



**U.S. Department of  
Transportation**  
Office of the Secretary  
of Transportation

The Inspector General

Office of Inspector General  
Washington, D.C. 20590

April 23, 2010

The Honorable Darrell Issa  
Ranking Minority Member  
Committee on Oversight and Government Reform  
U.S. House of Representatives  
Washington, DC 20515

Dear Ranking Member Issa:

This correspondence is in response to your letter of March 24, 2010, requesting that the Department of Transportation Office of Inspector General (OIG) provide information on the status of open audit recommendations. Specifically, you requested the following: the number of open recommendations; estimated cost savings associated with open recommendations; our top three open recommendations; and the number of recommendations that have been implemented since January 5, 2009.

As of April 6, 2010, we identified 341 open recommendations, included in 107 audit reports. Of the 341 open recommendations, 45 recommendations, that were included in 33 reports, carry an estimated monetary benefit or cost savings. The enclosed document highlights these 45 recommendations and includes the following information:

- Report Title
- Report Number
- Date Report Issued
- Operating Administration Responsible for Implementing the Recommendation
- Description of Recommendation
- Questioned Costs
- Unsupported Costs
- Funds To Be Put To Better Use
- Target Action Date (Provided by Operating Administrations)
- Remarks

To determine the three most important recommendations, we assessed the universe of open recommendations based on whether the recommendation will lead to a significant impact on safety, a significant financial benefit, or a significant improvement in the economy or efficiency of the program audited. Using this criteria, we consider the following to be the three most important open recommendations.

#### Significant Safety Issue

- Federal Aviation Administration (FAA): **Revise outdated regulations and strengthen its oversight of on-demand operators by implementing an interim risk assessment oversight process for on-demand operators until the risk-based System Approach for Safety Oversight approach is implemented.** (*On-Demand Operators Have Less Stringent Safety Requirements and Oversight than Large Commercial Air Carriers*, AV2009066, issued on July 13, 2009.)

On-Demand operators—who fly at the request of their customers and operate aircraft that are configured for 30 or fewer passengers or 7,500 pounds of payload or less—play a vital role in the Nation's air transportation system. However, regulations are outdated and the margin of safety needs to be enhanced. FAA concurred with this recommendation. The target action date for completion was December 31, 2009. We will contact FAA for a revised action date.

#### Significant Financial Benefit

- Federal Highway Administration (FHWA): **Develop performance goals for measuring the effectiveness of State value engineering programs and for evaluating Division Office personnel in fulfilling the FHWA and Office of Management and Budget requirements for value engineering programs.** (*Value Engineering in the Federal-Aid Highway Program*, MH2007040, issued on March 28, 2007.)

This recommendation was intended to ensure that required value engineering reviews of highway projects are conducted and the results are properly used. The use of such systematic and independently conducted reviews can yield significant savings. Our 2007 report estimated that states could have saved \$725 million in Federal funds over a 4-year period if all required reviews were conducted and more recommendations were accepted. FHWA concurred with this recommendation. The target action date for completion is April 30, 2010. We are currently reviewing information provided by FHWA officials regarding their actions taken to implement this recommendation.

### Significant Program Improvement

- Department of Transportation and Federal Rail Administration (FRA): **Develop an action plan that lays out the steps that DOT will take or has already taken to implement an effective oversight strategy for the Federal Railroad Administration's High-Speed Rail Programs.** (*DOT's Implementation of the American Recovery and Reinvestment Act: Continued Management Attention is Needed To Address Oversight Vulnerabilities*, MH2010024, issued on November 30, 2009.)

This recommendation addresses the significant vulnerabilities FRA and DOT face in starting up a new, large, and highly visible \$8 billion program for high-speed rail corridors and intercity passenger rail service. The High-Speed Rail Program represents a significant organizational transformation for FRA, from a relatively small agency primarily focused on rail safety issues, to a grant-making agency responsible for starting up a large, long-term, multibillion-dollar program, which could receive much public attention and scrutiny. For this new American Recovery and Reinvestment Act of 2009 program, taking on the responsibilities that come with this transformation has been a challenge for FRA. Specifically, acquiring sufficient capacity to effectively manage the program and develop a comprehensive implementation strategy. The Department concurred with this recommendation. The target action date for completion is November 30, 2010.

Lastly, between January 5, 2009 and April 6, 2010, we have closed 424 recommendations that were contained in 173 audit reports.

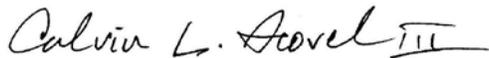
It is important to note that since our last response to the Committee, the Office of the Secretary (OST) has intensified efforts through the use of multiple tools to ensure that expeditious and appropriate action is taken on OIG recommendations. These include:

1. Detailed Progress Tracking – OST produces monthly Recommendation Action Tracking System reports that provide useful metrics for tracking their progress in closing reports. The report includes specific metrics for resolved and unresolved recommendations and older report recommendations. Single Audit recommendations are also tracked and highlighted for specific attention.
2. Single Audit Emphasis – In 2009, DOT redesigned its process for resolving and completing action on Single Audits. During the first 3 months of calendar 2010, increased implementation of this process has significantly cut unresolved single audit recommendations, and enabled OST to close almost half of the Single Audit recommendations that were pending on December 31, 2009.

3. Ten Most Wanted – This listing highlights those reports and recommendations most in need of management action throughout the department, focusing attention on the actions necessary to better ensure that the balance of pending recommendations is current.
4. Top Management Support – The Deputy Secretary is actively engaged in gaining expeditious management action on OIG recommendations. He has been working with Administrators to enhance awareness and involvement in closing recommendations.

Thank you again for your inquiry and interest. If you have any questions or need further information, please contact me at (202) 366-1959 or Nathan Richmond, Director and Counsel for Congressional and External Affairs, at (202) 493-0422.

Sincerely,

A handwritten signature in cursive script that reads "Calvin L. Scovel III".

Calvin L. Scovel III  
Inspector General

Enclosure

Department of Transportation  
Office of Inspector General Open Recommendations  
As of April 6, 2010

REPORT TITLE	REPORT NUMBER	DATE REPORT ISSUED	OPERATING ADMINISTRATION	DESCRIPTION OF RECOMMENDATION	QUESTIONED COSTS	UNSUPPORTED COSTS	FUNDS BE PUT TO BETTER USE	TARGET ACTION DATE	REMARKS
Oversight of Airport Revenue	AV2003030	3/20/2003	FAA	<p>We recommend that FAA verify the current status of \$40.9 million in potential revenue diversions that we identified during this review and, as necessary, seek recoveries of \$252,000 identified at Allegheny County.</p> <p>We recommend that FAA verify the current status of \$40.9 million in potential revenue diversions that we identified during this review and, as necessary, seek recoveries of \$38,710,289 identified at Miami-Dade County.</p>			\$252,000	12/31/2011	
							\$14,285,026	12/31/2011	Miami-Dade County has agreed to return \$14 million in diverted funds to the Miami International Airport. After an initial payment of \$3 million, Miami-Dade County will pay quarterly payments of \$564,251 over 5 fiscal years, beginning October 1, 2006. FAA expects all funds to be returned by September 2011.
Audit of the Management of Land Acquired Under Airport Noise Compatibility Programs	AV2005078	9/30/2005	FAA	<p>For the 11 airports included in the audit, we recommend that FAA direct airport sponsors to develop and implement plans to recover FAA's share (estimated at \$160.6 million) from the disposition of 3,608 unneeded noise land acres.</p> <p>For the 11 airports included in the audit, we recommend that FAA direct airport sponsors to develop and implement plans to recover FAA's share (estimated at \$81.7 million) of the affected land's fair market value from airports that are misusing noise land disposition proceeds.</p>			\$160,600,000	6/30/2010	
							\$81,700,000	10/1/2010	
Single Audit - City of Ft. Worth Texas	QC2009058	5/19/2009	FAA	We recommend that FAA recover \$9,893 from the City of Ft. Worth.	\$9,893			TBD	
Single Audit - Michigan Department of Transportation	QC2009103	9/29/2009	FAA	We recommend that FAA recover \$48,000 from the Michigan Department of Transportation.	\$48,000			1/31/2010	
Single Audit - Santa Cruz County, Arizona	SA2010027	11/30/2009	FAA	<p>We recommend that FAA recover \$299,224 from Santa Cruz County.</p> <p>We recommend that FAA recover \$277,864 from Santa Cruz County.</p>	\$299,224			2/5/2010	
					\$277,864			2/5/2010	
Single Audit - City of Gainesville, Georgia	SA2010037	1/13/2010	FAA	We recommend that FAA determine the allowability of the Davis-Bacon non-compliance and recover \$54,218 from the City of Gainesville.	\$54,218			TBD	

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Single Audit - Owensboro-Davies County Regional Airport Board	SA2010044	2/18/2010	FAA	We recommend that FAA recover \$27,265 from the Airport Board. We recommend that FAA recover \$138,914 from the Airport Board.	\$27,265 \$138,914			TBD TBD	
Single Audit - Gulfport-Biloxi Regional Airport Authority	SA2010046	3/9/2010	FAA	We recommend that FAA recover \$1,330,834 from the Airport Authority. We recommend that FAA recover \$10,888 from the Airport Authority.	\$1,330,834 \$10,888			TBD TBD	
Single Audit - City of Lincoln, California	SA2010048	3/9/2010	FAA	We recommend that FAA determine the allowability of the expenditures, and recover \$99,936.	\$99,936			TBD	
Opportunities to Free Up Unneeded FHWA Funds For Use In Hurricane Recovery Efforts	MH2007037	3/6/2007	FHWA	We recommend that FHWA coordinate with the five Gulf State departments of transportation to promptly identify how the earmarked funds in the 19 projects we identified in our audit could best be redirected for use on hurricane recovery efforts. FHWA should also formally alert Congress that approximately \$10.7 million in earmarked funds are available for redirection to hurricane recovery efforts within these same states. If necessary, FHWA should also coordinate with Congress regarding the legislative requirements of each earmark in order to identify the best method for redirecting these funds.			\$7,025,461	3/1/2010	
Value Engineering In The Federal-Aid Highway Program	MH2007040	3/28/2007	FHWA	We recommend that FHWA develop performance goals for measuring the effectiveness of state value engineering programs and for evaluating Division Office personnel in fulfilling the FHWA and OMB requirements for value engineering programs.			\$725,000,000	4/30/2010	
Single Audit - Oglala Sioux Tribe	QC2008037	3/6/2008	FHWA	We recommend that FHWA determine the allowability of the five expenditures and recover \$117,928 from the Tribe, if applicable. We recommend that FHWA determine the allowability of the transaction, and recover \$1,040,377 from the Tribe, if applicable.	\$117,928 \$1,040,377			6/15/2010 6/15/2010	

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Single Audit - Government of Guam	QC2008085	9/25/2008	FHWA	We recommend that FHWA recover \$113,634 from the Government of Guam. We recommend that FHWA recover \$12,536 from the Government of Guam.	\$113,634  \$12,536			5/18/2010  5/18/2010	
Single Audit - Comanche Nation	QC2009044	3/20/2009	FHWA	We recommend that FHWA determine the allowability of the expenditures and recover \$163,430 from the Comanche Nation.	\$163,430			6/30/2010	
Single Audit - City of Ft. Worth Texas	QC2009058	5/19/2009	FHWA	We recommend that FHWA recover \$85,589 from the City of Ft. Worth.  We recommend that FHWA determine the allowability of the duplicate wire transfers and recover \$56,626 from the City of Ft. Worth.  We recommend that FHWA determine the allowability of the duplicate wire transfers and recover \$26,766 from the City of Ft. Worth.	\$85,589  \$56,626  \$26,766			TBD  TBD  TBD	
Single Audit - State of Rhode Island & Providence Plantations	QC2009105	9/29/2009	FHWA	We recommend that FHWA recover \$641,620 from the State of Rhode Island and Providence Plantations.	\$641,620			5/24/2010	
Single Audit - Washington County, Florida	SA2010019	11/16/2009	FHWA	We recommend that FHWA recover \$10,200 from the County.	\$10,200			5/16/2010	
Single Audit - City of Tacoma, Washington	SA2010025	11/30/2009	FHWA	We recommend that FHWA determine the allowability of applying State-approved activity rates to federal transportation grants, and recover \$20,164 from the City of Tacoma.	\$20,164			9/30/2010	
Oversight of Design and Engineering Firm's Indirect Costs Claimed On Federal-Aid Grants	ZA2009033	2/5/2009	FHWA	We recommend that FHWA recover the \$2.8 million in unallowable executive compensation and \$1.6 million in other unallowable indirect charges.  We recommend that FHWA put approximately \$30.2 million in future Federal-aid funds to better use.	\$4,400,000		\$30,200,000	3/31/2010  5/30/2010	
Single Audit - Commonwealth of Pennsylvania	QC2009108	9/29/2009	FMCSA	We recommend that FMCSA determine the allowability of the leave costs and recover \$67,757 from the Commonwealth of Pennsylvania.	\$67,757			3/29/2010	

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Audit of Federal Transit Administration's Oversight Of Pioneer Valley Transit Authority Electric Bus Cooperative Agreement	MH2008058	7/9/2008	FTA	We recommend that PVRTA disallow all future costs claimed by ElectraStor, and develop an action plan in coordination with the OIG to seek recovery of the \$4.25 million in Federal Funds paid for the project.		\$4,250,000		12/31/2010	
Single Audit - South Carolina Department of Transportation	QC2007055	7/18/2007	FTA	We recommend that FTA determine the allowability of the Department's payments to the Authority, and recover \$496,479 from the Department and/or the Authority, if applicable.	\$496,479			12/31/2011	
Single Audit - Attleboro Redevelopment Authority	QC2008065	7/24/2008	FTA	We recommend that FTA recover \$76,464 from the Authority.	\$76,464			12/31/2010	
Single Audit - City of Roanoke, Virginia	QC2009080	8/21/2009	FTA	We recommend that FTA determine the allowability of the contract award and recover \$178,641 from the City of Roanoke.	\$178,641			7/31/2010	
Single Audit - Southeastern Regional Transit Authority	QC2009085	8/25/2009	FTA	We recommend that FTA determine the allowability of the reimbursement request, and recover \$554,496 from the Southeastern Regional Transit Authority.	\$554,496			12/31/2010	
Single Audit - Valley Regional Transit	QC2009094	9/23/2009	FTA	We recommend that FTA ensure that the Valley Regional Transit develop a process to track specific grant related overhead costs and recover \$65,074.	\$65,074			7/31/2010	
Single Audit - Los Angeles County Metropolitan Transportation Authority	QC2009106	9/29/2009	FTA	We recommend that FTA recover \$2,975,628 from the Los Angeles County Metropolitan Transportation Authority.	\$2,975,628			4/30/2010	
Single Audit - Attleboro Redevelopment Authority	SA2010016	11/16/2009	FTA	We recommend that FTA recover \$17,602 from the Attleboro Redevelopment Authority.  We recommend that FTA recover \$44,965 from the Attleboro Redevelopment Authority.	\$17,602  \$44,965			9/15/2010  9/15/2010	
Single Audit - City of Rome, New York	SA2010020	11/16/2009	FTA	We recommend that FTA recover \$800,000 from the City of Rome.	\$800,000			5/14/2010	
Single Audit - Pierce Transit, Tacoma, WA	SA2010026	11/30/2009	FTA	We recommend that FTA recover \$435,784 from Pierce Transit.	\$435,784			6/30/2010	
Single Audit - City of Jonesboro, Arkansas	SA2010038	1/13/2010	FTA	We recommend that FTA recover \$155,480 from the City of Jonesboro.	\$155,480			7/13/2010	

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Monitoring of FY 2009 Financial Statements	QC2010011	11/16/2009	OST	Clifton Gunderson (an independent external audit firm, under OIG contract and supervision) recommended that DOT monitor the field offices, quarterly inactive project reviews, particularly on stagnant projects, to ensure that inactive obligations are liquidated in a timely manner throughout the year.			\$800,000,000	11/15/2010	We estimate that OST has deobligated approximately \$480,000,000 to date. Clifton Gunderson will determine how much was actually deobligated and made available for other priority projects during the audit of the FY 2010 DOT Financial statements - to be issued on 11/15/10.
The Joint Program Office's Management of the Intelligent Transportation Systems Program Needs to be Improved	AV2009040	3/11/2009	RITA	We recommend that RITA coordinate with FHWA to identify and review old ITS contracts and agreements and de-obligate nearly \$20 million in unneeded funds.			\$20,000,000	9/30/2010	RITA agreed to deobligate \$48,100,000.
				We recommend that RITA coordinate with FHWA review documentation supporting FTA's questionable \$3.9 million in reimbursements on five expired agreements and seek recovery of those funds that cannot be verified.			\$3,900,000	9/30/2010	
<b>TOTAL</b>					<b>\$14,854,276</b>	<b>\$4,250,000</b>	<b>\$1,842,962,487</b>		