



OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF TRANSPORTATION



SEMIANNUAL REPORT TO CONGRESS
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From the Inspector General

I am pleased to present the Department of Transportation (DOT), Office of Inspector General Semiannual Report to Congress for the first half of fiscal year 2011. Our audit and investigative work supports the Department's strategic goals of safety; reduced congestion; global connectivity; environmental stewardship; security, preparedness, and response; and organizational excellence. Over the past 6 months, we issued 72 reports with a total of 221 recommendations, including financial recommendations totaling over \$1.6 billion. Our investigative work resulted in 35 indictments, 35 convictions, and a total of more than \$225 million in fines, restitutions, and recoveries.

Our aviation work continued to focus on FAA's efforts to enhance air traffic capacity through the Next Generation Air Transportation System (NextGen). Of particular concern are cost, schedule, and performance risks FAA faces in implementing key NextGen technologies, including En Route Automation Modernization (ERAM)—a \$2.1 billion system for processing data. As we testified in February, continued problems with ERAM will affect the cost and pace of other NextGen efforts that are dependent on ERAM, such as more efficient data sharing and advanced airspace routes. We also reported on FAA's efforts to improve its Air Transportation Oversight System, identify the effects of flight delays in the New York area on flights nationwide, and determine whether safety is linked to pilot experience and pay. Our investigations uncovered the sale of fraudulent aircraft parts, falsified aircraft maintenance records, illegal operation of a luxury charter jet company, and the illegal transport of ammunition primers—underscoring the need for increased rigor in FAA's oversight of the airline industry.

Our highway and transit audits continued to track the Federal Highway Administration's (FHWA) progress in targeting oversight to higher priority bridge safety risks and to work with states to mitigate these risks—two key recommendations we made in January 2009 to improve bridge safety. In March 2011, FHWA completely overhauled its oversight process and rolled out its data-driven, risk-based approach to bridge safety oversight. Our investigations of rogue motor carriers operating on our Nation's highways revealed cases of fraud with significant safety implications, including false statements related to issued commercial driver's licenses, commercial driver rest requirements, and commercial trucking safety inspections. Our motor carrier safety cases have led to three indictments and nine convictions involving a number of companies and individuals.

Our rail audits focused on the quality of service U.S. railroads provide to commodity shippers and Amtrak's operational reforms and long-term capital planning. Our maritime work identified weaknesses in the Maritime Administration's oversight of the multibillion dollar Title XI Loan Guarantee Program.

Our audits of the Department's information technology portfolio—one of the largest among Federal civilian agencies—continue to identify significant vulnerabilities, particularly in the area of cybersecurity. While 90 percent of DOT employees have received security awareness training, we concluded that areas such as information security policy procedures and enterprise- and system-level controls need urgent

attention. For fiscal year 2010, DOT and FAA earned their third consecutive clean audit opinion. Despite this accomplishment, additional improvements are needed to further strengthen financial management within the Department, such as deobligating \$1.5 billion in funds to make available for other DOT priorities. Our investigations further identified abuse of DOT dollars—more than \$40 million through disadvantaged business enterprise fraud.

Finally, we continued to pursue opportunities to ensure accountability, efficiency, and transparency over DOT's \$48 billion in ARRA funds, and remain committed to promptly notifying DOT and Congress of actions needed to prevent fraud, waste, and abuse in ARRA programs. As of the end of March, we have 24 planned and ongoing ARRA audits, and 51 open ARRA investigations involving allegations of disadvantaged business enterprise violations; false claims, statements, or certifications; conflicts of interest; anti-trust violations; and bid rigging, collusion, embezzlement, and prevailing wage violations. Forty-five of our 51 ARRA investigations have been accepted for review for prosecution by the Department of Justice.

Our work reflects a strong commitment to providing in-depth analyses of important transportation issues to serve and inform Congress, the Department, and the public. 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 leadership and tireless efforts in these challenging times. I look forward to continuing to work with the Secretary, his team, and modal administrators to provide Americans with a transportation system that meets the national objectives of general welfare, economic growth and stability, and security.



Calvin L. Scovel III



Aviation and Special Programs

Audits

October 12, 2010

FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance-Broadcast Program and Realizing Benefits

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

FAA expects the Automatic Dependent Surveillance-Broadcast (ADS-B) program will enhance National Air Space capacity, improve safety, and play a critical role in FAA's planned transition to the Next Generation Air Transportation System (NextGen). ADS-B's implementation is a complex undertaking that will

require coordinated, billion-dollar investments from FAA and industry over the next decade. Stakeholders' concerns about undefined costs, benefits, and technical requirements prompted the Aviation Rulemaking Committee in 2008 to make 36 recommendations to help FAA remove these program risks.

We identified a number of obstacles that continue to create cost, schedule, and performance risks. First, undefined costs and benefits discourage airspace users from equipping with ADS-B. Evolving cockpit display requirements have further discouraged ADS-B use. Technical issues—such as managing frequency congestion with ADS-B broadcasts, integrating ADS-B and existing controller systems, and addressing potential security vulnerabilities—could also limit benefits and delay implementation. FAA's contract approach could further increase

overall program costs. ADS-B's contract structure "bundles" costs for various ADS-B services, making it difficult for decision makers to track costs. At the same time, FAA has yet to assess staffing gaps or actions needed to ensure that it can effectively oversee the contractor once the ground system is in place.

We made nine recommendations to help FAA reduce risks with ADS-B's implementation and enhance contract oversight. FAA concurred with seven recommendations and partially concurred with two. FAA proposed acceptable actions for all nine recommendations.

October 28, 2010

New York Flight Delays Have Three Main Causes, but More Work Is Needed To Understand Their Nationwide Effect

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

The principal New York-area airports—Kennedy, LaGuardia, and Newark—consistently experience the highest delay rate among the 55 major U.S. airports. In summer 2007, the New York airports accounted for over 40 percent of the Nation's delayed or cancelled arriving flights. Such delays not only pose a significant problem for air travelers in the New York region but affect passengers flying to other parts of the country.

Flight delays in the New York area have three main causes: (1) the close proximity and high volume of flight operations of the three main New York airports; (2) airport capacity constraints; and (3) continued growth in air traffic over the last 10 years. FAA's 2008 flight limits at Kennedy and Newark have done little to reduce New York-area delays. While there is substantial agreement that New York delays have a ripple effect, the extent and nature of their impact across the Nation are largely unknown. FAA's efforts to measure this effect are in the developmental stage and require additional work to provide a full understanding of delay propagation.

We made four recommendations to FAA calling for a reexamination of its flight caps, enhancement of existing flight data, and the development of a viable methodology for the understanding of delay propagation effects. FAA fully concurred with one recommendation and partially concurred with three.

December 10, 2010

FAA Needs To Implement More Efficient Performance-Based Navigation Procedures and Clarify the Role of Third Parties

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

Area Navigation (RNAV) and Required Navigation Performance (RNP) technologies—key building blocks for FAA's NextGen system—present the

potential benefits of shorter, more direct flight paths; improved airport arrival rates; enhanced controller productivity; fuel savings; and reduced aircraft noise. Since 2005, FAA has implemented over 600 RNAV and RNP procedures, despite industry concerns about their quality and timeliness. In response to these concerns, FAA entered into agreements in 2007 with two non-governmental third parties to develop and implement RNP procedures.

While FAA has granted authority to two third parties to develop public RNP procedures, it plans to rely primarily on its own resources to develop and implement RNAV/RNP procedures, leaving the roles of third parties unclear. Regardless, FAA has yet to widely implement the new procedures. It also lacks an effective method for determining how new procedures will impact air traffic policies and whether they are working as intended. FAA has also not fully established an oversight program for third parties, defined the staffing levels needed to oversee them, or finalized key guidance to industry on qualifications to become a third-party developer.

We made eight recommendations to help FAA effectively implement and coordinate RNAV/RNP procedures and establish an oversight program for third parties. Overall, FAA's response met the intent of most of our recommendations; however, we have requested that FAA provide additional clarifying information for three of them.

December 16, 2010

FAA Needs To Improve Risk Assessment Processes for Its Air Transportation Oversight System

Requested by the Chairman and Ranking Member of the Senate Committee on Science, Commerce, and Transportation, and the former Chairman and Ranking Member of the House Committee on Transportation and Infrastructure

FAA's Air Transportation Oversight System (ATOS) conducts surveillance of nearly 100 Part 121 U.S. air carriers, which transport more than 90 percent of U.S. airline passenger and cargo traffic. Under the ATOS concept, FAA inspectors apply system safety principles and use data analysis to focus their inspections on areas that pose the greatest risk and to identify possible problems before accidents occur. ATOS also permits inspectors to shift the focus of their inspections in response to changing conditions within air carriers' operations. While ATOS is conceptually sound, our prior reports have found that FAA needs to strengthen national oversight of the system. Safety lapses at a major airline in 2008 prompted Congress to request an assessment of the system and identification of system-wide weaknesses.

Despite FAA's efforts to continuously improve ATOS, we found that FAA inspectors did not complete on time their ATOS inspections of air carriers' maintenance policies and procedures or systems performance. In addition, FAA transitioned all of its Part 121 inspection offices to ATOS at the end of 2007, but training gaps left some inspectors unprepared to adapt ATOS to

their smaller carriers' operations. Weaknesses in FAA's current ATOS approach hinder its ability to effectively target areas of greatest need for inspector resources. We made seven recommendations to FAA to improve its data, training, and risk assessment processes for ATOS. FAA concurred with four of our seven recommendations and partially concurred with three.

December 21, 2010

Letter to Chairmen Oberstar and Costello and Ranking Members Mica and Petri Regarding FAA's Efforts to Implement RTCA Task Force Recommendations for NextGen

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

In September 2009, an RTCA task force recommended mid-term actions for advancing NextGen. The task force findings and recommendations are consistent with our work, covering areas such as maximizing the use of equipment already on aircraft and new procedures, enhancing information sharing among FAA and airspace users, and reducing delays.

Our audit work at the time of this letter found that FAA was working to address RTCA's recommendations in its NextGen plans but had not specified how it would execute key initiatives to address delays in major metropolitan areas. FAA was still working to establish definitive milestones to integrate new airspace designs and procedures

at metroplex locations, and had yet to establish a mechanism for integrating metroplex initiatives with programs in order to better manage airport surface operations. At the same time, FAA was facing several organizational, policy, logistical, and training challenges, including working across diverse agency lines of business and establishing policies on data sharing, that could impede NextGen implementation in the midterm.

FAA has also been challenged to resolve implementation problems with critical modernization projects, such as En Route Automation Modernization (ERAM)—a \$2.1 billion NextGen tool for processing flight data—which has experienced software problems and delays at key sites.

February 9, 2011

Letter to Senators Rockefeller, Hutchison, and DeMint Regarding Commercial Aviation Accidents, Pilot Experience, and Pilot Compensation

Requested by Chairman Rockefeller and Ranking Member Hutchison of the Committee on Commerce, Science, and Transportation and Ranking Member DeMint of the Subcommittee on Aviation Operations, Safety, and Security

Following the fatal crash of Colgan flight 3407 in February 2009, the National Transportation Safety Board (NTSB) and congressional hearings raised concerns about whether there was a direct relationship among commercial aviation accidents, pilot experience, and pilot compensation.

Overall, we could not identify a direct relationship between accidents and pilot experience because pilots involved in accidents had varying ranges of flight hours. However, we observed fewer accidents among pilots who had more flight time in the accident aircraft make and model. In addition, pilot performance was cited in 7 of the 10 major accidents that have occurred over the last decade—including the Colgan accident—indicating that factors beyond flight experience—such as quality of training, professionalism, and mentoring—are also at play.

Establishing a relationship between pilot experience and compensation was also difficult because pilots' level of pay is usually based more on their seniority with the airline than on their total flight time. Compensation also varies significantly depending on whether the pilot is the captain or first officer and the aircraft type. Generally, the larger the aircraft, the higher the compensation.

February 16, 2011

Actions Needed To Meet FAA's Long-Term Goals for NextGen

Testimony before the House Committee on Science and Technology, Subcommittee on Space and Aeronautics

The Inspector General testified on two significant challenges FAA faces in achieving NextGen's long-term goals: (1) implementing ERAM—a \$2.1 billion system for processing flight data—and (2) reaching consensus with partner agencies on key research and development efforts. Successful implementation of ERAM is critical

to key NextGen long-term goals, including increasing airspace capacity and reducing flight delays and congestion. However, software problems with ERAM have caused significant delays that will affect FAA's NextGen plans and costs. NextGen's success also relies on a strong, multi-agency approach to develop safe and effective aviation technologies. While it has made progress in coordinating partner agencies' diverse Federal research and long-term plans, FAA has not reached consensus with its partners on fundamental issues that will materially affect the cost, schedule, and capabilities of NextGen.

The Inspector General highlighted several management actions FAA can take now to strengthen its management of long-term NextGen initiatives. These include clarifying responsibility within FAA for critical NextGen development areas, finalizing performance goals and metrics for NextGen, establishing an integrated budget document to align and track all partner agencies' NextGen resources, and fully leveraging the technology portfolios of partner agencies to assist with NextGen development.

February 17, 2011

FAA Fulfilled Most ARRA Requirements in Awarding Airport Grants

Self-initiated

The American Recovery and Reinvestment Act (ARRA) designated over \$1 billion for Airport Improvement Program (AIP) projects that could achieve several key goals, such as providing long-term economic benefits, creating jobs, and promoting economic recovery. ARRA established

tight timeframes for distributing and expending funds and emphasized preference for projects that could be completed in 2 years. In August 2009, we issued an advisory that outlined our concerns with FAA's process for awarding these ARRA grants. We questioned the economic merit of some lower scoring projects and highlighted several ARRA recipients with grant management problems identified in single audit reports. Based on these preliminary findings, we initiated an audit to determine the extent to which FAA's process for awarding ARRA grants complied with ARRA requirements and other associated guidance.

Overall, we found that FAA's process for awarding AIP grants fulfilled most ARRA requirements, including meeting the timeframes for distributing and expending funds and giving preference to projects that could be completed within 2 years. In addition, FAA avoided supplanting other expenditures with ARRA funds. While FAA also took steps to increase grantee oversight, continued effort will be needed to comply with Office of Management and Budget (OMB) guidance on use of single audit reports to monitor ARRA recipients. We also found that to fully meet Presidential direction, FAA should have used a more transparent project selection process and given more consideration to projects' potential economic impact before awarding grants. Meeting these last two objectives would have provided greater assurance that ARRA funds went to the best candidates.

We made three recommendations to further improve FAA's public transparency and oversight of existing ARRA grant selections. FAA concurred with our recommendations, and we have closed

one recommendation based on FAA's corrective actions taken to date.

February 28, 2011

FAA Did Not Ensure Revenue Was Maximized at Denver International Airport

Self-initiated

Federal law requires airport sponsors receiving Federal grant funds to be as self-sustaining as possible and to use airport revenues only for airport purposes. We reported that FAA allowed the City of Denver to sell property from Stapleton International Airport—which was closed and replaced by Denver International Airport in 1995—to a developer for less than fair market value. As a result, the airport lost at least \$71 million in revenue. FAA's oversight was also ineffective in ensuring proper use of airport revenues because it did not prevent the city from using airport revenue to fund redevelopment, parks, and infrastructure—a federally prohibited non-airport purpose.

We made four recommendations to FAA focused on improving the process of ensuring fair market value for land sold from any future airport closures, ceasing funding of any prohibited Denver airport revenue diversions, recovering revenue diversions from previous sales of Stapleton property, and exploring ways to obtain fair market value from future sales of Stapleton property. FAA did not concur with our findings and recommendations; we consider them open and unresolved and requested that FAA reconsider its response.

March 30, 2011

FAA Must Improve Its Controller Training Metrics To Help Identify Program Needs

Requested by Representative Jerry F. Costello, then Chairman of the House Committee on Transportation and Infrastructure's Subcommittee on Aviation

FAA has taken several steps to address inaccurate training failure rates reported for new controllers, which we reported in June 2009. However, FAA continues to face challenges in identifying training program needs and measuring the overall success of the training program. FAA's current metrics do not provide a complete picture of program success because they assume that all in-progress controllers will successfully complete their initial training. As a result, FAA's attrition rates cannot be relied on to make warranted adjustments to the training program. During our review, we used metrics that focused on the annual output of the training program, which showed a significantly higher fiscal year 2009 attrition rate for new controller training than what FAA reported. We recommended that FAA replace its current training metrics with metrics that focus on how many controllers complete their training or leave the program during a given period of time. FAA concurred with our recommendation and took appropriate actions.

March 21, 2011

Letter to Ranking Member Costello Regarding FAA's Oversight of On-Demand Aircraft Operators

Requested by Representative Jerry F. Costello, Ranking Member of the House Committee on Transportation and Infrastructure's Subcommittee on Aviation

In July 2009, we reported on the differences between FAA regulations and oversight for on-demand operators and larger, commercial air carriers, and recommended actions for FAA to revise outdated safety regulations and improve its risk assessment processes. We also testified before the subcommittee in March 2010 on aspects of the industry where FAA should focus its oversight efforts.

FAA has made notable progress in addressing our recommendations. Specifically, FAA has developed risk-based tools to target safety issues inherent to on-demand operations and improved surveillance resources for FAA inspectors. FAA is also updating the regulatory structure for on-demand operators to address risks within Helicopter Emergency Medical Services operations and reduce human error in the cockpit through required crew resource management training. While these safety advancements are important, FAA still needs to focus on a number of NTSB recommendations aimed at closing regulatory and oversight gaps in areas such as air tours and illegal operators.

Investigations

October 7, 2010

Former Aircraft Parts Supplier Sentenced for Fraud Involving Aircraft Parts

Mark Holiday, former owner of Sky Controls, Inc. (SCI), was sentenced in U.S. District Court, Los Angeles, California, to 8 months imprisonment, 3 years supervised release, and a \$5,000 fine, and ordered to pay \$1,602.50 in restitution, and a \$100 special assessment. Holiday had pled guilty to misrepresenting the condition of an aircraft part while on probation for similar conduct.

As owner of SCI, Holiday instructed his employees to repair or otherwise change the appearance of used aircraft parts so that the parts could be sold as new or new surplus to customers, knowing that the parts were not as SCI represented. In one instance, SCI sold an aircraft motor with an SCI-issued Certificate of Conformance falsely certifying that the motor was in new surplus condition. The manufacturer subsequently tested the motor and determined that certain characteristics were inconsistent with its motors.

This investigation was conducted jointly with the Federal Bureau of Investigation (FBI), Defense Criminal Investigative Service, the National Aeronautics and Space Administration's OIG, and U.S. Army Criminal Investigation Division (CID).

November 10, 2010

Washington Man Indicted on Federal Charges, including Flying without a Valid FAA Airman's Certificate

Colton Harris-Moore, of Camano Island, Washington, was indicted in U.S. District Court, Seattle, Washington, and charged with interstate transportation of a stolen aircraft, interstate and foreign transportation of a stolen firearm, being a fugitive in possession of a firearm, piloting an aircraft without a valid airman's certificate, and interstate transportation of a stolen vessel.

In 2008, Harris-Moore allegedly began a crime spree that involved the theft of aircraft, boats, vehicles, and firearms. On more than one occasion, Harris-Moore piloted stolen aircraft, without a valid airman's certificate. It is estimated that based on Harris-Moore's conduct, 80 investigations have been initiated into residential and commercial burglaries, vehicle prowls, vehicle thefts, assault on law enforcement officials, and the theft of five aircraft. Harris-Moore allegedly began moving his crime spree eastward in June 2010, and on July 4, 2010, allegedly stole an aircraft in Indiana, which he flew to Grand Abaco Island in the Bahamas. Harris-Moore survived a crash landing—reportedly his usual method of landing—in the Bahamas. After being apprehended by the Royal Bahamas Police, Harris-Moore was transported to Washington State where he was charged for his crimes.

This investigation was conducted jointly with the FBI, the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF), and other state and local law enforcement agencies.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

November 15, 2010

Jury Convicts Two Company Executives for Operating an Illegal Luxury Charter Jet Company

Following a 4-week trial, brothers Michael F. Brassington and Paul Brassington—co-founders of the now-defunct Platinum Jet Management (PJM), a luxury air charter service based in Fort Lauderdale, Florida—were convicted by a Federal jury in Newark, New Jersey, on charges stemming from the February 2, 2005, PJM crash in Teterboro, New Jersey.

While attempting take-off at Teterboro Airport, the PJM passenger jet over-ran the runway, struck two cars as it crossed a roadway, and crashed into a warehouse, resulting in injuries. An NTSB investigation concluded that the aircraft's incorrect center of gravity contributed to the crash. An OIG investigation revealed that the flight's first officer relied on Michael Brassington's representations concerning the weight of the aircraft, causing the plane to be over-fueled and creating an imbalance in the center of gravity.

Michael Brassington—PJM's President, CEO, and chief pilot—was found guilty of endangering an aircraft, conspiracy to defraud the government, making false statements in flight log books, and providing false information to NTSB during its investigation. Paul Brassington, PJM's Vice

President, solicited business and booked flights on its behalf, and was convicted of conspiracy to commit wire fraud.

December 3, 2010

New Jersey Aircraft Parts Broker Pleads Guilty in Connection With a Scheme to Sell Scrapped Aircraft Jet Engine Parts

Carmine Coviello, an aircraft parts broker and owner of Shelby Enterprises, pled guilty in U.S. District Court, Newark, New Jersey, to a charge of conspiring to commit wire fraud.

Coviello admitted that from April 2005 through August 2009, his company purchased used jet engine parts known as "blades" and "vaness" from scrap metal dealers that FAA-certificated repair stations had deemed non-repairable and thus not airworthy.

Coviello used his company to engage in sham sales to Tara Aviation—an aircraft parts broker located in the Bailiwick of Guernsey, England, that employed Coviello as a general manager. Coviello admitted that the sole purpose of these sales was to generate a fraudulent historical record that the blades and vanes were certified without his knowledge of their actual history or whether or not these parts had been subject to severe stress or heat.

This investigation was conducted jointly with the Internal Revenue Service (IRS) and with the assistance of the FAA Flight Standards District Office.

February 7, 2011

FAA Mechanics Plead Guilty to and Are Sentenced for Falsifying Records on Aircraft Parts Repairs and Inspections

David Stanley Fisher of Ocala, Florida, was sentenced in U.S. District Court Gainesville, Florida, to 36 months probation and a \$300 special assessment. Fisher had pled guilty to charges associated with making false statements regarding aircraft maintenance. Fisher admitted that while employed at World Aircraft Connections, Inc. (WAC), Williston, Florida, as an FAA licensed mechanic with Airframe and Powerplant (A&P) ratings, he signed off that he had overhauled a main rotor hub assembly, a compressor assembly, a turbine assembly, and a gearbox assembly and installed these parts on two Bell helicopters, when in fact he did not overhaul the parts. He further admitted that he signed off on two 100-hour inspections for the same helicopters, when in fact he did not complete proper inspections of the aircraft. As part of his plea agreement, Fisher agreed to permanently surrender and forfeit his FAA aircraft and mechanic's license with A&P ratings, and to not reapply for this license after completing his sentence.

In the same investigation, James Lanier Smith, of Ocala, Florida, was sentenced in U.S. District Court, Gainesville, Florida, on October 28, 2010 to 1 year probation, a \$2,500 fine, and a \$100 special assessment fee. Smith, also employed by WAC, had pled guilty to charges of falsely entering in an aircraft logbook that he had completed an annual inspection of a Bell L-1 helicopter and certified it airworthy, when in fact he

did not complete a thorough inspection of the helicopter and the helicopter was not airworthy. During the sentencing hearing, the District Court Judge ordered Smith's FAA aircraft mechanic license revoked and that he not seek or accept work relating to aircraft inspection or repair. This investigation was conducted with assistance from FAA.

February 22, 2011

Massachusetts Man Pleads Guilty to Illegally Transporting Ammunition Primers on Passenger Aircraft

Orville A. Braham pled guilty in U.S. District Court, Miami, Florida, to charges that he illegally transported ammunition primers in his luggage on a passenger aircraft.

In December 2010, Braham boarded an American Airlines flight with two pieces of luggage that contained hundreds of concealed .45 caliber ammunition primers, which are explosive and hazardous materials. One piece of luggage exploded and injured a baggage handler who was unloading the luggage at Miami International Airport. Braham also concealed components of a disassembled ammunition reloading press, a machine used to assemble component parts, including ammunition primers, and to create ammunition.

The investigation is being conducted jointly with the FBI and ATF, with assistance provided by FAA. 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 NextGen Delivers Planned Benefits

The National Airspace System handles almost 50,000 flights a day and more than 700 million passengers a year. Steadily increasing air traffic has resulted in more delays and cancellations, which are at the root of consumer dissatisfaction with air travel. NextGen aims to significantly transform air traffic management by relying on satellite-based navigation and advanced automation as opposed to today's ground-based radar. NextGen is the most complex effort FAA has ever engaged in and will require multibillion-dollar investments from both the Government and the airline industry.

In September 2009, an FAA-sponsored Government-industry task force issued a report detailing what can be done in the next 3 to 5 years to effectively transition to NextGen.¹ The task force made 28 recommendations, the majority of which are consistent with our work, including

maximizing existing aircraft navigation capabilities, improving the use of runways at congested airports, and enhancing airport surface operations. The task force warned that airspace users are willing to make NextGen investments only if FAA's programs provide a clear path to immediate and tangible benefits.

Several ongoing and completed OIG audits have highlighted the challenges FAA faces in delivering promised benefits. For example, last December we reported that FAA has struggled with implementing Area Navigation (RNAV) and Required Navigation Performance (RNP)²—new satellite-based routes and procedures that can provide shorter, more direct flight paths and improved airport arrival rates. However, FAA has not widely implemented the more efficient RNP procedures that airlines need to reduce fuel burn, or developed metrics to measure benefits.

FAA also faces significant risks and challenges in deploying the Automatic Dependent Surveillance-Broadcast (ADS-B)—a system intended to help controllers and pilots safely reduce the distance between aircraft regardless of weather conditions. However, as we reported in October 2010, FAA has yet to finalize the requirements for advanced ADS-B capabilities, including cockpit display of air traffic information, which can improve safety on crowded runways.³ There are also risks associated with radio frequency congestion and protecting the ADS-B signal from malicious acts. Addressing these issues will be key to achieve NextGen’s mid- to long-term goals.

FAA must also resolve software-related problems in the En Route Automation Modernization (ERAM) program—a \$2.1 billion program intended to replace the hardware and software that controllers rely on to manage high-altitude traffic. In February 2011,⁴ we testified before Congress that the cost and schedule to complete ERAM

are uncertain, but FAA now plans to complete the program in 2014—a schedule slip of 4 years. Prolonged delays with ERAM will directly impact other key NextGen capabilities that are intended to fundamentally change air traffic management.

We have made a number of recommendations to FAA to implement more efficient RNP routes and clarify the expected benefits of NextGen initiatives for enhancing capacity and reducing delays at already congested airports. FAA has taken or planned several actions to address these recommendations. However, NextGen’s challenges are multi-dimensional, and a number of critical actions are still needed for successful implementation. With billions of taxpayer dollars at risk, we will continue to monitor FAA’s progress as it works to achieve the efficiency and safety benefits envisioned for NextGen.

1 RTCA, “NextGen Mid-Term Implementation Task Force Report,” September 9, 2009.

2 OIG Report Number AV-2011-025, “FAA Needs To Implement More Efficient Performance-Based Navigation Procedures and Clarify the Role of Third Parties,” December 10, 2010.

3 OIG Report Number AV-2011002, “FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance-Broadcast Program and Realizing Benefits,” October 12, 2010.

4 OIG Testimony Number CC-2011-016, “Actions Needed To Meet FAA’s Long-Term Goals for NextGen,” February 16, 2011.



Highway and Transit Programs

Audits

October 18, 2010

Letter to Chairmen Murray and Olver and Ranking Members Bond and Latham Regarding FHWA's Actions in Response to OIG's January 2009 Bridge Report

Requested in the Senate Appropriations Committee Report accompanying the fiscal year 2010 appropriations bill for the Departments of Transportation and Housing and Urban Development, and Related Agencies

According to the Federal Highway Administration (FHWA), about one-fourth of the Nation's more than 600,000 bridges have major deterioration,

cracks in their structural components, or other deficiencies. Given the enormity of the problem and the limited funding available to address such deficiencies, FHWA's oversight activities must incorporate the targeting of higher priority bridge safety risks. We have issued three reports on the challenges FHWA faces in improving its bridge oversight. Our most recent report, issued in January 2009, highlighted FHWA's limited progress in implementing a data-driven, risk-based bridge oversight approach, and noted that FHWA could strengthen its role in expanding states' use of bridge management systems. We made five recommendations to address these weaknesses.

FHWA has taken action to resolve data errors in National Bridge Inventory data files. However, the Agency must follow through on its plan to work with states in mitigating higher priority nationwide bridge safety risks; implement its uniform definition

of National Bridge Inspection Standards compliance and data-driven, risk-based metrics; work with the American Association of State Highway and Transportation Officials to update standards for element-level data; and provide support to states most in need of assistance with bridge management systems.

January 6, 2011

Actions Needed to Strengthen the Federal Highway Administration's National Review Teams

Self-initiated

FHWA relies on its 52 division offices to provide oversight of the more than 12,000 state and local highway infrastructure projects funded through ARRA. To independently assess states' management of ARRA funds, FHWA also created national review teams (NRT). Through NRT assessments, FHWA aims to identify problems that require corrective actions, as well as national trends and potential new risks. We initiated this audit to evaluate the NRTs' effectiveness in conducting national oversight and mitigating risks posed by the rapid infusion of ARRA dollars.

While the NRTs' reviews have been thorough and have yielded useful data, the increase in the number of active ARRA projects in 2010 challenged the teams' abilities to complete timely reviews. Moreover, vulnerabilities in both teams' and FHWA's procedures demonstrated the need for increased oversight. First, teams did not include all observations in their summary reports or properly record corrective actions in FHWA's Recovery Act Database System. Without

comprehensive reports and target action dates, division offices could not effectively identify problems that require corrective actions, and FHWA could not ensure all corrective actions were taken. Second, FHWA had not defined the critical role of its three Directors of Field Services in monitoring corrective action plans and resolving issues that could impact their prompt and effective implementation. Finally, FHWA's limited analysis of NRTs' results failed to identify national trends and emerging risks or assess the effectiveness of ARRA risk response strategies.

We made a series of recommendations to address these vulnerabilities and help FHWA to strengthen the NRT approach during this critical period of ARRA highway construction and allow FHWA to enhance its national oversight capabilities. FHWA actions have responded to our recommendations.

February 9, 2011

DOT Can Improve Oversight of Denali Commission's Use of Federal Transportation Funds

Requested by former Ranking Member Christopher S. Bond

The remoteness of Alaska's cities and villages presents significant transportation challenges for the State's residents. In 2005, Congress created the Denali Access System Program to fund Alaskan road and waterfront development projects that provide economic opportunities and improve residents' quality of life, health, and safety. Since 2006, FHWA and the Federal Transit Administration (FTA) have transferred

more than \$100 million to the Denali Commission, the independent Federal agency that selects the projects.

Our assessment determined that while the Denali Commission had approved appropriate types of projects, its project selection policy and process were insufficient to ensure that selections were transparent and made objectively. Moreover, the Commission's limited ethics guidance did not ensure that project selection officials appropriately recused themselves from the selection process. The Commission also lacked mechanisms to verify and hold selection officials accountable for appropriately recusing

themselves. Nevertheless, we did not find specific instances of conflicts of interest. Further, Federal oversight of the transportation program was limited and we found shortfalls with required project documentation.

We made a series of recommendations for FHWA to assist the Commission and to ensure that Federal transportation funds are spent efficiently, effectively, and appropriately. Based on actions FHWA has taken and our review of the documentation provided in response to our draft report, we consider all recommendations resolved. No further actions are required.

Investigations

December 7, 2010

Executives of Iowa Concrete Ready Mix Companies Conspired to Manipulate the Concrete Market in Iowa

Chad Van Zee, President of an Iowa concrete ready mix company, pled guilty in U.S. District Court, Sioux Falls, Iowa, to charges that he violated the Sherman Antitrust Act. Van Zee conspired with Steve Vandebroke, Executive, GCC Alliance Concrete, Inc., to increase the price on ready-mix concrete and sell it at collusive and noncompetitive prices in Iowa, thus affecting the interstate trade and commerce of the product.

As early as January 2006 and continuing to as late as August 2009, Van Zee conspired with Vandebroke to fix the prices of ready-mix concrete sold in Northwest Iowa, by engaging in meetings to discuss agreements on pricing the concrete to be sold by their respective companies. Also in connection with this case, Kent Stewart, President of another Iowa ready mix company, pled guilty for his role in conspiring with Vandebroke to fix prices and rig bids for the sale of ready-mix concrete in Iowa. The projects affected by this scheme ranged in value between \$200,000 and approximately \$1 million.

Vandebroke was sentenced in U.S. District Court, Sioux Falls, Iowa, on February 8, 2011, to 48 months imprisonment followed by 500 hours of community service, 3 years of supervised

release, and an \$829,715 fine. On the same day, Stewart was sentenced to 12 months and 1 day in prison, 100 hours of community service, 3 years of supervised release, an \$83,427 fine, and \$25,918 in restitution.

This investigation was worked jointly with the FBI, U.S. Attorney's Office, and the Department of Justice Antitrust Division's Chicago Field Office.

January 19, 2011

Mississippi State Trooper and Former Department of Public Safety Employee Indicted for False Statements Related to Fraudulent CDLs

Joseph Rigby, a retired Mississippi Department of Public Safety Lieutenant Colonel Trooper, and Rene Morris, a former Mississippi Department of Public Safety employee, were charged in a superseding indictment in U.S. District Court, Jackson, Mississippi, with conspiracy and false statements relating to the issuance of commercial drivers' licenses (CDL).

The Mississippi Bureau of Investigation (MBI) requested our assistance in investigating allegations that state troopers had aided and abetted others in creating (1) false test scores to obtain CDLs and (2) operational enhancements, such as hazmat and passenger endorsements, without going through state and Federal testing requirements. The troopers were also alleged to have aided and abetted others in altering CDL driver records to reduce speeding infractions to

lesser charges and altered the guilty judicial dispositions of driver records to aid and abet others from receiving judgments in accordance with the State of Mississippi's due process of law.

This investigation is being conducted jointly with the FBI and MBI. Assistance from the Federal Motor Carrier Safety Administration's (FMCSA) Southern Service Center and its headquarters has been instrumental to the progress of the investigation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

January 21, 2011

Federal Motor Carrier Safety Supervisor Charged with Taking Bribes from Company Officials

James H. Wood, a supervisor at FMCSA's Buffalo, New York field office, was arrested and charged with accepting bribes in his official duties from or on behalf of motor carriers.

Safety consultants for Canadian commercial trucking companies paid Wood to provide information that enabled some trucking companies to avoid or delay inspections of their vehicles. Wood also allegedly accepted cash to initiate compliance audits that could put a competitor out of business, and helped trucking firms get friendly audits that allowed them to keep potentially unsafe vehicles on the road. A cooperating witness admitted to paying Wood approximately

\$70,000 over the past 2 years for information and assistance.

OIG is working closely with FMCSA to assist in follow-up actions. This investigation is being worked jointly with the FBI.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

February 3, 2011

Federal Charges against Driver in Fatal Accident Case for Falsifying Daily Logbooks

A Federal grand jury in Philadelphia, Pennsylvania, indicted Valerjis Belovs, charging him with making false statements to the U.S. Department of Transportation. The indictment alleges that Belovs falsified his daily driver logbooks to conceal the fact that he did not comply with rest requirements.

The Federal charges are brought in connection with an accident on U.S. Interstate 76 in Philadelphia, Pennsylvania, in which one person died and five others were seriously injured when the truck operated by Belovs plowed into stopped traffic. OIG's analysis of Belovs' FMCSA-regulated daily driver logbooks revealed that at the time of the accident, he was driving in excess of the maximum allowable hours for operating a commercial vehicle. According to the indictment, Belovs made 15 false entries in his logbooks. In one example, Belovs recorded that

he was in a sleeper berth in Wytheville, Virginia, when he was actually driving in Pennsylvania.

The post-accident investigation revealed that the accident was a result of Belovs inability to stop due to defective brakes. The investigation found that Belovs and the truck's owner were aware of the brakes' dangerous conditions, yet took no steps to fix the problem. In fact, the truck owner solicited, received, and affixed an illicit inspection sticker that was obtained from an automotive shop that did not perform the required inspection. Belovs, the owner of the truck, and the individual who provided the illicit inspection stickers have all pleaded guilty to various state charges, including vehicular homicide.

This is a joint investigation with the Montgomery County, Pennsylvania, District Attorney's Office and the Pennsylvania State Police. FMSCA is assisting with the investigation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



Rail and Maritime Programs and Economic Analysis

Audits

December 7, 2010

Title XI Loan Guarantee Program: Actions Are Needed To Fully Address OIG's Recommendations

Requested by Senate Report 110-131

The Title XI Loan Guarantee Program has a portfolio of guarantees that covers over \$2 billion in loans, with the potential to expand to almost \$4 billion. We conducted this review to assess the Maritime Administration's (MARAD) efforts to address recommendations we made in 2003 and 2004 to improve oversight of borrowers in the Title XI portfolio.

While MARAD developed new Title XI guidance and information systems, it did not effectively

implement them. As a result, administration and oversight of the program still needs improvement. We made three recommendations to strengthen MARAD's oversight of the Title XI program. MARAD fully concurred with all of our recommendations.

December 22, 2010

Semiannual Report on Amtrak's Operational Reforms Savings and Financial Performance and Five-Year Financial Plan Review

Required by the Fiscal Year 2010 Consolidated Appropriations Act

Our semiannual report to the House and Senate Appropriations Committees on Amtrak's fiscal year 2010 financial performance reported that Amtrak's fiscal year 2010 operating loss of

\$437.5 million was \$125.5 million, or 22 percent, less than budgeted. This represents a \$114.6 million improvement over the forecasted loss we reported at mid-year. Amtrak set records in both revenue and ridership and is moving towards successfully implementing its fiscal year 2010 improvement initiatives, which are reflected in three of Amtrak's key performance indicators that we track and use to measure the company's progress in achieving its goals.

The report also includes our review of Amtrak's 5-Year Financial Plan and fiscal year 2011 annual budget, as required by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). We found that the plan, covering fiscal years 2011 through 2015, meets PRIIA requirements, although some information that the act requires will be delayed for 3 months, primarily due to limitations in Amtrak's new financial reporting system. Finally, Amtrak's fiscal year 2011 budget falls within funding amounts authorized in PRIIA.

January 27, 2011

Amtrak Made Significant Improvements in its Long-Term Capital Planning Process

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

PRIIA re-authorized Amtrak for the years 2009 through 2013—the first time in over a decade that Amtrak received a multi-year authorization for appropriations to cover its capital spending. Amtrak also received \$1.3 billion in ARRA

funding. Developing its capital budget on a year-to-year basis without knowing how much funding Congress would provide has significantly affected Amtrak's ability to maintain safe and reliable infrastructure and equipment, and increased its capital program's annual costs. Amtrak estimates that the "state of good repair" backlog on Amtrak-owned and operated Northeast Corridor infrastructure alone is approximately \$5.2 billion in fiscal year 2010 dollars. Amtrak also faces the renewal and replacement of an aging equipment fleet, safety and security needs, business improvement initiatives, and compliance with legal requirements, such as accessibility for passengers with disabilities.

Amtrak has established four planning documents that outline the company's long-term capital requirements and align with the company's business and strategic goals. In March 2009, Amtrak implemented Decision Lens, a software package that it has used to prioritize its capital needs in a transparent manner. While Amtrak has established a capital spending plan for its ARRA funds, the company likely faces challenges in making investments by the mandated February 17, 2011, deadline. Finally, although Amtrak has made progress in developing capital project performance metrics, the company still faces challenges in evaluating capital projects, including difficulties in identifying metrics for projects that cannot be easily evaluated.

We made two recommendations to the Federal Railroad Administration (FRA) Administrator regarding Amtrak's successful integration and maintenance of recent improvements to its

long-term capital planning processes and effective spending of ARRA funds. FRA completed actions to address one recommendation and proposed appropriate actions to address the other.

February 15, 2011

Quality of Service Provided to Rail Shippers

Requested by the Conference Report accompanying the Consolidated Appropriations Act of 2008

For a number of years, commodity shippers have raised concerns about the service that U.S. railroads provide, including a lack of available railcars, delivery of significantly less tonnage than contracted for, and service disruptions. Congress directed OIG to examine service disruptions since 2004—in particular, incidents in which rail carriers failed to make timely shipments of coal, wheat, ethanol, and lumber.

Rail service guarantees in general have become more difficult for commodity shippers to obtain, especially through contracts. The quality of freight rail service has varied considerably since 2004, as indicated by internal railroad data and interviews with stakeholders, but the information railroads make available to the public is insufficient to allow for monitoring of rail service quality. Demand levels, derailments, and weather events have all driven fluctuations in rail service quality since 2004. However, dramatic changes in demand for rail service had the greatest impact.

Investigations

October 13, 2010

Virginia Man and Company Indicted for False Statements to MARAD and Clean Water Act Violations

In U.S. District Court, Norfolk, Virginia, Jerry Askew and Marine Environmental Services, Inc. (MES)—a tank cleaning company in Portsmouth, Virginia—were indicted on multiple charges associated with the alleged discharge of approximately 500,000 gallons of contaminated ballast water into the Elizabeth River and the Hampton Roads Sanitation District sewer system in violation of the Clean Water Act and the Refuse Act. Jerry Askew, general manager of MES, was the subcontractor hired by Bay Bridge Enterprises to remove fluids from the USS Pawcatuck as part of a ship scrapping contract with MARAD. MARAD's contract required compliance with all Federal, state, and local environmental laws and regulations.

The indictment also charged Askew and MES with making material false statements by omitting the illegal discharges in reports submitted to MARAD. Additionally, the indictment charged Askew with allegedly making false statements to the Environmental Protection Agency, Department of Defense, and the Coast Guard when he advised them that he had authority from the Coast Guard to discharge ballast water from the USS Pawcatuck into the Elizabeth River. The Coast Guard had not advised him or given him such permission.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



Financial and Information Technology

Audits

October 5, 2010

Quality Control Review of Controls over the Enterprise Services Center

*Required by the Office of Management and
Budget*

In accordance with OMB requirements, OIG hired a certified public accounting firm to perform a review of the general, application, and operational controls over DOT's Enterprise Services Center (ESC). The audit covered Delphi Financial Management System operations, which are used by multiple Federal agencies, and the Consolidated Automation System for Time and Labor Entry (CASTLE), which supports DOT operations only.

The audit concluded that management's description of controls presents fairly, in all material respects, the controls in operation as of June 30, 2010. In addition, the controls were suitably designed and operating effectively, except in the areas of configuration management and access controls. Specifically, the Delphi system operated on a database for which the vendor stopped providing security updates in February 2009. Furthermore, ESC did not apply in a timely manner critical security updates that the vendor had provided, and did not assess the system for vulnerabilities and any risks associated with them. The Deputy Chief Financial Officer has committed to implementing corrective actions.

October 22, 2010

ARRA Websites Vulnerable to Hackers and Carry Security Risks

Self-initiated

ARRA requires unprecedented levels of transparency and accountability so that the public knows where tax dollars are being spent. To address these requirements, DOT and its Operating Administrations deployed various websites to collect and disseminate ARRA-related information.

In our assessment of these websites and database systems to determine if they are properly configured to minimize the risk of cyber attacks, we found that they contained a combination of high-, moderate-, and low-risk vulnerabilities, which existed because the websites, databases, and servers did not comply with DOT configuration security standards. DOT's Chief Information Officer concurred with our findings and recommendations, and presented appropriate planned actions and completion dates.

November 3, 2010

Quality Control Review of the Saint Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2010 and 2009

Required by the Government Corporation Control Act

In its audit of the Saint Lawrence Seaway Development Corporation's fiscal years 2010 and 2009 financial statements, Chiampou Travis Besaw & Kershner LLP, under contract to the Seaway, issued a clean (unqualified) audit opinion, and reported no internal control deficiencies.

Complete financial statements are included in the Saint Lawrence Seaway Development Corporation's Annual Report, which also contains a copy of our quality control report and Chiampou Travis Besaw & Kershner's report.

November 5, 2010

Quality Control Review of NTSB's Audited Financial Statements for Fiscal Years 2010 and 2009

Required by the Accountability of Tax Dollars Act

Leon Snead & Company, P.C., under contract to OIG and under its supervision, issued a clean (unqualified) audit opinion of NTSB's financial statements for fiscal years 2010 and 2009, but reported one significant deficiency related to NTSB's need to fully implement a managerial cost accounting system.

Complete financial statements are included in NTSB's Performance and Accountability Report, which also contains a copy of Leon Snead's report.

November 10, 2010

Quality Control Review of FAA's Audited Financial Statements for Fiscal Years 2010 and 2009

Required by OMB Bulletin 07-04

Clifton Gunderson LLP, under contract to OIG and under OIG's supervision, issued a clean (unqualified) audit opinion of FAA's financial statements for fiscal years 2010 and 2009, but reported one significant deficiency related to FAA's need to implement effective security controls in order to protect its financial information from unauthorized access, modification, and disclosure throughout the year.

Complete financial statements are included in FAA's Performance and Accountability Report, which also contains a copy of Clifton Gunderson's report.

November 15, 2010

Quality Control Review of DOT's Audited Consolidated Financial Statements for Fiscal Years 2010 and 2009

Required by the Chief Financial Officers Act, as amended

Clifton Gunderson LLP, under contract to OIG and under OIG's supervision, issued a clean (unqualified) audit opinion of DOT's consolidated financial statements for fiscal years 2010 and 2009, but reported five significant deficiencies in internal controls and four possible instances of reportable noncompliance with laws and regulations.

Clifton Gunderson made 30 recommendations to strengthen financial, accounting, and system controls. We agree with the recommendations and are making no additional ones. The Department submitted a complete detailed action plan to OIG on January 18, 2011, to address the findings in the audit report.

Complete financial statements are included in DOT's Agency Financial Report, which also contains a copy of Clifton Gunderson's report.

November 15, 2010

Timely Actions Needed To Improve DOT's Cybersecurity

Required by the Federal Information Security Management Act of 2002

DOT's \$3.1 billion annual information technology portfolio—one of the largest among Federal civilian agencies—covers over 400 information systems across 13 Operating Administrations, nearly two-thirds of which belong to FAA. The Department's financial systems manage and disburse approximately \$90 billion annually. To protect the information systems that support Federal operations and assets from cyber threats, the Federal Information Security Management Act (FISMA) of 2002 requires agencies to develop, document, and implement agencywide information security programs. Consistent with FISMA and OMB requirements, our annual review assessed the effectiveness of DOT's information security program and practices.

During fiscal year 2010, DOT provided security awareness training to over 90 percent of its employees; five Operating Administrations provided training to 100 percent of their employees. Despite these accomplishments, DOT has not made the needed progress in addressing information security policy and procedures, enterprise-level controls, management of information security weaknesses, and system-level controls. We made 27 new recommendations to address vulnerabilities in these areas that urgently need action. The DOT Chief Information Officer provided a description of specific actions to be taken to implement these

recommendations, along with their milestone dates.

December 1, 2010

Improper Payments Identified in FAA's Airport Improvement Program

Self-initiated

In fiscal year 2008, FAA provided over \$4 billion to more than 1,500 grantees in its Airport Improvement Program (AIP) to enhance safety, capacity, and security at airports considered significant to national air transportation. DOT has determined that the program is susceptible to improper payments, which are payments for ineligible services or to ineligible recipients, duplicate and incorrect payment amounts, or payments based on insufficient supporting documentation. The infusion of ARRA dollars for AIP—\$1.1 billion in fiscal year 2009—increases this risk.

We found that AIP payments totaling over \$13 million (more than 5 percent) made to 17 of the 26 grantees in our sample were improper. More than 98 percent of these improper payments were made by 11 grantees that met FAA's criteria for a moderate-risk rating for making improper payments but were identified as low-risk. As a result, these grantees were allowed to receive funding without submitting documentation or obtaining prior approval from FAA as required for high-risk grantees. In addition, FAA's review of moderate-risk grantees' documentation to support payment requests was inadequate. FAA also failed to notify OIG of possible bid improprieties in this single-bid contract, as agency regulations require.

We made seven recommendations to improve FAA's oversight of its AIP payments. FAA concurred with four recommendations and provided acceptable actions and timeframes for these four. We requested that FAA re-evaluate its position on the remaining three recommendations. Subsequent to the issuance of our report, FAA provided acceptable actions and timeframes for two. Regarding the last recommendation, FAA agreed to identify the funds that could be recovered but disagreed with the amount of improper payments we identified during the audit.

February 1, 2011

Inspector General Review of Fiscal Year 2010 Drug Control Funds and Performance Summary

Required by Office of National Drug Control Policy Circular

Our review of NHTSA's fiscal year 2010 Drug Control Obligation Summary and Performance Summary reports did not identify any information that would reverse management's assertions that the reports complied with the Office of National Drug Control Policy Circular, Drug Control Accounting, requirements, in all material respects.





In Focus: Financial Statement Audits Continue To Promote Improvements in DOT's Financial Management Practices

For fiscal year 2010, Congress budgeted nearly \$77 billion to DOT to carry out its mission, with roughly \$16 billion, or one-fifth, going to FAA. To institute strong leadership and strengthen accountability for Agency spending of these Federal dollars, the Chief Financial Officers (CFO) Act of 1990 directs major Executive Departments and Agencies to prepare annual financial statements of trust funds, revolving funds, and commercial activities, and requires Inspectors General, or Independent Public Accountants engaged by Inspectors General, to audit these statements. The Government Management Reform Act of 1994 amended the CFO Act to require Executive Branch departments and agencies to prepare statements covering all accounts and activities, beginning in fiscal year 1996. Implementing guidance from OMB requires annual audits of the key components of Executive Departments, including FAA.

During fiscal year 2010, both DOT and FAA earned their third consecutive clean audit opinions without material weaknesses in internal control. Of particular note, property management—which has plagued DOT and FAA for many years and resulted in disclaimers of opinion, qualified opinions, and material weaknesses in internal control—was not identified as a concern.

The practice of preparing and auditing annual financial statements has yielded numerous benefits for DOT and FAA. Overall, the practice has helped DOT and FAA enhance financial management systems to provide more complete, consistent, reliable, and timely information to users and management, and strengthened internal controls over financial accounting to mitigate potential waste, abuse, and mismanagement. The practice was also key to establishing the Enterprise Services Center—which provides consolidated financial services to the entire Department and other Federal agencies—and to expanding over-

sight of DOT's grant programs and FAA's property management activities.

Despite these accomplishments, additional improvements are needed to strengthen financial management within the Department. For example, our audit of DOT's financial statements for fiscal year 2010 identified approximately \$1.5 billion of unneeded obligations that should have been de-obligated and made available for other Department priorities. Accordingly, we recommended that DOT standardize the inactive obligation review process and monitor Operating Administrations to ensure that they liquidate unneeded obligations in a timely manner. We also made a number of recommendations designed to further strengthen DOT's financial management practices, including recommendations that DOT

- ensure financial transactions are properly recorded in the general ledger system to reduce the need for corrections to journal entries;
- enhance fund control reporting and monitoring processes to reduce the risk of funding violations occurring, and improve the timely reporting of violations;
- continue to enhance processes for grant accrual estimates in order to more reliably measure the cost of grant programs and outstanding liabilities;

- fully implement and enhance grants management systems to better safeguard ARRA funding;
- migrate its accounting application to a new operating system in order to protect against known security vulnerabilities, develop lifecycle plans, and enhance communication with the Operating Administrations to reduce risks to the general ledger system; and
- complete its assessment of four possible violations of the Anti-Deficiency Act and report confirmed violations as required by law.

Our fiscal year 2010 reports to DOT and FAA included a total of 32 recommendations. DOT and FAA concurred with our findings and plan to implement the majority of the recommendations in fiscal year 2011. The timely implementation of our recommendations is critical to the Department and FAA's continuance of clean audit opinions for fiscal years 2011 and beyond.



Acquisition and Procurement

Audits

None to report for this period.

Investigations

October 20, 2010

Former ElectraStor Chief Executive Officer Pleads Guilty to Fraud Charges

Michael Armitage, former Chief Executive Officer of EV Worldwide LLC (EVW), Pittsfield, Massachusetts, pled guilty in U.S. District Court, Springfield, Massachusetts, to a series of frauds and attempts to avoid paying taxes; lying to financial institutions and Federal authorities, including endeavoring to obstruct a DOT OIG audit; and making a false claim on an FTA project.

EVW and its wholly-owned subsidiary ElectraStor, LLC received funding from FTA through the Pioneer Valley Transit Authority (PVTA) to develop a nickel-hydrate battery to power buses. EVW received approximately \$4.2 million in FTA funds via congressional earmarks through PVTA between 2000 and 2006. A 2006 DOT OIG audit indicated that EVW had submitted fraudulent invoices for ineligible and questionable expenses totaling \$703,000. Armitage repeatedly lied to and attempted to obstruct auditors during the course of OIG's audit.

This investigation was conducted jointly with IRS-CID with assistance from the Defense Contract Audit Agency.

October 29, 2010

Former New York Construction Company Vice President Pleads Guilty in Connection with \$19 Million DBE Fraud

John Athanasiou, former Vice President of Purchasing for Perini Corporation's Civil Division, pled guilty in U.S. District Court, Brooklyn, New York, to money laundering and conspiracy for his role in a Disadvantaged Business Enterprise (DBE) fraud scheme. The scheme involved several New York area roadway improvement projects that received DOT funding.

Athanasiou admitted that from 1998 to 2001, he conspired with others to obtain transportation construction contracts worth approximately \$284 million by using three "pass through" DBEs to obtain various levels of DBE credit, and relied on a number of non-DBE contractors to do the actual work. The pass-through DBEs generally received between 3 and 5 percent of the subcontracts' value as fees to process payroll and other required paperwork. The DBE owners and others involved in this conspiracy have pled guilty and were prepared to testify for the Government in an impending criminal trial. Perini Corporation has paid \$9.75 million pursuant to a negotiated civil settlement to resolve its criminal and civil liabilities.

This investigation was conducted jointly with the Federal Construction Fraud Task Force, whose members include the IRS-CID, Department of Labor OIG, and the New York City Department of Investigation.

November 19, 2010

Two Michigan Construction Firms Agree To Pay \$1.4 Million To Resolve False Claims

A civil settlement agreement was entered in U.S. District Court, Detroit, Michigan, on behalf of DOT, with John Carlo, Inc. (JCI), prime contractor on a FAA-funded runway project and Angelo lafrate Construction Company (AICC), subcontractor to JCI. JCI and AICC agreed to pay more than \$1.4 million to resolve false claims related to the reconstruction of a runway and taxiway at the Detroit Wayne County International Airport.

It was alleged that JCI and AICC submitted false claims and statements, claiming that BN&M Trucking, a DBE, performed substantial work on the DOT-funded airport runway project contracts, when in fact BN&M did not do the work but was merely a pass-through used to give the appearance of DBE participation. DBE regulations required JCI and AICC to commit to subcontracting with DBEs, and the DBEs to perform a "commercially useful function."

In addition to the \$1.4 million payment to resolve civil claims, AICC has entered into a separate administrative agreement with DOT to ensure future compliance with DBE requirements.

This investigation was coordinated with FAA and the Wayne County Airport Authority, which first brought the case to the government's attention.

November 29, 2010

New Jersey Construction Firm Agrees To Pay \$20 Million To Settle Fraud Allegations

Schiavone Construction Co. LLC, a New Jersey construction company, signed a civil settlement agreement in U.S. District Court, Brooklyn, New York, in which Schiavone agreed to pay a \$20 million civil forfeiture related to DBE fraud on various public works contracts. As part of the resolution, Schiavone admitted that between 2002 and 2007, former employees fraudulently submitted utilization reports on federally funded public works contracts that falsely represented work was performed by certified DBEs and minority- and women-owned business enterprises (MWBE), when in fact non-DBE and non-MWBE

subcontractors performed the work. Schiavone executed two contracts with the New York Metropolitan Transit Authority (MTA) totaling approximately \$350 million. Both of these contracts received FTA grant funds, which required that Schiavone comply with the DBE program.

In addition to the \$20 million civil forfeiture, Schiavone adopted a new compliance program and hired an independent monitoring firm to ensure future compliance with DBE and MWBE requirements.

This settlement is the result of a joint investigation conducted with the U.S. Attorney's Office, the Department of Labor, the New York City Department of Investigation, the MTA OIG, the New York State Attorney General's Office's Organized Crime Task Force, and IRS.





Departmentwide Issues

Audits

November 15, 2010

DOT's Fiscal Year 2011 Top Management Challenges

Mandated by OMB Circular A-136

The top management challenges facing the Department in fiscal year 2011 are (1) ensuring transparency and accountability in DOT's ARRA programs; (2) maintaining momentum in the Department's oversight of highway, motor vehicle, hazardous materials, and transit safety;

(3) maintaining momentum in addressing human factors and improving safety oversight of the aviation industry; (4) improving oversight of highway, transit, and pipeline infrastructure; (5) identifying sufficient funding sources to support future Federal investment in surface transportation infrastructure; (6) transforming FRA to address significantly expanded oversight responsibilities; (7) advancing NextGen while ensuring the safe and efficient operation of the National Airspace System; (8) implementing processes to improve DOT acquisitions and contract management; and (9) improving the Department's cybersecurity.

January 13, 2011

*Letter to Senators Grassley and
Coburn Regarding Information in
Support of OIG's Mission*

Our second biannual response to Senators Grassley and Coburn provided a summary of our non-public management advisories and closed investigations, as requested by the Senators on April 8, 2010.

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

October 27, 2010

New Audit Guide on Cost and Price Analysis for Noncompetitive Procurements

In March 2009, the President called on Federal agencies to examine their use of noncompetitive contracts. Because a contractor is assured of receiving the award on a noncompetitive contract, there is little incentive to keep the contractor from proposing a price that is higher than needed for the procurement.

OIG's Office of Acquisition and Procurement Audits created a standard audit guide for reviewing the quality of cost and price analyses that agencies perform to prevent overpayments for noncompetitive awards. The guide provides detailed steps to obtain sufficient support for proposed prices, and highlights methods for effective cost and price analyses. Application of the guide's procedures can help agencies improve their analyses and help prevent overpayments for noncompetitive contracts. The guide is posted on the Federal Audit Executive Council's website at <http://www.ignet.gov/pande/faec/caguidecpa.pdf>.

October 28, 2010

Presentation on Suspension and Debarment Audit Work

OIG's Offices of Acquisition and Procurement Audits and Chief Counsel discussed OIG's suspension and debarment (S&D) audit work at the 2010 OIG Suspension and Debarment Workshop. Presenters highlighted key findings from OIG's January 2010 audit report, *DOT's Suspension and Debarment Program Does Not Safeguard against Awards to Improper Parties*.

Conference attendees included attorneys, investigators, and auditors from across the Federal government. Topics presented by other participants included an IBM suspension case, an overview of the Federal Financial Fraud Enforcement Task Force, mortgage debarments, ARRA and excluded parties, and S&D actions and procedures. The event was hosted by the S&D Subcommittee of the Council of the Inspectors General on Integrity and Efficiency, Investigations Committee, in conjunction with the National Science Foundation's 7th Annual Grant Fraud Workshop.

March 21, 2011

OIG Prompts New Bridge Safety Oversight Initiative

Over the last several years, OIG's Office of Highway and Transit Audits has reported on fundamental weaknesses in FHWA's oversight of its bridge inspection program. In response, FHWA introduced a new initiative to strengthen its oversight of the program and include significant actions that will help ensure the safety of our Nation's bridges.

FHWA completely overhauled its oversight process and rolled out its data-driven, risk-based approach to bridge safety oversight in March 2011. These actions are in direct response to recommendations from our January 12, 2009, report, *National Bridge Inspection Program: Assessment of FHWA's Implementation of Data-Driven, Risk-Based Oversight*, and from our January 10, 2010, report, *Assessment of FHWA Oversight of the Highway Bridge Program and the National Bridge Inspection Program*. We most recently reported on FHWA's progress on October 18, 2010, in *Letter to Chairmen Murray and Olver and Ranking Members Bond and Latham Regarding FHWA's Actions in Response to OIG's January 2009 Bridge Report*.

This section describes OIG's work planned or in progress for October 1, 2010, through March 31, 2011. The work focuses on the Department's Strategic Plan and its core missions of transportation safety and mobility, 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 and waste.

AVIATION AND SPECIAL PROGRAMS

IN PROGRESS

FAA's Progress in Developing and Implementing NextGen Transformational Programs

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, OIG is assessing FAA's progress with five NextGen transformational programs, including a satellite-based surveillance system and new ways for controllers and pilots to share data. Specifically, OIG is (1) reviewing the status of the programs' cost, schedule, and performance baselines and (2) determining FAA's progress in implementing these programs and identifying risks in achieving NextGen goals.

FAA's Implementation of RTCA's NextGen Task Force Recommendations

At the request of the former Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure, and its Subcommittee on Aviation, OIG is assessing FAA's implementation

of recommendations made by RTCA, an advisory committee made up of government, industry, and academic organizations. Specifically, we are determining the extent to which FAA is (1) responding to the task force's recommendations, including budget adjustments and the establishment of mechanisms for continued industry collaboration, and (2) addressing barriers that may hinder FAA's ability to successfully implement the recommendations.

DOT and FAA Oversight of Domestic Code-Share Relationships

At the request of the former Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is conducting an audit of DOT and FAA oversight of code-share agreements between domestic air carrier partners. Our audit objectives are to (1) examine DOT's and FAA's legal authorities to review agreements between mainline air carriers and their regional partners, (2) assess how mainline air carriers ensure that their regional partners have the same level of safety, and (3) determine whether the public has adequate information on

air carriers to make informed decisions when purchasing airline tickets.

Job Creation under the American Recovery and Reinvestment Act of 2009

At the request of the former Ranking Member of the House Committee on Transportation and Infrastructure, OIG is reviewing job creation and reporting associated with ARRA funding for two FAA accounts—the Airport Improvement Program (AIP) and Facilities and Equipment (F&E). OIG is determining whether (1) AIP and F&E projects funded under ARRA preserve and create jobs and (2) the reporting of job data satisfies ARRA requirements.

Training and Staffing at Critical Facilities

The House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies requested OIG to determine whether FAA’s training protocols ensure that the most critical air traffic control facilities have enough qualified controllers to maintain the safety of the National Airspace System. Accordingly, our audit objective is to assess FAA’s plans for providing these facilities with appropriate controller staffing, training resources, and other support necessary to ensure the continuity of facility operations.

PHMSA Management and Oversight of Hazardous Materials Emergency Preparedness (HMEP) Grants Program

At the request of the former Chairman of the House Committee on Transportation and Infrastructure, OIG is reviewing PHMSA’s Management and Oversight of Hazardous Materials Emergency Preparedness Grants Program. Our objectives are to (1) evaluate the effectiveness of PHMSA’s policies, processes, and resources, including staff and information technology, to execute the program; (2) outreach to states, local governments, and tribal organizations to educate them about HMEP and the use of Federal funds; and (3) program oversight to ensure Federal funds are used for eligible activities and in accordance with Federal law.

FAA’s Implementation of the En Route Automation Modernization (ERAM) System

At the request of the former Chairman and Ranking Member of the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, OIG is reviewing FAA’s implementation of ERAM—a \$2.1 billion program to replace existing hardware and software at facilities that manage high-altitude traffic in the National Airspace System. Our objectives are to (1) determine FAA’s progress in implementing ERAM and addressing persistent software problems and (2) identify the risks these problems present to FAA’s plans for implementing NextGen.

FAA's Air Traffic Facility Realignment and Consolidation Efforts

At the request of the former Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, OIG is reviewing FAA's air traffic facility realignment and consolidation efforts. Our audit objectives are to assess (1) FAA's current plans for realigning and consolidating its air traffic facilities; (2) FAA's process for evaluating the feasibility and cost effectiveness of these plans; and (3) the major cost, technical, and workforce challenges involved with realigning and consolidating air traffic facilities.

PHMSA Oversight of Hazardous Liquid Pipeline Operator Integrity Management Programs

In the United States, about 350 operators control over 175,000 miles of hazardous liquid pipelines, which carry crude oil, refined petroleum products, and other highly volatile liquids. To reduce the likelihood of pipeline failures, the Federal Government requires pipeline operators to maintain integrity management programs (IMP) for these pipelines. The objective of this audit is to assess the adequacy of PHMSA's oversight and enforcement of hazardous liquid pipeline operators' adherence to IMP requirements.

FAA Oversight of ARRA Expenditures

ARRA requires Inspectors General to conduct audits of ARRA-funded projects to ensure the effective and efficient use of ARRA funds. Accordingly,

OIG is assessing FAA's oversight of ARRA grants to determine whether FAA is preventing improper payments and ensuring ARRA funds are used only for authorized purposes.

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 the audit are to (1) examine changes that 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.

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 (1) FAA's acquisition strategy for terminal modernization effectively addresses technological and operational risks, and (2) FAA's terminal modernization efforts are compatible with key NextGen programs and schedules.

FAA Implementation of Its Wildlife Hazard Mitigation Program

In January 2009, US Airways Flight 1549 incurred multiple bird strikes and was forced to land in the Hudson River. This accident and similar incidents call into question the effectiveness of oversight and enforcement of airports' compliance with FAA's Wildlife Hazard Mitigation Program. We plan to assess FAA's (1) policies and guidance for monitoring, reporting, and mitigating wildlife hazards; (2) coordination with various Federal, state, and local government agencies responsible for reducing wildlife hazards at airports and their vicinities; and (3) oversight and enforcement of airports' adherence to wildlife hazard reporting and assessment requirements and implementation of wildlife hazard management plans.

FAA's National Airspace System Certification Process

At the request of the former Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is assessing the impact of a 2007 revision to FAA's certification policy for contractor-owned air traffic control systems. In accordance with the revision, FAA certification remains a requirement for FAA-owned systems but not for contractor-owned systems. Our objectives are to (1) assess the impact of FAA's revised certification policy on the safety and integrity of air traffic control systems, such as the Automatic Dependent Surveillance-Broadcast (ADS-B) system, and (2) identify vulnerabilities that FAA faces in relying on private sector ownership of key air traffic management systems.

PLANNED

Air Traffic Safety Action Program (ATSAP)

ATSAP is a voluntary safety reporting program for employees at all air traffic control facilities. The program encourages employees to report safety and operational concerns to build awareness of events that may lead to safety breakdowns so that actions can be taken to reduce risk. We plan to assess FAA's implementation of ATSAP and identify any improvements necessary for FAA to maximize program benefits.

FAA's Methodologies to Measure, Rate, and Mitigate Risks of Operational Errors

The number of recorded operational errors (OE) committed by FAA air traffic controllers has risen dramatically over the past year, but FAA has not clearly explained the reasons for this rise. FAA recently modified its process for measuring, rating, and mitigating the risk of OEs. We plan to review this process.

FAA and Industry Efforts To Enhance Airline Safety

The February 2009 crash of Colgan Air Flight 3407 prompted Congress to pass the Airline Safety and FAA Extension Act of 2010 to establish higher standards for pilot training and a new pilot fatigue rule. FAA also announced a Call to Action plan focused on reducing risks at air carri-

ers, promoting safety best practices, and seeking industry compliance with safety initiatives. At the request of the Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, we will review FAA and industry efforts to enhance safety. Accordingly, we will (1) examine the progress that FAA and industry have made in implementing key elements of the Airline Safety Act and the Call to Action initiatives; (2) assess the effectiveness of actions taken; and (3) identify any implementation challenges that FAA and industry need to address.

FAA's Aviation Safety Inspector and Analyst Staffing

The Airline Safety and FAA Extension Act of 2010 also 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 that have been assigned to oversee air carriers and review inspection data. Accordingly, we will assess the adequacy of the numbers and experience levels of aviation safety inspectors and evaluate FAA's process for assigning inspectors and analysts to air carriers.

FAA's Federal Contract Tower Program

The House Committee on Appropriations requested OIG to review FAA's Contract Tower Program, which employs contractors to provide air traffic control services at low activity airports at lower costs than FAA could otherwise provide. The Committee noted that it has been nearly a decade since OIG last evaluated the program, and

that another review of the program's safety benefits, costs, and overall value to users would be beneficial. Accordingly, we will evaluate its safety aspects, cost effectiveness, and user satisfaction.

Airline Industry Performance— A Review of the Aviation Industry in 2010 and 2011

This performance review, the 11th in a series, will provide comprehensive analyses of aviation industry trends, including aviation system performance, demand and capacity for domestic and international flights, airline financial health, small community air service, and customer service. Our specific objective will be to assess the current status of the aviation industry and its impact on airline customers.

Implications of Airline Mergers on Small Communities

Since 2008, three major airline mergers have occurred or been announced, encompassing 60 percent of the domestic scheduled airline capacity. The objective of this audit will be to assess how recently approved mergers may have affected airline service to small communities.

HIGHWAY AND TRANSIT PROGRAMS

IN PROGRESS

FTA Oversight of Major Transit Projects in New York City

OIG is conducting a series of audits of four major transit projects in New York City, totaling approximately \$7 billion in Federal funding: the Fulton Street Transit Center, Port Authority Trans-Hudson Terminal, Second Avenue Subway, and East Side Access projects. Vigilant oversight of these projects is critical to maximizing the return on the significant Federal investment, including ARRA funding, and completing them in a timely manner. OIG is evaluating the effectiveness of FTA's oversight of each project and assessing whether ARRA goals and requirements are being met.

FTA Oversight of the Dulles Corridor Metrorail Project

OIG is conducting an audit of FTA's oversight of Phase 1 of the Dulles Corridor Metrorail Project in the Washington, D.C., metropolitan area. This infrastructure project involves a Federal investment of \$900 million through FTA's New Starts program, including \$77.3 million in ARRA funds. Our audit objectives are to (1) evaluate the effectiveness of FTA's oversight of the Dulles Corridor Metrorail Project, and (2) assess potential safety concerns.

FTA's Challenges to Improving Oversight of Rail Transit Safety

OIG is conducting an audit of issues that may impact the Department's legislative proposal to develop and implement an enhanced Federal role in oversight of rail transit safety. Our audit objective is to identify potential challenges the Department will likely face in developing and implementing enhanced rail transit safety.

NHTSA's Office of Defects Investigation

At the request of several members of Congress and the Secretary of Transportation, OIG is reviewing actions taken by NHTSA's Office of Defects Investigation (ODI) with regard to Toyota recalls and the overall process for identifying and investigating safety defects. Our audit objectives are to (1) identify lessons learned from recent ODI investigations into allegations of sudden unintended accelerations by Toyota vehicles and (2) to determine whether ODI has information systems and processes to ensure that it receives timely notification of potential safety defects and takes action to identify and address such defects.

FHWA Oversight of LPA-Administered Highway Projects

OIG is assessing FHWA's oversight of local public agencies' (LPA) handling of Federal-aid projects. ARRA will increase Federal-aid LPA highway funding by an additional \$8 billion, prompting FHWA to identify these LPA projects as high risk. Accordingly, we are assessing the effectiveness of FHWA's actions to improve state oversight of LPA projects.

FHWA Oversight of High-Dollar ARRA Highway Projects

OIG is conducting an audit to determine if FHWA's oversight of selected high-dollar ARRA projects has resulted in project compliance with key Federal-aid highway requirements for cost, quality, and construction schedule. ARRA provided \$27.5 billion to FHWA for ARRA highway infrastructure investments and requires FHWA to ensure that states receiving ARRA funds adhere to all Federal-aid highway program requirements.

FMCSA's Response to NTSB Recommendations on New Entrant Safety Assurance Program

OIG is conducting an audit to evaluate FMCSA's response to NTSB recommendations for improving the New Entrant Safety Assurance Program after a 2008 motor coach crash in Victoria, Texas, in which one person was killed and 46 others were injured. Our audit objectives are to assess FMCSA's response to NTSB recommendations for (1) improving oversight to detect and deter

new entrant motor carriers that try to evade enforcement; (2) developing the capability to better identify and track motor carriers whose vehicles are not in compliance with Federal safety requirements; and (3) revising regulations, implementing new rulemakings, or obtaining increased statutory authority.

OST's Transportation Investments Generating Economic Recovery (TIGER) Grants

OIG is conducting an audit of DOT's oversight of the TIGER discretionary grant program. ARRA created this \$1.5 billion program to fund surface transportation infrastructure projects, to be administered by the Office of the Secretary (OST). Our audit objectives are to evaluate (1) OST's management of the TIGER program, including performance measures for determining the economic and transportation-related impact of each project, and (2) each Operating Administration's oversight of its TIGER projects.

FTA's Charter Bus Regulation

In the report accompanying the Fiscal Year 2010 Transportation and Housing and Urban Development Appropriations bill, the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies requested that OIG conduct an audit of FTA's implementation of the charter bus regulation. This regulation generally prohibits a transit agency that receives Federal transit grant funds from providing charter services, such as shuttle buses to sporting events, when a private charter

operator is interested in providing the service. Our audit objectives are to (1) assess the impact of the charter bus regulation on the cost, availability, and quality of charter services related to specific events and markets and (2) evaluate FTA's oversight of the charter service regulation.

FTA's Regional Oversight of Transit Grants

OIG plans to assess FTA's regional oversight of transit grants to determine whether the efforts ensure proper stewardship of Federal funds and prevent fraud, waste, and abuse. For each selected regional office, we will assess the use of key oversight tools to identify grantees' management weaknesses and make funding decisions, and evaluate efforts to ensure that grantees correct management weaknesses.

PLANNED

FHWA's Stewardship and Oversight Agreements

OIG plans to assess whether FHWA's stewardship and oversight agreements clearly define FHWA and state oversight roles and responsibilities, and address laws and regulations. Federal law requires FHWA and each state to enter into an agreement documenting the extent to which the state assumes FHWA's responsibilities under Title 23 of the U.S. Code.

Cross-Border Trucking

OIG plans to conduct its annual assessment of FMCSA's compliance with eight safety criteria for the North American Free Trade Agreement's provisions on cross-border trucking, as set forth in Section 350(c) of the Fiscal Year 2002 Department of Transportation and Related Agencies Appropriations Act and subsequent appropriations legislation.

RAIL AND MARITIME PROGRAMS AND ECONOMIC ANALYSIS

IN PROGRESS

Amtrak Semiannual Report on Operational Savings

As requested by Congress in the annual appropriations process, OIG is issuing semiannual reports to the House and Senate Committees on Appropriations on Amtrak's savings from operational reforms and financial performance.

Utilization of Amtrak's Maintenance Facilities

In accordance with Section 227 of the Passenger Rail Investment and Improvement Act (PRIIA), OIG is auditing Amtrak's utilization of its existing equipment maintenance and repair facilities. Our objectives are to examine (1) Amtrak's use of its three back shop facilities; (2) the productivity of these facilities; and (3) the extent to which Amtrak is maximizing opportunities to use each facility, including the provision of maintenance and repair services to other rail carriers.

High-Speed Rail Program State-Freight Railroad Access Agreements

OIG is conducting an audit to evaluate (1) the extent to which FRA's interim guidance for railroad access agreements includes provisions intended to ensure those agreements support High-Speed Intercity Passenger Rail (HSIPR) program goals and (2) whether final railroad access agreements comply with the requirements set forth in FRA's interim guidance.

Adequacy of Measures Taken To Address the Solvency of the Highway Trust Fund

At the request of the Ranking Member of the Senate Budget Committee, OIG is conducting an audit to evaluate the reasonableness of DOT's policies and procedures to monitor the solvency of the Highway Trust Fund, and to compare these policies and procedures to those used by FAA to manage the Airport and Airway Trust Fund.

Causes of Amtrak Delays and Intercity Passenger Rail Service Bottlenecks

OIG is using an econometric model to identify bottlenecks along Amtrak routes and determine the causes. In particular, we will determine which of these bottlenecks are due to congestion or relative lack of labor capacity, and identify locations that warrant more in-depth examination as candidates for rail infrastructure investments.

High-Speed Rail Forecasting Best Practices

OIG is performing an analysis to (1) assess the strengths and weaknesses of various methodologies used to develop high-speed rail and intercity passenger rail ridership and revenue forecasts, cost estimates, and public benefits valuations, and (2) identify best practices for preparing these forecasts.

FRA Implementation of PRIIA Provisions

Pursuant to Section 221 of PRIIA, we are conducting an audit to (1) evaluate FRA's progress in implementing its PRIIA responsibilities; (2) assess the effectiveness of FRA's process for implementing grants, studies, and oversight required by PRIIA; and (3) determine the impact of PRIIA's implementation on rail stakeholder operations. Amtrak's Inspector General is conducting a concurrent assessment of the company's progress in implementing PRIIA's Amtrak-related provisions.

FRA Progress in Developing a Grants Management Framework

The new HSIPR program greatly expanded FRA's responsibilities. One new responsibility requires the Agency to distribute \$10.5 billion in grants to states for passenger rail-related projects in a short amount of time. The objectives of this audit are to (1) evaluate FRA's grant management frameworks, (2) evaluate FRA's process for determining its workforce needs, and (3) identify the challenges FRA faces in disbursing funds to states.

Financial Analysis of Transportation Related Public-Private Partnerships (PPP)

OIG is performing an analysis to (1) determine the extent to which PPPs can address transportation infrastructure funding needs, (2) identify any disadvantages to the public sector of PPP transactions compared to more traditional financing

methods, and (3) identify any factors that allow both the private and public sectors to derive value from PPP transactions.

PLANNED

Amtrak's Financial Accounting and Reporting System

As required by Section 203(b) of PRIIA, OIG plans to conduct a review of Amtrak's new, PRIIA-mandated financial accounting and reporting system to determine whether it accomplishes the purposes for which it was intended.

FRA Progress in Developing Safety Standards for Intercity Passenger Rail

FRA's April 2009 strategic plan for high-speed rail identifies the need to consider changes to the Agency's safety regulations to accommodate high-speed rail development. We plan to evaluate FRA's progress in developing safety standards for high-speed intercity passenger rail.

State Capacity To Meet High-Speed Rail Demands

OIG plans to (1) review and evaluate states' capabilities to plan, design, and manage high-speed rail projects; (2) determine what constitutes a strong state passenger rail department and how those departments were developed; and (3) provide examples of how state capacity was created to manage other state-led federally funded programs, such as Federal-aid highways.

FINANCIAL AND INFORMATION TECHNOLOGY

IN PROGRESS

Security and Controls of the Automatic Dependent Surveillance-Broadcast System

At the request of the former Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, we are reviewing the ADS-B system—an important part of FAA’s plans for NextGen. Our audit objectives are to determine whether the contractor (1) has properly defined and satisfied ADS-B’s security requirements specified in the contract, (2) follows FAA’s security architecture in its development of ADS-B, and (3) has identified and mitigated ADS-B’s security risks.

DOT Implementation of Single Audit Recommendations and Cost Recovery

The objectives of this audit are to determine if DOT’s Operating Administrations have (1) issued management decisions approving grantees’ corrective action plans, (2) ensured grantees’ prompt implementation of corrective actions, (3) taken timely action to recover questioned costs, and (4) used single audit results to identify grantees requiring close monitoring.

Vulnerability Assessment of FAA’s Operational Air Traffic Control (ATC) System

At the request of the former Ranking Members of the House Transportation and Infrastructure Committee and the Subcommittee on Aviation, we are conducting an information technology vulnerability assessment of FAA’s operational ATC system. We have contracted with Clifton Gunderson LLP, an independent public accounting firm, to perform the audit subject to OIG oversight. The audit’s objective is to determine whether operational ATC systems can be accessed by unauthorized users from inside ATC facilities through FAA’s Mission Support/Administrative System Network.

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 and determining whether (1) management’s description of the service organization’s systems are fairly presented, (2) controls are suitably designed, and (3) controls operate effectively from October 1, 2010, to June 30, 2011.

Improper Payment Reporting Under Executive Order 13520

OIG is conducting an audit of improper payment reporting under Executive Order 13520, which incorporates new reporting requirements for agencies and new oversight requirements for Inspectors General for programs with the highest occurrence of improper payments. Our audit objectives are to determine whether the improper payment amounts presented were accurate and whether the agency complied with requirements for high priority programs.

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 Information Security Program and Practices for Fiscal Year 2011

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.

The U.S. Merchant Marine Academy's Technical Security Controls

OIG is assessing the U.S. Merchant Marine Academy's technical security controls for its local area network (LAN) and website. Our audit objectives are to (1) evaluate the implementation of the academy's LAN and website technical security controls intended to prevent intrusion and protect personally identifiable information and (2) identify security vulnerabilities and weaknesses.

Implementation of DOT's Enterprise Architecture for Information Technology Investment

OIG is performing a review of DOT's development and implementation of an enterprise architecture to direct future information technology system development efforts. The audit objectives are to determine whether DOT (1) has established adequate baseline and target architectures; (2) has effective management practices, policies, and processes for developing, implementing, maintaining, and overseeing the program; and (3) is reporting actual results from the program.

Quality Control Review of DOT's Fiscal Years 2011 and 2010 Consolidated Financial Statements, and FAA's and NTSB's Financial Statements

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

PLANNED

Quality Control Reviews of Single Audits on DOT Grantees

OIG will perform quality control reviews of the audits performed by independent public accounting firms on grant recipients' use of DOT funds.

DOT's Implementation of the Improper Payments and Elimination Act of 2010

OIG will review the Department's compliance with the act and evaluate efforts to prevent and reduce improper payments.

Security and Controls Review Over FAA's En Route Automation Modernization (ERAM)

OIG will perform a review to determine the effectiveness of information technology security controls for ERAM and whether or not security risks are adequately identified and properly mitigated.

DOT's Purchase Card Program

OIG will perform a review of DOT's controls to prevent and detect the improper use of purchase cards.

FTA's Improper Payment Controls

OIG is performing a review of the controls implemented by FTA to prevent and detect improper payments to Federal transit grant recipients.

ACQUISITION AND PROCUREMENT

IN PROGRESS

FHWA Oversight of Federal-Aid State ARRA Contract Award Practices

ARRA added \$26.7 billion to FHWA's \$40 billion a year Federal-aid highway program funding for state DOT highway investment and improvement projects. OIG is determining whether FHWA's oversight of state-level contract award practices is adequate to ensure compliance with laws and regulations. We are reviewing FHWA and state DOT policies and procedures, surveying FHWA division offices on state and FHWA procurement oversight practices, and analyzing a statistical sample of ARRA contract bidding and award data.

Review of the Office of the Secretary of Transportation's Acquisition Function

We are assessing the effectiveness of OST's acquisition function in (1) organizational alignment and leadership, (2) policies and processes, and (3) management controls over acquisition data.

FAA's Award of Systems Engineering 2020 Contracts

At the request of the former Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is reviewing FAA's Systems Engineering 2020 contracts. This portfolio of contracts for support services, which FAA estimates may have a maximum value of \$7 billion, is being used to implement NextGen. OIG is reviewing whether these contracts are being planned, structured, administered, and overseen in accordance with acquisition policy, and meet FAA's mission needs.

FAA's Acquisition Workforce Plan

OIG is assessing FAA's acquisition workforce plan to determine whether it comprehensively identifies the Agency's acquisition workforce and the skills and competencies needed now and in the future, and whether FAA addressed identified gaps in the hiring and development of its acquisition workforce.

PLANNED

FTA Oversight of Grantees' ARRA Contract Award and Administration Practices

OIG will determine whether FTA's oversight of transit administration-level contracting practices is adequate to ensure compliance with laws and regulations and delivery of infrastructure investments at appropriate prices.

FHWA Oversight of State DOT ARRA Contract Administration Practices

OIG will determine whether FHWA's oversight of state-level contract administration practices is adequate to ensure compliance with laws and regulations and delivery of infrastructure investments at appropriate prices.

DOT's Administration of Its Disadvantaged Business Enterprise (DBE) Program

OIG plans to conduct a review of DOT's management and oversight of its DBE program. Our objective is to determine whether DOT's oversight, internal controls, and management of its DBE program are adequate to ensure DBE funds are used effectively for meeting program objectives.



Summary of Performance

Office of Inspector General

October 1, 2010 - March 31, 2011

(Dollars in Thousands)

Reports Issued	72
Recommendations Issued	221
Congressional Testimonies	1
Total Financial Recommendations That Funds Be Better Used	\$1,666,943
Questioned Costs (includes Unsupported Costs)	\$1,660,700
Indictments	\$6,243
Convictions	35
	35



Audits

Completed OIG Reports

October 1, 2010 - March 31, 2011

(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	16	106	\$0	\$0	\$160,700
Financial Audits	4	33	\$0	\$0	\$1,500,000
Attestation Engagements	1	0	\$0	\$0	\$0
Other OIG Reports	1	0	\$0	\$0	\$0
Total Internal Audit Reports	22	139	\$0	\$0	\$1,660,700
Grant Audits					
Audits of Grantees under Single Audit Act	50	82	\$6,243	\$0	\$0
Total Completed OIG Reports	72	221	\$6,243	\$0	\$1,660,700

**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

October 1, 2010 - March 31, 2011

(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	11	12	\$142,747	\$140,600
B. Which were issued during the reporting period	12	14	\$6,243	\$0
Totals (A+B)	23	26	\$148,990	\$140,600
C. For which a management decision was made during the reporting period	23	26	\$148,991	\$140,600
(i) dollar value of disallowed costs ^b	16	16	\$3,914	\$0
(ii) dollar value of costs not disallowed ^b	9	12	\$145,077	\$140,600
D. For which no management decision had been made by the end of the reporting period	0	0	\$0	\$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

October 1, 2010 - March 31, 2011

(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	0	0	\$0
B. Which were issued during the reporting period	2	2	\$1,660,700
Totals (A+B)	2	2	\$1,660,700
C. For which a management decision was made during the reporting period	1	1	\$1,500,000
(i) dollar value of recommendations that were agreed to by management ^a	1	1	\$1,500,000
ii) dollar value of recommendations that were not agreed to by management ^a	0	0	\$0
D. For which no management decision had been made by the end of the reporting period	1	1	\$160,700

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

OIG Reports Recommending Changes for Safety, Economy or Efficiency

October 1, 2010 - March 31, 2011

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	20	55
B. Which were issued during the reporting period	53	205
Totals: (A+B)	73	260
C. For which a management decision was made during the reporting period ^a	61	205
D. For which no management decision had been made by the end of the reporting period ^a	21	55

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

Management Decisions Regarding OIG Recommendations

October 1, 2010 - March 31, 2011

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds to Be Put to Better Use
Unresolved as of 10/01/2010	29	67	\$142,747	\$140,600	\$0
Audits with Findings During Current Period	61	221	\$6,243	\$0	\$1,660,700
Total to be Resolved	90	288	\$148,990	\$140,600	\$1,660,700
<i>Management Decisions:</i>					
Audits Prior Period ^a	22	45	\$142,747	\$140,600	\$0
Audits Current Period ^a	56	187	\$6,243	\$0	\$1,500,000
Total Resolved	78	232	\$148,990	\$140,600	\$1,500,000
<i>Aging of Unresolved Audits: ^b</i>					
Less than 6 months old	14	34	\$0	\$0	\$160,700
6 months – 1 year	2	6	\$0	\$0	\$0
1 year – 18 months	1	6	\$0	\$0	\$0
18 months – 2 years	2	3	\$0	\$0	\$0
Over 2 years old	3	7	\$0	\$0	\$0
Unresolved as of 03/31/2011	22	56	\$0	\$0	\$160,700

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

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

Office of Inspector General Reports

October 1, 2010 - March 31, 2011

DEPARTMENTWIDE

Internal Audits: Performance/Attestation – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
FI-2011-006	10/22/2010	ARRA Websites Vulnerable to Hackers and Carry Security Risks	DOT and its Operating Administrations deployed various websites to collect and disseminate ARRA-related information. These websites and databases contain a combination of high-, moderate-, and low-risk vulnerabilities because the websites, databases, and servers were not in compliance with DOT security configuration standards.
PT-2011-010	11/15/2010	Top Management Challenges	As required by law, OIG identified the top challenges facing DOT for fiscal year 2011.
FI-2011-022	11/15/2010	Timely Actions Needed To Improve DOT's Cybersecurity	Overall, DOT's information security program does not meet Federal requirements and is not as effective as it should be. The Department has not made the needed progress in addressing information security policy and procedures, enterprise-level controls, management of information security weaknesses, and system-level controls.

Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2011-021	11/15/2010	Quality Control Review of Audited Consolidated Financial Statements for Fiscal Years 2010 and 2009	DOT received an unqualified opinion of its consolidated financial statements for fiscal years 2010 and 2009; however, five significant deficiencies in internal controls and four potential instances of reportable noncompliance with laws and regulations were reported. Put \$1.5 billion in funds to better use.

Grant Audits: Audits of Grantee under Single Audit Act – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2011-056	02/23/2011	City of San Francisco, California	Improve grantee oversight
QC-2011-058	03/07/2011	State of Georgia	Improve grantee oversight

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance/Attestation – 9 reports

Report	Date	Title	Focus of Report/ Recommendations
AV-2011-002	10/12/2010	FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance-Broadcast (ADS-B) Program and Realizing Benefits	FAA is making progress in implementing ADS-B. However, FAA has not updated its cost-benefit analysis to ensure it is pursuing the most effective way to implement ADS-B.
AV-2011-007	10/28/2010	New York Flight Delays Have Three Main Causes, but More Work Is Needed To Understand Their Nationwide Effect	Flight delays in the New York area have three main causes: (1) crowded airspace due to the close proximity and high volume of flight operations of the three main New York airports; (2) airport capacity constraints; and (3) continued growth in air traffic during the last 10 years, due in part to the phase-out of flight limits (caps) from 2000 to 2007. FAA's efforts to measure the effect of flight delays are in the developmental stage and require additional work to provide a full understanding of the delay propagation.

QC-2011-001	10/05/2010	Quality Control Review of Controls Over the Enterprise Services Center	Management's description of the Enterprise Services Center's (ESC) controls presents fairly, in all material respects, the controls that have been placed in operation as of June 30, 2010. Controls are suitably designed and were operating effectively except in the areas of configuration management and access controls. In addition, ESC did not apply in a timely manner critical security updates the vendor had provided, and did not assess the system for vulnerabilities and risks associated with the vulnerabilities.
FI-2011-023	12/01/2010	Improper Payments Identified in FAA's Airport Improvement Program (AIP)	FAA's risk-based approach to AIP grant oversight is inadequate and does not effectively prevent or detect improper payments. Put more than \$160 million in funds to better use.
AV-2011-025	12/10/2010	FAA Needs To Implement More Efficient Performance-Based Navigation Procedures and Clarify the Role of Third Parties	We found that the role of the two third parties FAA has approved to develop required navigation procedures remains unclear, as well as FAA's strategy for implementing timely, high-value routes using in-house resources. In addition, FAA has not fully established an oversight program for third parties, defined the staffing levels needed to oversee them, or finalized key guidance to industry on qualifications to become a third-party developer.
AV-2011-026	12/16/2010	FAA Needs To Improve Risk Assessment Processes for Its Air Transportation Oversight (ATOS) System	FAA inspectors did not complete ATOS inspections of air carriers' maintenance policies and procedures or systems performance on time. FAA transitioned all of its Part 121 inspection offices to ATOS at the end of 2007, but due in part to training gaps some inspectors for smaller air carriers had difficulty adapting ATOS to those carrier's operations.

AV-2011-053	02/17/2011	FAA Fulfilled Most ARRA Requirements in Awarding Airport Grants	FAA's process for awarding AIP grants fulfilled most ARRA requirements, including meeting the timeframes for distributing and expending funds, giving preference to projects that could be completed within 2 years, and not supplanting other expenditures with ARRA funds. However, FAA's award process was not fully transparent nor did it comply with Presidential direction to optimize economic activity. While FAA took steps to increase grantee oversight, continued effort will be needed to comply with Office of Management and Budget guidance on use of single audit reports.
AV-2011-057	02/28/2011	FAA Did Not Ensure Revenue was Maximized at Denver International Airport	FAA did not exercise effective oversight of land sales, which allowed Stapleton International Airport land parcels to be sold to a developer for less than fair market value, resulting in the airport losing at least \$71 million in revenue. FAA allowed the airport's sponsor (the City of Denver) to sell Stapleton property based on values established in a 1999 appraisal without the option to take advantage of potential increases in real estate prices over the life of the 25-year agreement between the city and the developer. Also, FAA oversight was not effective in ensuring proper use of airport revenues because it did not prevent the city from diverting revenue from the airport to fund redevelopment, parks, and infrastructure—a federally prohibited non-airport purpose.
AV-2011-072	03/30/2011	FAA Must Improve Its Controller Training Metrics To Help Identify Program Needs	FAA must replace its current training metrics with metrics that focus on how many controllers complete their training or leave the program during a given period of time.

Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2011-011	11/10/2010	Quality Control Review of the Federal Aviation Administration's Audited Financial Statements for Fiscal Years 2010 and 2009	FAA received an unqualified opinion of its financial statements; however, FAA needs to implement effective security controls to protect its financial information from unauthorized access, modification, and disclosure throughout the year.

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

Report	Date	Title	Focus of Report/ Recommendations
SA-2011-004	10/14/2010	City of Bogalusa, Louisiana	\$1,983,589 questioned
QC-2011-005	10/21/2010	State of Illinois (also listed under the Federal Highway Administration)	Improve grantee oversight
SA-2011-013	11/12/2010	Pitkin County, Colorado	Improve grantee oversight
SA-2011-015	11/12/2010	City of Martin, South Dakota	\$32,478 questioned
SA-2011-020	11/12/2010	Baxter County, Arkansas	\$1,094,781 questioned
SA-2011-028	01/12/2011	Republic of Palau National Government	\$339,548 questioned
SA- 2011-031	01/12/2011	Bi-State Development Agency of the Missouri-Illinois Metropolitan District (also listed under the Federal Transit Administration)	Improve grantee oversight
SA-2011-046	02/16/2011	City of Junction City, Kansas	Improve grantee oversight
SA-2011-050	02/16/2011	Reno Tahoe Airport Authority, Nevada	Improve grantee oversight
SA-2011-060	03/23/2011	City of Billings, Montana (also listed under Federal Transit Administration)	Improve grantee oversight
SA-2011-063	03/23/2011	City of Springfield, Missouri	Improve grantee oversight
SA-2011-064	03/23/2011	Greater Orlando Aviation Authority, Florida	Improve grantee oversight
SA-2011-068	03/23/2011	Town of Taos, New Mexico (also listed under Federal Transit Administration)	Improve grantee oversight

FEDERAL HIGHWAY ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
MH-2011-027	01/06/2011	Actions Needed To Strengthen the Federal Highway Administration's National Review Teams (NRT)	NRT assessments of states' management of ARRA funds have been thorough and have yielded useful data. However, for NRTs to be fully effective, FHWA needs to (1) define the role of the Directors of Field Services to ensure proactive and consistent oversight of Division Offices' implementation of corrective action plans; (2) require NRTs to include in summary reports all observations that contain recommendations or necessitate some follow-up by the Division Office or state; and (3) improve national-level data analysis.
MH-2011-038	02/09/2011	The Department of Transportation Can Improve Oversight of Denali Commission's Use of Federal Transportation Funds	The Denali Commission approved appropriate types of projects, but its project selection policy and process were insufficient to ensure that selections were made objectively and were transparent. We made a series of recommendations for FHWA to assist the Commission and to ensure that Federal transportation funds are spent efficiently, effectively, and appropriately.

Grant Audits: Audits of Grantee under Single Audit Act – 8 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2011-005	10/21/2010	State of Illinois (also listed under the Federal Aviation Administration)	Improve grantee oversight
SA-2011-017	11/12/2010	Intelligent Transportation Society of America, Washington, DC	\$14,402 questioned
QC-2011-033	01/24/2011	State of California	Improve grantee oversight
SA-2011-040	02/14/2011	State of New York	Improve grantee oversight

SA-2011-043	02/14/2011	City of Rosemead, California	Improve grantee oversight
SA-2011-047	02/16/2011	State of Utah	\$26,607 questioned
SA-2011-059	03/23/2011	Chaves County, New Mexico	Improve grantee oversight
SA-2011-067	03/23/2011	New Mexico Department of Transportation (also listed under Federal Transit Administration and the National Highway Traffic Safety Administration)	Improve grantee oversight

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
CR-2011-036	01/27/2011	Amtrak Made Significant Improvements in Its Long-Term Capital Planning Process	Amtrak established planning documents that outline the company's long-term capital requirements and align with the company's business and strategic goals. In March 2009, Amtrak implemented a software package to prioritize its capital needs in a transparent manner. While Amtrak has established a capital spending plan for its \$1.3 billion in ARRA funds, the company still faces challenges in evaluating capital projects, including difficulties in identifying metrics for projects that cannot be easily evaluated. We recommended that FRA enhance its oversight of Amtrak's capital grant agreement by including specific requirements for post-project reviews to evaluate the results of capital investments.
CR-2011-045	02/15/2011	Quality of Service Provided to Rail Shippers	Since 2004, the quality of freight rail service has varied considerably. Demand levels, derailments, and weather events have driven these fluctuations.

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

Report	Date	Title	Focus of Report/ Recommendations
SA-2011-019	11/12/2010	National Railroad Passenger Corporation (AMTRAK)	\$30,141 questioned

FEDERAL TRANSIT ADMINISTRATION

Grant Audits: Audits of Grantee Under Single Audit Act – 31 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2011-003	10/14/2010	Texoma Council of Governments, Texas	\$49,263 questioned
SA-2011-012	11/12/2010	City of Seattle, Washington	\$160,822 questioned
SA-2011-014	11/12/2010	City of Rapid City, South Dakota	Improve grantee oversight
SA-2011-016	11/12/2010	Worcester Regional Transit Authority, Massachusetts	Improve grantee oversight
SA-2011-018	11/12/2010	City of Petersburg, Virginia	\$1,500,000 questioned
SA-2011-029	01/12/2011	Ventura County Transportation Commission, California	Improve grantee oversight
SA-2011-030	01/12/2011	City of Winchester, Virginia	Improve grantee oversight
SA-2011-031	01/12/2011	Bi-State Development Agency of the Missouri-Illinois Metropolitan District (also listed under Federal Aviation Administration)	Improve grantee oversight
SA-2011-032	01/21/2011	Suburban Mobility Authority for Regional Transportation, Michigan	Improve grantee oversight
QC-2011-034	01/24/2011	Chicago Transit Authority, Illinois	Improve grantee oversight
SA-2011-035	01/25/2011	Indianapolis Public Transportation Corporation, Indiana	Improve grantee oversight
SA-2011-039	02/14/2011	The City of Oklahoma City, Oklahoma	\$327,020 questioned
SA-2011-041	02/14/2011	City of Ames, Iowa	Improve grantee oversight
SA-2011-042	02/14/2011	Southeastern Pennsylvania Transportation Authority	Improve grantee oversight
SA-2011-044	02/14/2011	City of Roanoke, Virginia	Improve grantee oversight
SA-2011-048	02/16/2011	Gary Public Transportation Corporation, Indiana	Improve grantee oversight
SA-2011-049	02/16/2011	Greater Peoria Mass Transit District, Illinois	Improve grantee oversight
SA-2011-051	02/16/2011	Regional Transportation Commission, Nevada	Improve grantee oversight
SA-2011-052	02/16/2011	Regional Transportation Commission of Southern Nevada	Improve grantee oversight
QC-2011-054	02/23/2011	Regional Transportation Commission of Southern Nevada	Improve grantee oversight
SA-2011-060	03/23/2011	City of Billings, Montana (also listed under Federal Aviation Administration)	Improve grantee oversight
QC-2011-055	02/23/2011	Metropolitan Washington Airports Authority	Improve grantee oversight
SA-2011-061	03/23/2011	City of Elk Grove, California	Improve grantee oversight
SA-2011-062	03/23/2011	Sacramento Regional Transit District, California	Improve grantee oversight

SA-2011-065	03/23/2011	Mountain Transit Authority, West Virginia	Improve grantee oversight
SA-2011-066	03/23/2011	City of Tulsa, Oklahoma	\$684,708 questioned
SA-2011-067	03/23/2011	New Mexico Department of Transportation (also listed under Federal Highway Administration and National Highway Traffic Safety Administration)	Improve grantee oversight
SA-2011-068	03/23/2011	Town of Taos, New Mexico (also listed under Federal Aviation Administration)	Improve grantee oversight
SA-2011-069	03/23/2011	Washington Metropolitan Area Transit Authority	Improve grantee oversight
SA-2011-070	03/23/2011	Los Angeles County Metropolitan Transportation Authority, California	Improve grantee oversight
SA-2011-071	03/23/2011	Carson City, Nevada	Improve grantee oversight

MARITIME ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
CR-2011-024	12/07/2010	Title XI Loan Guarantee Program: Actions Are Needed To Fully Address OIG Recommendations	MARAD developed new Title XI guidance and information systems to address the recommendations in our 2003 and 2004 reports but did not effectively implement them. MARAD needs to strengthen its oversight of the Title XI program.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
FI-2011-037	02/01/2011	Inspector General Review of Fiscal Year 2010 Drug Control Funds and Performance Summary Reporting	Our review of NHTSA's fiscal year 2010 Drug Control Obligation Summary and Performance Summary reports did not identify any information that would reverse management's assertions that the reports complied with the Office of National Drug Control Policy Circular, Drug Control Accounting, requirements, in all material respects.

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

Report	Date	Title	Focus of Report/ Recommendations
SA-2011-067	03/23/2011	New Mexico Department of Transportation (also listed under Federal Highway Administration and Federal Transit Administration)	Improve grantee oversight

NATIONAL TRANSPORTATION SAFETY BOARD

Internal Audits: Financial – I report

Report	Date	Title	Focus of Report/ Recommendations
QC-2011-009	11/05/2010	Quality Control Review of Audited Financial Statements for Fiscal Years 2010 and 2009	Unqualified opinion of financial statements, however NTSB needs to fully implement a managerial cost accounting system.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Internal Audits: Financial – I report

Report	Date	Title	Focus of Report/ Recommendations
QC-2011-008	11/03/2010	Quality Control Review of of the Saint Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2010 and 2009	The Saint Lawrence Seaway Development Corporation received a clean (unqualified) audit opinion on its fiscal years 2010 and 2009 financial statements.

Unresolved Recommendations Over 6 Months Old

Cited in Semiannual Report for April 1, 2007 – September 30, 2007

Title	Report Number	Final Issue Date
Amtrak's Board of Directors Provides Leadership to the Corporation but Can Improve How It Carries Out Its Oversight Responsibilities	CR-2007-074	9/14/2007

Cited in Semiannual Report for April 1, 2008 – September 30, 2008

Title	Report Number	Final Issue Date
Review of FAA's Safety Oversight of Airlines and Use of Regulatory Partnership Programs	AV-2008-057	6/30/2008

Cited in Semiannual Report for October 1, 2008 - March 31, 2009

Title	Report Number	Final Issue Date
FAA's Process for Reporting and Investigating Operational Errors	AV-2009-045	3/24/2009

Cited in Semiannual Report for April 1, 2009 - September 30, 2009

Title	Report Number	Final Issue Date
Air Traffic Control: Potential Fatigue Factors	AV-2009-065	6/29/2009
FAA Is Not Realizing the Full Benefits of the Aviation Safety Action Program	AV-2009-057	5/14/2009

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	02/16/10

Cited in Semiannual Report for April 1, 2010 - September 3, 2010

Title	Report Number	Final Issue Date
State of Illinois	SA-2010-25	09/29/2010
Information Security and Privacy Controls Over the Airmen Medical Support Systems	FI-2010-069	06/18/2010

Investigations

Statistical Outcomes

October 1, 2010 - March 31, 2011

Financial Impact	
Fines (and Special Assessments)	\$179,489,108
Restitution	\$4,497,478
Recoveries	\$41,399,080
Cost Avoided	\$14,252,608
Total	\$239,638,274

Investigative Workload

Current Investigations Inventory	373
Investigations Opened	96
Investigations Closed	146

Referrals

Referred for Prosecution	75
Accepted for Prosecution	55
Declined for Prosecution	64
Civil Prosecution Referral	10
Civil Prosecution Acceptance	2
Civil Prosecution Declination	6

Judicial and Administrative Actions

Indictments	35
Convictions	35
Years Incarceration	48
Years Supervised Release	55
Years Probation	40
Hours Community Service	1,300

Suspensions and Debarments	17
Decertification Minority/Disadvantaged Business Enterprises	1
Reduction in Federal Funding	2
Certification/License/Permit Application Denied	1
Employee Counseling	1
Employee Downgrade	1
Employee Reprimand	1
Employee Removal	3

OIG Hotline Contacts

Email	2,355
Fax	40
Letters	108
Web	317
Telephone	446



Profile of All Pending Investigations by Case Type, as of March 31, 2011

Types of Cases

	Number of Investigations	Aviation Safety	Procurement Fraud	Employee Integrity	Grant Fraud	Hazmat	Workforce Protection	Motor Carrier	Transportation Safety	Other ^a
DOT-wide	1	0	1	0	0	0	0	0	0	0
FAA	117	67	3	17	20	7	0	0	0	3
FHWA	119	0	3	2	110	1	0	0	0	3
FMCSA	48	0	0	3	0	7	14	24	0	0
FRA	1	0	0	0	0	1	0	0	0	0
FTA	32	0	0	2	30	0	0	0	0	0
STB	1	0	1	0	0	0	0	0	0	0
MARAD	7	0	4	1	1	1	0	0	0	0
NHTSA	16	0	1	1	7	1	0	0	6	0
NTSB	0	0	0	0	0	0	0	0	0	1
OIG	1	0	0	0	0	0	0	0	0	1
OST	3	0	1	2	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
PHMSA	22	0	0	0	0	22	0	0	0	0
RITA	3	0	1	2	0	0	0	0	0	0
SLSDC	1	0	0	1	0	0	0	0	0	0
Total	373	67	16	31	168	40	14	24	6	8
Percent of total	100%	18%	4%	8%	45%	11%	4%	6%	2%	3%

^aIncludes computer intrusion.

Within the Office of Investigations, Special Investigations staff investigate disclosures of possible (1) violations of a law, rule, or regulation; (2) gross mismanagement; (3) gross waste of funds; (4) abuse of authority; and (5) substantial and specific dangers to public health or safety that the Office of Special Counsel (OSC) refers to the Transportation Secretary. The results of these investigations are used by DOT's General Counsel as the basis for the Secretary's response to OSC referrals. The Secretary's response must include a list of any apparent violations Special Investigations found and a description of any action to be taken as a result of the investigation. Our current inventory consists of six investigations of OSC whistleblower complaints in the area of aviation safety.

OIG was not the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review during this reporting period. Our Office of Audits did not conduct a CIGIE peer review during this reporting period. However, our Office of Investigations is currently conducting a peer review of the Environmental Protection Agency Office of Inspector General's investigative operations. We expect the final report to be released in June 2011.



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:

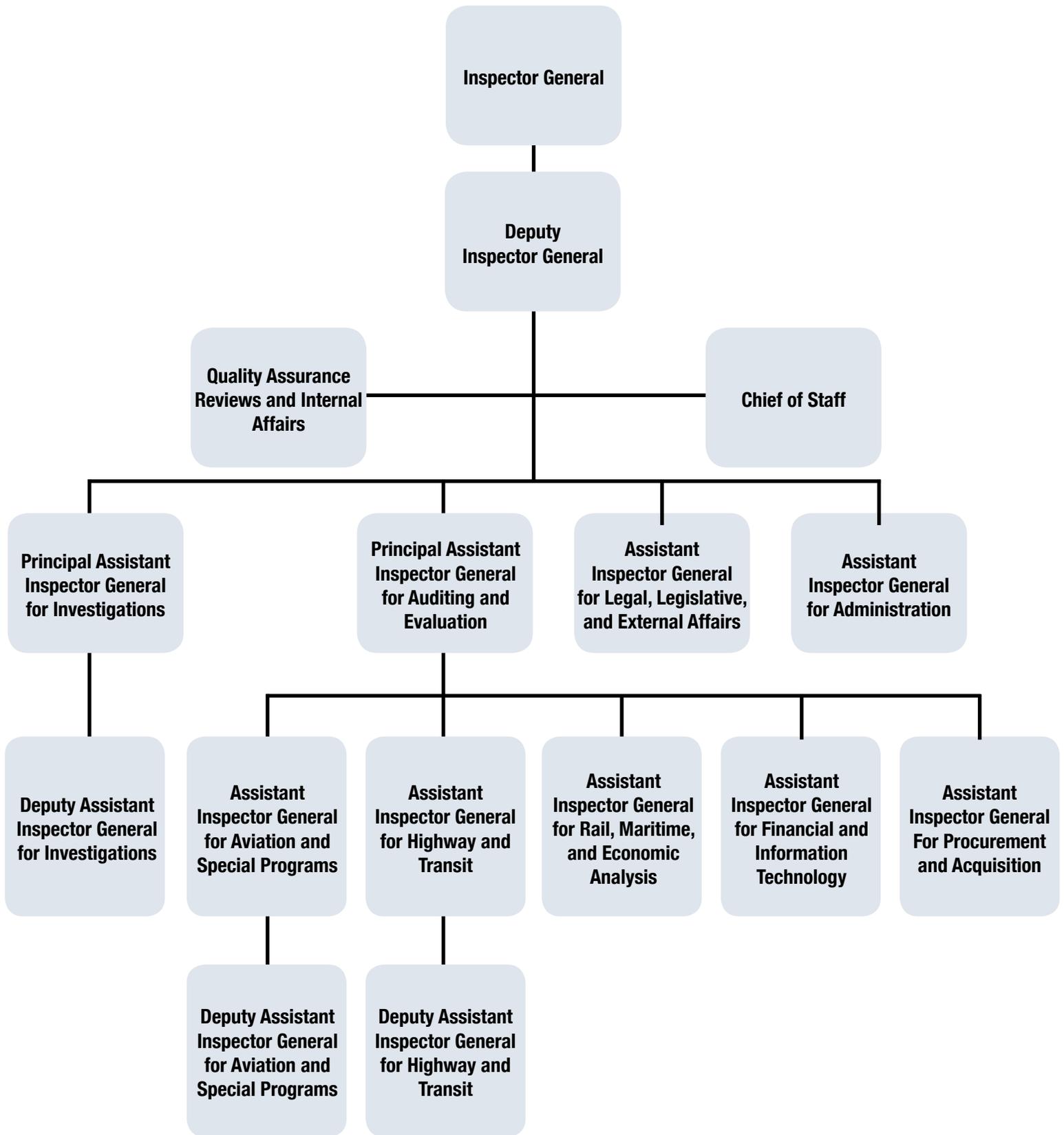
The Office of the Principal Assistant Inspector General for Auditing and Evaluation supervises and conducts all audit activities related to DOT programs and operations through its five suboffices, which are divided according to specific DOT program areas: Aviation and Special Programs; Highway and Transit; 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 analysis 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.



Inspector General

Calvin L. Scovel III (202) 366-1959

Deputy Inspector General

Ann Calvaresi-Barr (202) 366-6767

Principal Assistant Inspector General for Investigations

Timothy Barry (202) 366-1967

Principal Assistant Inspector General for Auditing and Evaluation

Lou Dixon..... (202) 366-1427

Assistant Inspector General for Legal, Legislative, and External Affairs

Brian A. Dettelbach (202) 366-8751

Assistant Inspector General for Administration

Susan Dailey (202) 366-1748

Chief of Staff

Madeline Chulumovich (202) 366-6767

Deputy Assistant Inspector General for Investigations

Robert Westbrooks (202) 366-1972

Assistant Inspector General for Aviation and Special Programs Audits

Jeffrey Guzzetti (202) 366-0500

Deputy Assistant Inspector General for Aviation and Special Programs Audits

Matt Hampton..... (202) 366-1987

Assistant Inspector General for Highway and Transit Audits

Joe Come (202) 366-5630

Deputy Assistant Inspector General for Highway and Transit Audits

Tom Yatsco (Acting) (202) 366-5630

Assistant Inspector General for Rail, Maritime, and Economic Analysis

Mitchell Behm (202) 366-9970

Assistant Inspector General for Financial and Information Technology Audits

Louis King (Acting) (202) 366-1407

Assistant Inspector General for Procurement and Acquisition Audits

Mary Kay Langan-Feirson..... (202) 366-2001

U.S. Department of Transportation

Office of Inspector General

1200 New Jersey Avenue, SE

Washington, DC 20590

Hotline to report fraud, waste, and abuse:

Phone: 800-424-9071

Email: hotline@oig.dot.gov

OIG Website: <http://www.oig.dot.gov>