities. However, inaccuracies in FTA data and misinterpretations of the regulation's requirements still exist.
MH-2012-155	07/26/2012	Actions Needed To Improve FTA's Oversight of the Dulles Corridor Metrorail Project's Phase 1	While FTA implemented an oversight process to ensure that MWAA tested the 30-year-old pier foundations, the testing process has not yet provided assurance that the structures will meet the 50-year service life specified in FTA guidance. In addition, as of February 2012, FTA had not taken sufficient mitigation actions to address key project issues that put the schedule, cost estimate, and funding from the 2009 Full Funding Grant Agreement at risk.

MH-2012-168	08/02/2012	Improvements Needed in FTA's Grant Oversight Program	FTA Headquarters does not provide its regions or contractors with adequate guidance or oversight to ensure they consistently identify and track grantee deficiencies. FTA Region III has not effectively followed on grantee deficiencies.
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Grant Audits: Audits of Grantee Under Single Audit Act – 36 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2012-085	04/09/2012	Quality Control Review of Single Audit on the Utah Transit Authority	Deloitte & Touche, LLP rendered an unqualified opinion on Utah Transit reports on internal control and did not identify any internal control or compliance deficiencies that directly affected the Federal Transit Cluster.
SA-2012-088	04/23/2012	Wyoming Department of Transportation (also listed under Federal Highway Administration and National Highway Traffic Safety Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA, FHWA, and NHTSA improve grantee oversight.
SA-2012-089	04/23/2012	Ann Arbor Transportation Authority, MI	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-090	04/23/2012	Metropolitan Atlanta Rapid Transit Authority, GA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-096	04/23/2012	State of Texas (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA and FHWA and improve grantee oversight. \$42,655 questioned.
SA-2012-098	04/23/2012	State of Georgia (also listed under Federal Aviation Administration and Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA, FAA, and FHWA improve grantee oversight.
SA-2012-101	05/02/2012	State of Washington	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. \$768,778 questioned.

SA-2012-102	05/02/2012	Capital Metropolitan Transportation Authority, TX	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight. \$54,307 questioned.
SA-2012-103	05/02/2012	State of Tennessee (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA and FHWA improve grantee oversight. \$30,408 questioned.
SA-2012-104	05/02/2012	State of Rhode Island and Providence Plantations (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA and FHWA improve grantee oversight. \$1,118,335 questioned.
SA-2012-106	05/02/2012	County of Placer, CA	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-112	05/03/2012	Puerto Rico Metropolitan Bus Authority	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-116	05/03/2012	State of Oklahoma (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA and FHWA improve grantee oversight.
SA-2012-121	05/10/2012	State of Montana (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA and FHWA improve grantee oversight. \$350,000 questioned.
SA-2012-122	05/10/2012	State of Connecticut (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA and FHWA improve grantee oversight.
SA-2012-123	05/10/2012	City of Stamford, CT (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA and FHWA improve grantee oversight.
SA-2012-124	05/10/2012	City of Detroit, MI	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-126	05/10/2012	State of Delaware (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA and FHWA improve grantee oversight.

SA-2012-128	05/16/2012	City of Manteca, CA	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-129	05/16/2012	City of Santa Monica, CA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-131	05/16/2012	Metropolitan Transit Authority of Harris County, TX	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight. \$28,154 questioned.
SA-2012-133	05/29/2012	Toledo Area Regional Transit Authority, OH	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-136	05/29/2012	Yuma Metropolitan Planning Organization, AZ	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
QC-2012-139	06/04/2012	Quality Control Review of Single Audit on Pace, Suburban Bus Division of the Regional Transportation Authority, Chicago, IL	Crowe Horwath LLP rendered an unqualified opinion on Pace's financial statements and did not question any cost concerning DOT's grant programs. However, Crowe Horwath LLP rendered a qualified opinion on DOT's major program because of non-compliance with Davis-Bacon Act requirements.
SA-2012-141	06/19/2012	San Joaquin Regional Rail Commission, CA	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-142	06/19/2012	Los Angeles County Metropolitan Transportation Authority, CA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-144	06/19/2012	Utah Transit Authority	OIG recommends FTA improve grantee oversight.
QC-2012-147	06/20/2012	Quality Control Review of Single Audit on the New Mexico Department of Transportation (also listed under Federal Highway Administration and National Highway Traffic Safety Administration)	Moss Adams LLP rendered an unqualified opinion on DOT's major programs, but made recommendations to correct internal control and compliance deficiencies that directly affect FTA, FHWA, and NHTSA programs.

SA-2012-157	07/30/12	Metropolitan Council of the Twin Cities, MN (also listed under Federal Highway Administration)	OIG recommends FTA and FHWA improve grantee oversight.
SA-2012-158	07/30/2012	Miami-Dade Transit, FL	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight. \$12,000 questioned.
SA-2012-159	07/30/2012	City of Fort Collins, CO	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-160	07/30/2012	Broward County, FL	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-166	07/30/2012	Chicago Transit Authority	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-183	09/17/2012	Confederated Tribes of Warm Springs, Reservation of Oregon (also listed under Federal Highway Administration)	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA and FTA improve grantee oversight.
SA-2012-184	09/17/2012	City of Eau Claire, WI	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
QC-2012-186	09/17/2012	Quality Control Review on the Metropolitan Transit Authority of Harris County, TX (also listed under Federal Highway Administration)	KPMG, LLP rendered an unqualified opinion on DOT's major programs, but made recommendations to correct internal control and compliance deficiencies that directly affect FTA programs.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Grant Audits: Audits of Grantee Under Single Audit Act – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-088	04/23/2012	Wyoming Department of Transportation (also listed under Federal Highway Administration and Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA, NHTSA, and FTA improve grantee oversight.
SA-2012-146	06/19/2012	Wyoming Department of Transportation (also listed under the Federal Aviation Administration)	OIG recommends FAA and NHTSA improve grantee oversight.
QC-2012-147	06/20/2012	Quality Control Review of Single Audit on the New Mexico Department of Transportation (also listed under Federal Highway Administration and Federal Transit Administration)	Moss Adams LLP rendered an unqualified opinion on DOT's major programs, but made recommendations to correct internal control and compliance deficiencies that directly affect NHTSA, FHWA, and FTA programs.

MARITIME ADMINISTRATION

Internal Audits: Performance – 1 report

Report	Date	Title	Focus of Report/ Recommendations
FI-2012-138	05/30/2012	The U.S. Merchant Marine Academy's Security Controls Were Not Sufficient To Protect Sensitive Data From Unauthorized Access	The Academy's security controls were not sufficient to protect its Website and LAN from compromise because the Academy has not implemented information security programs for protection of information and information systems, as required by FISMA and DOT policies. As a result, the Academy runs the risk that intruders will gain unauthorized access to the large amount of sensitive information stored in its systems without being detected.

OFFICE OF THE SECRETARY OF TRANSPORTATION

Internal Audits: Performance – 1 report

Report	Date	Title	Focus of Report/ Recommendations
MH-2012-188	09/20/2012	DOT Established Timely Controls for the TIGER Discretionary Grants Program, but Opportunities Exist To Strengthen Oversight	OST established TIGER program policies that generally adhered to best practices, but vulnerabilities remain in reviewing grant agreements, overseeing individual projects, assessing program risks, and measuring performance. In addition, we found discrepancies in the requirements for safety standards in the grant agreements for rail infrastructure projects.

Grant Audits: Audits of Grantee Under Single Audit Act – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-114	05/03/2012	Commonwealth of Kentucky (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends OST and FHWA improve grantee oversight.
SA-2012-118	05/10/2012	Harbors Division, Department of Transportation, HI	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends OST improve grantee oversight.
SA-2012-180	09/17/2012	Town of Normal, IL	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends OST improve grantee oversight.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Internal Audits: Performance – I report

Report	Date	Title	Focus of Report/ Recommendations
AV-2012-140	06/18/2012	Hazardous Liquid Pipeline Operators' Integrity Management Programs Need More Rigorous PHMSA Oversight	PHMSA has established a corrective action plan to address long-standing data management deficiencies. However, PHMSA has not yet resolved key deficiencies or established meaningful analysis capabilities to improve its oversight .

Unresolved Recommendations Over 6 Months Old

Cited in Semiannual Report for October 1, 2009 - March 31, 2010

Title	Report Number	Final Issue Date
FAA's Oversight of American Airlines' Maintenance Programs	AV-2010-042	02/16/2010

Cited in Semiannual Report for April 1, 2010 - September 30, 2010

Title	Report Number	Final Issue Date
Information Security and Privacy Controls Over the Airmen Medical Support Systems	FI-2010-069	06/18/2010

Cited in Semiannual Report for October 1, 2010 - March 31, 2011

Title	Report Number	Final Issue Date
FAA Did Not Ensure Revenue Was Maximized at Denver International Airport	AV-2011-057	02/28/2011
New York Flight Delays Have Three Main Causes, but More Work Is Needed To Understand Their Nationwide Effect	AV-2011-007	10/28/2010
FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance-Broadcast Program and Realizing Benefits	AV-2011-002	10/12/2010

Cited in Semiannual Report for April 1, 2011 - September 30, 2011

Title	Report Number	Final Issue Date
More Rigorous Oversight Is Needed To Ensure Venice Municipal Airport Land Sales and Leases Are Used Appropriately	AV-2011-180	09/29/2011
FAA Policies and Plans Are Insufficient To Ensure an Adequate and Effective Acquisition Workforce	ZA-2011-148	08/03/2011
Puerto Rico Highways and Transportation Authority, San Juan, PR	SA-2011-144	07/14/2011
FAA Needs To Strengthen Its Risk Assessment and Oversight Approach for Organization Designation Authorization and Risk-Based Resource Targeting Programs	AV-2011-136	06/29/2011
FAA's Approach to SWIM Has Led to Cost and Schedule Uncertainty and No Clear Path for Achieving NextGen Goals	AV-2011-131	06/15/2011

FAA Must Strengthen Its Cost and Price Analysis Processes To Prevent Overpaying for Noncompetitive Contracts

ZA-2011-089

5/19/2011

Cited in Semiannual Report for October 1, 2011 - March 31, 2012

Title	Report Number	Final Issue Date
FAA's Contracting Practices Are Insufficient To Effectively Manage Its Systems Engineering 2020 Contracts	ZA-2012-082	03/28/2012
City of Camden, Arkansas	SA-2012-065	03/01/2012
City of King Cove, Alaska	SA-2012-052	02/09/2012
City of Erie, Pennsylvania	SA-2012-054	02/09/2012
Challenges To Improving Oversight of Rail Transit Safety and Implementing an Enhanced Federal Role	MH-2012-048	01/31/2012
New Approaches Are Needed To Strengthen FAA Oversight of Air Carrier Training Programs and Pilot Performance	AV-2012-027	12/20/2011
Commonwealth of Pennsylvania	SA-2012-026	12/13/2011
State of Illinois	SA-2012-011	11/23/2011

Investigations

Statistical Outcomes

April 1, 2012 – September 30, 2012

Financial Impact	
Fines (and Special Assessments)	\$752,986
Restitution	\$3,400,172
Recoveries	\$9,239,164
Total	\$13,392,322

Investigative Workload

Current Investigations	397
Investigations Opened	73
Investigations Closed	135

Referrals

Referred for Criminal Prosecution	141
Accepted for Criminal Prosecution	94
Declined for Criminal Prosecution	86
Referred for Civil Prosecution	23
Accepted for Civil Prosecution	11
Declined for Civil Prosecution	8

Judicial and Administrative Actions

Indictments	59
Convictions	62
Years Incarceration	21
Years Supervised Release	40
Years Probation	70
Hours Community Service	820
Business Debarment	2

Business Suspension	6
Individual Debarment	3
Individual Suspension	7
Employee: Counseling	1
Employee: Reprimand	2
Employee: Resigned/Retired During Investigation	4
Employee: Suspension	1
Certification/License/Permit Revoked/Terminated	1
Compliance Agreement	3
Corrective Action Taken	1
Decertification MBE/DBE	3
Regulation/Rule Revised	1
Restatement of Policy	1
Enforcement Action Taken	2
OIG Hotline Contacts	
Email	1,869
Fax	13
Letters	152
Web	167
Telephone	377
Walk Ins	4
TOTAL	2,582

Profile of All Pending Investigations by Case Type, as of September 30, 2012

Types of Cases										
	Number of Investigations	Aviation Safety	Hazmat	Motor Carrier	Transportation Safety	Grant Fraud	Procurement Fraud	Workforce Protection	Employee Integrity	Other ^a
FAA	95	56	5	0	0	19	3	0	10	2
FHWA	138	0	0	0	0	135	0	0	2	1
FMCSA	58	0	5	24	1	0	0	24	4	0
FRA	4	0	0	0	0	3	0	0	1	0
FTA	38	0	0	0	0	36	1	0	0	1
MARAD	9	0	0	0	0	1	5	1	2	0
NHTSA	19	0	0	0	8	9	1	0	1	0
OIG	1	0	0	0	0	0	0	0	1	0
OST	3	0	0	0	1	0	0	2	0	0
Other OIG	1	0	0	0	0	0	0	0	1	0
PHMSA	26	0	23	0	0	0	0	0	3	0
RITA	4	0	0	0	0	0	1	0	2	1
SLSDC ^b	1	0	0	0	0	0	0	0	1	0
Totals	397	56	33	24	10	203	11	27	28	5
Percent of Total	100%	14%	8%	6%	3%	51%	3%	7%	7%	1%

^aIncludes computer intrusion cases.

^bSaint Lawrence Seaway Development Corporation

Peer Review Activity

OIG's Office of Investigations was the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review during this reporting period by the U.S. Department of the Treasury OIG. Treasury OIG concluded that our Office of Investigations was in compliance with quality standards established by CIGIE and Attorney General guidelines, and no recommendations were made. Treasury OIG highlighted our Investigative Operations' Contractor Performance Oversight, Professional Development Detail Program, and Special Agent Field Training Program as best practices. The report was released on August 30, 2012.

The last peer review conducted on our Office of Audits was performed in fiscal year 2010 by the Department of Veterans Affairs (VA) OIG. VA OIG

determined the system of quality control for our audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Accordingly, VA OIG provided a "pass" rating, and no recommendations were made. The report was released on March 3, 2010.

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

OIG is currently conducting a CIGIE peer review of the U.S. Postal Service OIG's audit organization. We expect to release a final report in December 2012.

Mission and Organization

The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95-452). The Act sets several goals for OIG:

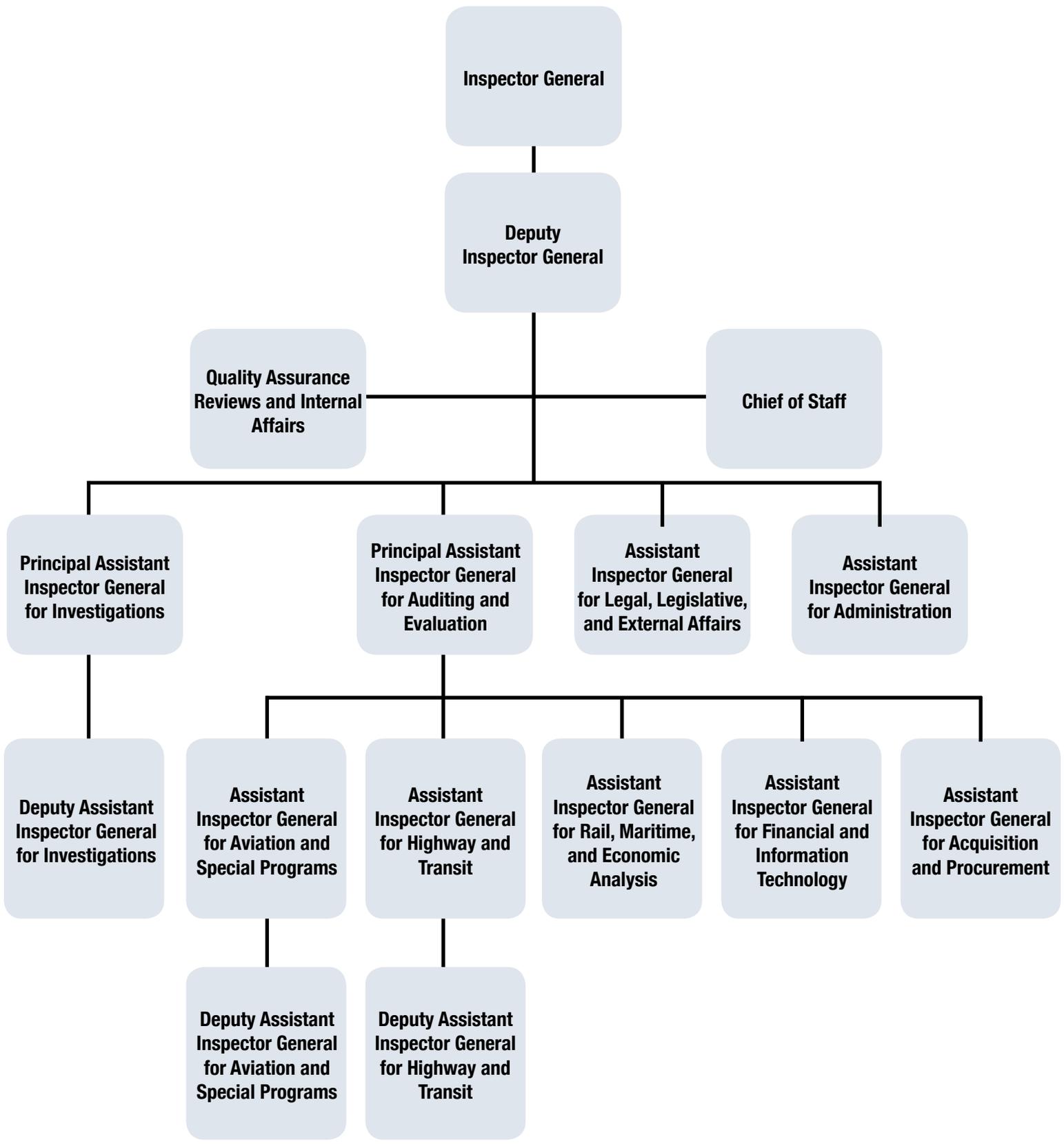
- To conduct or supervise objective audits and investigations of the Department's programs and operations;
- To promote economy, effectiveness, and efficiency within the Department;
- To prevent and detect fraud, waste, and abuse in the Department's programs;
- To review existing and proposed laws or regulations affecting the Department and make recommendations about them;
- To keep the Secretary of Transportation and Congress fully informed about problems in departmental programs and operations.

The Inspector General is committed to fulfilling its statutory responsibilities and assisting members of Congress, the Secretary, senior Department officials, and the general public in achieving a safe, efficient, and effective transportation system.

OIG's audits and investigations offices and three support offices work together to fulfill its mission:

- **The Office of the Principal Assistant Inspector General for Auditing and Evaluation** supervises and conducts all audit activities related to DOT programs and operations through its five suboffices, which are divided according to specific DOT program areas: Aviation and Special Programs; Highway and Transit; Rail, Maritime, and Economic Analysis; Financial and Information Technology; and Acquisition and Procurement. Audit staff are located in headquarters and field offices across the country.
- **The Office of the Principal Assistant Inspector General for Investigations** supervises and conducts OIG investigative activities related to DOT programs and operations through its headquarters and seven major regional offices. The headquarters office conducts nationwide special investigations and analyses as well as manages the OIG Hotline Complaint Center and activities generated by complaints.
- **The Office of the Assistant Inspector General for Legal, Legislative, and External Affairs** provides a full-range of professional legal services and advice, facilitates communications with Congress, and manages public and external affairs.

- **The Office of the Assistant Inspector General for Administration** is divided into four suboffices: the Office of Procurement and Administrative Services, the Office of Budget and Financial Management, the Office of Human Resources, and the Office of Information Technology Management.
- **The Office of Quality Assurance Reviews and Internal Affairs**, under the direction of the Deputy Inspector General, ensures that internal operations and functions are performed objectively and in an efficient and effective manner.



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