

U.S. DEPARTMENT OF  
TRANSPORTATION  
OFFICE OF  
INSPECTOR  
GENERAL  
10.01.2014 – 03.31.2015

SEMI  
ANNUAL  
REPORT

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# FROM THE INSPECTOR GENERAL

I am pleased to present the Department of Transportation (DOT) Office of Inspector General's Semiannual Report to Congress for the first half of fiscal year 2015. Our audits and investigations provide independent and objective reviews and aim to detect and prevent fraud, waste, and abuse throughout the Department. This report demonstrates the breadth of our work—with reviews of DOT programs and operations as diverse as the Federal Aviation Administration's air traffic modernization programs and the Maritime Administration's support of the U.S. Merchant Marine Academy.

**Over the past 6 months, we have issued 37 audit reports with a total of 165 recommendations, including financial recommendations totaling almost \$359 million.** Some important reviews conducted during this period include the following:

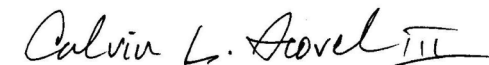
- In a recent congressional testimony, we discussed the Federal Aviation Administration's progress and challenges in safety integrating unmanned aircraft systems into U.S. airspace.
- During a review of the Federal Highway Administration's oversight of major projects, Division Offices and States shared innovative contracting methods and project management tools that could help accelerate delivery of high-cost and complex projects.
- Our audit work determined that the Department's untimely suspension and debarment decisions, as well as errors in the Governmentwide suspension and debarment database, put the Government at risk of doing business with parties found to be unethical or irresponsible.
- In response to our recent audit, the Federal Transit Administration agreed to our recommendations to better promote low or no emission technologies to help transit operators meet Federal clean air requirements.
- We made recommendations to help bolster the U.S. Merchant Marine Academy's efforts to prevent sexual assault and harassment and create a safe academic environment for Merchant Marine officers.
- We continued to identify significant vulnerabilities in DOT's information technology portfolio due to deficiencies in policies and procedures, system controls, and management of known security weaknesses.

**Our investigative work during the past 6 months has resulted in 42 indictments; 28 convictions; and a total of almost \$79 million in fines, restitutions, and recoveries.**

Highlights of investigations we conducted during this period include the following:

- Our investigation resulted in a 5-year prison sentence for a business owner who charged customers for aircraft inspections performed by uncertified mechanics.
- Our recent investigative work reinforces our commitment to aggressively pursue reincarnated carriers—unsafe carriers who often use aliases or different business addresses to evade the Federal Motor Carrier Safety Administration’s enforcement actions.
- Our investigation led to the sentencing of a former police commander who inflated the Illinois police department’s driving under the influence (DUI) arrest numbers to pocket over \$30,000 in excess overtime payments.
- To protect taxpayer dollars, our investigators pursued those who defrauded the Government through disadvantaged business enterprise fraud and other corruption schemes—including a widespread \$1.2 million bribery scheme that affected 27 federally funded contracts in Pennsylvania.
- Our special agents uncovered a scheme by a foreign national to steal the identity of a U.S. pilot, leading to 27-month prison sentence.
- As a result of our investigation, two asphalt companies agreed to return \$7.2 million to the Government related to an FAA-funded airport improvement project in Puerto Rico.
- Multiple individuals pleaded guilty in a commercial driver’s license test-taking conspiracy involving New York Department of Motor Vehicle test centers. Our investigators uncovered fraud schemes such as encoded pencils and a Bluetooth headset to relay test answers.

Our audit and investigative work continues to reflect our commitment to fully inform Congress, the Department, and the public of pressing transportation concerns and to aggressively pursue individuals intent on putting the public at risk. I commend and thank our hardworking staff for their outstanding efforts and dedication to our critical mission. I would also like to thank Secretary Foxx for his strong leadership. I look forward to continuing to work with the Secretary, his team, and the modal administrators to provide Americans with a safe transportation system that meets the national objectives of general welfare, economic growth and stability, and security.



**Calvin L. Scovel III**  
**Inspector General**

April 28, 2015

# AUDITS AND INVESTIGATIONS

# FEDERAL AVIATION ADMINISTRATION

## AUDITS

**November 14, 2014**

### **Quality Control Review of the Federal Aviation Administration's Audited Financial Statements for Fiscal Years 2014 and 2013**

*Required by the Chief Financial Officers Act*

We conducted a quality control review of the Federal Aviation Administration's (FAA) financial statements for fiscal years 2014 and 2013. KPMG LLP, under contract to our office, issued a clean, unmodified audit opinion on FAA's financial statements. KPMG's report included one significant deficiency in internal control over financial reporting. There were no instances of reportable noncompliance with laws and regulations tested. Our review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.

**November 18, 2014**

### **Status of FAA's Efforts To Operate and Modernize the National Airspace System**

*Testimony Before the House Transportation and Infrastructure Committee*

The Inspector General testified on FAA's efforts to more effectively operate and modernize the National Airspace System (NAS). He noted that despite reforms aimed at improving internal operations and reducing costs, FAA's total budget, operations budget, and compensation costs have nearly doubled, while productivity at its network of air traffic facilities decreased substantially. FAA's reform efforts have not met their goals largely because the Agency has not effectively leveraged its personnel reform authorities or implemented business-like practices. The Inspector General also testified that FAA's new acquisition management system and numerous organizational changes have not improved major system acquisitions outcomes. These acquisitions continue to experience cost increases and schedule delays—especially for modernization programs for the Next Generation Air Transportation System (NextGen)—largely due to longstanding and systemic contract management weaknesses. Finally, the Inspector General identified additional challenges that FAA faces in modernizing the Nation's air traffic control system. These include responding to NextGen priorities recommended by a joint Agency-industry committee, safely integrating

unmanned aircraft systems (UAS) into U.S. airspace, and ensuring that appropriate business continuity plans are in place to mitigate potential security risks to the air traffic control system.

**November 20, 2014**

### **Planning for High-Priority NextGen Capabilities Under Way, but Much Work Remains for Full Realization of Benefits**

*Requested by the Chairman and Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation*

In July 2013, FAA tasked the NextGen Advisory Committee (NAC) to review the Agency's current plans and activities affecting NextGen implementation and recommend investment priorities. In September 2013, the NAC delivered its report—providing FAA with industry's highest priorities for NextGen. The Chairman and Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation requested that we examine FAA's response to the report.

Since April 2014, four FAA and NAC integrated work groups have focused on developing a master implementation plan for a selection of NAC's priorities including: (1) advancing the use of performance-based navigation (PBN)—NAC's top priority, (2) unlocking closely spaced parallel runway operations, (3) enhancing airport surface operations through data sharing,

and (4) developing data communications capabilities between the cockpit and air traffic control. In October 2014, FAA published the plan, which included commitments from FAA and industry for the next 3 years. The plan identifies locations for delivery, timelines, metrics, and cost estimates for each prioritized capability.

We made three recommendations aimed at ensuring all parties are held accountable for their commitments made as part of FAA's implementation plan.

**December 10, 2014**

**FAA's Progress and Challenges in Integrating Unmanned Aircraft Systems Into the National Airspace System**

*Testimony Before the House Transportation and Infrastructure Subcommittee on Aviation*

The Assistant Inspector General for Aviation Audits testified on FAA's efforts to integrate UAS into U.S. airspace. To help meet the rapidly growing demand for UAS, the FAA Modernization and Reform Act of 2012 directed FAA to take multiple steps to advance UAS integration, with the goal of safely integrating UAS into the NAS by 2015. The Assistant Inspector General noted that FAA has completed more than half of the UAS milestones in the act, such as selecting six test sites. However, he added that FAA is behind on the act's remaining

requirements and will not meet the act's goal of achieving safe UAS integration by September 2015. He also stated that FAA faces considerable technological, regulatory, and management challenges in expanding UAS operations. These include preventing loss of connectivity with aircraft and reaching consensus on design and certification standards. The Assistant Inspector General closed with several key actions needed to advance UAS integration, including gathering and analyzing critical operational safety data; determining the research needed from test sites; developing standardized training, automated tools, and procedures for air traffic controllers; and creating an integrated budget document.

**December 10, 2014**

**FAA Is Making Progress in Addressing ADS-B's Security Issues, but Weaknesses Still Exist**

*Required by the FAA Modernization and Reform Act of 2012*

FAA's Automatic Dependent Surveillance-Broadcast (ADS-B) system is the satellite-based navigation and surveillance system that supplements radar for monitoring and controlling aircraft. This integral component of Next NextGen is intended to allow controllers to track aircraft with greater accuracy and integrity than the current radar-based system. The FAA Modernization Reform Act of 2012 required us to conduct an

assessment of how security issues are addressed in ADS-B's overall design and implementation. Accordingly, we evaluated how FAA is addressing security issues in ADS-B's design and implementation. Specifically, we assessed FAA's progress in addressing the security weaknesses we identified in our September 2011 audit and determined what other weaknesses, if any, have developed. The U.S. Department of Transportation (DOT) determined that our report contains sensitive security information; accordingly, we are not publicly disclosing our results.

**January 29, 2015**

**Review of the Federal Aviation Administration's Fiscal Year 2014 Drug Control Funds and Performance Summary Reporting**

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

During our review of FAA's fiscal year 2014 Drug Control Obligation Summary and Performance Summary reports, no information came to our attention that would reverse FAA's assertions that its reports complied, in all material respects, with the requirements in the Office of National Drug Control Policy Circular, Accounting of Drug Control Funding and Performance Summary.

**February 11, 2015**

**Quality Control Review on the Single Audit of Broward County, FL**

*Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*

We conducted a quality control review on the single audit that Moore Stephens Lovelace P.A. (MSL) performed for Broward County, FL, for its fiscal year ended September 30, 2013. During this period, Broward County spent approximately \$194 million from DOT grant programs. MSL determined DOT’s major programs were the Highway Planning and Construction Program, the Airport Improvement Program, and the Federal Transit Cluster. MSL’s work was acceptable with deficiencies and therefore generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT’s major programs. We found nothing to indicate that MSL’s opinion on each of DOT’s major programs was inappropriate or unreliable.

**March 13, 2015**

**Program and Data Limitations Impede the Effectiveness of FAA’s Hazardous Materials Voluntary Disclosure Reporting Program**

*Self-Initiated*

Transporting hazardous materials (hazmat) by air can present serious safety risks, including the risk of combustible materials igniting or exploding on an aircraft. To promote safety and incentivize carriers to comply with hazardous materials regulations, FAA established the Hazardous Materials Voluntary Disclosure Reporting Program (HM VDRP) in 2006, which allows air carriers to voluntarily disclose hazmat safety violations without penalty. However, FAA does not have an adequate framework to carry out the HM VDRP effectively. Specifically, FAA lacks sufficient internal controls—including oversight, training, and guidance—to ensure that air carriers have implemented effective fixes that will prevent hazmat violations from recurring. In addition, FAA does not use HM VDRP data to identify safety risks. While the overall number of HM VDRP cases is small, FAA is missing opportunities to combine HM VDRP data with data from other sources, such as compliance inspections, to identify trends that could impact safety. We made nine recommendations to improve FAA’s HM VDRP framework, oversight, and use of data for identifying safety trends. FAA concurred with eight recommendations and partially concurred with one.

**March 24, 2015**

**Foreign Countries’ Processes for Operating Air Transportation Systems**

*Testimony Before the House Transportation and Infrastructure Subcommittee on Aviation*

At the Subcommittee’s hearing on FAA reforms, the Assistant Inspector General for Aviation Audits highlighted our work on other nations’ air traffic management structures, which we conducted at the Subcommittee’s request. The Assistant Inspector General testified that the four countries we examined—Canada, the United Kingdom, Germany, and France—have separated their air traffic services from their safety oversight and regulatory functions. While safety and regulatory functions remain government-controlled, each nation has commercialized its air traffic control function into an air navigation service provider (ANSP). The ANSPs are financially self-supporting and finance their operations primarily through user fees, but have borrowing authority for modernization and infrastructure projects. The Assistant Inspector General also noted that the ANSPs do not embark on large modernization efforts or conduct extensive aviation research and development. Rather, they implement new technologies incrementally using a variety of methods, such as purchasing commercial-off-the-shelf technologies. Finally, the Assistant Inspector General highlighted factors that the Subcommittee may wish to take into account if it



makes changes to FAA's organizational and financing structures, including lessons learned from examining other nations' experiences establishing independent air traffic organizations.

**March 31, 2015**

**Quality Control Review of the Management Letter for the Audit of the Federal Aviation Administration's Fiscal Year 2014 and 2013 Financial Statements**

*Required by Chief Financial Officers Act*

We conducted a quality control review of the management letter related to FAA's financial statements for fiscal years 2014 and 2013. KPMG, under contract to our office, issued management letter comments identifying internal control matters that were not required to be reported in the independent audit report on FAA's financial statements for the period.

INVESTIGATIONS

**October 3, 2014**

**FAA Employee Charged With Using Government Property for Personal Use**

Justin D. Weese, an FAA airway transportation system specialist at the Rochester System Support Center, was charged in U.S. District Court, Rochester, NY, with criminal conversion for his alleged theft of FAA property.

The criminal complaint alleged that Weese stole a six-wheeled all-terrain vehicle, a lawn mower, and a trailer that belonged to the Rochester System Support Center, which is responsible for maintaining environmental systems in support of air traffic control facilities and towers in upstate New York. In June 2014, Weese falsely represented to FAA management that the all-terrain vehicle and other FAA property were taken to a scrap yard for destruction. DOT Office of Inspector General (OIG) agents later discovered the property at Weese's residence.

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

**October 20, 2014**

**Former FAA Employee Sentenced and Ordered To Pay \$13,335 to FAA for Theft of Scrap Metal**

James Jackson, a former FAA employee, pleaded guilty to grand larceny and was sentenced in Oklahoma County Court in Oklahoma City to a 5-year deferred sentence and ordered to pay \$13,335 restitution.

The investigation revealed that Jackson sold over \$13,000 of scrap and working stock metal he stole from a storage area at FAA's Mike Monroney Aeronautical Center in Oklahoma City.

We conducted this investigation with assistance from FAA.

**November 4, 2014**

**Owner of Pennsylvania Aircraft Repair Business Sentenced to 5 Years in Prison**

Jay Stout, of Harrisburg, PA, was sentenced in U.S. District Court, Philadelphia, PA, to 60 months incarceration and 36 months supervised release—as well as ordered to pay \$503,340 in restitution to plane owners and a \$2,000 fine—for conspiracy and fraud involving illicit aircraft repairs and fraudulent aircraft inspections.

Our 6-year investigation revealed that Stout—president of Flying Tigers Inc., an aircraft maintenance company—charged customers for aircraft inspections performed by uncertified mechanics who did not have FAA inspection authority. Between October 2003 and January 2010, Flying Tigers conducted more than 100 questionable aircraft inspections and repairs on over 40 aircraft. Stout, along with former FAA mechanic and inspector Howard Gunter, routinely altered airframe and engine logbooks and made false entries to conceal their actions and obstruct the Federal investigation.

After a 9-day trial in April 2014, a Federal jury found Stout guilty of conspiracy, fraud involving aircraft parts, mail fraud, and obstruction of justice. The jury also convicted the company on all charges. Gunter died of natural causes prior to trial. However, Joel Stout, Jay Stout's son and an employee at Flying Tigers, was also charged in connection with the scheme and subsequently pleaded guilty. Flying Tigers was sentenced to 12 months probation and ordered to cease operation.

**November 14, 2014**

### **Former WECO Owner Sentenced for Fraudulent Aircraft Part Repairs**

A Sacramento, CA, U.S. District Court judge ordered William H. Weygandt, former owner and president of Weco Aerospace Systems Inc. (WECO), to pay \$600,000 in restitution to Gulfstream Aerospace Corporation for losses relating to his conspiracy to commit fraud involving aircraft parts repair. In July 2014, Weygandt was sentenced to 30 months in prison and 36 months supervised release for these criminal actions.

In January 2007, Weygandt sold WECO—an FAA-certified aircraft repair business with 75 employees and facilities in Lincoln and Burbank, CA—to Gulfstream Aerospace Corporation for approximately \$17 million and remained president of the company until February 2008.

FAA had certified WECO to repair certain aircraft parts, including starter generators and converters, used on various types of aircraft, such as small helicopters used by tour companies and law enforcement agencies. However, WECO employees at both its Lincoln and Burbank facilities regularly failed to comply with FAA regulations when repairing and overhauling the aircraft parts. WECO employees also falsely certified the parts had passed tests and had been repaired in accordance with FAA standards.

We conducted this investigation with the Federal Bureau of Investigation (FBI) and the U.S. Department of Homeland Security (DHS) OIG.

**November 24, 2014**

### **Former Carson Helicopter Services Vice President Pleads Guilty to Conspiracy and Making False Statements**

Steven Metheny, former vice president of Carson Helicopter Services (Carson) pleaded guilty in U.S. District Court, Medford, OR, to making a false statement and conspiracy to defraud the U.S. Forest Service (USFS) related to helicopter services for firefighting operations.

In December 2008, the National Transportation Safety Board (NTSB) briefed us regarding its ongoing safety investigation of the Carson helicopter crash. In August 2008, the helicopter crashed in Northern California while performing contracted firefighting services for the USFS. Nine people died, and four others were seriously injured in the crash.

In 2008, Metheny admitted that he submitted bid proposals with falsified weight and balance records to misrepresent that Carson helicopters met the USFS firefighting contract minimum payload specifications. Carson subsequently won over \$20 million in USFS contracts. Metheny also allowed the falsified information

to be included in Carson aircraft flight manuals. Unsuspecting pilots used this information to calculate the maximum payload capacity of their helicopters during firefighting operations, which thereby endangered their safety and their passengers' safety during flight.

In February 2013, Metheny and Levi Phillips, former Carson director of maintenance, were indicted on multiple charges. Phillips pleaded guilty, admitting that he and Metheny submitted bid proposals to USFS with falsified weight and balance records.

We are conducting this investigation with the U.S. Department of Agriculture OIG, FBI, and Internal Revenue Service (IRS) Criminal Investigation (CI).

**December 4, 2014**

**New York FAA Air Traffic Controllers Indicted for Theft of Public Funds**

Asif Ali and Jeffrey Evagues, FAA air traffic controllers assigned to the tower at John F. Kennedy International Airport, were indicted by a Federal grand jury in U.S. District Court, Brooklyn, NY. Ali and Evagues were charged with wire fraud, conspiracy to commit wire fraud, and theft of Government funds.

Between September 2008 and 2014, Ali and Evagues allegedly gained unauthorized access to FAA's computerized time and attendance system, known as "Cru-X";

fraudulently manipulated data in the system; and altered labor distribution reports to falsely reflect that they had worked certain hours. Consequently, Ali and Evagues received payments for overtime and nightshift work they did not perform. Moreover, they altered labor distribution reports to make it appear as though they had worked on vacations and sick days. The estimated payroll overpayments to Ali and Evagues are \$83,000 and \$87,000, respectively. They were arrested in November 2014 and subsequently placed on administrative leave by FAA.

We are conducting this investigation with assistance from FAA.

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

**December 11, 2014**

**Former California News Helicopter Pilot Ordered To Pay \$42,000 in Restitution**

The U.S. District Court, Sacramento, CA, ordered John Michael Dial, of Skaneateles, NY, to pay \$14,000 in restitution to each of his three former employers for losses relating to his scheme of using false identifies to pilot aircraft. On October 2, 2014, Dial was sentenced in U.S. District Court, Sacramento, CA, to 24 months in prison and 12 months supervised release.

The investigation revealed that from December 16, 2009, to August 4, 2010, Dial operated television news helicopters in the San Francisco, CA, area under a false identity. On March 15, 2012, Dial was hired under his real name to work as a television news helicopter pilot in Sacramento, CA, after submitting a fraudulent FAA temporary airman certificate and an FAA medical second class certificate. Dial also used the identity of a former co-worker to gain employment as a helicopter pilot for an air ambulance service in New York and created a fraudulent U.S. passport under that person's identity.

We are conducting this investigation with the U.S. Secret Service and the FBI, with assistance from the police departments in Cascade and McCall, ID.

**December 12, 2014**

**Former FAA Employee Charged With Computer Fraud and Defrauding an Innkeeper**

Former FAA employee Jared Klaeysen was charged in Oklahoma County Court in Oklahoma City, OK, with using a computer to fraudulently obtain money and defrauding an innkeeper. While Klaeysen was attending training at the FAA Mike Monroney Aeronautical Center in Oklahoma City, he filed a travel voucher with a receipt indicating he had paid \$1,887 for lodging, which was reimbursed by FAA. However, Klaeysen allegedly failed

to pay for the lodging costs he had incurred. Klaeyesen resigned during the investigation.

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

**December 12, 2014**

**Rhode Island Man Pleads Guilty to Wire Fraud Conspiracy Involving Counterfeit Aircraft Parts**

Jeffrey Warga of North Kingston, RI, pleaded guilty in U.S. District Court, Hartford, CT, to wire fraud related to his role in the sale of counterfeit aircraft parts.

Warga knowingly sold counterfeit Intel microprocessors to Triumph Engine Control Systems LLC, a Connecticut-based aerospace manufacturer, which installed the microprocessors on digital engine control units in Bell helicopters. The Intel Corporation confirmed that it did not manufacture these microprocessors bearing the markings “Intel.” On December 10, 2014, Special Agents from DOT OIG and U.S. Department of Defense (DOD) Criminal Investigative Service arrested Warga.

We are conducting this investigation with Defense Criminal Investigative Service.

**December 18, 2014**

**Former Disadvantaged Business Enterprise Owner Indicted for Fraud**

Elizabeth Perino, former owner of Chicago-based Perdel Contracting Company (Perdel) was indicted in U.S. District Court, Chicago, IL, and charged in a disadvantaged business enterprise (DBE) fraud scheme. Perdel specialized in concrete and carpentry work and was certified as a DBE.

In 2011, Perino, along with a co-conspirator, allegedly agreed to have Perdel act as a pass-through DBE for a prime contractor’s multimillion-dollar project at Chicago O’Hare International Airport. As part of the scheme, the prime contractor provided all employees and equipment to Perdel to create the appearance that the DBE provided the labor and equipment needed to complete the contracted work. Perino also falsified various Perdel documents to disguise the fact that the company, and thus the prime contractor, did not meet DBE requirements.

We are conducting this investigation with the FBI and the U.S. Department of Labor (DOL) OIG.

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

**December 18, 2014**

**Michigan Subcontractor Settles DBE Civil Fraud Lawsuit**

A Michigan-based subcontractor RMD Holdings Ltd. (RMB), doing business as Nationwide Construction, agreed to pay \$416,000 to settle DBE civil fraud allegations.

RMD allegedly caused the prime contractor on the FAA-funded LaGuardia Airport Central Terminal Project to falsely represent to the Port Authority of New York and New Jersey that a DBE had supplied structural steel for the project. However, RMD knew that the steel was provided by several non-DBE suppliers that had falsely represented that they paid MS Construction, a DBE, approximately \$1 million for the steel when, in fact, they had paid a fee for fraudulent use of MS Construction’s DBE status.

Richard Schultz, a project manager for Nationwide Construction, and Madeline Pepe, owner of MS Construction, were previously sentenced in U.S. District Court, New York City for their role in the DBE fraud scheme.

We conducted this investigation with DOL OIG, the Port Authority of New York and New Jersey, and the New York City Department of Investigation.

**December 18, 2014**

**Syracuse Suburban Airport Co-Owner Pleads Guilty to Conspiracy To Commit Bank Fraud**

Kenneth Coon, the co-owner of Syracuse Suburban Airport (SSA) based in Hastings, NY, pleaded guilty in U.S. District Court, Syracuse, NY, to conspiracy to commit bank fraud. Coon and others conspired to defraud a commercial bank of approximately \$222,729 in connection with FAA airport property development grants.

SSA purchased 93 acres in Hastings, NY, that FAA designated as a reliever airport for the Syracuse International Airport in Syracuse, NY. Between 2004 and 2009, SSA received five FAA grants totaling \$2.97 million to be used for planning and developing the reliever airport. SSA established a line of credit at First Niagara Bank that was to be used solely for airport expenditures, reimbursable by FAA grants. Coon and co-conspirators devised a scheme to submit fraudulent invoices to First Niagara Bank for the release of funds to purportedly pay for airport equipment. In reality, they diverted approximately \$125,000 to an unrelated real estate project in Texas and approximately \$97,604 to an unrelated bean factory, owned by Coon, in upstate New York.

On November 3, 2014, FAA debarred SSA and its co-owner David Pizio for 3 years. The debarments were

based on the criminal conviction of Pizio, who previously pleaded guilty in connection with the scheme.

We are conducting this investigation with the FBI.

*Note: Exclusion actions (such as suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to determine whether a company is currently excluded.*

**January 22, 2015**

**Central Florida Aircraft Mechanic Sentenced for Fraudulent Aircraft Repairs**

Clive Ure of Leesburg, FL, was sentenced in U.S. District Court, Ocala, FL, to 12 months incarceration and 2 years supervised release for falsifying airworthiness documentation on a propeller. Ure was also ordered to pay almost \$68,000 in restitution to a private pilot and a flight school for failure to properly overhaul aircraft engines. Additionally, Ure was required to divest himself of any interest in his business and forbidden to engage in any other business related to the maintenance, repair, or sale of aircraft or aircraft parts.

Ure, a certified FAA airframe and powerplant mechanic and owner of Aircraft Maintenance & Repair, sold an un-airworthy Cessna 337 propeller via eBay to a customer in Oregon. Before selling the propeller, an FAA-certified

repair station informed Ure that the propeller was no longer safe for flight. However, Ure used information from another repair station to falsify a logbook entry, and he approved the propeller for return to service. FAA revoked Ure’s mechanic and pilot certificates for life.

We conducted this investigation with assistance from FAA.

**January 28, 2015**

**Colorado Physician Pleads Guilty to Use of a Fraudulent FAA Pilot’s Medical Certificate**

Dr. David Lawrence Rhodes, also known as Larry Rhodes, pleaded guilty in U.S. District Court, New Orleans, LA, to conduct related to a fraudulent FAA airman medical certificate. Rhodes also pleaded guilty to entering secure airport areas under false pretenses when he piloted an aircraft without a valid FAA license.

On April 19, 2014, Rhodes, the Pilot in Command of a Mooney M20B (a propeller-driven general aviation plane), presented the fraudulent FAA airman medical certificate to a U.S. Customs and Border Protection agent during a pilot compliance check at Lakefront Airport in New Orleans. Rhodes’ most recent authenticated FAA medical certificate had expired on October 31, 2007, but Rhodes’ falsified certificate had a fraudulent issue date of June 14, 2013.

**February 13, 2015**

### **Former FAA Special Agent Sentenced for Lying About Hazmat Inspections**

The U.S. District Court, Chicago, IL, sentenced Rita Hedlund, former Special Agent at FAA's Office of Security and Hazardous Materials, for providing false and misleading information to FAA about the conduct of hazmat inspections. Hedlund was sentenced to 12 months probation and 120 hours of community service and was ordered to pay \$3,400 in restitution.

The investigation revealed that from approximately January 2009 through October 2011, Hedlund falsely represented to FAA that she conducted inspections of certain hazmat shippers, air carriers, and freight forwarders by entering this information into FAA's hazmat database. Hedlund's database entries included falsified information on inspection dates, names of companies inspected, and meetings with companies inspected.

We conducted this investigation with assistance from FAA.

**March 9, 2015**

### **Foreign National Sentenced to 27 Months in Prison for Stealing the Identity of a U.S. Pilot**

Nader Ali Sabouri Haghighi, also known as Nader Schruder, was sentenced in U. S. District Court, Houston, TX, to 27 months in prison for stealing personally identifiable information from a pilot. Haghighi used the information to fraudulently obtain an FAA Airline Transport Pilot certificate and flight instructor certificate. He previously pleaded guilty to identity theft in November 2014.

In April 2013, Sabouri Haghighi was indicted in connection with accessing the records of a pilot in FAA's Airman Services Records System without authorization. The Airman Services Records System is an online database that FAA uses to monitor and regulate persons authorized to fly aircraft. Sabouri Haghighi was also charged related to his usage of the pilot's U.S. passport to open a mail forwarding account, the pilot's personally identifiable information to open a bank account, and an illegally obtained airline transport certificate in the name of the pilot.

This case is being jointly prosecuted by the U.S. Attorney's Office in the Southern District of Texas and

the Computer Crime and Intellectual Property Section of the U.S. Department of Justice.

**March 10, 2015**

### **Jury Convicts Commercial Pilot for Making False Statements to the Federal Aviation Administration**

Steven Michael Demaria of Ft. Lauderdale, FL, was convicted by a Federal jury after a 2-day trial in U.S. District Court, Miami, FL, for making false statements on an FAA medical certificate application.

In May 2004, Demaria tested positive for marijuana, a prohibited drug, in connection with prospective employment as a pilot for a Ft. Lauderdale air taxi service. In July 2004, as a result of the positive drug test, FAA issued an Emergency Order of Revocation and revoked Demaria's first class airman medical certificate. Each year from 2012 to 2014, Demaria submitted three airman medical certificate applications, falsely answering that he had never failed a drug test. Demaria was employed as a Pilot in Command for a regularly scheduled air carrier at the time of his arrest in November 2014.



**March 18, 2015**

### **Asphalt Companies Agree to \$7.2 Million Civil Settlement Related to an FAA-Funded Airport Project in Puerto Rico**

BTB Corporation (BTB); Juan Vazquez, President of BTB; R&F Asphalt Unlimited Inc. (R&F Asphalt); and Juan Raul Robles, Secretary/Operations Manager of R&F Asphalt, entered into a civil settlement with the United States in U.S. District Court, San Juan, PR, agreeing to pay \$7,211,258 related to a fraud scheme involving an airport construction project in Puerto Rico.

This investigation was based on a civil qui tam complaint filed by Betterroads Asphalt LLC. BTB and R&F Asphalt allegedly conspired to knowingly and willfully defraud FAA and made false representations in connection with a taxiway rehabilitation project at the Rafael Hernandez International Airport in Aguadilla, PR. BTB and R&F Asphalt allegedly submitted falsified certificates of compliance to cover up the fact that they

substituted a different asphalt binder than required on the airport taxiway. The project, managed by the Puerto Rico Ports Authority, was paid for with FAA grant funds under the Airport Improvement Program. Under the terms of the settlement, BTB and R&F Asphalt agreed to return to the Government \$3,605,629 each. BTB and R&F Asphalt each paid an initial payment of \$500,000. BTB agreed to pay the remaining balance in equal annual payments of \$776,407.25 over the next 4 years, and R&F Asphalt agreed to pay the remaining balance in equal annual payments of \$155,281.45 every 3 months, over a period of 5 years until the outstanding balance is paid in full.

**March 26, 2015**

### **North Carolina Pilot Sentenced for Operating Aircraft Without Proper Licensing and Providing False Statements to FAA**

Paul Douglas Tharp was sentenced in U.S. District Court, Charlotte, NC, to 60 days incarceration and

3 years probation, and ordered to pay a \$5,000 fine for serving as an airman without an airman's certificate and providing false statements to an FAA investigator. Tharp was also ordered to sell his airplane and not enter an airport, unless to fly commercially as a passenger, for 3 years.

Around 2011, Warriors and Warbirds, a group based in Monroe, NC, hired Tharp as a mechanic to repair and refurbish a multi-engine C-46 airplane. To get the job, Tharp falsely represented himself as a pilot with a multi-engine rating and a mechanic who held an FAA mechanic certificate with an airframe and/or powerplant (A&P) rating. Additionally, Tharp acted as the second in command pilot on a March 4, 2011, flight in the multi-engine C-46F airplane from Midland, TX, to Monroe, NC, even though he only had a single-engine pilot certificate.

# FEDERAL HIGHWAY ADMINISTRATION

## AUDITS

**October 9, 2014**

### **FHWA's Federal Lands Highway Program Lacks Adequate Processes for Thoroughly Evaluating Contract Bid Prices**

*Self-Initiated*

Between October 2012 and September 2013, the Federal Highway Administration's (FHWA) Office of Federal Lands Highways (FLH) awarded \$305 million in contracts, which represents 53 percent of FHWA's fixed-price contracts. FLH relies on sealed bid contracting to award contracts for road projects. The Federal Acquisition Regulation requires contracting officers to determine whether offered prices are fair and reasonable before awarding contracts. Price reasonableness determinations provide information for evaluating bid proposals and promoting competition for Federal contracts.

Our review determined that FHWA lacks adequate procedures and practices to ensure contracting personnel thoroughly evaluate bid prices for FLH contracts. FHWA received multiple bids for the 13 FLH contracts we reviewed, but the winning bids differed from agency-calculated project cost estimates—by as much as 20 percent above the estimate to as low as 39 percent below. In the absence of policies and procedures from

FHWA, FLH's three Divisions each use their own informal practices for determining when and how to conduct bid evaluations.

We made two recommendations aimed at ensuring FLH contracting personnel thoroughly evaluate bid prices. FHWA concurred with one recommendation, partially concurred with the other, and provided appropriate planned actions and timeframes for both recommendations.

**December 18, 2014**

### **Quality Control Review on the Single Audit of the Puerto Rico Highways and Transportation Authority**

*Required by the Office of Management and Budget's Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*

We conducted a quality control review on the single audit that Ernst & Young LLP performed for the Puerto Rico Highways and Transportation Authority for its fiscal year ended June 30, 2013. During this period, the Authority expended approximately \$162 million from DOT grant programs. We limited the scope of our quality control review to two major DOT programs—the Highway Planning and Construction Program and the Federal Transit Cluster—because funds from these programs totaled approximately 96 percent of the Authority's DOT

grant expenditures. Ernst & Young's work was acceptable and therefore met the requirements of the Single Audit Act, the Office of Management and Budget's (OMB) Circular A-133, and DOT's major programs. We found nothing to indicate that Ernst & Young's opinion on the two major DOT programs was inappropriate or unreliable.

**January 27, 2015**

### **FHWA Met Basic Requirements but Can Strengthen Guidance and Controls for Financial and Project Management Plans**

*Self-Initiated*

FHWA provides financial assistance and oversight to States' high-cost and complex major projects with an estimated cost of \$500 million or more. In 2013, FHWA reported that States had 103 active major projects, totaling approximately \$143.7 billion. Federal law requires States to prepare project management plans and annual financial plans for each of their major projects. These plans are intended to provide timely information needed to effectively manage major projects' scope, cost, and schedule and ensure that projects meet applicable Federal requirements.

For the five major projects we reviewed, FHWA Division Offices ensured States submitted initial financial plans, annual updates to financial plans, and project



management plans. The Division Offices also ensured that these plans contained basic cost, schedule, and funding elements. However, Division Offices did not consistently follow Agency guidance when evaluating the plans for these projects. FHWA also lacked specificity in key areas of its financial plan and project management plan guidance. Division Offices and States associated with the five projects we reviewed identified contracting methods, project management tools, and provisions in the Moving Ahead for Progress in the 21st Century Act (MAP-21) that could help accelerate delivery, improve project management, and enhance oversight of major projects. FHWA concurred with all five of our recommendations to improve its oversight of major project financial plans and project management plans.

**February 18, 2015**

### **FHWA Effectively Oversees Bridge Safety, but Opportunities Exist To Enhance Guidance and Address National Risks**

*Requested by the Ranking Member of the House Transportation and Infrastructure Committee*

There are over 600,000 bridges on public roads that carry, on average, more than 4.6 billion vehicles per day. FHWA established the National Bridge Inspection Standards to require inspections of public highway bridges, and FHWA oversees States' efforts to ensure

bridges within their jurisdictions are safe. We determined that FHWA, through its Division Offices, effectively implemented a data-driven, risk based approach to oversee States' bridge inspection programs. However, we identified gaps in FHWA guidance—such as how FHWA Division Offices document their reviews of State bridge inspection programs—that could limit long-term success. Although FHWA established the National Bridge Inspection Program Oversight Team in 2010 to perform an annual risk assessment of the bridge safety inspection program, we found that the team has not completed a formal assessment. FHWA is working to finalize its risk assessment process, but it currently lacks key elements such as how FHWA will implement and track corrective actions. FHWA concurred with our five recommendations, which focused on improving FHWA's communication, program guidance, and efforts to effectively identify and address high-priority bridge safety risks.

**March 2, 2015**

### **Most FHWA ARRA Projects Will Be Closed Out Before Funds Expire, but Weaknesses in the Project Close-Out Process Persist**

*Self-Initiated*

FHWA is responsible for ensuring that States close out projects in a timely manner, a critical step towards the

final accounting of States' use of Federal funds. As part of our the American Recovery and Reinvestment Act of 2009 (ARRA) oversight mandate, we reviewed FHWA's oversight of ARRA project closeouts and found that the vast majority of ARRA-funded Federal-aid highway and bridge projects have been closed out, but a small percentage of the remaining projects will not be closed out before ARRA grant funds expire on September 30, 2015. While ARRA does not stipulate a deadline for project closeout, closeouts occurring before the expenditure deadline give States time to use any remaining ARRA funds on legitimate costs for other ARRA projects. Further, while FHWA has efforts underway to improve the Federal-aid project close-out process and address its Program Management Improvement Team review findings, internal control weaknesses impede timely closeouts of ARRA and other Federal-aid highway projects. For example, FHWA lacks nationwide policy, performance measures, or standard timeframes for project closeout. FHWA concurred with our seven recommendations, which were focused on expediting remaining ARRA project closeouts, reducing the backlog of pending Federal-aid highway project closeouts, and addressing internal control weaknesses.

## INVESTIGATIONS

**December 12, 2014**

### **Pennsylvania DBE Suspended From Federally Funded Contracts**

FHWA suspended Watson Maloy, President of WMCC Incorporated (WMCC), and suspended WMCC, pending debarment, because of their involvement in a DBE fraud scheme. In November 2014, Maloy pleaded guilty in U.S. District Court, Pittsburgh, PA.

In 2012 and 2013, Maloy and co-conspirators employed by Century Steel Erectors Co. LP (CSE) agreed to use WMCC as a DBE front company to profit from federally funded DBE contracts. WMCC failed to perform a commercially useful function, while CSE negotiated and managed the DBE subcontracts and completed all DBE work—including negotiating crane rentals, ordering supplies and materials, and recruiting union employees.

To conceal the scheme, CSE officials used WMCC's letterhead and email accounts when communicating with general contractors and Pennsylvania Department of Transportation (PENNDOT) officials. CSE personnel possessed WMCC business cards, shirts, and hard hats, as well as magnetic WMCC placards to conceal CSE logos on construction vehicles. Maloy received a fee for his participation in the scheme, amounting to approximately \$1.8 million in illicit proceeds.

We are conducting this investigation with the FBI and the Pennsylvania Turnpike Commission OIG.

*Note: Exclusion actions (such as suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to determine whether a company is currently excluded.*

**December 18, 2014**

### **RMD Holdings and Co-Owner Agree To Pay the Government \$1,362,000 for DBE Fraud**

RMD Holdings Ltd., doing business as Nationwide Fence, entered into a civil settlement agreement with the U.S. Attorney's Office, Louisville, KY, and agreed to pay \$1,334,000 collectively to the Government for alleged DBE fraud.

On December 30, 2014, Robert DeMil, co-owner of Nationwide Fence, entered into a separate settlement, agreeing to pay \$28,086 for the alleged use of a DBE pass-through on federally funded highway projects.

It was alleged that from October 20, 2006, through July 16, 2010, Nationwide Fence and DeMil violated DBE rules and regulations by misrepresenting how it utilized Sallie's Wholesale Construction Inc., a DBE on multiple federally funded contracts in Georgia, Illinois, Indiana, and Kentucky.

**December 17, 2014, and January 14, 2015**

### **Ten Charged and Engineering Firm Agrees To Pay \$1.3 Million in Connection With Corruption Scheme**

State criminal complaints were filed in Bridgeport, PA, charging 10 individuals for their alleged roles in a widespread \$1.2 million corruption and bribery scheme that affected 27 federally funded contracts in Pennsylvania. Construction Methods and Coordination Inc., doing business as CMC Engineering (CMC), also entered into an administrative agreement to reimburse PENNDOT and FHWA in excess of \$1.3 million for the fraudulent activity of CMC's consultant inspectors in relation to this scheme.

According to the complaints filed, Alex Morrone, former permit manager at PENNDOT, and William Rosetti, former Philadelphia County permit manager, allegedly instructed close friends and relatives to falsify their resumes, while PENNDOT officials helped these unqualified individuals become hired as consultant inspectors for contract inspection firms. Morrone and Rosetti then allegedly instructed the inspectors to inflate overtime and mileage reimbursements to generate illicit cash flow in exchange for kickbacks paid to Morrone, Rosetti, and PENNDOT officials. The corrupt inspectors were allegedly paid more than \$500,000 through false payroll and invoice submissions.

In addition to Morrone and Rosetti, PENNDOT officials Frank DiMichele and Generoso Palmieri and consultant inspectors Joseph DiSimone, John Cavanaugh, John Laspada, Brandon Grosso, David Betzner, and Christopher Lauch were all charged in relation to this scheme. The State grand jury contends that the scheme jeopardized safety because the inspectors were hired to protect the public and yet were often absent from job sites.

Two inspection firms, CMC and CZOP Corporation, were allegedly paid more than \$700,000 for their inspectors' unearned overtime in relation to this scheme. At least one CMC inspector allegedly engaged in fraudulent activities while working on the Girard Point Bridge construction project in Philadelphia, PA. PENNDOT is currently calculating its reimbursement to FHWA for losses incurred from this corruption scheme, which affected a total of 27 federally funded maintenance and construction contracts in Pennsylvania.

As a result of our joint investigation with the Pennsylvania Office of Attorney General, FHWA and PENNDOT have organized a proactive inspection team to review design and construction contracts that may have been affected by this fraud.

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

**February 2, 2015**

### **California Man Who Fraudulently Obtained and Sold Computers Destined for Schools and Non-Profits Sentenced to 10 Years in Prison**

Steven A. Bolden of Palmdale, CA, was sentenced in U.S. District Court, Seattle, WA, to 120 months in-carceration and ordered to pay over \$7.2 million in restitution in relation to a scheme to fraudulently obtain Government computer equipment. Bolden pleaded guilty in January 2014 to wire fraud, aggravated identity theft, and filing a false income tax return in connection with this scheme.

We initiated this investigation based on information received from FHWA's Western Federal Lands Highway Division in Vancouver, WA. In 2011, FHWA posted a pallet of computers on the Web site of Computers for Learning, a General Services Administration program that transfers excess Government computers and equipment to qualified schools and educational non-profits. Bolden requested the computers on behalf of a phony non-profit, and FHWA shipped the computers as requested. However, FHWA became suspicious when it received a shipping bill when the shipping company was unable to contact the non-profit or Bolden to collect payment. Between 2007 and 2013, Bolden defrauded

Government agencies by posing as 14 non-profits to obtain 19,442 items, with a fair market value of about \$7.2 million, and selling them for personal profit.

We conducted this investigation jointly with the General Services Administration OIG, IRS CI, U.S. Department of Justice OIG, U.S. Department of Energy OIG, and FBI.

**February 18, 2015**

### **Tennessee Right-of-Way Contractor Convicted for Theft From a Federally Funded Program**

Ricardo Colon pleaded guilty in U.S. District Court, Nashville, TN, to charges related to the theft from a federally funded program.

Colon was contracted by the Tennessee Department of Transportation to purchase tracts of real property for right-of-way projects involving Federal funds. He appraised the tracts of land, negotiated a sales price, and received funding from the Tennessee Department of Transportation to acquire the tracts. However, he never completed the transactions and instead deposited approximately \$330,000 into his personal bank accounts.

We are conducting this investigation jointly with the FBI and IRS CI.

**February 19, 2015**

### **FHWA Debars Former Disadvantaged Business Enterprise for DBE Fraud**

FHWA debarred Cindy Taylor Stewart and Cindy Taylor Trucking and Construction Inc. (CTTC). From 2004 through 2010, CTTC submitted documentation to the Utah Department of Transportation falsely certifying that Stewart's personal net worth did not exceed \$750,000, which was the limit at the time to participate in the DBE program. During this period, CTTC also submitted documentation to the Utah Department of Transportation's Prequalification Board declaring an estimated net worth in excess of \$13 million. Additional documentation, including county property records, showed that Stewart's interest in property alone exceeded \$1.7 million—well over the DBE program's \$750,000 personal net worth limit.

Stewart held the primary responsibility for submitting all DBE documentation for CTTC. Based on its fraudulent status as a DBE, CTTC was awarded 13 federally funded highway construction and airport improvement projects, totaling over \$9 million.

*Note: Exclusion actions (such as suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to determine whether a company is currently excluded.*

**February 26, 2015**

### **Former Connecticut Bridge Inspector Pleads Guilty to Falsifying Educational Background To Obtain Employment**

Barry Kenneth Purnell, Jr., pleaded guilty to State charges in Connecticut Superior Court, Hartford, CT, related to a scheme to obtain employment as a consultant bridge inspector under false pretenses. In March 2014, Purnell was charged and surrendered for arrest at the offices of the Connecticut Chief State's Attorney in Rocky Hill, CT.

We initiated this investigation based on a referral from The Connecticut Department of Transportation, reporting that Purnell had falsified his college education and engineering certifications on his resume submitted to engineering firms. With these fabricated credentials, Purnell was hired as an inspector and bridge inspector on many ARRA-funded Federal projects and State-funded construction projects for multiple engineering firms. In a December 2013 interview, Purnell acknowledged to Federal agents that he had falsified his application materials and fabricated a diploma.

In April 2014, FHWA suspended and proposed the debarment of Purnell in response to the charges filed against him.

We investigated this case jointly with Amtrak OIG.

*Note: Exclusion actions (such as suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to determine whether a company is currently excluded.*

**March 11, 2015**

### **FHWA Suspends a Project Manager at Southern Illinois University and a Related Company for Lying to Federal Agents**

FHWA suspended Kwa Mister, a project manager for the Highway Construction Preparatory Training Program at Southern Illinois University in Edwardsville, IL (SIUE). FHWA also suspended Phoenix Support Services, a company owned by Mister's mother. FHWA suspended these parties based on a January 2015 indictment filed against Mister in U.S. District Court, East St. Louis, IL, for lying to Federal agents.

According to the indictment, Mister allegedly awarded \$85,000 in sole-source consulting contracts to his mother's company L.A.S. (doing business as Phoenix Support Services). The Illinois Department of Transportation was billed for and reimbursed SIUE for the cost of these contracts, as part of an intergovernmental agreement with the college. Mister allegedly lied to SIUE officials about these contracts by concealing the family relationship and the potential conflict of interest from SIUE. Mister is charged with lying to an OIG agent

about whether he had provided false information to SIUE.

*Note: Exclusion actions (such as suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to determine whether a company is currently excluded.*

**March 20, 2015**

### Former FHWA Assistant Division Administrator in New Jersey Pleads Guilty to Research Grant Fraud Scheme

Lawrence Cullari, Jr., a former Assistant Division Administrator for FHWA's New Jersey Division Office, pleaded guilty to mail fraud in U.S. District Court, Trenton, NJ. While in his official capacity, Cullari steered federally and State-funded contracts to Dencore Consulting LLC, a company owned by Cullari and his ex-wife.

Cullari, who was ineligible to receive FHWA-funded contracts because of his position, used his former father-in-law's engineering company as a "straw" subcontractor to obtain over \$150,000 in FHWA-funded transportation-related subcontracts between approximately May 2006 and June 2013. These subcontracts were awarded by Rutgers University's Center for Advanced Infrastructure and Transportation and the New Jersey Institute of Technology (NJIT).

Although the work was awarded to his former father-in-law's company, Cullari and his company Dencore was actually responsible for preparing the bids and work proposals and arranging for work to be completed. After the former father-in-law's company received contract payments, it cut checks to Dencore, which then issued checks to Cullari. Dencore issued one \$20,000 check to Cullari after he falsified an invoice for work performed by a non-existent company.

As part of his guilty plea, Cullari consented to a forfeiture money judgment to be determined at sentencing. Cullari resigned from Federal service in July 2014.

**March 25, 2015**

### FHWA Suspends South Carolina Company and Company President

FHWA suspended Premier Constructors Inc. (Premier), West Columbia, SC, and its president Freeman Bell from conducting business with the United States. The suspension was based on a determination that Premier and Bell committed DBE fraud when Bell provided false certifications, on Premier's behalf, for subcontracted traffic signal work on a federally funded roadway project in South Carolina. Bell falsely represented that Premier conducted a commercially useful function on the project.

*Note: Exclusion actions (such as suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to determine whether a company is currently excluded.*

# IN FOCUS: Closing OIG-Identified Oversight Gaps and Implementing New Construction and Contracting Practices Would Help Accelerate Delivery of Major Highway Projects

The Moving Ahead for Progress in the 21st Century Act contained a series of reforms to accelerate the delivery of high-cost and complex major highway projects, defined by Federal law as those with an estimated cost of \$500 million or more. FHWA provides financial assistance and oversight States' major projects, and in 2013, FHWA reported that States had 103 active major projects, totaling approximately \$143.7 billion.

In response to cost overruns and oversight issues found with the Boston Central Artery/Tunnel Project, Congress mandated that all recipients of federally funded major projects submit an annual financial plan and a project management plan. These plans are intended to provide timely information to effectively manage major projects' scope, costs, and schedules.

Based on our review of five major projects recently completed or under construction, we determined that FHWA Division Offices ensured States met basic requirements to submit initial financial plans, annual updates to financial

plans, and project management plans. For all but one project, FHWA complied with Federal requirements to accept initial financial plans and project management plans before approving Federal funds for projects.

However, FHWA Division Offices did not always follow Agency guidance to evaluate the projects' cost estimates, integrated schedules, and toll-based financing. For example, the initial financial plan for the major project in Washington included \$400 million in toll-based financing, even though the State's legislature had not yet authorized it. As a result of reduced projections in tolling revenue, the State increased its estimate of the amount of Federal funds needed to finance the project.

Key areas of FHWA's financial plan and project management plan guidance also lacked specificity—such as when major project guidance should be applied to different types of projects, especially those using funding mechanisms or contracting methods that deviate from those typically used on highway projects. The lack of

specificity in FHWA's guidance led to confusion about what should be included in the plans and resulted in unfulfilled project management plan commitments.

As part of our review, we asked FHWA officials and States associated with the five projects to identify methods and best practices that could help accelerate project delivery, improve project management, and enhance oversight of major projects. In response, Division Offices and States pointed to a range of methods that can help accelerate delivery of major projects:

- **Advanced right-of-way acquisition.** MAP-21 broadens the ability of States to acquire or preserve right-of-way before completion of an environmental review process required under the National Environmental Policy Act of 1969. Officials from FHWA's California Division indicated that advanced right-of-way acquisition could allow States to save time before construction begins.



- **Construction manager/general contractor (CM/GC) contracting.** MAP-21 authorizes CM/GC contracting, which allows a project owner to engage a construction manager early in the planning and design process to incorporate the contractor's perspective in planning and design decisions, introduce innovations, improve the design quality, and resolve potential third-party issues. Officials from FHWA's Washington Division noted that they are considering using CM/GC for a major project in the State.
- **Programmatic agreements.** MAP-21 encourages the use of programmatic agreements between States and FHWA to standardize the environmental consultation, review, and compliance process for federally funded projects. FHWA's Web site notes that expanding the use of programmatic agreements can help streamline reviews and reduce project implementation time. Multiple States we visited have been using programmatic agreements since before MAP-21 was enacted and pointed to their benefits.
- **Innovative contracting methods.** All five major projects used design-build contracting in which a joint contracting team controls both the design and construction phases of the project. Design-build contracting can reduce contract disputes since both the designer and contractor are on the same team; it can also reduce project completion time because the contracting team can decide to begin construction before all design work is completed. The Texas Department of Transportation entered into a public-private partnership, which combined public and private funding to plan, develop, design, and construct its major project.
- **Alternative technical concepts.** Maryland and Washington allowed alternative technical concepts for their design-build construction procurements, which gave contractors an opportunity to propose equal or better designs, or alternative construction methods.
- **Independent reviews.** Two projects reviewed—in Maryland and Washington—established independent oversight controls. For example, Washington State's legislature hired an independent consultant to identify and report on major project issues that could impact the State's ability to deliver the project on time and within budget. The Maryland Department of Transportation hired an external auditor to monitor the project's financial activities, including construction and consultant billings.
- **Interagency Leadership Team.** Officials from FHWA's North Carolina Division established an Interagency Leadership Team to put in place programmatic improvements that have indirectly streamlined the environmental approval process. The team's process improvements helped Federal and State stakeholders reach early consensus on the projects.

# FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

## AUDITS

**December 10, 2014**

### **FMCSA Adequately Monitored Its NAFTA Cross-Border Trucking Pilot Program but Lacked a Representative Sample To Project Overall Safety Performance**

*Required by the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act*

Under the 1992 North American Free Trade Agreement, the United States and Mexico agreed to long-haul cross-border transportation of cargo and passengers between the two countries. However, the Federal Motor Carrier Safety Administration (FMCSA) was mandated to comply with certain requirements and conduct a pilot program for granting long-haul authority to Mexico-domiciled motor carriers to evaluate the potential impact on safety.

Our review determined that FMCSA established sufficient monitoring and enforcement activities for the pilot program to comply with requirements in Section 350(a) of the Department of Transportation and Related Agencies Appropriation Act. FMCSA also took

reasonable actions to implement the nine recommendations in our initial and interim pilot program audits for improving pilot program monitoring and enforcement. In addition, FMCSA established a sufficient mechanism to determine whether the pilot program had adverse effects on motor carrier safety.

We confirmed FMCSA's conclusion that pilot program carriers performed no worse than U.S. and Canadian motor carriers. However, the sample of 15 pilot program carriers was insufficient to project safety performance to the universe of carriers that may qualify for long-haul operating authority in the future.

Because the pilot program has ended, we did not make recommendations to improve pilot program oversight.

**March 4, 2015**

### **FMCSA Oversight and Reauthorization Issues**

*Testimony Before the Senate Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security*

The Deputy Principal Assistant Inspector General for Auditing and Evaluation testified on FMCSA's oversight

programs and on issues impacting the Subcommittee's work on the Agency's reauthorization. The Deputy Principal Assistant Inspector General noted that FMCSA has taken action to improve data quality and system development for its Compliance, Safety, Accountability (CSA) program, which is intended to improve large truck and bus safety, but FMCSA's nationwide implementation of timely and effective enforcement interventions remains a challenge. He also discussed how reincarnated carriers—unsafe carriers who often use aliases or different business addresses to evade out-of-service orders and other enforcement actions—continue to be a major concern. Finally, the Deputy Principal Assistant Inspector General affirmed DOT OIG's commitment to continue to partner with FMCSA to combat commercial driver's license and drug and alcohol testing fraud, and he provided updates on audit work under way to respond to congressional mandates to improve motor safety.



## INVESTIGATIONS

**October 24, 2014**

### **Bus Company Owner Sentenced for Operating Without FMCSA Authority**

Angel De La Torre, former owner of Angel Tours, a commercial motor carrier based in Houston, TX, was sentenced in U.S. District Court, Houston, TX, to 36 months of probation and 500 hours of community service and ordered to pay a \$500 fine. De La Torre previously pleaded guilty to operating a commercial motor vehicle following an unsatisfactory rating.

Our investigation disclosed that De La Torre and Angel Tours operated a commercial motor vehicle after being placed out of service due to an unsatisfactory safety rating after an FMCSA inspection uncovered numerous record-keeping and safety violations. On June 23, 2008, FMCSA ordered Angel Tours to cease all interstate transportation. In August 2008, a fatal crash of an Angel Tours passenger bus occurred near Sherman, TX, just weeks after FMCSA issued its out-of-service order.

We conducted this investigation with the FBI with assistance from FMCSA.

**November 5, 2014**

### **Louisiana Household Goods Moving Company Owner Pleads Guilty**

Dunwoodie McDuffie, owner and operator of Mr. Move, pleaded guilty in U.S. District Court, New Orleans, LA, to conducting interstate household goods moves from February to April 2013, using a revoked USDOT Number and without registering for DOT household goods operating authority.

McDuffie operated Mr. Move in the New Orleans area and performed both interstate and intrastate household goods moves. Mr. Move was placed out of service by FMCSA on December 3, 2008, for failing to comply with safety review requirements. As a result, Mr. Move did not have operating authority to conduct interstate household goods moves.

The investigation revealed that Mr. Move conducted 17 interstate household goods moves between January 2013 and August 2013 in violation of FMCSA's out-of-service order.

We conducted this investigation with assistance from FMCSA and the Louisiana State Police.

**December 11, 2014**

### **New York Auto Transport Broker Indicted on Charges of Mail and Wire Fraud**

Gregory Sclafani was indicted on wire and mail fraud charges by a Federal grand jury in U.S. District Court, Central Islip, NY, for defrauding consumers who scheduled auto shipments with Sclafani's company, AUSA Logistics. DOT OIG Special Agents, U.S. Postal Inspectors, and the New York State Police arrested Sclafani on November 13, 2014.

From 2007 to 2014, Sclafani, the owner of various auto transport broker entities, allegedly engaged in a scheme to defraud consumers by advertising long-distance auto shipping transport through the Internet. After consumers booked the auto shipments and deposited their money, their cars were often not shipped, and Sclafani absconded with their money. In January 2012, FMCSA revoked Sclafani's authority to operate AUSA Logistics; however, Sclafani continued to operate as though he were properly registered. Additionally, Sclafani allegedly committed bank fraud by withdrawing money from customers' bank accounts without their authorization or knowledge. The investigation identified at least 100 victims with losses of approximately \$600,000.

We are conducting this investigation with the U.S. Postal Inspection Service and the New York State Police.

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

**January 8, 2015**

### **Owners of a Brooklyn CDL Driving School Plead Guilty in Fraudulent CDL Test-Taking Scheme**

Spouses Ying Wai Phillip Ng and Pui Kuen Ng, owners/operators of a commercial driving school, N&Y Professional Service Line in Brooklyn, NY, pleaded guilty in U.S. District Court, Brooklyn, NY, to identification document fraud.

From approximately 2001 to 2012, the Ngs' driving school provided customers with the answers to written New York State commercial driver's license (CDL) examinations. Many of the driving school's customers did not speak or write in English. The school also routinely provided customers with covert camera equipment before the CDL exam, which enabled the defendants to provide test answers to customers. Customers were instructed to point the camera, concealed in their jacket sleeves, at a test question, so it could be seen and answered remotely. We estimate that as many as 500 CDL applicants passed the exam as a result of this scheme.

As part of their guilty pleas, the Ngs agreed to pay a forfeiture money judgment in the amount of \$125,000 in

cash, forfeit \$50,645 in seized bank funds, and forfeit a 2004 Toyota Sienna used to commit the crime.

We are conducting this investigation with the DHS El Dorado Task Force.

**January 16, 2015**

### **Pennsylvanian FMCSA Regulated Drug Tester Debarred for Fraud Scheme**

FMCSA debarred Elizabeth Pope for 3 years retroactive to August 6, 2014. In addition, FMCSA issued a Notice of Proposed Exclusion, recommending that Pope be excluded from conducting business with DOT for 5 years.

In December 2014, Pope was sentenced to 8 months of house arrest and ordered to pay \$109,000 in restitution for falsifying commercial vehicle driver drug and alcohol testing. Pope operated Eastgate Laboratory Testing Inc., which conducted pre-employment, random, and post-accident drug testing for Pittsburgh, PA, area trucking companies. Between 2008 and 2012, Pope forged the digital signature of a former Eastgate doctor on all required FMCSA paperwork to give the impression that all tests received required medical oversight and review.

We conducted this investigation with assistance from FMCSA.

*Note: Exclusion actions (such as suspensions and debarments) are frequently imposed for a specific period of time, and the System for Award Management (Sam.gov) should be consulted to determine whether a company is currently excluded.*

**January 21, 2015**

### **Georgia Man Convicted of Conspiracy To Violate an FMCSA Imminent Hazard Order**

Lacey Lewis pleaded guilty in U.S. District Court, Macon, GA, to conspiracy to violate an imminent hazard out-of-service order issued by FMCSA. On May 14, 2013, Lacey Lewis and others were criminally charged in conjunction with this scheme.

In October 2008, Devasko Lewis, doing business as Lewis Trucking Company, was placed under an order to cease all operations. FMCSA issued the imminent hazard out-of-service order after a compliance review had discovered serious violations in Lewis Trucking Company's operations. FMCSA conducted this compliance review in response to a fatal crash in Alabama involving Lewis Trucking Company that killed seven people. Devasko and Lacey Lewis attempted to circumvent this out-of-service order by continuing to operate two other companies, Eagle Transport and Eagle Trans.

We conducted this investigation with assistance from FMCSA and the Georgia Department of Public Safety.

**January 21, 2015**

### **Owner of Tennessee Trucking Company Sentenced**

Dorian Ayache, owner and operator of Three Angels Farms, Lebanon, TN, an interstate commercial motor carrier of livestock, was sentenced in U.S. District Court, Nashville, TN, to 3 months incarceration and 12 months supervised release, ordered to pay a \$5,000 fine, and forbidden to engage in commercial trucking. Ayache—along with Theresa Vincent, owner and operator of Terri’s Farms, Murfreesboro, TN—pleaded guilty in August 2014 to violating a Federal motor carrier safety regulation.

In June 2012, FMCSA issued an imminent hazard out-of-service order to Three Angels Farms requiring all commercial motor vehicle operations to cease due to unacceptable safety practices—including inadequate vehicle maintenance and failure to ensure drivers were qualified. Ayache was also cited for accidents occurring in 2012 that resulted in fatal injuries to horses.

In August 2012, FMCSA issued a second imminent hazard out-of-service order against Vincent and her business Terri’s Farm, ordering all commercial motor vehicle operations to cease. FMCSA discovered that Terri’s Farm was merely a continuation of Three Angels Farm. Ayache and Vincent admitted to criminally violating

a Federal motor carrier safety regulation by failing to maintain required duty status records.

**January 26, 2015**

### **South Carolina Man Pleads Guilty to False Statements on a FMCSA Application**

Arnold Williams pleaded guilty in U.S. District Court, Raleigh, NC, to false statements on a commercial driver employment application.

In January 2013, the North Charleston, SC, Police Department charged Williams with reckless homicide and possessing an open alcohol beverage container, following the crash of the tractor trailer he was operating that resulted in one fatality and three injuries. Williams was terminated from his position as a driver in February 2013.

In April 2013, Williams was subsequently hired as a truck driver for a North Carolina based trucking company. Per FMCSA regulations, drivers are required to list all previous accidents on driver employment applications, but Williams lied on his application when he listed no previous accidents.

**January 21, 2015, January 26, 2015, and February 2, 2015**

### **Four Plead Guilty in CDL Test-Taking Scheme**

Firdavs Mamadaliev pleaded guilty to identification documents fraud, and Inocente Gonzalez, LaToya Bourne, and Akmal Narzikulov pleaded guilty in U.S. District Court, Brooklyn, NY, to conspiracy to commit honest services mail fraud. In total, 11 individuals were indicted in October 2013—including Mamadaliev, Gonzalez, Bourne and Narzikulov—in connection with a widespread CDL test-taking scheme in New York.

CDL applicants paid New York State Department of Motor Vehicle (DMV) facilitators between \$1,800 and \$2,500 for CDL exam answers and assistance with DMV processes. Fraud schemes, which occurred at five New York DMVs, included the use of pencils containing miniaturized encoded test answers, a Bluetooth headset to relay CDL test answers, and an external test-taker to take exams on behalf of the applicants. Gonzalez and Bourne were employed as security guards at New York State DMV locations, Mamadaliev was a “lookout,” and Narzikulov helped facilitate the scheme. The investigation’s surveillance operations, including remote observation posts and pole cameras, uncovered the CDL fraud scheme.

We are conducting this investigation with Homeland Security Investigations, New York City Police Department, New York State DMV Investigations, New

York State Attorney General's Office, and New York State Inspector General's Office.

**February 9, 2015**

### **Pennsylvania Man Sentenced in Household Goods Extortion Scheme**

Mohammad Sabbar, also known as Ali Sabbar, of Schnecksville, PA, was sentenced in U.S. District Court, Philadelphia, PA, to 60 months probation and ordered to pay \$1,500 restitution to DOT OIG for the cost of undercover operations, which revealed Sabbar's role in a conspiracy to commit extortion in a household goods moving scheme.

Sabbar admitted that between November and December 2012, he and co-conspirator Mohammad Hamdan conspired to extort money from a consumer who hired them to move household goods from San Francisco, CA, to Philadelphia, PA. The investigation, including an undercover operation, revealed that Sabbar and Hamdan demanded \$9,000 from the consumer, which far exceeded the \$1,467 remaining on the consumer's contractual obligation. Sabbar and Hamdan withheld delivery of the household goods for over 3 months until the consumer paid the additional fee.

We conducted this investigation with assistance from FMCSA.

**March 11, 2015**

### **Exide Agrees to Shutdown Recycling Plant, Pay \$50 Million in Cleanup Costs, and Admits to Felony Violations Involving Illegal Storage, Disposal, Shipment, and Transportation of Hazardous Wastes**

The U.S. Attorney's Office, Central District of CA, entered into a non-prosecution agreement with Exide Technologies, an American manufacturer of lead-acid batteries including automotive and industrial batteries. The agreement requires Exide to admit to illegal storage, disposal, shipment, and transportation of hazardous wastes such as lead, cadmium, arsenic, and volatile organic compounds. It also requires the company to pay \$3 million to the Residential Off-Site Correction Action Trust Fund; immediately stop battery recycling; permanently shut down its battery recycling facility in Vernon, CA; and pay \$50 million to clean up the site and surrounding neighborhoods. Exide's direct costs to comply with the agreement's terms and conditions are estimated to be between \$108 and \$133 million.

Exide's battery recycling facility receives approximately 40,000 batteries per day, which are crushed and separated for recycling. Exide admitted that it knowingly and willfully transported hazardous waste, contaminated with lead and corrosive acid, from the Vernon facility

to Bakersfield, CA. These shipments, which occurred numerous times over the past 2 decades, violated the Hazardous Materials Transportation Act and the Resource Conservation and Recovery Act. Exide also admitted that it transported corrosive hazardous waste to a facility not permitted by the State of California to receive corrosive hazardous wastes.

We conducted this investigation jointly with EPA Criminal Investigative Division and the California Department of Toxic Substance Control.

**March 11, 2015**

### **Nebraska Truck Driver Charged With Making Threats to FMCSA Safety Inspector**

Ronald Mockelman, a commercial truck driver, was charged in U.S. District Court, Lincoln, NE, with making threats to a Federal employee. On January 10, 2015, Mockelman allegedly made several telephone calls to FMCSA Nebraska Division Offices, threatening bodily injury in retaliation for a fine. FMCSA had issued the fine to Mockelman for failing to adhere to motor carrier safety regulations. Mockelman also allegedly made several threatening telephone calls to the FMCSA Midwestern Service Center in Illinois on the same day.

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

**March 13, 2015**

### **Two Men Charged in a Household Goods Theft Scheme**

In U.S. District Court, Atlanta, GA, Tasheen R. Pickett and Shedrick Giles were charged with conspiracy, interstate transportation of stolen property, and forfeiture related to a scheme to rob customers of their household goods. Pickett was also charged with possession of stolen property. On March 11, 2015, DOT OIG agents arrested Pickett at his probation officer's office in Atlanta. On March 13, 2015, Shedrick Giles surrendered to DOT OIG agents in Central Islip, NY.

We initiated this investigation based on a referral from FMCSA. Tasheen Pickett owns and operates J and P Moving Inc. (J&P), a moving company based in Sumter, SC. J&P allegedly did not have authority from FMCSA to transport household goods but would acquire moving jobs through moving brokers. J&P allegedly loaded owners' household goods into a moving truck but never delivered them.

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

# IN FOCUS: OIG's Collaborative Efforts in Combating CDL Fraud Helps Ensure Motor Carrier Safety

Approximately 3.9 million commercial interstate and intrastate drivers in the United States hold a commercial driver's license. However, some of these drivers obtained their CDLs illegally.

Motor carriers who operate under fake CDLs create significant safety risks on our Nation's highways. According to the FMCSA, accidents involving drivers with illegal CDLs have resulted in multiple fatalities. One commercial driver who fraudulently obtained his CDL from an Illinois State inspection station was involved in an accident that killed six children. States have incurred additional expenses due to the discovery of fraudulent CDLs. Across the country, State officials have been forced to retest thousands of CDL holders to be certain they are qualified to hold CDLs.

OIG partners with FMCSA and our prosecutorial colleagues to shut down companies and individuals that have exploited problems in

the testing and licensing of commercial drivers. Since 2011, our office has opened 10 CDL fraud investigations in 6 States. The cases have primarily focused on fraud associated with CDL driving schools and third-party testers and fraud associated with the corruption of DMV employees. In Pennsylvania, we uncovered a multi-year scheme involving a driving school that assisted non-English speaking Russian immigrants obtain CDLs by supplying them with false residency documents and interpreters who would provide assistance on the written tests. The complete service provided by the driving school, which guaranteed the applicant a license, cost between \$300 and \$1,200. At the conclusion of the investigation, over 500 applicants were identified as having received their CDLs fraudulently.

As technology has advanced, the illicit CDL test-taking schemes have become more sophisticated. In a recent case in New York, the

## Federal Commercial Driver's License Standards

*To ensure safety on interstate highways, the Motor Carrier Safety Act of 1984 created national standards that states must follow when issuing CDLs. Among these standards, the driver holding the CDL must be domiciled in the State from which he receives his license, speak sufficient English to understand traffic signs, respond to official inquiries, and make report entries.*

*Additionally, States are responsible for developing a knowledge and skills test that confirms that drivers understand and can follow Federal motor carrier safety laws. To pass the knowledge tests, applicants must correctly answer at least 80 percent of the questions.*

owner-operators of a driving school pleaded guilty to orchestrating a scheme to provide written exam answers to an estimated 500 New York State CDL applicants. Similar to the Pennsylvania case, the New York driving school catered to non-English speaking customers. Prior to taking the CDL written exams, the driving school owners provided applicants with convert camera equipment and instructed them to point the camera, concealed in their jacket sleeves, at a test question so it could be seen—and answered—remotely.

In a separate case, multiple individuals pleaded guilty, including DMV employees, in an illegal

CDL test-taking conspiracy involving five DMV test centers in the New York City area. The investigation revealed that CDL applicants paid facilitators between \$1,800 and \$2,500 in return for CDL test answers and assistance through DMV processes. Fraud schemes included the use of pencils containing miniaturized encoded test answers, a Bluetooth headset to relay CDL test answers, and an external test-taker positioned nearby to complete the exams.

In addition to significant jail time and fines imposed against individuals involved in fraudulent CDL testing schemes, our investigations have resulted in specific State actions, including the

suspension, disqualification, and cancellation or revocation of CDLs.

Our audit work has shown that the CDL program requires more oversight to promote improved highway safety. Since 2000, we have issued multiple reports pointing to various program weaknesses, including delays in posting convictions to DMV driver history records, which impede DMVs' ability to suspend or revoke problem drivers' commercial-driving privileges in a timely manner.

By working with FMCSA and our law enforcement partners, we continue to pursue our number one priority: safety.



# FEDERAL TRANSIT ADMINISTRATION

## AUDITS

**December 4, 2014**

### **Quality Control Review on the Single Audit of the Bi-State Development Agency of the Missouri-Illinois Metropolitan District, St. Louis, MO**

*Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*

We conducted a quality control review of the single audit that RubinBrown LLP performed for the Bi-State Development Agency of the Missouri-Illinois Metropolitan District, St. Louis, MO, for its fiscal year ended June 30, 2013. During this period, the Bi-State Development Agency of the Missouri-Illinois Metropolitan District expended approximately \$44 million from DOT grant programs. RubinBrown determined that the DOT major program was the Federal Transit Cluster. RubinBrown's work was acceptable and therefore met the requirements of the Single Audit Act, OMB's Circular A-133, and DOT's major program. We found nothing to indicate that RubinBrown's opinion on DOT's major program was inappropriate or unreliable.

**January 13, 2015**

### **FTA's Transit Research Program Plan Is Outdated**

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

According to transit operators, identifying, testing, and deploying low and no emission transit technologies are essential to their ability to meet Federal, State, and local clean air and efficiency requirements. As requested by the Senate Appropriations Committee, we determined whether FTA's actions to promote low or no emission technology are seen by transit operators, the industry, and research stakeholders as meeting their needs.

Overall, FTA is not identifying new transit technologies or disseminating information that could increase grantees' ability to meet emission and efficiency standards. FTA's Office of Research has not updated its multi-year transit research plan intended to provide a vision for making investments in specific technologies to reach defined transit emissions and efficiency goals. Overall, stakeholders expressed that FTA's current emphasis on deploying low or no emission technology does not meet their needs. FTA concurred with our recommendations

to reassess its transit technology priorities and update its transit research program plan.

## INVESTIGATIONS

**November 5, 2014**

### **Colorado Regional Transportation District Official Charged With Accepting Bribes**

Kenneth P. Hardin, a senior manager at the Regional Transportation District in Colorado (RTD), was indicted in U.S. District Court, Denver, CO, and charged with accepting bribes.

RTD is a grantee of FTA, and its civil rights division is responsible for compliance with DOT's DBE program. As senior manager of RTD's civil rights division, Hardin allegedly influenced the award of federally funded DBE contracts in return for bribes.

We are conducting this investigation with the FBI and IRS CI.

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



## AUDITS

**October 23, 2014**

### **Better Program Management and Oversight Are Required for USMMA's Efforts To Address Sexual Assault and Harassment**

*Requested by Ranking Member Elijah Cummings of the House Oversight and Government Reform Committee; Congresswoman Jackie Speier; and Chairman Patty Murray and Ranking Member Susan Collins of the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies*

The Duncan Hunter Act National Defense Authorization Act for Fiscal Year 2009 required the Secretary of Transportation and the U.S. Merchant Marine Academy (USMMA) to address sexual assault and harassment at the Academy. In response to a congressional request, we evaluated the Academy's efforts to prevent sexual assault and harassment and the roles of DOT and the Maritime Administration's (MARAD) senior leadership in implementing the Academy's action plans.

USMMA has made progress in implementing nine goals to reduce sexual assault and harassment. However, none of the goals has been fully achieved. For example, more than a third of the actions to establish

an effective Sexual Assault, Prevention, and Response (SAPR) program remain incomplete. In addition, USMMA has not fully identified tasks, responsibilities, and timeframes for its updated action plan. Since the Duncan Hunter Act took effect in October 2008, USMMA has also been delayed in issuing its reports to Congress for the first 4 academic program years. Finally, DOT's Office of the Secretary (OST) has not assigned responsibility for overseeing the SAPR program or for ensuring compliance with legislative requirements, and MARAD has not established clear lines of reporting and training requirements for the Academy's sexual assault and harassment prevention programs. MARAD concurred with our nine recommendations aimed at helping the Academy achieve action plan goals, improve annual reporting timeliness, and enhance SAPR program oversight.

## INVESTIGATIONS

**October 29, 2014**

### **U.S. Merchant Marine Academy Employee Charged With Bribery and Conspiracy**

John McCormick, planner/estimator and Contracting Officer's Technical Representative for USMMA's

Department of Public Works was arrested by DOT OIG and IRS CI Special Agents and charged in U.S. District Court, Central Islip, NY, for bribery and bid-rigging schemes.

Since 2010, McCormick allegedly conspired with numerous contractors to ensure they won dozens of USMMA contracts by obtaining phony inflated bids (called complementary bids) from contractors that, in many cases, did not exist and submitting those bids along with the conspiring contractors' actual bids. This scheme guaranteed that the conspiring contractors always had the lowest bids and would be awarded the contracts. In exchange, the conspiring contractors allegedly paid McCormick bribes amounting to approximately five to ten percent of their profits on the USMMA contracts.

We are conducting this investigation with the IRS CI.

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

## IN FOCUS: OIG Audit Prompts Department Action To Enhance the U.S. Merchant Marine Academy's Efforts To Address Sexual Assault and Harassment

Sexual assault and sexual harassment cause great psychological and physical harm and must be met with zero tolerance. Nearly 6 years ago, Congress passed the Duncan Hunter Act, which required the Secretary of Transportation and the U.S. Merchant Marine Academy to address sexual assault and harassment at the Academy. While USMMA and the Department of Transportation have taken actions to meet congressional mandates, the effectiveness of those actions and Academy prevention efforts have been called into question. Specifically, USMMA reported in March 2014 that an estimated 25 midshipmen were sexually assaulted and 136 midshipmen were sexually harassed in the 2011–2012 academic program year. Yet, none of these incidents were officially reported. The Secretary called these results “deeply disturbing” and reiterated the Department’s commitment to providing midshipmen with an academic environment free of sexual assault and harassment.

DOT’s Maritime Administration operates USMMA, which is responsible for training midshipmen to become professional merchant

marine officers. USMMA midshipmen must comply with prescribed disciplinary and honor systems, and the Academy must maintain a culture that does not tolerate sexual assault and harassment. The Duncan Hunter Act required USMMA to prescribe policy on sexual harassment and sexual violence applicable to midshipmen and other Academy personnel; conduct an annual assessment of the effectiveness of the Academy’s sexual harassment and sexual violence policies, training, and procedures; and submit to the Secretary of Transportation an annual report on the status of these efforts.

As required by the act, USMMA published an action plan to reduce sexual assault and harassment and has taken actions toward implementing the nine goals in the plan. For example, USMMA hired a Sexual Assault Response Coordinator (SARC) in April 2012 to implement the Academy’s Sexual Assault Prevention and Response (SAPR) program from the ground up. The SARC leads, trains, and supports selected midshipmen as sexual assault victim advocates, who assist victims with reporting an incident, accompanying them to the hospital,

and providing other confidential support. In academic period 2013–2014, nearly all USMMA staff and faculty attended a sexual assault and harassment awareness training class.

Additionally, USMMA leadership updated its policies to provide victims confidential access to support services—such as medical help and counseling—without triggering an official investigation. USMMA also implemented a 24-hour, 7-days a week sexual assault emergency hotline and installed six emergency call boxes across campus, which connect to an on-site command center staffed by armed security personnel and outfitted with high-definition video surveillance capabilities.

Despite USMMA’s progress in addressing the goals in its original plan, none have been fully achieved. In all, USMMA has not completed more than a third of the 32 action items it developed to address these goals because the Academy has not taken steps to maintain effective SAPR program management. Notably, the SARC position became vacant in April 2014, but the Academy has yet to hire a new permanent SARC. While an Academy staff member was

assigned to act as an interim SARC, USMMA lacks a permanent subject matter expert to maintain and advance program goals. The longer the SARC position remains open, the greater the risk the program will lose its impact.

Key standard operating procedures (SOP) related to the SAPR program remain in draft form—including SOPs for investigating sexual harassment and sexual assault. Other key SOPs have not even been drafted, including procedures for collecting evidence related to sexual assault. Without comprehensive SOPs for the SAPR program, the new permanent SARC will be challenged to determine what procedures are in place, identify gaps in the procedures, and develop strategies to close those gaps.

Delays and survey weaknesses limit the usefulness of USMMA reports to Congress. While USMMA has submitted annual reports on sexual assault and harassment for academic years 2008–2009 through 2011–2012, the reports have consistently been issued, on average, nearly 2 years after the academic year ended.

The biennial surveys have also been problematic, and no comprehensive baseline has been established to measure perceptions of the campus climate. Delays and other reporting weaknesses ultimately result in Congress receiving irrelevant and potentially misleading information, including data on survey results and action plans.

Ultimately, USMMA cannot determine the program's impact or effectiveness, despite assurances to Congress that a plan for measuring program effectiveness was in place. Confusion surrounding the development and use of metrics has been particularly problematic. The MARAD Administrator confirmed that while the metrics were approved, they were never actually implemented. Instead, USMMA leadership relies on biennial survey results to gauge the progress of the SAPR program, but a biennial survey has not been completed since 2012.

Many of the weaknesses we identified are linked to a lack of clear oversight authority for the SAPR program. While general oversight

responsibilities have been established by law, the Department has not assigned responsibility for oversight of specific sexual assault and harassment prevention and response programs or for complying with legislative requirements. According to an OST official, OST assigned MARAD and USMMA responsibility for overseeing USMMA's efforts to prevent, respond to, and resolve sexual assault and harassment. However, MARAD officials were unaware that OST had assigned MARAD this oversight responsibility.

DOT and USMMA have adopted many of our recommendations, including defining and designating oversight responsibilities for the SAPR program and developing a plan with milestones to meet annual reporting requirements. Successful implementation of our recommendations will reinforce the commitment of DOT, MARAD, and USMMA to creating an environment that upholds the Academy's honor code, ensures safety, and respects the dignity of every midshipman, faculty member, and staff member at the Academy.

# NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

## AUDITS

**January 29, 2015**

### **Review of the National Highway Traffic Safety Administration's Fiscal Year 2014 Drug Control Funds and Performance Summary Reporting**

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

During our review of the National Highway Traffic Safety Administration's (NHTSA) fiscal year 2014 Drug Control Obligation Summary and Performance Summary reports, we noted one exception. NHTSA's Drug Control Obligation Summary Report indicates that it obligated \$2.238 million for fiscal year 2014. However, NHTSA did not obligate \$338,000 of this amount. According to NHTSA management, the \$338,000 will be added to its fiscal year 2015 spending plan. Other than this exception, no information came to our attention that would reverse management's assertions that the reports complied, in all material respects, with the requirements of the Office of National Drug Control Policy Circular, Accounting of Drug Control Funding and Performance Summary.

## INVESTIGATIONS

**October 2, 2014**

### **Former Illinois Police Commander Sentenced in Embezzlement Scheme**

Timothy J. Veit, former police commander for the Des Plaines, IL, Police Department, was sentenced in U.S. District Court, Chicago, IL, to 6 months in prison, 12 months probation, and 200 hours of community service, and ordered to pay \$34,448 in restitution. Veit pleaded guilty to defrauding an impaired driving enforcement program funded by NHTSA.

Veit was responsible for certifying the Des Plaines Police Department's compliance with requirements for federally funded impaired driving enforcement programs. From 2009 through 2012, Veit made false statements in reports that concealed the police department's failure to meet these requirements. Specifically, Veit inflated driving under the influence (DUI) arrests—reporting to NHTSA that the police department made 152 DUI arrests between 2009 and 2012, when in fact it had made only 30 arrests during that time. The inflated DUI arrest numbers resulted in the department receiving approximately \$183,984 in Federal reimbursement for overtime compensation, which was used to pay numerous police officers. Veit personally received about \$31,915 in overtime payments.

**March 12, 2015**

### **Manager of Eagle Auto Sales Sentenced for Trafficking in Counterfeit Air Bags**

Hussein Jomaa of Detroit, MI, was sentenced in U.S. District Court in Detroit to 36 months probation and 200 hours of community service and ordered to pay a \$3,000 fine for trafficking in counterfeit air bags. Jomaa and associate Samar Ayoub pleaded guilty in 2014.

Jomaa and Ayoub—associate and manager of Eagle Auto Sales, respectively—trafficked automobile parts they knew bore counterfeit and trademark infringing marks. Ayoub illegally imported counterfeit air bags, purporting that they were genuine air bags of American Honda Motor Company Inc. (Honda). Ayoub also sold counterfeit Honda-branded air bags and air bag parts through Web sites such as Craigslist and eBay, to customers in Puerto Rico and over 20 States. In addition, Jomaa knowingly purchased counterfeit Honda-branded air bags, air bag covers, “H” logo emblems, and center wheel caps from various sources, including Ayoub. Jomaa would then install the counterfeit parts in Honda vehicles for resale. Jomaa also illegally exported over 85 salvaged and/or used Honda vehicles with counterfeit Honda automobile parts. The losses related to their criminal conduct are estimated to be \$60,000 for Ayoub and \$40,000 for Jomaa.

We are conducting this investigation with Homeland Security Investigations.

# NATIONAL TRANSPORTATION SAFETY BOARD

## AUDITS

**November 10, 2014**

### **Quality Control Review of the National Transportation Safety Board's Audited Financial Statements for Fiscal Years 2014 and 2013**

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

We conducted a quality control review of NTSB's financial statements for fiscal years 2014 and 2013. Leon Snead & Company, under contract to our office, issued a clean, unmodified audit opinion on NTSB's financial statements. Leon Snead & Company's report included one significant deficiency in internal control over financial reporting. There were no instances of reportable noncompliance with laws and regulations tested. Our review disclosed no instances in which Leon Snead & Company did not comply, in all material respects, with auditing standards.

**February 26, 2015**

### **Quality Control Review of the Management Letter for the Audit of the National Transportation Safety Board's Fiscal Years 2014 and 2013 Financial Statements**

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

We conducted a quality control review of the management letter related to NTSB's financial statements for fiscal years 2014 and 2013. Leon Snead & Company P.C., under contract to our office, issued management letter comments identifying an internal control matter that was not required to be reported in the independent audit report on NTSB's financial statements for the period.

# OFFICE OF THE SECRETARY OF TRANSPORTATION

## AUDITS

**October 9, 2014**

### **Oversight Weaknesses Limit DOT's Ability To Ensure Passenger Protections During Long, On-Board Flight Delays**

*Required by the FAA Modernization and Reform Act of 2009*

In 2009 and 2011, DOT issued regulations requiring airlines to establish contingency plans with assurances that provide for passenger comfort during long, on-board flight delays (LOBFD)—that is, delays exceeding 3 hours when passengers are on the aircraft. The FAA Modernization and Reform Act of 2012 also requires that airports establish contingency plans for long, on-board flight delays. Accordingly, we assessed DOT's oversight of airports' and airlines' compliance with contingency plans and other LOBFD requirements.

While DOT has effectively reviewed and approved contingency plans submitted by U.S. airports and airlines, it does not ensure that plans posted on U.S. and foreign air carrier Web sites contain all required assurances and are easily accessible, as required. As a result, consumers may be unaware of their rights in the event of a LOBFD. In addition, weaknesses in DOT's investigation process and tarmac delay regulations limit its efforts to ensure that violations are identified and addressed and that LOBFD requirements are implemented. For

example, DOT did not always collect supporting documentation during its investigations, and it does not require carriers to record their compliance with time-sensitive requirements.

We made seven recommendations to help DOT meet its goal to improve passengers' air travel experience. DOT concurred with two recommendations, partially concurred with four, and did not concur with one.

**October 15, 2014**

### **DOT's Suspension and Debarment Program Continues To Have Insufficient Controls**

*Self-Initiated*

As a steward of billions in taxpayer dollars, DOT must adhere to Federal suspension and debarment (S&D) regulations to prevent federally funded contract and grant awards to irresponsible parties. Federal regulations require the Department to make timely S&D decisions and to accurately and timely report its decisions to the governmentwide S&D System for Award Management (SAM).

While the Department has taken some actions to address issues identified in our January 2010 audit of its S&D program, Operating Administrations' S&D decisions for at least 87 of the 218 S&D parties (40 percent) we reviewed were untimely. Significant data errors in DOT's S&D system also undermine the system's

effectiveness as a management tool. The Department also continues to provide untimely and inaccurate reporting of its S&D actions to SAM. We identified seven parties that were listed as suspended or debarred in DOT's S&D system but were not included in SAM. Failure to report excluded parties puts the Federal Government at risk of doing business with parties found to be unethical or irresponsible.

DOT's Office of the Senior Procurement Executive either concurred or partially concurred with the seven recommendations we made to strengthen DOT's S&D program.

**November 5, 2014**

### **Quality Control Review of Controls Over DOT's Enterprise Services Center**

*Required by OMB Bulletin 14-02, Audit Requirements for Federal Financial Statements*

We conducted a quality control review of an attestation engagement performed by KPMG on the Enterprise Services Center's description of its system and the suitability of the controls' design and operating effectiveness. KPMG's attestation engagement was conducted in accordance with the American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagements. OMB requires Federal service providers to either provide its user organizations



with independent attestation reports on the design and effectiveness of its internal controls or allow user auditors to perform tests of its controls. KPMG's attestation engagement covered Delphi Financial Management System's operations (used by multiple Federal agencies) and the Consolidated Automation System for Time and Labor Entry (used by DOT). KPMG found that from October 1, 2013, to June 30, 2014, the Center's description of its controls fairly presents its implemented system; the Center's controls were suitably designed; users applied the controls; and the Center tested the controls necessary to provide reasonable assurance that the controls achieved their objectives and operated effectively. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.

**November 14, 2014**

### **DOT Has Made Progress, but Significant Weaknesses in Its Information Security Remain**

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

We conducted the annual audit of DOT's information security program and practices, as required by the Federal Information Security Management Act of 2002

(FISMA). Consistent with FISMA and OMB requirements, we determined the effectiveness of DOT's information security program and practices. DOT made additional improvements to its information security program, but its systems are still vulnerable to serious threats due to deficiencies in policies and procedures, enterprise-level controls, system controls, and management of known security weaknesses. We made recommendations to address these issues.

**November 17, 2014**

### **Quality Control Review of the Department of Transportation's Audited Financial Statements for Fiscal Years 2014 and 2013**

*Required by the Chief Financial Officers Act*

We conducted a quality control review of DOT's consolidated financial statements for fiscal years 2014 and 2013. KPMG, under contract to OIG, issued a clean, unmodified audit opinion on these financial statements. KPMG found one material weakness and two significant deficiencies in internal control over financial reporting. KPMG also found instances of reportable noncompliance with the laws and regulations tested. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.

**November 17, 2014**

### **DOT's Top Management Challenges for Fiscal Year 2015**

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

Our annual report on the top management challenges facing the Department in fiscal year 2015 highlighted seven challenges: (1) modernizing the National Airspace System and addressing organizational challenges; (2) enhancing safety and oversight of a diverse and dynamic U.S. aviation industry; (3) increasing efforts to promote highway, vehicle, pipeline, and hazmat safety; (4) improving oversight, project delivery, and system performance of surface transportation programs; (5) leveraging existing funding mechanisms to finance surface transportation projects in a challenging fiscal environment; (6) managing acquisitions and grants to maximize performance and save Federal funds; and (7) securing information technology resources.

**January 28, 2015**

### **DOT's Progress Implementing Charge Card Audit Recommendations**

*Required by the Government Charge Card Abuse Prevention Act of 2012 and OMB Memorandum M 13 21, Implementation of the Government Charge Card Abuse Prevention Act of 2012*

The Government Charge Card Abuse Prevention Act of 2012 requires our office to report to OMB on DOT's implementation of open recommendations related to charge cards. OMB Memorandum M-13-21 requires that we submit the report within 120 days of the end of the fiscal year. We issued a letter to OMB that summarized DOT's progress in implementing five open recommendations related to travel and purchase cards. DOT anticipates completing corrective actions for these recommendations by August 31, 2015.

**March 31, 2015**

### **Quality Control Review of the Management Letter for the Audit of the Department of Transportation's Fiscal Year 2014 and 2013 Financial Statements**

*Required by Chief Financial Officers Act*

We conducted a quality control review of the management letter related to DOT's financial statements for fiscal years 2014 and 2013. KPMG, under contract to our office, issued management letter comments identifying internal control matters that were not required to be reported in the independent audit report on DOT's financial statements for the period.



# PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

## INVESTIGATIONS

**October 15, 2014**

### **Montana Man Indicted for Illegal Transportation of Hazardous Materials from a Bakken Oil Field**

Kelly Steen, of Baker, MT, was indicted in U.S. District Court, Billings, MT, for the illegal transportation of hazardous materials.

On December 29, 2012, Steen, a driver for a Baker-based company called Woody's Trucking, loaded a hazardous material known as drip gas at a station for a pipeline that transports products from the North Dakota Bakken oil fields. The product was misrepresented as slop oil and water, a non-hazardous substance, on the bill of lading that accompanied the shipment. Steen hauled the drip gas from Watford City, ND, to Custom Carbon Processing Inc. (CCP), a slop-oil processing and recycling company near Wibaux, MT. While Steen was pumping the contents of his truck into CCP's facility, a fire ignited and injured three employees. The tanks burned for 8 days until the local fire department determined that the tanks held drip gas and not slop oil and water, as indicated on the bill of lading.

We are conducting this investigation with the U.S. Environmental Protection Agency (EPA) Criminal Investigation Division.

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

**October 30, 2014**

### **Pennsylvania Man Sentenced for Illegally Transporting Hazardous Materials**

Raymond George, owner of George Welding & Supply (GWS) in Montoursville, PA, was sentenced in U.S. District Court, Williamsport, PA, to 12 months probation for charges related to the illegal transportation of hazardous materials. George pleaded guilty to hazmat charges in July 2014.

From January 2001 through January 2012, George fraudulently certified that GWS properly tested cylinders containing hazardous gases, even though GWS did not have the registration and certification required by the Pipeline and Hazardous Materials Safety Administration (PHMSA). To misrepresent that the cylinders had been tested, George applied illicit requalifier identification numbers that PHMSA had issued to multiple registered and certified companies. He then leased the falsely stamped cylinders, which were either transported by GWS or other companies. The suspect cylinders contained hazardous gases including argon, acetylene, carbon dioxide, helium, nitrogen, and oxygen.

This investigation was conducted with assistance from PHMSA.

**January 7, 2015**

### **Former Shell Pipeline Company Official Convicted**

Randy Jones, former corrosion coordinator for Shell Pipeline Company L.P. (Shell), pleaded guilty in U.S. District Court, Milwaukee, WI, to violating the Pipeline Safety Act and making a false statement to PHMSA.

We initiated this investigation following a referral from PHMSA who reported that 9,000 gallons of jet fuel from the Shell pipeline at the General Mitchell International Airport (GMIA) in Milwaukee, WI, had spilled. The response and cleanup cost for the spill was approximately \$19.3 million.

The Pipeline Safety Act requires that buried or submerged metal pipelines be protected from corrosion. The pipelines are to be protected using a rectifier, which applies a current near the pipeline to ward away corrosion. Jones—as corrosion coordinator responsible for Shell pipelines servicing GMIA—was required to conduct bi-monthly readings of the rectifier's voltage and an annual survey of the pipeline to ensure adequate corrosion protection. In 2011, Jones failed to take the voltage readings and to conduct a survey, and entered false voltage readings and survey data into a system that generates reports for PHMSA.

We are conducting this investigation with the U.S. Coast Guard Investigative Service, EPA Criminal Investigation Division, and the FBI, with assistance from PHMSA.

# SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

## AUDITS

**November 4, 2014**

### **Quality Control Review of the Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2014 and 2013**

*Required by the Government Corporation Control Act*

We performed a quality control review on Chiampou Travis Besaw & Kershner LLP's audit of the Saint Lawrence Seaway Development Corporation's (SLSDC) financial statements for fiscal years 2014 and 2013. Chiampou Travis Besaw & Kershner issued a clean, unmodified audit opinion on these financial statements. Chiampou Travis Besaw & Kershner's report did not include any reportable deficiencies in internal control over financial reporting. Our quality control review disclosed no instances in which Chiampou Travis Besaw & Kershner did not comply, in all material respects, with auditing standards.

## AUDITS

**March 11, 2015**

**Letter to Chairman Chaffetz and Ranking Member Cummings on OIG's Open Audit Recommendations**

*Requested by the Chairman and Ranking Member of the House Oversight and Government Reform Committee*

We issued a letter to Chairman Jason Chaffetz and Ranking Member Elijah Cummings of the House Oversight and Government Reform Committee regarding the status of our open audit recommendations. Specifically, the Chairman and Ranking Member requested: (1) the number of open recommendations, their cumulative estimated cost savings, and additional details on open recommendations that could result in cost savings; (2) our three most important or urgent open recommendations, their status, and estimated cost savings; (3) a summary of all closed investigations, evaluations, and audits that were not disclosed to the public since January 1, 2014; and (4) a description of any information access issues.

As of March 1, 2015, we identified 626 open recommendations, which were included in 211 audit reports issued between July 18, 2007, and February 25, 2015. Of these, 41 recommendations (from 33 reports) carry an estimated monetary benefit or cost savings totaling

over \$1.1 billion. We identified our three most important open recommendations based on their impact on safety, economy, or efficiency; documented vulnerabilities; and the ability of the Department to effect change in these programs or areas. We selected one recommendation from each of these reports: FAA Faces Significant Barriers To Safely Integrate Unmanned Aircraft Systems Into the National Airspace System; Quality Control Review of Audited Consolidated Financial Statements for Fiscal Years 2014 and 2013, DOT; and Process Improvements Are Needed for Identifying and Addressing Vehicle Safety Defects. We identified one instance in which OIG access to information was delayed, but it did not impact the scope of our audit.

**March 20, 2015**

**MWAA's Office of Audit Does Not Have an Adequate Quality Assurance and Improvement Program**

*Self-Initiated*

The Metropolitan Washington Airports Authority (MWAA) manages the Ronald Reagan Washington National Airport and Washington Dulles International Airport through a lease with DOT. MWAA is also responsible for the multibillion-dollar Dulles Corridor Metrorail Project. Our prior audits of MWAA identified weaknesses in its internal controls that were causing questionable

procurement practices, mismanagement, a lack of overall accountability, and unallowable and unsupported expenses. We determined that MWAA's Office of Audit has not established or carried out an audit quality assurance and improvement program in full compliance with standards and may not be achieving the most value from its audits. Specifically, the Office lacked a quality review process, has insufficient audit policies and procedures, does not adequately support its reports, and inadequately documented its audit plans and risk assessments. Enhanced oversight, policies and procedures, documentation, and audit planning will be critical to establishing an effective system of internal controls. MWAA concurred with the seven recommendations we made to ensure its audit quality assurance and improvement program complies with standards.

**March 27, 2015**

**Letter to Chairman Ron Johnson and Chairman Charles E. Grassley on the Status of OIG Open Audit Recommendations**

*Requested by the Chairman of the Senate Committee on Homeland Security and Governmental Affairs and the Chairman of the Senate Committee on Judiciary*

We sent our response to Senator Ron Johnson and Senator Charles E. Grassley regarding their February 27, 2015, request that we provide the status of OIG open audit recommendations. Specifically, they

requested the following: (1) the current number of open recommendations, their dates, and cumulative estimated cost savings; (2) a description of all audits and investigations provided to the Agency for comment that did not receive a response within 60 days; (3) a report on each investigation involving GS-15 level employees (or equivalent) and above where misconduct was found but no prosecution resulted; (4) a description of any instances of whistleblower retaliation and any consequences imposed by the Agency; (5) a description of any attempts to interfere with our independence, including restricting our communications with Congress and budgetary constraints designed to limit

our capabilities; (6) a description of any instances where the Department restricted or significantly delayed our access to information; and (7) a description of all closed audits and investigations that were not disclosed to the public.

As of March 1, 2015, we identified 626 open recommendations, which were included in 211 audit reports issued between July 18, 2007, and February 25, 2015. Of these, 41 recommendations (from 33 reports) carry an estimated monetary benefit or cost savings totaling over \$1.1 billion. We reported that all agency responses were received within 60 calendar days. We closed three

investigations during the reporting period that involved instances of misconduct by a GS-15 level or above employee, but no prosecution resulted. We did not close any investigations during the reporting period in which a DOT employee had been retaliated against for protected whistleblowing. We did not encounter any instances during the reporting period where DOT attempted to interfere with OIG independence. We identified one instance in which OIG access to information was delayed, but it did not impact the scope of our audit. We had no previously undisclosed audits and evaluations to report.

# OTHER ACCOMPLISHMENTS

*OIG's other accomplishments and contributions are those that extend beyond the legal reporting requirements of the Inspector General Act. These accomplishments are part of our statutory responsibilities to review existing and proposed legislation and regulations; respond to congressional and departmental requests for information; and review policies for ways to promote effectiveness and efficiency and detect and prevent fraud, waste, and abuse.*

## OTHER ACCOMPLISHMENTS

**October 20, 2014**

### **Fraud Awareness Briefing at New Jersey Transit's Hurricane Sandy Oversight Conference**

A Special Agent-in-Charge from our New York Investigations Office gave a fraud awareness briefing at New Jersey Transit in Newark, NJ. FTA requested this speech as part of its Hurricane Sandy oversight process. About 50 audit and contracting personnel from New Jersey Transit attended along with detectives from the New Jersey Transit Police.

**October 26, 2014**

### **Presentation on Suspension and Debarment Audits**

A Program Director from our Office of Acquisition and Procurement Audits provided a presentation to EPA audit managers and staff on our office's two DOT S&D audits. The presentation focused on risk assessments and steps that should be considered when auditing an S&D program.

**November 19, 2014**

### **Presentation at the UAS Commercialization Industry Conference**

The Assistant Inspector General for our Office of Aviation Audits spoke at the UAS Commercialization Industry Conference in Washington, DC, on how FAA is addressing the challenges of integrating UAS in the National Airspace System. The Assistant Inspector General also discussed FAA's progress in meeting key provisions for advancing the technology in the FAA Modernization and Reform Act of 2012. Leaders of U.S. and foreign aerospace firms attended the conference, as well as various Government agencies such as the National Aeronautics and Space Administration.

**January 28, 2015**

### **Presentation on DOT OIG's Acquisition Training Initiative**

A Program Director from our Office of Acquisition and Procurement Audits provided a presentation to the Contracting Committee of the Federal Acquisition Executive Council on designing a methodology for contract management training and obtaining Federal acquisition certification. The methodology is a framework for other OIGs to consider when evaluating staff competencies. Audit managers from 10 OIGs attended.

**February 18, 2015**

### **Presentation on Acquisition Careers and the Multigenerational Workforce**

A Program Director from our Office of Acquisition and Procurement Audits participated in a panel discussion at the National Contract Management Association's Washington, DC Chapter on successful acquisition careers and the multigenerational workforce.

**February 25, 2015**

### **Roundtable Policy Discussion on Modernizing and Operating the Nation's Airspace System**

The Assistant Inspector General for our Office of Aviation Audits participated in a roundtable policy discussion before the House Transportation and Infrastructure Subcommittee on Aviation on issues regarding modernizing and operating the Nation's airspace system.

## OTHER ACCOMPLISHMENTS

**February 25, 2015**

### **DOT 2014 Cyber Security Scorecards**

The Assistant Inspector General for our Office of Financial and Information Technology audits issued the DOT Cyber Security Scorecard for each DOT Operating Administration. The scorecard is based on OMB's Federal Information Security Management scoring methodology and the results of our annual FISMA audit. We scored the Operating Administrations as "green" (90-100), "yellow" (65-89), or "red" (less than 65). Overall, 3 Operating Administrations were scored green, 10 were scored yellow, and 0 were scored red, representing an overall improvement in DOT's cyber security program from the prior year.

**January 21, 2015, and March 10, 2015**

### **Participation in a Working Group on the Digital Accountability and Transparency Act of 2014**

A Program Director from our Office of Acquisition and Procurement Audits participated in a working group of the Council of the Inspectors General on Integrity and Efficiency's Federal Audit Executive Council on the Digital Accountability and Transparency Act of 2014.

**March 18 and 24, 2015**

### **Presentations on Challenges Integrating Unmanned Aircraft Systems**

The Assistant Inspector General for our Office of Aviation Audits spoke at a the Symposium on Civil and Commercial Operations in Arlington, VA, and a Program Director from our Office of Aviation Audits spoke at the 8th International IPM Symposium in Salt Lake City, UT. At these conferences, they discussed how FAA is addressing the challenges of integrating UAS in the National Airspace System. They also talked about the proposed rule for small UAS and FAA's response to the DOT OIG's June 2014 recommendations. Representatives from government, industry, and various trade associations attended the conferences.



# WORK PLANNED AND IN PROGRESS

*This section describes OIG's work planned or in progress for March 31, 2015, through September 30, 2015.*

*The work focuses on the Department's Strategic Plan and responds to requests by Administration officials and Congress. We take into account the need to support DOT's most critical programs and to ensure that the Department's resources are protected from fraud, waste, and abuse.*

# FEDERAL AVIATION ADMINISTRATION

## IN PROGRESS

### **FAA's Oversight of European Union Repair Stations**

*Requested by Representative Peter DeFazio and Representative John Garamendi*

On May 1, 2013, FAA completed its transfer of direct oversight of repair stations in the European Union (EU) to the national aviation authorities of those countries. These authorities will be responsible for monitoring nearly 400 FAA-certified repair stations located in 18 countries in the EU. We are evaluating the effectiveness of FAA's process to transfer oversight of EU repair stations to national aviation authorities and assessing the Agency's monitoring of FAA-certified repair stations operating under the U.S.-EU Aviation Safety Agreement to ensure they meet Agency standards.

### **FAA's Organizational Structure**

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

The Chairmen of the House Transportation and Infrastructure Subcommittee on Aviation requested that we assess FAA's organizational structure, including whether the Agency's reforms have improved its operations and implementation of new technology while reducing operating costs. The Chairman also expressed

interest in how FAA's organizational and financial structure compares with other nations' structures. Accordingly, we are determining whether FAA reforms implemented since 1995 have resulted in improved air traffic operations, reduced costs, and expedited delivery of new technologies. We are also comparing the processes used by different countries to deliver air traffic services and implement new technologies.

### **FAA's Progress in Reducing Helicopter Emergency Medical Services Accidents**

*Requested by the House Committee on Transportation and Infrastructure*

Helicopter emergency medical services (HEMS) operators provide an important service to the public by transporting seriously ill patients and life-saving donor organs and blood to emergency care facilities. The industry safely transports over 400,000 patients in the United States each year. HEMS operations are frequently conducted in high-risk situations with challenging flight environments including night flight, poor weather, reduced visibility, and flight into unfamiliar landing sites. Since the mid-1990s, the number of helicopters providing these services has grown nearly 300 percent, and the HEMS accident rate has almost doubled over that time. At the request of the House Committee on Transportation and Infrastructure, we are evaluating FAA's progress in meeting requirements

established for emergency helicopter operations in the FAA Modernization and Reform Act of 2012 and the status of FAA's voluntary efforts to reduce the HEMS accident rate.

### **FAA's Oversight of Aircraft Rescue and Fire Fighting Program**

*Self-Initiated*

In July 2013, Asiana Flight 214 crashed on final approach at San Francisco International Airport, resulting in three fatalities and drawing widespread attention to the importance of effective emergency response at the Nation's airports. FAA requires commercial airport operators to develop plans and procedures to respond to aircraft incidents and accidents, fires, and hazardous materials incidents. FAA also requires all rescue and firefighting personnel to be fully trained prior to their first duties and to receive training every 12 months. However, questions have been raised about the effectiveness of FAA's oversight of these requirements. For example, NTSB's July 2013 report on the Asiana crash highlighted safety issues related to aircraft rescue and firefighting (ARFF) training, staffing, and FAA oversight of emergency response plans. Given the criticality of ARFF operations to airport safety, we are assessing FAA's policies and guidance for implementing ARFF requirements, and its oversight and enforcement of airports' adherence to ARFF requirements.

## Organization Delegation Authorization

*Requested by Representative Peter DeFazio*

The civil aviation industry is important to the Nation's economy and encompasses more than 200,000 aircraft, 1,600 approved manufacturers, and 5,400 aircraft operators. Recognizing that it is not possible for FAA employees to oversee every facet of such a large industry, Federal law allows FAA to delegate certain functions—such as approving new aircraft designs and certifying aircraft components—to private individuals or organizations. In 2005, FAA created the Organizational Designation Authorization (ODA) program to consolidate the various types of organizational delegations under one program and standardize oversight. At the request of Representative Peter DeFazio, we are assessing FAA's process for determining staffing levels needed to conduct ODA oversight and the Agency's oversight of delegated organizations' program controls.

## Performance-Based Navigation Automation Tools

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

Implementing PBN flight procedures is a cornerstone of FAA's plans to develop NextGen. These new procedures allow for more direct flight paths and can provide benefits such as fuel savings and increased capacity. Many of the Nation's airlines have equipped

their aircraft and trained their pilots to use these new procedures, but progress in using them has been slow. A barrier in maximizing PBN's benefits has been the lack of air traffic controller automated decision support tools to help identify, merge, and sequence aircraft with differing equipment and capabilities. At the request of the Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, we are assessing FAA's progress in developing and deploying new air traffic controller automation tools for managing PBN procedures and the degree to which these tools meet air traffic controllers' needs to improve PBN use.

## FAA Oversight of Cockpit Automation and Pilot Performance

*Requested by the Current and Former Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation*

Commercial airline pilots rely on sophisticated automation in the cockpit to fly aircraft. According to a recent FAA study, the growing adherence to computer-assisted flying and the confusion that can result when pilots fail to keep up with technological advances can be major factors in airline crashes. This drive in innovation and cockpit automation limits opportunities for pilots to maintain their manual flying skills. We are determining whether FAA has established regulations governing the use of flight deck automation and identifying FAA's

process for ensuring that air carrier pilots are trained to use and monitor these systems while also maintaining proficiency in manual flight operations.

## FAA's Implementation of a Pilot Records Database

*Requested by the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation*

The Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation requested that we examine FAA's and industry's progress in implementing a new pilot records database, as mandated by the 2010 Airline Safety and FAA Extension Act. Accordingly, we are evaluating FAA's progress in developing and implementing the pilot records database. We are also determining what pilot records are available for air carriers to obtain and review for new applicants.

## Controller Staffing at Critical Air Traffic Control Facilities

*Required by the Consolidated Appropriations Act of 2014*

FAA currently employs more than 14,000 air traffic controllers and is planning to hire over 6,200 more in the next 5 years to keep pace with expected attrition. In our 2012 report on air traffic controller staffing and training at FAA's most critical facilities, we noted that because FAA's most critical facilities have higher rates

of retirement eligibility, the number of experienced controllers to manage and train new controllers is decreasing. The Consolidated Appropriations Act of 2014 directs our office to conduct a follow-up review of our 2012 audit. We are determining whether FAA's most critical facilities are staffed in accordance with FAA's plans and how training needs and retirements impact controller resources.

### NextGen Long-Term Planning

*Requested by the Chairman and Ranking Member of the House Science, Space, and Technology Subcommittee on Space*

Over 10 years ago, Congress mandated that FAA establish the Joint Planning and Development Office (JPDO) to develop a plan for implementing NextGen by 2025 and to coordinate the research efforts of other Federal agencies such as DOD and the National Aeronautics and Space Administration. Early last year, FAA reallocated JPDO's functions and responsibilities to the Agency's NextGen Office. In light of these changes and at the request of the Chairman and Ranking Member of the House Committee on Science, Space, and Technology, Subcommittee on Space, we are determining how FAA has reallocated JPDO's responsibilities for identifying high-priority research and development, and whether FAA has developed an effective structure to coordinate high-priority research and development with other Federal agencies.

### Update on NextGen Transformational Programs

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

FAA is investing in six transformational programs that are expected to provide the foundational technologies and infrastructure needed for NextGen. FAA has invested nearly \$3 billion in these programs and is expected to receive \$523 million for fiscal year 2015. In our April 2012 report, we noted that FAA's progress in implementing the programs has been impacted by a lack of finalized requirements, complex interdependencies with other FAA modernization programs, and integration issues with controller automation systems. Given the importance of these transformational programs to NextGen, the Chairman and Ranking Member of the Senate Committee on Commerce, Science, and Transportation requested that we update our April 2012 report. Accordingly, we are identifying any formal changes FAA has made to its programs' scope, including costs and schedules, and any adjustments to FAA's anticipated benefits with respect to reducing Agency costs and improving air traffic flow.

### FAA's Contingency Plans at Chicago Air Traffic Facilities

*Requested by Six Members of Congress*

On September 26, 2014, an FAA contract employee deliberately set fire to critical equipment at FAA's Chicago Air Route Traffic Control Center in Aurora, IL. Six Members of Congress requested that our office review the emergency and security protocols at the Chicago air traffic control facilities. We were asked to ensure that adequate protocols, emergency plans, and security measures are in place to prevent or mitigate the impact of such emergencies in the future. Accordingly, we are assessing whether FAA has developed and implemented a business continuity plan for the Chicago air traffic control facilities that provides for adequate levels of redundancy and resiliency, and evaluating whether the security measures in place at Chicago facilities are maintained and sufficient to mitigate risks to the air traffic control system.

### FAA's Oversight of the Automatic Dependent Surveillance-Broadcast Contract (ADS-B)

*Requested by the FAA Modernization and Reform Act of 2012*

ADS-B is a new satellite-based air traffic surveillance system and a key component of FAA's transition to NextGen. In 2007, FAA awarded a contract to ITT Corporation for \$1.8 billion through 2025 to develop and deploy ADS-B's ground infrastructure and start

broadcasting services. The FAA Modernization and Reform Act of 2012 directs us to review FAA's oversight of ADS-B-related contracts. Accordingly, we are determining whether the ADS-B contract provides FAA the ability to monitor whether the contractor is providing required ADS-B products and services, and evaluating FAA's procedures for determining payments to the contractor.

### FAA's Accountable Personal Property

*Self-Initiated*

In July 2013, we reported that FAA purchase card holders under DOT's purchase card program and property delegates at the Mike Monroney Aeronautical Center in Oklahoma City, OK, did not always follow policy for recording accountable personal property, such as computers and digital cameras. We are assessing FAA's internal controls for managing non-capitalized accountable property and determining the extent of compliance with controls.

### FAA's Security Controls for Terminal Radar Approach Control Facilities

*Self-Initiated*

FAA's Terminal Radar Approach Control (TRACON) facilities handle air traffic 30 to 50 nautical miles from an

airport. We are assessing the TRACON systems' information security controls and determining whether FAA is identifying and properly mitigating security risks.

### Quality Control Review of the Federal Aviation Administration's Fiscal Years 2015 and 2014 Financial Statements

*Required by Chief Financial Officers Act*

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

### Air Traffic Control Tower Productivity Assessment

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

FAA employs about 14,000 air traffic controllers at 315 facilities. Since 2000, the number of air traffic controllers has increased slightly while the number of air traffic operations has declined by 23 percent. The Chairmen of the House Transportation and Infrastructure Subcommittee on Aviation expressed concerns regarding controller productivity during periods of reduced air traffic. They requested that our office

assess FAA's plans to enhance controller productivity, the factors that need to be addressed to achieve the expected benefits, and the estimated savings that could be achieved with improved controller productivity. As a step towards determining the factors affecting air traffic control tower productivity, we are assessing the relative efficiency of air traffic control towers.

### New Participation in FAA's Airport DBE Program

*Required by the FAA Modernization and Reform Act of 2012*

This is the second of three annual reviews of new participation in FAA's airport DBE program, as directed by Congress in the FAA Modernization and Reform Act of 2012. The act specifies that we identify best practices for encouraging new airport DBE participation, including businesses owned by veterans, at the Nation's largest airports. Our first review covered new participation during fiscal year 2012. For this second audit, we are identifying new DBE numbers for fiscal year 2013 and exploring the various factors that lead some airports to award more contracts and leases to new participants of FAA's DBE program than others. In particular, we are looking at new DBE participation in the airport car rental sector and the extent to which disadvantaged firms are receiving prompt payment in accordance with DOT regulations.

## Follow Up on FAA’s Air Traffic Controller Optimum Training Solution Contract

*Required by the Consolidated and Further Continuing Appropriations Act of 2015*

FAA plans to hire over 6,200 air traffic controllers through fiscal year 2021 to replace the large number of air traffic controllers now eligible to retire. In 2008, FAA awarded the \$859 million Air Traffic Controller Optimum Training Solution (ATCOTS) contract to provide up to 10 years of support for the Agency’s controller training program. In 2010, we reported that FAA had weak acquisition practices and ineffective oversight for the ATCOTS contract that led to \$46 million in cost overruns in the first 2 years and unmet training goals. We conducted a second audit in 2013 and reported that ineffective contract management led to 4 years of cost overruns totaling \$89 million and \$31 million in award and incentive fees paid to the contractor despite not achieving all of the contract’s key training goals. The Consolidated and Further Continuing Appropriations Act of 2015 directs our office to submit an update to our 2013 audit of the ATCOTS program. Accordingly, we are assessing FAA’s actions to address the recommendations in our 2013 report.

## FAA’s Award and Use of Sole-Source Contracts

*Self-Initiated*

In 2009, the President issued a memorandum directing OMB and all Federal agencies to reduce the use of noncompetitive contracts, including sole-source contracts. Spending on these types of contracts creates risk for the Government in the form of wasted taxpayer resources, poor contractor results, and inadequate accountability. DOT’s annual Report to Congress on Sole-Source Contracts noted that for fiscal years 2008 through 2013, FAA accounted for approximately 65 percent of DOT’s sole-source awards, and the number of FAA’s sole-source awards increased by 147 percent. We are assessing FAA’s actions to implement OMB’s 2009 directive to reduce the use of sole-source contracts, determining whether FAA’s pre-award practices for sole-source contracts comply with its Acquisition Management System requirements, and evaluating FAA’s efforts to maximize competition for follow-on awards to sole-source contracts.

## PLANNED

### FAA Data Communications

*Self-Initiated*

Data Communications (DataComm), a key NextGen transformational program, is expected to provide digital communications with data link capability for routine pilot-controller communications, including air traffic clearances, advisories, and flight crew requests and reports. FAA currently plans to spend over \$700 million on the initial segment of DataComm through 2019 and the program has been identified as a top NextGen priority by a joint government/industry task force. We plan to determine whether FAA’s acquisition strategy for DataComm adequately addresses the cost, schedule, and performance risks associated with FAA’s NextGen plans and goals, and whether there are difficulties or uncertainties in integrating new DataComm services with existing or planned automation platforms, such as the En Route Automation Modernization.



## FAA Inspector Training and Qualifications

*Self-Initiated*

FAA's 4,000 safety inspectors must maintain a broad knowledge of aviation operations; safety principles; and Federal laws, regulations, and policies governing flight. FAA inspectors for large commercial airlines (referred to as Part 121 certificates) must have pilot experience in the aircraft they oversee, and most oversee only one operator flying similar types of aircraft. Conversely, FAA inspectors that oversee general aviation operators are often required to oversee multiple operators with different types of aircraft, yet they are only required to maintain competence in one type of aircraft. As a result, general aviation operations inspectors could be assigned to provide oversight of diverse operators for which they may not have adequate technical knowledge and expertise. During a recent audit of Helicopter Emergency Medical Services, we found that some FAA inspectors did not have the technical training or flight credentials they needed to do their jobs effectively, and inspectors were waiting an extended period for training needed to complete their assigned inspections. We plan to review FAA's hiring and training processes for general aviation operations inspectors to determine (1) whether FAA's hiring requirements and initial technical training provide sufficient knowledge and skills for general aviation operations inspectors and (2) whether FAA is providing adequate recurrent training for general aviation operations inspectors to stay abreast of technological advancements in the industry they oversee.

## General Management Review of the Flight Standards Service

*Self-Initiated*

As FAA moves toward the implementation of Safety Management Systems, and its new Safety Assurance System of oversight, important and unresolved questions exist about FAA's inspector workforce and its role. Multiple airline mergers, increases in domestic code sharing, and expansion of carrier operations outside their original areas of operation have dramatically changed the aviation landscape for FAA inspectors. Further, a series of events and breakdowns in the overall regulatory framework and oversight illustrate the need for a general management review of FAA's Flight Standards Service to assess its current approach to oversight and enforcement. We plan to evaluate the capability of FAA's Flight Standards Service to respond to employee whistleblower complaints and determine whether the FAA has a sound oversight and enforcement philosophy.

## Implementing NextGen Investment Priorities

*Requested by the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation*

FAA's NextGen is a multibillion-dollar transportation infrastructure project to modernize the Nation's aging air traffic system. The success of FAA's efforts to implement NextGen depends on the Agency's ability to set priorities, deliver benefits, and maintain stakeholder support. FAA recently responded to a September 2013 report from NAC—a joint Government-industry committee—on industry's highest priorities for NextGen. In October 2014, FAA published a plan that includes commitments from FAA and industry for the next 3 years. The plan identifies locations for delivery, timelines, metrics, and cost estimates for the four prioritized capabilities. In November 2014, we issued an interim report that identified steps FAA was taking to address NAC's recommended investment priorities. The Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation requested that we continue to monitor FAA's progress on its commitments in the implementation plan and to assess how FAA is mitigating risks for any missed milestones or as commitments change.



## Passenger Facility Charges Program

*Self-Initiated*

The Passenger Facility Charge (PFC) program allows commercial airports controlled by public agencies to collect up to \$4.50 in fees for every boarded passenger. Airports use these fees to fund FAA-approved projects that enhance safety, security, and capacity; reduce noise; and increase air carrier competition. As of February 1, 2015, FAA has approved for collection approximately \$90 billion in PFCs. We plan to evaluate FAA's oversight of the PFC program and assess whether funds are being used for eligible and approved purposes.

## FAA Controls for Overflight Fees

*Self-Initiated*

Under the Federal Aviation Reauthorization Act of 1996, FAA was authorized to charge fees—known as overflight fees—to civil aircraft that fly in U.S. controlled airspace but that do not depart from or land in the United States. While conducting an audit of DOT's controls over collection of delinquent debt, we determined that FAA has a large number of delinquent overflight fees. We plan to assess the effectiveness of FAA's overflight fee program to determine whether the fees are accurately computed, exemptions are appropriately applied, and fees are collected or referred to the U.S. Treasury for collection in accordance with Federal laws and regulations.

## Review of FAA's Controller Hiring Policies

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

For more than 2 years, FAA has been evaluating the end-to-end process for hiring, training, and placing air traffic controllers. In February 2014, FAA made several changes to the controller hiring process. For example, FAA introduced the use of a biographical assessment that FAA indicates can evaluate the applicant for characteristics that have been shown to predict success as an air traffic controller. FAA's stated goals are to recruit better qualified candidates and reduce the costs associated with testing and training controllers. The Ranking Member of the Senate Commerce, Science, and Transportation Committee requested that we conduct a review of FAA's new controller hiring policies. Accordingly, we plan to determine the impact of FAA's new hiring practices on the hiring pool of qualified candidates and the initial training program for newly hired controllers.

## Review of FAA's Flight Service Station Contract

*Self-Initiated*

Flight service stations provide information and services to general aviation such as weather briefings, flight planning assistance, and information on runway closures or flight restrictions. In February 2005, FAA awarded a 5-year, fixed-price incentive contract with 5 additional option years to Lockheed Martin to operate the Agency's 58 flight service stations. FAA anticipated that this contract would provide approximately \$2 billion in savings and avoidances over the next 10 years. In 2007, we reported that FAA implemented effective controls for the initial transition of flight service stations to contract operations. However, we identified barriers that could impact full realization of FAA's anticipated savings and opportunities for FAA better ensure that users' needs are met. We plan to conduct a follow-up review to determine whether FAA achieved the anticipated cost savings and avoidances and assess FAA's oversight of the program.

## FAA Integration of Unmanned Aircraft Systems

*Self-Initiated*

Safely integrating UAS into the National Airspace System presents significant challenges for FAA. In June 2014, we reported that FAA was not effectively collecting and analyzing UAS safety data or managing its oversight of UAS operations. In addition, Congress has raised concerns regarding FAA's slow pace in approving exemptions allowed under Section 333 of the FAA Modernization and Reform Act of 2012. We plan to assess FAA's efforts to (1) address technical and operational risks with safely integrating UAS, (2) collect data from current operators and the six key test sites, and (3) review and approve exemptions through Section 333 of the act.

## New Participation in FAA's Airport Disadvantaged Business Enterprise Program

*Required by FAA Modernization and Reform Act of 2012*

This is the third of three annual reviews of new participation in FAA's airport DBE program, as directed by Congress in the 2012 FAA Modernization and Reform Act. The act requires our office to identify best practices for encouraging new airport DBE participation, including businesses owned by veterans, at the Nation's largest airports. Our first two reviews covered new participation during fiscal years 2012 and 2013. For this final audit, we will identify new DBE numbers for fiscal year 2014 and assess additional factors that allowed some airports to award more contracts and leases to new entrants to FAA's DBE program than others.

## FAA's Suspected Unapproved Parts Program

*Requested by the Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation*

At the request of the Ranking Members of the House Transportation and Infrastructure Committee and its Aviation Subcommittee, we will conduct an audit of FAA's Suspected Unapproved Parts (SUP) program. In 1995, FAA established the SUPs Program Office to identify, investigate, and remove suspected unapproved parts from the aviation supply chain, but then disbanded the office in 2007 to process SUPs reports through its Aviation Safety Hotline system. However, problems with unapproved aircraft parts persist. For example, FAA has issued 59 notifications about SUPs to the aviation industry since 2007. Furthermore, DOT OIG has closed 118 SUPs cases over the last 5 years, resulting in 63 indictments and over 50 convictions. Consistent with the congressional request, we will (1) examine FAA's efforts to monitor and investigate suspected unapproved parts and (2) assess how FAA ensures identified unapproved parts have been eliminated from the aviation supply chain.

# FEDERAL HIGHWAY ADMINISTRATION

## IN PROGRESS

### **FHWA's Financial Integrity Review and Evaluation Program**

*Self-Initiated*

FHWA oversees States' use of Federal-aid funds for thousands of highway and bridge projects. The Agency relies on a risk-based approach to ensure States use Federal funds in accordance with Federal regulations and to identify and address vulnerabilities such as inactive obligations. An important component of this approach is the financial integrity review and evaluation (FIRE) program, which involves annual assessments of State financial oversight and management of Federal highway funds. FHWA implemented FIRE in fiscal year 2005 in response to internal control weaknesses we identified during audits of FHWA's inactive obligations. We are evaluating whether FHWA's FIRE reviews comply with Agency policies and procedures, and are used effectively to address vulnerabilities.

### **FHWA's Oversight of Preliminary Engineering on Highway Projects**

*Self-Initiated*

In 2013, FHWA authorized approximately \$1.7 billion for preliminary engineering on State highway and bridge projects. Preliminary engineering includes the costs of preparing project plans, specifications, and cost

estimates, and conducting related studies. Highway projects using Federal funds for preliminary engineering are generally expected to proceed to the right-of-way or construction phases. For projects that do not proceed within 10 years after funds were first made available, Federal law requires States to reimburse the Highway Trust Fund for Federal funds spent on preliminary engineering. However, FHWA may allow States to extend the preliminary engineering phase. We are assessing whether FHWA has effective processes to account for Federal funds used for preliminary engineering on highway projects and ensure States reimburse the Highway Trust Fund for Federal funds spent on preliminary engineering when required by Federal law.

### **FHWA's Oversight of Federal-Aid Highway Project Agreements**

*Self-Initiated*

Each year, FHWA oversees States' management of over \$40 billion in Federal financial assistance for the construction, maintenance, and operations of the Nation's 3.9 million-mile highway network. Federal law requires FHWA to enter into a project agreement with State Departments of Transportation for each Federal-aid highway project. Project agreements are key internal control mechanisms to ensure that funds are obligated and spent in accordance with Federal requirements. The project agreement can also be modified to reflect additional costs that occur over the lifetime of the

project. We are assessing FHWA's controls for reviewing and authorizing project agreements and modifications to project agreements.

### **FHWA's Oversight of State Transportation Improvement Programs**

*Self-Initiated*

Congress requires States to submit State Transportation Improvement Programs (STIP) to FHWA to ensure States appropriately budget and plan for the use of Federal funds on transportation projects. States develop STIPs in coordination with metropolitan planning organizations and non-metropolitan local officials. STIPs include projects planned for implementation over a 4-year period. FHWA is required to review and approve STIPs to determine project eligibility for Federal funds, assess State compliance with Federal requirements, and evaluate whether program funding is reasonably available. We are assessing FHWA's policies, procedures, and guidance for ensuring that STIPs receive comprehensive, consistent reviews and meet Federal requirements.

# FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

## IN PROGRESS

### **FMCSA's Commercial Motor Vehicle Drivers Hours-of-Service Restart Study**

*Required by the Consolidated and Further Continuing Appropriations Act of 2015*

To help prevent crashes caused by driver fatigue, FMCSA issued hours-of-service regulations to establish daily and weekly driving limits and required periods of rest for commercial vehicle drivers. Effective 2013, FMCSA's new hours-of-service regulations required drivers to comply with a revised 34-hour restart rule to reset the weekly driving limit. The revised rule required a driver to be off-duty for 34 consecutive hours, which must include two 1 a.m. – 5 a.m. periods. After the rule went into effect, concerns were raised about the rule's unintended consequences, such as increased daytime traffic congestion. In the Consolidated and Further Continuing Appropriations Act of 2015, Congress suspended FMCSA's enforcement of the 34 hour restart rule so that the Agency can conduct a study of the operational, safety, health, and fatigue impacts of the rule. Within 60 days of receipt of the final report, we must report to the Secretary and the House and Senate Appropriations Committees on whether the study complies with the act. Accordingly, we are determining whether FMCSA's design and implementation of the restart study complies with the requirements of the act.

## PLANNED

### **FMCSA's Investigative Practices**

*Required by the Consolidated and Further Continuing Appropriations Act of 2015 and Requested by Senator Richard Durbin*

NTSB's investigations of commercial motor carrier crashes have identified pre-existing risk factors that should have prompted interventions by FMCSA and State agencies. The Consolidated and Further Continuing Appropriations Act of 2015 directed and Senator Richard Durbin requested that our office conduct an audit of FMCSA's practices to ensure motor carriers are being investigated in a timely manner and whether FMCSA's investigations are adequate to detect violations. Accordingly, we plan to determine whether FMCSA and State agencies have effective processes and quality controls in place to ensure that their investigations result in complete and accurate assessments of motor carriers' safety operations.

# FEDERAL RAILROAD ADMINISTRATION

## IN PROGRESS

### **FRA's High Speed Intercity Passenger Rail Grant Amendment and Oversight Processes**

*Requested by the Chairman of the House Transportation and Infrastructure Subcommittee on Railroads, Pipelines, and Hazardous Materials*

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) created several grant initiatives, most notably the High Speed Intercity Passenger Rail (HSIPR) program administered by the Federal Railroad Administration (FRA). Congress appropriated \$10.6 billion to the HSIPR program to support the development of high-speed and intercity passenger rail networks. We previously reported that FRA lacked an effective grants administration framework, which may be putting Federal funds at risk. In January 2012, the California State Auditor found that the California High Speed Rail Authority (Authority) may not be able to raise agreed-upon matching funds for the project. In December 2012, FRA amended its grant agreement with the Authority to disburse Federal HSIPR funds before the Authority is required to provide the requisite State matching funds. In response to a request from the Chairman of the House Transportation and Infrastructure Subcommittee on Railroads, Pipelines, and Hazardous Materials, we are evaluating FRA's policies, procedures, and processes for amending HSIPR grant agreements and for monitoring grantees' compliance with HSIPR grant requirements.

### **FRA's Oversight of the Transportation of Hazardous Materials by Rail**

*Self-Initiated*

In July 2013, the fatal Bakken oil train derailment in Lac Mégantic, Quebec, highlighted the importance of oversight of rail transportation of hazmat. Recent increases in rail transportation of these materials—particularly crude oil shipments, which increased from 9,500 carloads in 2008 to 407,761 carloads in 2013—and other accidents in Alabama, North Dakota, and Virginia, underscore the importance of addressing safety risks. Given the public safety risk posed by increased transportation of hazmat by rail, we are assessing FRA's enforcement of hazardous materials regulations using inspections and other tools.

### **FRA's Oversight of Railroad Bridge Safety**

*Self-Initiated*

According to FRA accident data as reported by the railroads, 24 train accidents caused by misalignment or failure of railroad bridges resulted in 392 injuries over the last 10 years. Recently, railroad traffic has increased significantly, including the rail transportation of hazardous materials such as crude oil. In accordance with the Rail Safety Improvement Act of 2008, FRA issued a rule that requires railroad track owners to implement bridge management programs to ensure safety. Bridge management programs include performing annual inspections of railroad bridges and protecting bridges from overweight and oversize loads. Given the potential destructive effects of bridge failures, we initiated an audit of FRA's oversight of railroad bridge safety. Our objective is to assess FRA's oversight for ensuring that track owners' bridge management programs comply with FRA's rule on bridge safety standards.

# FEDERAL TRANSIT ADMINISTRATION

## IN PROGRESS

### **FTA's Oversight of Hurricane Sandy Emergency Relief Funds – Phase 2**

*Self-Initiated*

In October 2012, Hurricane Sandy caused widespread damage in the mid-Atlantic and the northeastern United States, particularly to the area's transportation infrastructure. The Disaster Relief Appropriations Act of 2013 (DRAA) designated more than \$13 billion for infrastructure investments across several modes of transportation and funds for our office to oversee DOT's administration of the relief funds. To comply with DRAA, we initiated three-phase audit strategy. We completed phase 1 in December 2013. In our phase 2 audit, we are determining whether FTA has fully implemented the processes it established to award and oversee Hurricane Sandy relief funds, determining whether effective controls are in place to prevent duplicate payments from the Federal Emergency Management Agency and insurance companies, and identifying any issues that may have an impact on the timely obligation and expenditure of Hurricane Sandy funds.

### **FTA's Oversight of Corrective Actions for At-Risk Grantees**

*Self-Initiated*

FTA administers grants to more than 1,200 State and local grantees and provided more than \$10.6 billion of Federal assistance in 2014 to help plan, build, and operate the Nation's transit systems. In the past 4 years, FTA's financial management reviews of transit agencies' internal controls have identified 36 at-risk grantees with significant deficiencies such as unallowable costs, inadequate competition for major procurements, and inability to reconcile actual costs with allowable budget categories. The deficiencies required FTA to place additional oversight controls on Federal disbursements to these transit agencies, including restricting agencies' draw downs of Federal funds and requiring them to take corrective actions before restrictions are lifted. We are assessing whether FTA has effective oversight procedures to ensure that at-risk transit agencies take corrective actions to address internal control weaknesses identified in financial management reviews.

### **FTA's Oversight of Hurricane Sandy Funds for Response, Recovery, and Rebuilding**

*Self-Initiated*

DRAA designated more than \$10 billion to fund FTA's new Public Transportation Emergency Relief Program and provided funds to our office to support oversight of FTA's Hurricane Sandy relief funding efforts. In December 2013, we reported that FTA had yet to complete all Hurricane Sandy risk assessments and oversight guidance for its emergency relief program. We are determining whether FTA provides effective oversight of grantees' contracting practices using DRAA funds.

## PLANNED

### **Controls Over FTA's Network Security**

*Self-Initiated*

While conducting security controls testing last year as part of our annual financial statement audit, we identified control deficiencies in FTA's information technology environment—specifically in FTA's grants systems. We found that FTA's procedures and controls were not sufficient to ensure compliance with the Department's cyber security policies. We plan to assess the effectiveness of FTA's controls for its information systems' security controls and whether FTA is identifying security risks and properly mitigating them.

### **FTA's Oversight of Grant Recipient Procurement Practices for Hurricane Sandy-Related Major Capital Projects**

*Self-Initiated*

DRAA designated more than \$10 billion for FTA's Emergency Relief Program for recovery and relief efforts in areas affected by Hurricane Sandy. About \$9 billion of designated relief funds have been allocated. DRAA also provided funds to our office to support oversight of FTA's relief effort. Accordingly, we plan to review one or more selected major capital projects receiving Sandy relief funds to assess whether FTA's project oversight is sufficient to ensure its grant recipients comply with Federal procurement requirements.



# MARITIME ADMINISTRATION

## IN PROGRESS

### **MARAD Management Controls Review**

*Self-Initiated*

MARAD's mission is to improve the marine transportation system to meet the Nation's economic, environmental, and security needs. The Agency's programs focus on maintaining shipbuilding and repair services, ports, water and land transportation services, and reserve shipping capacity. In recent years, MARAD has restructured its organization and taken on oversight for a significant influx of Federal funds, pointing to the need for a comprehensive review of the Agency's controls over its operations. Accordingly, we are assessing MARAD's management controls for planning, performance measurement, and risk management; organizational structure and workforce development; and program implementation, monitoring, and oversight of mission requirements.

# NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

## IN PROGRESS

### **NHTSA's Efforts To Identify Vehicle Safety Defects**

*Requested by the Secretary of Transportation*

Since February 2014, the General Motors Corporation (GM) has recalled 2.6 million vehicles. The recalls were necessitated by a defective ignition switch that can unintentionally move from the “run” or “on” position to the “accessory” or “off” position, shutting down the engine and disabling power steering, power brakes, and air bags. The Secretary of Transportation requested that we assess NHTSA's procedures for collecting, analyzing, and managing vehicle safety data and determine whether information on ignition switch issues and non-deploying air bags was available but not used by NHTSA in its analysis of the GM defect analysis. Accordingly, we are assessing NHTSA's procedures for collecting, analyzing, and managing information to identify vehicle safety defects, determining whether information on ignition switch issues and non-deploying air bags was available to NHTSA but not used in the GM defect analysis, and assessing NHTSA's actions to implement our 2011 recommendations to strengthen its processes for identifying and addressing vehicle safety defects.

# NATIONAL TRANSPORTATION SAFETY BOARD

## PLANNED

### **Quality Control Review of the National Transportation Safety Board's Fiscal Years 2015 and 2014 Financial Statements**

*Required by Accountability of Tax Dollars Act of 2002*

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

# OFFICE OF THE SECRETARY OF TRANSPORTATION

## IN PROGRESS

### **Review of DOT's Oversight of Airline Frequent Flyer Programs**

*Requested by Representative Alan Grayson*

For more than 30 years, major airlines have offered frequent flyer programs to encourage travel on their respective airlines and to secure customer loyalty. DOT requires that airlines disclose their frequent flyer program rules and provide guidance to airlines for disclosing costs related booking frequent flyer award travel. Airlines' failure to comply with DOT's guidance could constitute an unfair and deceptive practice that subjects airlines to enforcement actions. In July 2014, Representative Alan Grayson requested that we examine airlines' frequent flyer program practices. In particular, Representative Grayson expressed concerns about the lack of transparency for consumers when airlines change their frequent flyer programs' terms and conditions. Accordingly, we are assessing DOT's oversight of airlines' compliance with frequent flyer program disclosure requirements.

### **DOT's Information Security Program and Practices for Fiscal Year 2015**

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

FISMA mandated that we perform the annual review of DOT's information security program and practices to determine their effectiveness.

### **Quality Control Review of Controls Over DOT's Enterprise Services Center**

*Required by OMB Bulletin 14-02, Audit Requirements for Federal Financial Statements*

We are performing a quality control review of the audit performed by an independent public accounting firm to determine whether management's description of the Enterprise Services Center's systems is fairly presented; controls are suitably designed; and controls operated effectively from October 1, 2014, to June 30, 2015.

### **Quality Control Review of the Department of Transportation's Fiscal Years 2015 and 2014 Consolidated Financial Statements**

*Required by Chief Financial Officers Act*

We are performing quality control reviews of the audits performed by independent public accounting firms to determine whether the audits of financial statements were performed in accordance with auditing standards.

### **Quality Control Reviews of Single Audits on DOT Grantees**

*Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*

We are performing quality control reviews of the audits performed by independent public accounting firms on grant recipients' use of DOT funds.

### **DOT's Controls Over Collection of Delinquent Debt**

*Self-Initiated*

The Debt Collection Improvement Act requires agencies to follow standardized procedures to ensure collection of delinquent debt. Between fiscal years 2008 and 2009, DOT's accounts receivable increased from \$85 million to \$124 million. We are assessing DOT's controls to determine whether the Department ensures timely collection of accounts receivable and makes exhaustive attempts to collect delinquent accounts.

### **DOT's Transition to Cloud Computing**

*Self-Initiated*

Cloud computing, which provides on-demand access to a shared pool of computing resources, reportedly has the potential to deliver services faster, more efficiently, and at a lower cost than custom-developed systems. OMB's "Cloud First" policy requires Federal agencies

to implement cloud-based solutions whenever secure, reliable, and cost-effective cloud options exist. We are assessing DOT's process for transitioning information technology services to cloud computing, and for identifying and mitigating security risks associated with this transition.

### **DOT Conference-Related Activities and Expenses**

*Self-Initiated*

OMB's September 2011 memorandum, *Eliminating Excess Conference Spending and Promoting Efficiency in Government*, instructs all Federal agencies to conduct thorough reviews of their policies and controls for conference-related activities and expenses. DOT reported spending a total of \$4.6 million on conference-related activities and expenses from April to September 2013. We are evaluating whether DOT has implemented effective policies, procedures, and controls on conference-related activities and expenses.

### **DOT's Controls Over the Volpe Center's Network Security**

*Self-Initiated*

We are assessing the effectiveness of the John A. Volpe National Transportation Systems Center's security controls for information systems and evaluating whether

the Center identifies security risks and properly mitigates them.

### **The Department of Transportation's Fiscal Year 2014 Implementation of the Improper Payments Elimination and Recovery Improvement Act of 2012**

*Required by the Improper Payments Elimination and Recovery Improvement Act of 2012*

As mandated, we are performing an annual review of DOT's fiscal year 2014 financial report to determine its accuracy and compliance with the act's requirements.

### **Effectiveness of DOT's Cyber Security Incident Handling and Response**

*Self-Initiated*

FISMA requires agencies to establish incident response capabilities for their information systems. We are assessing the effectiveness of the Department's computer security incident response program.

### **Effectiveness of DOT's Disaster Recovery Plans and Exercises for Information Systems**

*Self-Initiated*

DOT's operations rely on more than 450 information systems to keep the Nation's transportation system

safe and operational. We are determining whether DOT has developed adequate disaster recovery plans for these systems and conducted effective test exercises of these plans to ensure they will work in the event of a disruption.

### **Annual Charge Card Risk Assessment**

*Required by OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012*

We are performing a risk assessment of DOT's purchase cards, combined integrated card programs, and travel card programs to analyze the risks of illegal, improper, or erroneous purchases. We will use this assessment to determine the scope, frequency, and number of future OIG audits or reviews of these programs.

### **Impact of DOT's Tarmac Delay Rule**

*Required by the FAA Modernization and Reform Act of 2012*

In 2010, DOT issued a rule that prohibits aircraft operating domestic flights from remaining on the tarmac for more than 3 hours without deplaning passengers, with some exceptions. In the FAA Modernization and Reform Act of 2012, Congress directed our office to assess the impact of DOT's rule on carriers' decisions to delay or cancel flights. OST recently conducted a study on the rule's impact as well. Accordingly, we are assessing the effect of the tarmac delay rule on carriers' decisions to delay or cancel flights, and evaluating OST's analysis of the issue.

## The Volpe Center's Management of the Transportation Information Project Support Contract

*Self-Initiated*

To provide information technology services for its customers, the Volpe Center relies on a specialized multiple-award service contract called the Transportation Information Project Support (V-TRIPS). Volpe awarded this 5-year, \$234 million contract to five vendors in 2010. In past work on large service contracts, we found that agencies do not always ensure adequate competition or provide sufficient oversight of contractor performance. Accordingly, we are determining whether Volpe awarded the base V-TRIPS contracts under competitive procedures and provides each awardee with fair opportunities to compete for task orders. We are also assessing the Center's contract administration and oversight procedures meant to ensure the contract complies with Federal and DOT acquisition regulations.

## The Volpe Center's Accounting Practices for Administering the V-TRIPS Contract

*Self-Initiated*

In 2010, the Volpe Center awarded the V-TRIPS contract to provide information technology support for its customers. In past audits of Volpe's accounting practices, we have determined that the Agency lacked policies and procedures to ensure adequate financial controls for cost accounting and billing practices. During our ongoing audit of Volpe's V-TRIPS contract, we identified inconsistencies in V-TRIPS accounting practices. In a follow-up review, we are assessing the reliability of Volpe's accounting practices for administering the V-TRIPS contract.

## DOT's Compliance with Contracting Officer Certification and Warrant Requirements

*Self-Initiated*

DOT's contracting officers are responsible for awarding and managing a significant portfolio of the Department's contracts. The Office of Federal Procurement Policy requires that contracting officers be certified at the appropriate level to correspond with the dollar value of contracts they are authorized to award and administer. OFPP also directs each agency's chief acquisition officer to establish agency-specific certification and warrant requirements. DOT's Contracting Officer Warrant Program outlines the Department's

standards and is intended to ensure that only properly trained and qualified employees are appointed as contracting officers. We are evaluating DOT's compliance with requirements for certifying and assigning warrant levels to contracting officers, and determining whether DOT has effective oversight policies and practices to ensure its contracting officers meet applicable requirements.

## DOT's Contract Closeout Procedures

*Self-Initiated*

Between 2009 and 2013, DOT averaged \$6.2 billion a year in contract spending. During the same period, the Department awarded over 20,000 contracts whose period of performance ended by December 31, 2013, and should either be closed or in the process of being closed in accordance with Federal and DOT requirements. Contract closeout involves verifying that goods and services were provided as intended, validating final costs and payments, and freeing excess funds for possible use elsewhere. Timely and effective closeout protects the Government's interests and helps agencies efficiently manage remaining funds. We are assessing whether selected Operating Administrations are closing out contracts in accordance with Federal and departmental regulations.

## PLANNED

### **Review of DOT's Reducing Over-Classification Program**

*Required by the Reducing Over-Classification Act*

In 2010, Congress passed the Reducing Over-Classification Act, which requires Federal agencies that classify information to administer programs promoting compliance with laws regarding the proper use of classification and to reduce over-classification. The act requires our office to conduct two evaluations of the Department's classification program by September 30, 2016. In September 2013, we issued our first report on DOT's compliance with requirements of the Reducing Over-Classification Act. We found that not all DOT classification related policies and procedures are effective or comply with Federal requirements, including the National Archives and Records Administration's Information Security Oversight Office's regulation. As mandated by the Reducing Over-Classification Act, we plan to conduct a second evaluation of DOT's classification program.

### **DOT's Transit Benefit Program**

*Self-Initiated*

Federal employees participating in the transit benefit program are currently provided an allowance of up to \$130 per month for eligible commuting expenses to and from work using public transportation. With the passage of the Telework Enhancement Act of 2010, Federal agencies have embraced the concept of telework and its advantages, including enhanced management effectiveness and improved work-life balance for Federal employees, which impact the use of transit benefits. We plan to assess the effectiveness of DOT's controls over the transit benefit program.

### **DOT's Efforts To Implement Project and Program Delivery Requirements in the Moving Ahead for Progress in the 21st Century Act – Phase 2**

*Self-Initiated*

In phase 1 of our mandated audit work to assess the Department's implementation of MAP-21's Subtitle C project and program delivery reforms, we assessed the status of DOT's planned actions. In phase 2, we plan to assess the Department's implementation of key MAP-21 provisions.



# PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

## PLANNED

### **PHMSA's Progress in Implementing Congressional Mandates and Other Safety Recommendations**

*Requested by the Ranking Member of the House Transportation and Infrastructure Committee*

Since 1991, NTSB has raised concerns about the high incidence of failure of DOT-111 tank cars, a type of unpressurized rail tank car used to transport materials, such as crude oil. Congress has also expressed concerns regarding PHMSA's failure to address long-standing pipeline and hazardous materials safety issues, including new design standards for DOT-111 tank cars. As requested by the Ranking Member of the House Transportation and Infrastructure Committee, we plan to evaluate the effectiveness of PHMSA's efforts to timely implement congressional mandates and address recommendations from DOT OIG, NTSB, and the Government Accountability Office; the process PHMSA uses to implement such mandates and recommendations; PHMSA's efforts to coordinate with other Operating Administrations and address safety concerns raised by those Administrations; and any impediments to Agency action.

# SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

IN PROGRESS

## **Quality Control Review of the Saint Lawrence Seaway Development Corporation's Fiscal Years 2015 and 2014 Financial Statements**

*Required by the Government Corporation Control Act*

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

IN PROGRESS

**Quality Control Review of the Metropolitan  
Washington Airports Authority's Fiscal Years  
2013 and 2012 Financial Statements**

*Self-Initiated*

We are conducting a quality control review of MWA's independent audit of its 2013 and 2012 financial statements. We are determining whether the independent audit of the financial statements was conducted in accordance with applicable laws and standards.

STATISTICAL  
PERFORMANCE DATA

# SUMMARY OF PERFORMANCE

October 1, 2014 – March 31, 2015

Reports issued	37
Recommendations issued	165
Congressional testimonies	4
Total financial recommendations	\$358,634,587
That funds be put to better use	\$358,500,000
Questioned costs	\$134,587
Fines, restitution, and recoveries	\$78,753,734
Indictments	42
Convictions	28

# COMPLETED OIG AUDIT REPORTS

October 1, 2014 – March 31, 2015

(dollars in thousands)<sup>a</sup>

Category	Number of reports	Number of recommendations	Questioned costs	Unsupported costs	Funds to be put to better use
<b>INTERNAL AUDITS</b>					
Performance audits	14	82	\$0	\$0	\$0
Financial audits	7	57	\$0	\$0	\$358,500
Attestation engagements	3	9	\$0	\$0	\$0
Other OIG reports	1	0	\$0	\$0	\$0
Total for internal audit reports	25	148	\$0	\$0	\$358,500
<b>GRANT AUDITS</b>					
Audits under Single Audit Act	12	17	\$134,587	\$0	\$0
<b>Total completed OIG reports</b>	<b>37</b>	<b>165</b>	<b>\$134,587</b>	<b>\$0</b>	<b>\$358,500</b>

<sup>a</sup> The dollars shown are the amounts reported to management. The actual amounts may change during final resolution.

DOT programs and operations are primarily carried out by Department personnel and recipients of Federal grants. As a result, our audits generally fall into one of three categories: (1) internal audits of Departmental programs and operations, (2) audits of grant recipients, and (3) other OIG audits.

# OIG AUDIT REPORTS WITH RECOMMENDATIONS THAT QUESTIONED COSTS

October 1, 2014 - March 31, 2015

(dollars in thousands)

	Number of reports	Number of recommendations	Questioned costs	Unsupported costs <sup>a</sup>
A For which no management decision had been made by the start of the reporting period	16	16	\$13,002	\$0
B Which were issued during the reporting period	3	5	\$134,587	\$0
Totals (A+B)	19	21	\$147,589	\$0
C For which a management decision was made during the reporting period	18	20	\$12,644	\$0
(i) dollar value of recommendations that were agreed to by management (disallowed costs) <sup>b</sup>	9	9	\$2,404	\$0
(ii) dollar value of that were not agreed to by management <sup>b</sup>	9	11	\$10,886	\$0
D For which no management decision had been made by the end of the reporting period	1	1	\$493	\$0

<sup>a</sup> Unsupported costs included in questioned costs.

<sup>b</sup> Includes reports and recommendations where costs were both allowed and disallowed.



# OIG AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

October 1, 2014 - March 31, 2015

(dollars in thousands)

	Number of reports	Number of recommendations	Funds to be put to better use <sup>a</sup>
A For which no management decision had been made by the start of the reporting period	2	2	\$14,526
B Which were issued during the reporting period	1	1	\$358,500
Totals (A+B)	3	3	\$373,026
C For which a management decision was made during the reporting period	1	1	\$358,500
(i) dollar value of recommendations that were agreed to by management	1	1	\$358,500
(ii) dollar value of recommendations that were not agreed to by management	0	0	\$0
D For which no management decision had been made by the end of the reporting period	2	2	\$14,526

# OIG AUDIT REPORTS RECOMMENDING CHANGES FOR SAFETY, ECONOMY, OR EFFICIENCY

October 1, 2014 – March 31, 2015

	<b>Number of reports</b>	<b>Number of recommendations</b>
A For which no management decision had been made by the start of the reporting period	50	137
B Which were issued during the reporting period	27	159
Totals (A+B)	77	296
C For which a management decision was made during the reporting period <sup>a</sup>	50	203
D For which no management decision had been made by the end of the reporting period <sup>a</sup>	33	93

<sup>a</sup> Includes reports where management both made and did not make decisions on recommendations.

# MANAGEMENT DECISIONS REGARDING OIG AUDIT RECOMMENDATIONS

October 1, 2014 – March 31, 2015

(dollars in thousands)

	Number of reports	Number of recommendations	Questioned costs	Unsupported costs <sup>a</sup>	Funds to be put to better use
Unresolved as of 9/30/2014	59	155	\$13,003	\$0	\$14,526
Audits with recommendations during current period	29	165	\$134,587	\$0	\$358,500
<b>Total to be resolved</b>	<b>88</b>	<b>320</b>	<b>\$147,590</b>	<b>\$0</b>	<b>\$373,026</b>
<b>MANAGEMENT DECISIONS</b>					
Prior period audits <sup>b</sup>	39	107	\$12,510	\$0	\$0
Current period audits <sup>b</sup>	24	132	\$134,587	\$0	\$358,500
<b>Total resolved</b>	<b>63</b>	<b>239</b>	<b>\$147,097</b>	<b>\$0</b>	<b>\$358,500</b>
<b>AGE OF UNRESOLVED AUDITS<sup>c</sup></b>					
Less than 6 months old	8	33	\$0	\$0	\$0
6 months to 1 year	11	22	\$0	\$0	\$0
1 year to 18 months	2	4	\$0	\$0	\$14,100
18 months to 2 years	3	7	\$0	\$0	\$0
Over 2 years old	9	15	\$493	\$0	\$426
<b>Unresolved as of 3/31/2015</b>	<b>33</b>	<b>81</b>	<b>\$493</b>	<b>\$0</b>	<b>\$14,526</b>

<sup>a</sup> Unsupported costs are also included in questioned costs.

<sup>b</sup> Includes reports and recommendations where costs were both allowed and disallowed.

<sup>c</sup> Considered unresolved if management decisions have not been made on all report recommendations.

# PUBLISHED OIG AUDIT REPORTS

October 1, 2014 – March 31, 2015

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## FEDERAL AVIATION ADMINISTRATION

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### Internal Audits: Performance – 4 Reports

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*Planning for High-Priority NextGen Capabilities Underway, but Much Work Remains for Full Realization of Benefits (AV-2015-012), Nov. 20, 2014.*

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*FAA Is Making Progress in Addressing ADS-B's Security Issues, But Weaknesses Still Exist (FI-2015-015), Dec. 10, 2014.*

---

*Review of FAA's Fiscal Year 2014 Drug Control Obligation Summary and Performance Summary Reporting (FI-2015-020), Jan. 29, 2015.*

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*Program and Data Limitations Impede the Effectiveness of FAA's Hazardous Materials Voluntary Disclosure Reporting Program (AV-2015-034), Mar. 13, 2015.*

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### Internal Audits: Financial – 2 Reports

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*Quality Control Review of FAA's Audited Financial Statements for Fiscal Years 2014 and 2013 (QC-2015-010), Nov. 14, 2014.*

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*Quality Control Review of the Management Letter for the Audit of FAA's Fiscal Years 2014 and 2013 Financial Statements (QC-2015-037), Mar. 31, 2015.*

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### Grant Audits: Audits of Grantee Under Single Audit Act – 2 Reports

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*Quality Control Review on the Single Audit of Broward County, FL (QC-2015-026), Feb. 11, 2015.*

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*City of Kansas City, MO (SA-2015-030), Mar. 2, 2015.*

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## FEDERAL HIGHWAY ADMINISTRATION

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### Internal Audits: Performance – 4 Reports

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*FHWA's Federal Lands Highway Program Lacks Adequate Processes for Thoroughly Evaluating Contract Bid Prices (ZA-2015-002), Oct. 9, 2014.*

---

*FHWA Met Basic Requirements But Can Strengthen Guidance and Controls for Financial and Project Management Plans (ST-2015-018), Jan. 27, 2015.*

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*FHWA Effectively Oversees Bridge Safety, but Opportunities Exist To Enhance Guidance and Address National Risks (ST-2015-027), Feb. 18, 2015.*

---

*Most FHWA ARRA Projects Will Be Closed Out Before Funds Expire, but Weaknesses in the Project Close-Out Process Persist (ST-2015-029), Mar. 2, 2015.*

---

### Grant Audits: Audits of Grantee Under Single Audit Act – 3 Reports

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*Quality Control Review on the Single Audit of the Puerto Rico Highways and Transportation Authority (QC-2015-016), Dec. 18, 2014.*

---

*Klawock Cooperative Association, Klawock, AK (SA-2015-021), Feb. 6, 2015.*

\$30,522,000 questioned.

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*Jicarilla Apache Nation, Dulce, NM (SA-2015-024), Feb. 6, 2015.*

\$9,548,000 questioned.

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## FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

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### Internal Audits: Performance – 1 Report

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*FMCSA Adequately Monitored Its NAFTA Cross-Border Trucking Pilot Program but Lacked a Representative Sample To Project Overall Safety Performance (ST-2015-014), Dec. 10, 2014.*

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## FEDERAL RAILROAD ADMINISTRATION

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### Grant Audits: Audits of Grantee Under Single Audit Act – 1 Report

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*National Railroad Passenger Corporation and Subsidiaries (Amtrak) (SA-2015-032), Mar. 2, 2015.*

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## FEDERAL TRANSIT ADMINISTRATION

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### Internal Audits: Performance – 2 Reports

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*Quality Control Review on the Single Audit of the Bi-State Development Agency of Missouri-Illinois Metropolitan District (QC-2015-013), Dec. 4, 2014.*

---

*FTA's Transit Research Program Plan Is Outdated (ST-2015-017), Jan. 13, 2015.*

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### Grant Audits: Audits of Grantee Under Single Audit Act – 5 Reports

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*Licking County, OH (SA-2015-025), Feb. 6, 2015.*

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*Metropolitan Atlanta Rapid Transit Authority, Atlanta, GA (SA-2015-031), Mar. 2, 2015.*

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*Orange County Transportation Authority, CA (SA-2015-033), Mar. 2, 2015.*

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*King County, WA (SA-2015-022), Feb. 6, 2015.*

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*Island County Public Transportation Benefit Area Coupeville, WA (SA-2015-023), Feb. 6, 2015.*

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\$94,517,000 questioned.

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## MARITIME ADMINISTRATION

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### Internal Audits: Performance – 1 Report

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*Better Program Management and Oversight Are Required for USMMA's Efforts To Address Sexual Assault and Harassment (ST-2015-004), Oct. 23, 2014.*

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## **NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION**

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### **Internal Audits: Performance – 1 Report**

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*Review of NHTSA's Fiscal Year 2014 Drug Control Obligation Summary and Performance Summary Reporting (FI-2015-019), Jan. 29, 2015.*

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## **NATIONAL TRANSPORTATION SAFETY BOARD**

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### **Internal Audits: Financial – 2 Reports**

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*Quality Control Review of NTSB's Audited Financial Statements for Fiscal Years 2014 and 2013 (QC-2015-008), Nov. 10, 2014.*

---

*Quality Control Review of the Management Letter for the Audit of NTSB's Fiscal Years 2014 and 2013 Financial Statements (QC-2015-028), Feb. 25, 2015.*

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## **OFFICE OF THE SECRETARY OF TRANSPORTATION**

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### **Internal Audits: Performance – 5 Reports**

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*Oversight Weaknesses Limit DOT's Ability To Ensure Passenger Protections During Long, On-Board Flight Delays (AV-2015-001), Oct. 9, 2014.*

---

*DOT'S Suspension and Debarment Program Continues To Have Insufficient Controls (ZA-2015-003), Oct. 15, 2014.*

---

*Quality Control Review of Controls Over DOT's Enterprise Services Center (QC-2015-006), Nov. 5, 2014.*

---

*DOT Has Made Progress, But Significant Weaknesses In Its Information Security Remain (FI-2015-009), Nov. 14, 2014.*

---

*DOT's Top Management Challenges for Fiscal Year 2015 (PT-2015-007), Nov. 17, 2014.*

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**Internal Audits: Financial – 2 Reports**

---

*Quality Control Review of DOT's Audited Financial Statements for Fiscal Years 2014 and 2013 (QC-2015-011), Nov. 17, 2014.*

\$358,500,000 funds to be put to better use.

---

*Quality Control Review of the Management Letter for the Audit of DOT's Fiscal Years 2014 and 2013 Financial Statements (QC-2015-036), Mar. 31, 2015.*

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**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**

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**Internal Audits: Financial – 1 Report**

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*Quality Control Review of SLSDC's Audited Financial Statements for Fiscal Years 2014 and 2013 (QC-2015-005), Nov. 4, 2014.*

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**OTHER**

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**Internal Audits: Performance – 1 Report**

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*MWAA's Office of Audit Does Not Have an Adequate Quality Assurance and Improvement Program (ZA-2015-035), Mar. 20, 2015.*

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# OIG CONGRESSIONAL TESTIMONIES

October 1, 2014 – March 31, 2015

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*Status of FAA's Efforts To Operate and Modernize the National Airspace System*  
CC-2015-001  
Nov. 18, 2014

Before the House Committee on Transportation and Infrastructure

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*FAA's Progress and Challenges in Integrating Unmanned Aircraft Systems Into the National Airspace System*  
CC-2015-002  
Dec. 10, 2014

Before the House Transportation and Infrastructure Subcommittee on Aviation

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*FMCSA Oversight and Reauthorization Issues*  
CC-2015-004  
Mar. 4, 2015

Before the Senate Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security

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*Foreign Countries' Processes for Operating Air Transportation Systems*  
CC-2015-006  
Mar. 24, 2015

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Before the House Transportation and Infrastructure Subcommittee on Aviation

# UNRESOLVED AUDIT RECOMMENDATIONS OVER 6 MONTHS OLD

October 1, 2014 – March 31, 2015

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## **CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2010 – SEPTEMBER 30, 2010**

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*Information Security and Privacy Controls Over the Airmen Medical Support Systems (FI-2010-069)* 6/18/2010

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## **CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2010 – MARCH 31, 2011**

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*FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance-Broadcast Program and Realizing Benefits (AV-2011-002)* 10/12/2010

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*FAA Did Not Ensure Revenue Was Maximized at Denver International Airport (AV-2011-057)* 2/28/2011

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## **CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2011 – SEPTEMBER 30, 2011**

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*More Rigorous Oversight Is Needed To Ensure Venice Municipal Airport Land Sales and Leases Are Used Appropriately (AV-2011-180)* 9/29/2011

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## **CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2012 – SEPTEMBER 31, 2012**

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*Status of Transformational Programs and Risks to Achieving Nextgen Goals (AV-2012-094)* 4/23/2012

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*Long-Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency (AV-2012-152)* 7/19/2012

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*FAA Has Not Effectively Implemented Its Wildlife Hazard Mitigation Program (AV-2012-170)* 8/22/2012

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*Weaknesses in Program and Contract Management Contribute to ERAM Delays and Put Other Nextgen Initiatives At Risk (AV-2012-179)* 9/13/2012

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**CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2012 – MARCH 31, 2013**

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*FAA and Industry Are Advancing the Airline Safety Act, but Challenges Remain To Achieve Its Full Measure (AV-2013-037)* 1/31/2013

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**CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2013 – SEPTEMBER 30, 2013**

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*Weaknesses in the Department's Disadvantaged Business Enterprise Program Limit Achievement of Its Objectives (ZA-2013-072)* 4/23/2013

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*FAA's Civil Aviation Registry Lacks Information Needed for Aviation Safety and Security Measures (FI-2013-101)* 6/27/2013

---

*FHWA Is Monitoring Unexpended Recovery Act Highway Funds, but Some Funds May Remain Unused (MH-2013-122)* 9/4/2013

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**CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2013 – MARCH 31, 2014**

---

*FAA Needs To Improve ATCOTS Contract Management To Achieve Its Air Traffic Controller Training Goals (ZA-2014-018)* 12/18/2013

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*Addressing Underlying Causes for NextGen Delays Will Require Sustained FAA Leadership and Action (AV-2014-031)* 2/25/2014

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**CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2014 – SEPTEMBER 30, 2014**

---

*Further Actions Are Needed To Improve FAA's Oversight of the Voluntary Disclosure Reporting Program (AV-2014-036)* 4/10/2014

---

*Weaknesses Exist in FAA's Security Controls for the Traffic Flow Management System (FI-2014-052)* 6/5/2014

---

*Weak Processes Have Led to a Backlog of Flight Standards Certification Applications (AV-2014-056)* 6/12/2014

---

*New Disadvantaged Business Enterprise Firms Face Barriers to Obtaining Work at the Nation's Largest Airports (ZA-2014-055)* 6/12/2014

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*FAA Operational and Programmatic Deficiencies Impede Integration of Runway Safety Technologies (AV-2014-060)* 6/26/2014

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*FAA Faces Significant Barriers To Safely Integrate Unmanned Aircraft Systems Into the National Airspace System (AV-2014-061)* 6/26/2014

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*State of Connecticut (SA-2014-096)* 9/8/2014

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*ADS-B Benefits Are Limited Due to a Lack of Advanced Capabilities and Delays in User Equipage (AV-2014-105)* 9/11/2014

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*State of Missouri (SA-2014-114)* 9/12/2014

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<i>State of Illinois (SA-2014-116)</i>	9/12/2014
<i>Management Limitations May Hinder FAA's Ability To Fully Implement and Assess the Effectiveness of Its Runway Safety Initiatives (AV-2014-130)</i>	9/25/2014
<b>CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2014 – MARCH 31, 2015</b>	
<i>Oversight Weaknesses Limit DOT's Ability To Ensure Passenger Protections During Long, On-Board Flight Delays (AV-2015-001)</i>	10/28/2014
<i>Program and Data Limitations Impede the Effectiveness of FAA's Hazardous Materials Voluntary Disclosure Reporting Program (AV-2015-034)</i>	3/13/2015
<i>Better Program Management and Oversight Are Required for USMMA's Efforts To Address Sexual Assault and Harrassment (ST-2015-004)</i>	10/23/2014
<i>DOT's Suspension and Debarment Program Continues To Have Insufficient Controls (ZA-2015-003)</i>	10/15/2014
<i>Quality Control Review of Controls Over DOT's Enterprise Services Center (QC-2015-006)</i>	11/15/2014
<i>DOT Has Made Progress, but Significant Weakness in Its Information Security Remain (FI-2015-009)</i>	11/14/2014
<i>National Railroad Passenger Corporation and Subsidiaries (Amtrak) (SA-2015-032)</i>	3/2/2015
<i>Orange County Transportation Authority, CA (SA-2015-033)</i>	3/2/2015

# FINANCIAL IMPACT OF OIG INVESTIGATIONS

October 1, 2014 – March 31, 2015

Type	Amount
Fines (and special assessments)	\$25,386
Restitution	\$65,428,074
Recoveries	\$13,279,192
Forfeitures	\$21,081
<b>Total</b>	<b>\$78,753,734</b>

# OIG HOTLINE CONTACTS

October 1, 2014 – March 31, 2015

<b>Method of contact</b>	<b>Number</b>
Email	1,006
Fax	3
Letters	90
Web	211
Telephone	1010
Walk ins	1
<b>Total</b>	<b>2,321</b>



# JUDICIAL AND ADMINISTRATIVE ACTIONS RESULTING FROM OIG INVESTIGATIONS

October 1, 2014 – March 31, 2015

Type of action	Number
Indictments	42
Convictions	28
Years incarceration	22
Years supervised release	14
Years probation	26
Hours community service	1,020
Business debarment	4
Business suspension	9
Individual debarment	4
Individual suspension	7

Type of action	Number
Employee removal	1
Employee restitution	1
Employee resigned/retired during investigation	5
Employee suspension	6
Certification/License/Permit revoked/terminated	12
Certification/License/Permit suspended	1
Corrective action taken	1
Compliance agreement	1
Decertification MBE/DBE	1
Federal funds reduced	3
Federal funds redistributed	2

# OIG INVESTIGATIVE WORKLOAD AND JUDICIAL REFERRALS

October 1, 2014 – March 31, 2015

<b>INVESTIGATIVE WORKLOAD</b>	
Current investigations	431
Investigations/Complaints opened	101
Investigations closed	122

<b>JUDICIAL REFERRALS</b>	
Referred for criminal prosecution	142
Accepted for criminal prosecution	96
Declined for criminal prosecution	76
Referred for civil prosecution	12
Accepted for civil prosecution	8
Declined for civil prosecution	7

# PROFILE OF ALL PENDING OIG INVESTIGATIONS BY CASE TYPE

As of March 31, 2015

	Number of investigations	Aviation safety	Hazmat	Motor carrier	Transportation safety	Grant fraud	Procurement fraud	Workforce protection	Employee integrity	Other <sup>a</sup>
FAA	109	51	9	0	0	15	1	0	31	2
FHWA	103	0	0	0	0	91	0	7	5	0
FMCSA	105	0	10	61	1	0	0	26	7	0
FRA	4	0	0	0	1	3	0	0	0	0
FTA	47	0	0	0	0	41	2	3	1	0
MARAD	6	0	0	0	0	1	1	0	4	0
NHTSA	10	0	0	0	3	6	1	0	0	0
OIG	3	0	0	0	0	0	0	0	3	0
OST	4	0	0	0	1	0	1	1	1	0
PHMSA	32	0	31	0	0	0	0	0	1	0
RITA	6	0	0	0	0	3	1	0	2	0
No DOT element	2	0	0	0	0	2	0	0	0	0
<b>Totals</b>	<b>431</b>	<b>51</b>	<b>50</b>	<b>61</b>	<b>6</b>	<b>162</b>	<b>7</b>	<b>37</b>	<b>55</b>	<b>2</b>
<b>Percentage</b>	<b>100%</b>	<b>12%</b>	<b>11%</b>	<b>14%</b>	<b>1%</b>	<b>37%</b>	<b>2%</b>	<b>9%</b>	<b>13%</b>	<b>1%</b>

<sup>a</sup> Includes computer intrusion cases.

# CLOSED OIG INVESTIGATIONS RESULTING IN ADMINISTRATIVE ACTIONS ONLY

October 1, 2014 – March 31, 2015

Case type	Allegation	Number
Aviation	Interference or tampering with an aircraft	1
Aviation	S.U.P. parts - maintenance	1
Employee	Bribery/Gratuities (employee conduct)	2
Employee	Child pornography	1
Employee	Ethics violation (misconduct)	1
Employee	Misuse of Government property or funds	2
Employee	Time and attendance fraud	1
Employee	Travel voucher fraud	1
Employee	USMMA student misconduct	1
Grant	ARRA whistleblower	2
Grant	Buy America Act	1
Grant	DBE fraud	3
Grant	False statements	1
Grant	False statements	1

Case type	Allegation	Number
Grant	Overbilling	1
Grant	Product substitution/substandard work or materials	2
Hazmat	Carriage by air	1
Hazmat	Carriage by motor vehicle/public highway	3
Hazmat	Illegal transportation of stolen hazmat (motor fuel)	1
Hazmat	PHMSA registration requirements, exemptions and approvals	1
Motor Carrier	Fraudulent registration filings (reincarnated carriers)	2
Motor Carrier	Log books	1
Workforce Protection	Household goods/moving companies	1
Workforce Protection	Prevailing wage violations	2
Other	Assistance to other OIG	1

# CLOSED OIG INVESTIGATIONS WITH ALLEGATIONS UNSUBSTANTIATED AND/OR DECLINED FOR PROSECUTION WITH NO OTHER ACTION TAKEN

October 1, 2014 – March 31, 2015

<b>Case type</b>	<b>Allegation</b>	<b>Number</b>
Aviation	Airman certificate fraud	1
Aviation	S.U.P. parts - maintenance	1
Aviation	S.U.P. parts - sale	1
Employee	Conflict of interest (public corruption, current employee)	1
Employee	Whistleblower retaliation	1
Grant	DBE fraud	1
Grant	DBE pass through fraud	1
Grant	False statements	1
Grant	Public corruption/extortion	1
Hazmat	Illegal shipment of air bags	1
Motor Carrier	Fraudulent registration filings (reincarnated carriers)	1
Workforce Protection	Prevailing wage violations	1

# PEER REVIEW

*OIG's auditing and investigations functions are subject to peer reviews in accordance with Government Auditing Standards and the Attorney General Guidelines for Federal Office of Inspectors General with statutory law enforcement authority. These peer reviews provide a formal, objective assessment of OIG's adherence to prescribed standards, regulations, and legislation.*

OIG was not the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review during this reporting period.

OIG's Office of Audits was the subject of a CIGIE peer review by DOD OIG in fiscal year 2013—the most recent review conducted. DOD OIG concluded that the system of quality control for our audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards

in all material respects. Accordingly, DOD OIG provided a “pass” rating, and no recommendations were made. The report was released on August 8, 2013.

OIG's Office of Investigations was the subject of a CIGIE peer review during fiscal year 2012 by the U.S. Department of the Treasury OIG. Treasury OIG concluded that the system of internal safeguards and management procedures for our investigative function was in compliance with quality standards established by CIGIE and Attorney General guidelines, and no

recommendations were made. The report was released on August 30, 2012.

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

OIG is currently conducting a CIGIE peer review of the U.S. Department of Health and Human Services OIG's auditing function. We expect to release a final report in June 2015.



# MISSION AND ORGANIZATION

# MISSION AND ORGANIZATION

The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978. 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.

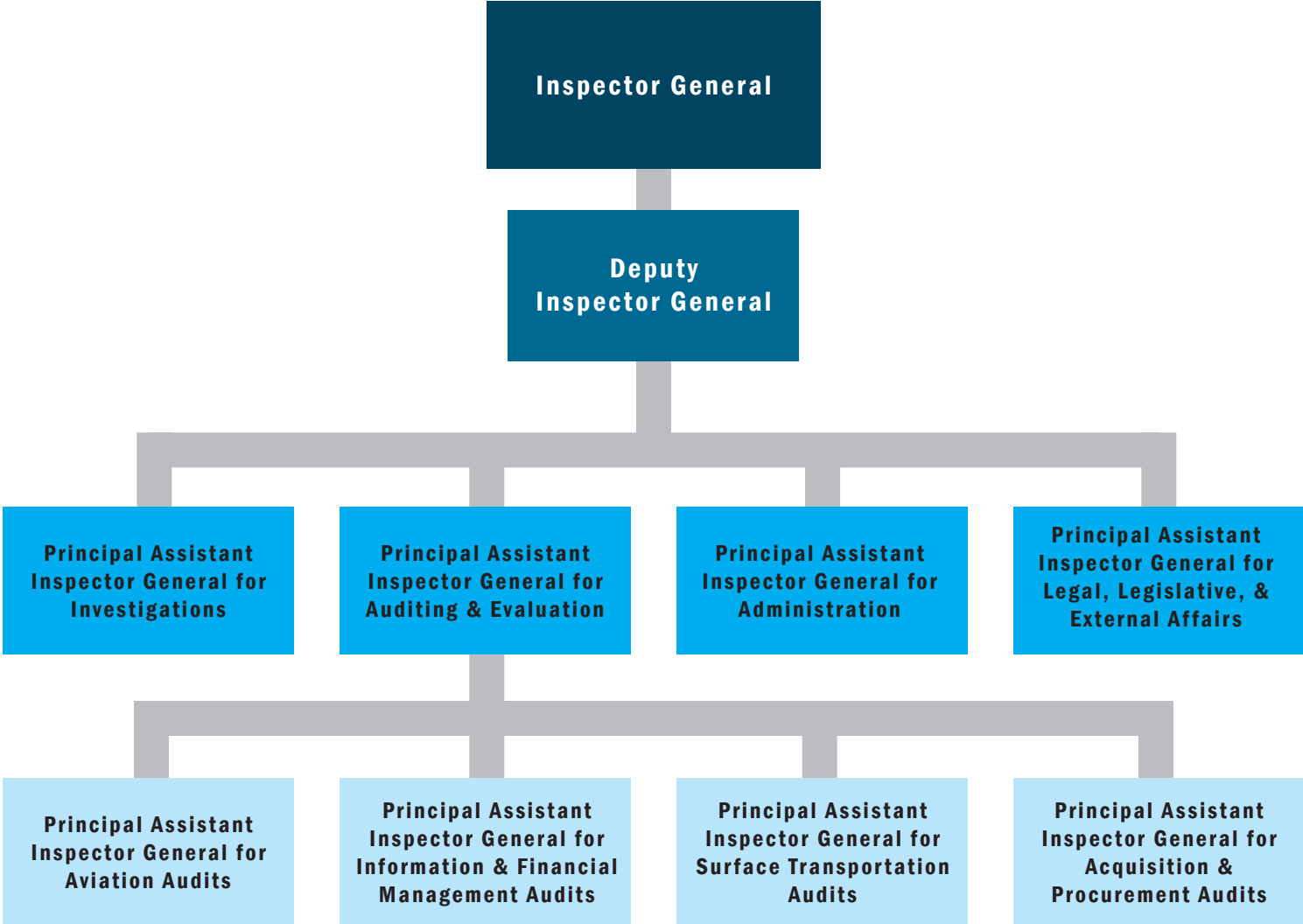
The Inspector General is committed to fulfilling its statutory responsibilities and assisting members of Congress, the Secretary, senior

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 four suboffices: Aviation, Financial and Information Technology, Surface Transportation, and Acquisition and Procurement.
- **The Office of the Principal Assistant Inspector General for Investigations** supervises and conducts OIG investigative activities related to DOT programs and operations through its headquarters and seven major regional offices. The headquarters office conducts nationwide special investigations and analyses as well as manages the OIG Hotline Complaint Center and activities generated by complaints.

- **The Office of the Assistant Inspector General for Legal, Legislative, and External Affairs** provides a full range of professional legal services and advice, facilitates communications with Congress, and manages public and external affairs.
- **The Office of the Assistant Inspector General for Administration** is divided into four suboffices: the Office of Procurement and Administrative Services, the Office of Budget and Financial Management, the Office of Human Resources, and the Office of Information Technology Management.
- **The Office of Quality Assurance Reviews and Internal Affairs**, under the direction of the Deputy Inspector General, ensures that internal operations and functions are performed objectively and in an efficient and effective manner.

# OIG ORGANIZATION CHART



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