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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 2013. Our audits and investigations support the Department’s strategic goals of safety, livable communities, economic competitiveness, environmental sustainability, and state of good repair. Over the past 6 months, we issued 67 audit reports with a total of 170 recommendations, including financial recommendations totaling over $2.75 billion. Our investigative work resulted in 40 indictments, 40 convictions, and a total of almost $6.15 million in fines, restitution, and recoveries.

Our aviation work this period continued to identify opportunities to improve safety and achieve savings in the Federal Aviation Administration’s (FAA) management of the Nation’s airspace and oversight of the aviation industry. We reported concerns regarding FAA’s efforts to mitigate losses of separation between aircraft, realign air traffic facilities, ensure transparency and accountability in its Contract Tower Program, monitor domestic code share relationships between airlines, and implement requirements of the Airline Safety Act. We also remain committed to protecting U.S. investments in FAA’s multi-billion dollar Next Generation Air Transportation System and to ensuring the future viability of the National Airspace System. To safeguard the integrity of this system, our investigations continued to aggressively pursue individuals who compromise safety through greed-based schemes, including the use of unapproved parts in aircraft repairs, falsified certification of aircraft design and parts, fraudulent airman certification, and bogus safety inspections.

Our highway and transit work also identified areas where action is needed to ensure safety while protecting Federal investments. Our investigations targeted individuals intent on bilking the Government out of millions of dollars, including funding provided through the American Recovery and Reinvestment Act (ARRA) of 2009 for highway infrastructure projects. Wage fraud, bribery, false claims, and disadvantaged business enterprise fraud diverted Federal dollars from legitimate firms and degraded the quality of taxpayers’ investments. Our investigations also continued to provide the evidence needed to prosecute commercial drivers who endanger the Nation’s highways by operating illegally
with falsified licenses and driving logs. Our highway and transit audits similarly found opportunities to enhance safety and oversight through improved risk assessments and use of safety data.

Our rail work continued to focus on the Federal Railroad Administration’s (FRA) efforts to meet its responsibilities under the Passenger Rail Investment and Improvement Act and ensure that the Government’s investments in the $10 billion grant program for high-speed intercity passenger rail achieve their intended benefits. We also assessed Amtrak’s new cost accounting system and made recommendations for improving the precision of its financial performance reporting. Our investigations uncovered fraud schemes that put at risk Federal funds intended to support local rail systems.

Our audits continue to identify significant vulnerabilities in DOT’s $2.2 billion information technology (IT) portfolio. Ongoing security threats and risks to the Department’s IT systems—both departmentwide and within specific programs, including those that support U.S. air traffic modernization efforts—remain a significant concern. Closing security gaps in DOT’s information systems is critical for ensuring the Nation’s transportation systems remain safe and for protecting Federal dollars from waste and fraud. A comprehensive IT management framework is also needed to make well-informed investment decisions and oversee DOT’s major IT assets. Ensuring effective management of DOT’s acquisitions to
maximize value and program performance remains a top management challenge for the Department.

Finally, we continued to monitor the Metropolitan Washington Airports Authority’s (MWAA) efforts to address governance weaknesses that we identified through our audits and investigations.

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

Calvin L. Scovel III

67

audit reports issued

170

recommendations

40

indictments

40

convictions
OIG’s AVIATION WORK EMPHASIZES SAFETY AND ECONOMY THROUGH AUDITS OF AIR TRAFFIC CONTROL OPERATIONS, ACQUISITION AND MODERNIZATION OF ASSETS, PROGRAM OVERSIGHT, AND CUSTOMER SERVICE, AND THROUGH INVESTIGATIONS OF COUNTERFEIT AND SUBSTANDARD AIRCRAFT PARTS, FALSIFIED MAINTENANCE RECORDS, AND FRAUDULENT PILOT AND MECHANIC CERTIFICATIONS
November 5, 2012

**CONTRACT TOWERS CONTINUE TO PROVIDE COST-EFFECTIVE AND SAFE AIR TRAFFIC SERVICES, BUT IMPROVED OVERSIGHT OF THE PROGRAM IS NEEDED**

*Requested by the House Committee on Appropriations*

Established in 1982, FAA’s Federal Contract Tower Program currently oversees 250 contract towers that provide air traffic control services to airports nationwide at lower costs than similar FAA towers. On average, a contract tower costs about $1.5 million less to operate than a comparable FAA tower, mainly due to lower staffing and salary levels. In addition, contract towers had lower numbers and rates of safety incidents compared to similar FAA towers. Users remain strongly supportive of the program; however, we identified opportunities for FAA to enhance program oversight, including strengthening its financial controls and implementing voluntary safety reporting systems at contract towers. FAA concurred with our three recommendations to improve the Agency’s oversight of the contractual and safety aspects of the program.

January 17, 2013

**LETTER TO CONGRESSMAN NEUGEBAUER REGARDING FAA’S DECISION TO REALIGN THE ABILENE, TX, TRACON FUNCTIONS INTO THE DALLAS-FT. WORTH TRACON**

*Requested by Representative Randy Neugebauer*

FAA developed three business cases to evaluate the costs and potential savings associated with the realignment of Abilene Regional Airport’s terminal radar approach control facility. One business case—created by an independent contractor in February 2011—provides the most detailed cost comparison with its projected long-term air traffic controller labor costs, the largest cost driver of the realignment. However, none of these business cases provides enough information to determine whether the realignment would result in future cost savings or operational benefits. We also reported that the assumptions used in the three business cases regarding staffing levels, equipment, and other items only represent estimates of future costs, and will likely differ from what will actually be implemented, resulting in different costs and savings.
Audits

January 31, 2013

FAA AND INDUSTRY ARE ADVANCING THE AIRLINE SAFETY ACT, BUT CHALLENGES REMAIN TO ACHIEVE ITS FULL MEASURE

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

Following the February 2009 Colgan Air crash, Congress passed the Airline Safety and FAA Extension Act of 2010. FAA has made considerable and important progress implementing many elements of the act, such as advancing voluntary safety programs, improving pilot rest requirements, and establishing better processes for managing safety risks. Despite this progress, the Agency has not sufficiently targeted assistance to smaller air carriers, which face the most challenges in developing and implementing new safety programs. In addition, FAA faces challenges with meeting timelines for key rulemaking efforts and developing a long-term strategy for transitioning to a new pilot records database, including addressing privacy concerns.

We made five recommendations to FAA to improve its efforts in implementing the Act. FAA concurred or partially concurred with all five, but we are requesting that the Agency submit additional information on or reconsider its response to three.

February 14, 2013

GROWTH OF DOMESTIC AIRLINE CODE SHARING WARRANTS INCREASED ATTENTION

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

Mainline air carriers have increasingly entered into domestic code share agreements with smaller regional carriers to provide flights to their hub airports. Today, regional airlines account for over half of all scheduled commercial passenger flights, operating more than 13,000 flights daily and carrying approximately 160 million passengers. However, most domestic code share agreements go into effect without DOT review. While the Office of the Secretary (OST) is required to assess the impact that agreements between two major carriers may have on competition, only one-fifth of regional carriers are considered major. Further, FAA is not required to review domestic code share agreements and does not have specific procedures to advance its commitment to ensure an equivalent level of safety between mainline air

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Semiannual Report to Congress

Roughly 7,000 aircraft occupy U.S. airspace at any given time. To help maintain safe distances between air traffic controlled aircraft, FAA established minimum separation standards based on the aircraft’s phase of flight and size. Between fiscal years 2009 and 2010, the number of reported operational errors—losses of separation caused by air traffic controllers—increased by more than 50 percent. According to FAA, this increase was mostly due to enhanced reporting through new voluntary and automated reporting programs. However, FAA lacks an accurate baseline of the number of separation losses, and we determined that the increase was linked, in part, to a rise in actual errors and other contributing factors. Although FAA recently instituted new policies and procedures for improving the collection, investigation, and reporting of separation losses, the effectiveness of these procedures is limited by incomplete data and implementation challenges. FAA also developed new corrective action plans to mitigate high-risk separation loss events. While it is too early to determine their effectiveness, the plans do not include all safety risks that FAA has identified and will not address all losses of separation that air traffic facility officials consider to be high risk.

FAA concurred with four and partially concurred with two of our six recommendations to improve the Agency’s policies and processes for identifying and mitigating separation losses. We are requesting that FAA provide additional information or reconsider its response for two recommendations.

February 28, 2013

FAA’S EFFORTS TO TRACK AND MITIGATE AIR TRAFFIC LOSSES OF SEPARATION ARE LIMITED BY DATA COLLECTION AND IMPLEMENTATION CHALLENGES

Requested by the Senate Committee on Commerce, Science, and Transportation; its Subcommittee on Aviation Operations, Safety, and Security; and the House Committee on Transportation and Infrastructure
Audits and Investigations

October 11, 2012

GEORGIA AVIATION CONSULTANT SENTENCED FOR PRODUCING FRAUDULENT FAA SUPPLEMENTAL TYPE CERTIFICATES

Following his July 2012 guilty plea to conspiracy, Andrew K. Anderson—owner of Andrew K. Anderson, Aviation Consultant, LLC, Cartersville, GA—was sentenced in U.S. District Court, Rome, GA, to 37 months imprisonment and 3 years supervised release for his role in the forgery of a supplemental type certificate (STC) that falsely represented that Anderson obtained FAA approval to modify a regulated aircraft. Anderson was also ordered to pay $1,115,333 in restitution to his victims. FAA issues STCs to applicants who receive approval to modify an aircraft from its original type design. The STC approves not only the modification but also how that modification affects the original design. SIA Engineering Company contracted Anderson to obtain STCs to modify a Boeing aircraft owned and operated by Dubai Air Wing, a branch of the Dubai Government responsible for providing air transportation for government officials. Anderson provided the STCs to Dubai Air Wing, purporting FAA issued them, when in fact they were forged documents.

This investigation was conducted with assistance from FAA.

October 18, 2012

MULTIPLE INDIVIDUALS SENTENCED FOR THEIR ROLES IN AN AIRCRAFT PARTS CONSPIRACY

Rangel Fernandez, President; Ivan Fernandez, Vice-President; and Jerry Frystak, General Manager, Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), were sentenced in U.S. District Court, Fort Lauderdale, FL, for their roles in a scheme involving false representations that aircraft windows were overhauled properly when they were not. Rangel Fernandez was sentenced to 48 months incarceration, 3 years probation, and ordered to pay $68,033 in restitution. Ivan Fernandez was sentenced to 37 months incarceration and 3 years probation, and ordered to pay $68,033 in restitution. Jerry Frystak was sentenced to 10 months incarceration and 1 year probation.

These sentences stem from a multi-count indictment against 16 employees of ATR and TEG for conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows. OIG’s investigation revealed that from approximately August 2009 to August 2010, ATR employees continued repairing aircraft cockpit windows under a repair station certificate that was revoked in July 2009. As part of the scheme, ATR and TEG purchased “as removed” aircraft cockpit windows on the open market and backdated documents to make it appear as if the
windows had been retrieved from inventory prior to the certificate’s revocation. Additionally, serial numbers on the windows were changed to disguise the source and to further make it appear that all work had been performed prior to the revocation.

On October 19, 2012, Lisbet Gonzalez, former Office Manager, was sentenced to 21 months incarceration and 3 years supervised release, and ordered to pay $11,818.76 in restitution. Hermes Reyes, aircraft window painter, was sentenced to 4 years probation and 200 hours community service, and ordered to pay $7,150 in restitution. Myriam Cobo, sales representative, was sentenced to 3 years probation, and ordered to perform 150 hours of community service and to pay $9,600 in restitution.

On December 6, 2012, Dennis Romero, Shop Supervisor, ATR and TEG, was sentenced in U.S. District Court, Fort Lauderdale, FL, to 45 months incarceration and 3 years probation, ordered to pay $11,149.76 in restitution, and prohibited from working in the aviation industry while on probation.

This investigation is being conducted jointly with the Department of Labor (DOL) Office of Inspector General; the Federal Bureau of Investigation (FBI); and Immigration and Customs Enforcement, with substantial assistance from FAA.

October 23, 2012

FLORIDA PILOT SENTENCED FOR FALSIFICATION OF HIS FAA AIRMAN MEDICAL CERTIFICATE APPLICATION

Jonathon Vondracek, a commercial pilot and certified flight instructor, was sentenced in U.S. District Court, Tampa, FL, to 5 years probation and 90 days home detention for falsifying his FAA airman medical application. He was also ordered to perform 100 hours of community service, and to pay a fine of $2,000 and $51,237 in restitution to the U.S. Department of Veterans Affairs (VA).

The investigation revealed that the VA awarded Vondracek, a Navy veteran, 80 percent medical disability benefits for a series of service related medical conditions that included chronic obstructive pulmonary disease (COPD). Vondracek failed to disclose these medical conditions and his receipt of disability benefits on three FAA airman medical certificate applications. The investigation further determined that Vondracek did not actually suffer from COPD. As a result of these findings, Vondracek’s FAA-issued airman and medical certificates were revoked.

This investigation was conducted jointly with the VA Office of Inspector General.
October 29, 2012

SOUTHERN CALIFORNIA CHEMICAL PROCESSING COMPANY SENTENCED FOR PROVIDING FALSE STATEMENTS RELATED TO AIRCRAFT PARTS

Bowman Plating Company, Inc., a chemical processing company in Compton, CA, was sentenced in U.S. District Court, Los Angeles, CA, for providing false statements related to the chemical processing of aircraft parts sold to commercial aviation companies and to the Department of Defense. Bowman was ordered to pay a fine of $500,000, a special assessment of $1,200, and to serve 3 years probation.

In 2006, several companies submitted purchase orders listing required specifications for Bowman to complete chemical film coating—used to provide maximum corrosion resistance to aluminum alloy parts—for their aircraft parts. Bowman performed the coating, issued certificates of conformance (COC) certifying that the aircraft parts were processed in accordance with applicable specifications, and shipped the coated parts to his customers. Bowman also retained a third-party testing company to perform a chemical process control test, and the company issued a report documenting that the test had failed. The parts had already been shipped along with the COCs, and Bowman did not notify its customers of the failure.

This investigation was conducted jointly with the Defense Criminal Investigative Service.

October 30, 2012

FORMER OPERATIONS MANAGER PLEADS GUILTY TO RECKLESSLY ENDANGERING AIRCRAFT

Jerry E. Kuwata, former operations manager, WECO Aerospace Systems, Inc., Lincoln, CA, pleaded guilty in U.S. District Court, Sacramento, CA, to conspiracy to destroy an aircraft. According to the plea agreement, Kuwata conspired to conceal from customers and FAA that aircraft repairs did not comply with manufacturers’ component maintenance manuals—FAA-approved step-by-step guides that certified repair stations must follow when conducting repairs and the tests and inspections that must be done before parts can be returned to service. OIG’s investigation found that Kuwata and his co-conspirators performed or regularly directed WECO technicians to use unapproved parts in repairs—including, allegedly, a paper clip—and did not have the equipment needed to perform many of the required tests. Two co-conspirators, Michael Maupin and Anthony Zito, have already pleaded guilty and await sentencing.

This investigation is being conducted jointly with the FBI and Department of Homeland Security, Office of Inspector General.
InVESTIGATIONS

December 10, 2012

MODESTO MAN ORDERED TO REIMBURSE FAA $60,000 FOR DAMAGE CAUSED TO MODESTO AIRPORT

Kody Estepp was sentenced in U.S. District Court, Fresno, CA, to 1 month time served and 36 months supervised release for conspiring to steal 2,800 feet of copper cable from the Medium Intensity Approach Lighting System at the Modesto Airport. Estepp was also ordered to pay $60,000 in restitution to FAA for damages.

OIG began its investigation based on a referral from FAA alleging vandalism to the Modesto Airport’s approach lighting system. The investigation determined that on several occasions in January 2012, Estepp, and his co-conspirator, Robin Vanderheiden, broke into airport lighting towers, stole copper wire from the enclosed systems, and sold the stolen wire for cash or illegal narcotics. The theft of the copper cable caused the airport’s approach lighting to become inoperable, which posed a significant safety risk to incoming aircraft and neighboring residents, and may have required the diversion of aircraft.

This investigation was conducted jointly with the Modesto Police Department, with assistance from FAA.

January 16, 2013

CONSTRUCTION PROJECT MANAGER SENTENCED FOR HIS ROLE IN DBE FRAUD SCHEME ON NEW YORK AREA FAA-FUNDED PROJECT

Richard Schultz, project manager of Nationwide Construction, was sentenced in U.S. District Court, New York, NY, to 6 months home confinement to be followed by 3 years probation and 100 hours community service. He also consented to a monetary forfeiture of $61,750.

Schultz admitted that between 2007 and March 2011, he conspired with Madeline Pepe, of the Staten-Island based MS Construction Corporation, to commit disadvantaged business enterprise (DBE) fraud on a project funded through an FAA airport improvement project grant. The investigation disclosed that Nationwide Construction (a non-DBE) fraudulently performed a $1.1 million fencing subcontract that was contracted to MS Construction (a DBE) on an FAA-funded project at LaGuardia Airport in Queens, NY. They conspired to file documents with the Port Authority of New York & New Jersey, creating the appearance that MS Construction had performed the contract when, in fact, it did not.

This case is being conducted jointly with the DOL Office of Inspector General; the Port Authority of New York & New Jersey, Office of Inspector
Investigations

February 1, 2013

FORMER CARSON HELICOPTER EXECUTIVE INDICTED FOR FRAUD AND ENDANGERING THE SAFETY OF AIRCRAFT IN FLIGHT

Steven Metheny and Levi Phillips were indicted by a Federal grand jury in Medford, OR, for their roles in falsifying documents pertaining to a helicopter owned and operated by Carson Helicopter. Metheny is a former Vice President of Carson, and Phillips is the former Director of Maintenance and had reported directly to Metheny. Both men were charged with conspiracy to defraud the U.S. Forest Service (USFS) in connection with contracts awarded to Carson in 2008 for helicopter services in firefighting operations. Metheny was also charged with mail and wire fraud, making false statements to USFS, endangering the safety of aircraft in flight, and theft from an interstate shipment. A Carson helicopter crashed while performing contracted firefighting services for USFS. One of the crash victims was a USFS employee. NTSB’s safety investigation of the crash uncovered allegations that Carson falsified documents pertaining to a helicopter involved in the crash, which included weight and balance sheets and performance charts that enable a pilot to make accurate maximum payload calculations. The investigation determined that Carson submitted falsified or altered documents to USFS as part of its bid package, which included an altered FAA-approved performance chart and altered weight and balance charts. Carson pilots relied on these documents when determining their helicopter maximum payload calculations.

This investigation is being conducted jointly with the FBI; Internal Revenue Service, Criminal Investigation (IRS-CI); and the U.S. Department of Agriculture, Office of Inspector General.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.
March 26, 2013

PENNSYLVANIA MAN CONVICTED IN FALSE AIRCRAFT INSPECTION SCHEME

Joel Stout, of Elizabethtown, PA, pleaded guilty in U.S. District Court, Philadelphia, PA, to conspiracy and mail fraud related to his participation in a fraud involving unauthorized aircraft inspections and repairs at Flying Tigers, Inc., a former airplane repair business in Marietta, PA. Stout’s father, Jay Stout, the president of Flying Tigers, Inc., and Howard Gunter, a retired FAA examiner, were previously charged in the scheme.

Joel Stout admitted that between October 2006 and October 2009, Flying Tigers charged customers for more than 75 questionable annual aircraft inspections that were either not performed by FAA certified mechanics, or not performed at all. Joel Stout further admitted that Flying Tigers officials prepared fraudulent certifications and forged signatures of an unsuspecting certified inspector who had not performed the inspections. The fraud also included billing customers for the inspections that were not properly certified. Stout furthered the scheme by mailing invoices for the fraudulently performed inspections and receiving payments from customers.
OIG’s **HIGHWAY AND TRANSIT** work emphasizes safety and economy through audits of federal infrastructure programs, highway safety efforts, and motor carrier oversight programs, and through investigations of fraudulent commercial drivers licenses, drivers’ logs, and truck and bus maintenance records, as well as household goods fraud schemes, contracting and anti-trust violations, and DBE fraud.
AUDITS AND INVESTIGATIONS
HIGHWAY AND TRANSIT

Audits

October 1, 2012

IMPROVEMENTS TO STEWARDSHIP AND OVERSIGHT AGREEMENTS ARE NEEDED TO ENHANCE FEDERAL-AID HIGHWAY PROGRAM MANAGEMENT

Self-initiated

FHWA’s stewardship and oversight agreements with States formalize the roles and responsibilities of FHWA Division Offices and States to ensure adequate oversight of Federal funds, project quality, and safety. While FHWA fulfilled the statutory mandate to enter into these agreements, they do not consistently reflect Federal requirements or consider program risks and priorities that FHWA has identified. Notably, only 9 of 55 agreements refer to ARRA, despite its being the primary statute that imposed extensive financial and reporting requirements. Other exclusions and inconsistencies may limit Division Offices’ and States’ abilities to effectively carry out their oversight responsibilities. Further, FHWA has not provided sufficient guidance and oversight to Division Offices for developing and updating the agreements to ensure that inconsistencies reflect valid differences among States, and that legal concerns have been identified. We made five recommendations for strengthening FHWA’s oversight of its agreements. FHWA concurred with one and partially concurred with four.

November 14, 2012

FHWA HAS OPPORTUNITIES TO IMPROVE OVERSIGHT OF ARRA HIGH DOLLAR PROJECTS AND THE FEDERAL-AID HIGHWAY PROGRAM

Self-initiated

FHWA is responsible for overseeing $27.5 billion in ARRA funding committed to nearly 13,000 highway infrastructure projects, ranging from relatively simple paving projects to more complex bridge construction. As part of our ARRA oversight, we audited selected high dollar bridge and highway projects receiving at least $20 million and $25 million, respectively, in ARRA infrastructure investment grants. One-third of the States in our review did not perform required value engineering (VE) studies during the project planning or design phase for at least one ARRA project—a weakness we first reported in a June 2010 ARRA Advisory. Without comprehensive VE studies, FHWA missed opportunities to maximize ARRA investments. Further, FHWA did not consistently emphasize its cost estimating guidelines, designed to help ensure States obligate ARRA funds for projects based on best estimates of project costs. FHWA now must monitor ARRA obligations for any unused or idle funds that result from overestimation or other occurrences, and make certain that States re-obligate or return ARRA funds before they expire in 2015. We made four recommendations aimed at
Audits

ensuring States comply with VE study requirements and have sound cost estimates, and that FHWA effectively manage remaining unexpended ARRA funds. FHWA generally concurred with our recommendations.

February 6, 2013

NHTSA’S OVERSIGHT OF MISSISSIPPI’S MANAGEMENT OF FEDERAL HIGHWAY SAFETY GRANTS NEEDS STRENGTHENING

Requested by the National Highway Traffic Safety Administration

According to the National Highway Traffic Safety Administration (NHTSA), Mississippi’s rate of vehicle fatalities was the highest in the Nation from fiscal years 2008 through 2010. For fiscal years 2007 through 2010, NHTSA provided $20.8 million in highway safety grant funds to the Mississippi Office of Highway Safety (MOHS). Mississippi also transferred $36.3 million from its Federal-aid highway construction funds to its highway safety program to be used for alcohol-impaired driving programs. In January 2011, NHTSA designated Mississippi’s highway safety program as “high risk”—the only State so designated—because of deficiencies in its management of Federal funds and lack of conformance with Federal grant terms and conditions.

Our audit determined that MOHS entered into grant agreements with State and local law enforcement agencies that allowed the agencies to conduct general law enforcement activities that were ineligible for funds—instead of alcohol-impaired driving enforcement activities—which resulted in improper payments to sub-grantees. MOHS also made claims for reimbursement from NHTSA for these activities that were not directly related to alcohol-impaired driving. MOHS’s misuse of funds and its inadequate financial management controls were likely contributing factors to these improper payments. While NHTSA identified needed corrective actions, it lacks Agency guidance on how and when to invoke its high-risk designation, or when to use remedies and sanctions against States for not complying with Federal grant regulations. NHTSA agreed with our four recommendations for improving its oversight and working with the State of Mississippi on specific issues.
Audits

March 20, 2013

DOT HAS OPPORTUNITIES TO ADDRESS KEY RISK AREAS FOR PHASE 2 OF THE DULLES CORRIDOR METRORAIL PROJECT UPON APPROVAL OF FEDERAL FINANCING

Requested by Representatives Frank R. Wolf and Tom Latham

The Dulles Corridor Metrorail Project will add 11 metro stations and 23.1 miles to the Washington Area Transit Authority’s Metrorail system. Phase 1, which is expected to start transporting passengers in 2014, has an estimated cost of $3.1 billion. Phase 2, which is not yet under construction, is estimated to cost $2.5 billion to $3.8 billion. Our audit found that DOT has not fully developed an oversight strategy for Phase 2 because the local funding partners—the Metropolitan Washington Airports Authority (MWAA) and Fairfax and Loudoun Counties—have yet to receive approval of Federal credit assistance for the project. Because no Federal dollars have been obligated, we could not determine if DOT’s oversight of Phase 2 will be sufficient. Consequently, we are not making recommendations at this time. However, several lessons learned from our past audits could be instructive as DOT finalizes its oversight strategy. Our assessment of Dulles Toll Road revenue estimates suggests that MWAA’s assumptions for the estimates are generally reasonable.

March 26, 2013

FHWA PROVIDES SUFFICIENT GUIDANCE AND ASSISTANCE TO IMPLEMENT THE HIGHWAY SAFETY IMPROVEMENT PROGRAM BUT COULD DO MORE TO ASSESS PROGRAM RESULTS

Self-initiated

FHWA’s Highway Safety Improvement Program (HSIP) aims to reduce the number of fatalities and serious injuries on our Nation’s highways by providing funding to States for roadway safety improvements, such as guard rails and rumble strips. The program, which is implemented by States with FHWA oversight, has received over $13 billion in funding. While FHWA provides sufficient guidance and assistance to States to effectively implement HSIP, FHWA’s use of State-reported HSIP data is insufficient to identify program outcomes. Accordingly, we recommended that FHWA improve and increase the use of its online reporting tool and to annually compile and report data on HSIP projects to better assess HSIP’s national impact. FHWA concurred with our recommendations.
October 4, 2012

NORTHERN CALIFORNIA MAN SENTENCED IN SCHEME TO DEFRAUD NHTSA’S “CASH FOR CLUNKERS” PROGRAM

James Taylor, owner of Pinole-Rodeo Auto Wreckers, Rodeo, CA, was sentenced in U.S. District Court, Oakland, CA, for falsely certifying that he had destroyed vehicles after receiving payment from dealerships to dispose of them in accordance with NHTSA’s Consumer Assistance to Recycle and Save Act (CARS) program. Taylor was sentenced to 1 year probation and ordered to pay a $3,500 fine.

This investigation was initiated after the California Highway Patrol (CHP) discovered two vehicles at the Port of Oakland that were identified as CARS trade-ins. In March 2011, OIG executed a search warrant at Taylor’s place of business and obtained evidence that Taylor falsely represented to NHTSA and car dealerships that he had destroyed the vehicles, as he had been paid to do, when in fact he had sold the two cars and planned to export them through a freight-forwarder.

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

October 10, 2012

NORTH CAROLINA TRUCKING COMPANY SENTENCED FOR FALSIFYING DRIVERS’ RECORDS

Larry Morris Trucking was sentenced in U.S. District Court, Greensboro, NC, to 60 months probation for making false statements relating to the falsification of drivers’ hours of service records.

Federal Motor Carrier Safety regulations limit the number of hours a truck driver can operate a vehicle and require truck drivers to record their duty status to ensure that they do not exceed the maximum number of allowable driving hours and that they receive sufficient rest before driving again. OIG’s investigation revealed Larry Morris Trucking drivers’ records were falsified for the purpose of concealing the number of hours driven.

In June 2012, Larry W. Morris, president and owner of Larry Morris Trucking, entered a corporate guilty plea. As part of the plea agreement, the company agreed to install and maintain a computerized monitoring device on all trucks owned and operated by the company.

This investigation was conducted with assistance from the Federal Motor Carrier Safety Administration (FMCSA).
NEW YORK CONSTRUCTION COMPANY PRESIDENT SENTENCED FOR PREVAILING WAGE FRAUD SCHEME

Mohammad Azam Beig was sentenced in U.S. District Court, Brooklyn, NY, to serve 9 months home confinement followed by 3 years supervised release, ordered to forfeit $1,879,575, and pay a $500 special assessment.

In September 2007, Beig pleaded guilty to mail fraud and obstruction of justice resulting from his participation in a scheme to defraud public contracting agencies. While president of Takbeer Enterprises, a construction company, Beig required Takbeer laborers to kick back a portion of their earnings, which resulted in the submittal of false certified payrolls on federally funded contracts with DOT grantee agencies, such as the New York Metropolitan Transportation Authority, the Port Authority of New York & New Jersey, and the New York City School Construction Authority. In addition, while under a cooperation agreement with the U.S. Attorney’s Office, Beig continued to commit crimes by paying some of his workers in cash and not reporting the wages to the Internal Revenue Service, resulting in a tax loss of approximately $14,000.

This investigation was conducted jointly with IRS-CI and DOL Office of Inspector General.

MISSISSIPPI STATE EMPLOYEES SENTENCED FOR FALSIFYING CDL DOCUMENTS

Retired Lieutenant Colonel Joseph L. Rigby, Mississippi Department of Public Safety (DPS), Highway Patrol, Director, Driver Services, and Rene Morris, former clerk, DPS, were sentenced in U.S. District Court, Jackson, MS, for their involvement in a commercial driver’s license (CDL) testing scheme. Rigby was sentenced to 3 years probation and fined $3,000. Morris was ordered to serve 2 years probation and fined $1,000.

The investigation disclosed that Rigby, Morris, and several Mississippi State troopers assisted CDL applicants by creating false CDL test scores, enabling applicants to obtain CDLs and operational hazardous materials and passenger endorsements without meeting the required minimum State and Federal testing mandates. Additionally, troopers altered CDL records to reduce speeding infractions to lesser offenses and altered judicial adjudications of guilty on drivers’ records to prevent drivers from receiving judgments or license suspensions. OIG is currently working with FMCSA and DPS to correct altered driver records identified during this investigation.

This investigation was conducted jointly with the FBI and the Mississippi Bureau of Investigation, with FMCSA assistance.
October 17, 2012

COMPANY OWNER PLEADS GUILTY OF TRAFFICKING IN COUNTERFEIT AIRBAGS

Igor Borodin, owner of Krugger Auto, pleaded guilty in U.S. District Court, Charlotte, NC, to trafficking in counterfeit airbags and transporting the airbags in violation of hazardous materials regulations. In conjunction with his guilty plea, Borodin’s assets were seized pursuant to a criminal forfeiture warrant. The forfeiture totaled over $1.7 million, including 99 counterfeit airbags from Borodin’s business, 1,514 counterfeit airbags from his residence, $60,000 in cash, and the seizure of his residence.

Borodin was previously indicted for his role in trafficking counterfeit airbags and illegally shipping undeclared hazardous materials in air commerce. In testing the counterfeit airbags, NHTSA determined that the airbags were volatile systems that, when detonated, were capable of not deploying at all, or expending shrapnel and causing fire, or both.

This investigation was conducted jointly with the Department of Homeland Security Investigations, and the North Carolina Division of Motor Vehicles, Highway Patrol.

October 29, 2012

GUAM COMPANY AND ITS PRESIDENT PLEAD GUILTY TO CHARGES RELATED TO A “BUY AMERICA” FRAUD SCHEME ON AN ARRA FUNDED PROJECT

Hubtec International Corporation and its president and project manager, Young C. Kim, pleaded guilty in the District Court of Guam and Northern Mariana Islands to false statements in connection with a highway project. Hubtec and Kim admitted devising a scheme to defraud the Government of Guam’s Department of Public Works (DPW) and FHWA by falsely representing that they used U.S.-made reinforcement steel bars for a federally funded project in Guam.

In January 2010, DPW awarded Hubtec a contract for the reconstruction and rehabilitation of highway culverts. The contract—valued at $1.8 million, with $1.4 million funded through ARRA—required compliance with Buy America Act requirements that all steel and iron permanently incorporated into a project be manufactured in the United States. OIG’s investigation determined that Hubtec and Kim falsely represented that they used U.S.-made reinforcement steel bars for the project, when in fact they had incorporated Korean-made reinforcement steel bars, and committed fraud through a billing scheme that over-reported the costs of materials. OIG investigators determined
Investigations

that Kim submitted inflated invoices to FHWA in the amount of $154,392. In its plea agreement, Hubtec has agreed to pay restitution of approximately $150,000.

OIG is conducting this investigation jointly with the FBI, with FHWA assistance.

December 1, 2012

FLORIDA CONTRACTOR SETTLES CIVIL FALSE CLAIMS ON AN ARRA-FUNDED PROJECT

S&S Precast, Inc., and its owner Jerry Shannon, entered into a settlement agreement with the U.S. Attorney’s Office, Fort Myers, FL, in connection with a civil false claims investigation pertaining to S&S’s production of concrete K-Wall barriers for use on a federally funded road construction project. The agreement requires Shannon, on behalf of S&S, to pay the U.S. Government $50,000.

In late 2009, APAC Southeast, Inc., entered into a contract with the Florida DOT (FDOT) for a road construction project on I-75 in Lee County, FL—a project supported with FHWA funds provided through ARRA. In April 2010, S&S entered into a rental subcontract with APAC to supply K-Wall barriers for the project. The rental subcontract required the K-Wall barriers to be manufactured by S&S in accordance with FDOT manufacturing and production requirements. Shannon directed S&S employees to change the production date on the identification plates of 80 K-Wall barriers that had been manufactured previously, making it appear that the 80 barriers had been manufactured after S&S received the required manufacturing and production certification from FDOT.

This investigation was conducted jointly with the FDOT Office of Inspector General.

December 17, 2012

THREE MASSACHUSETTS MEN SENTENCED FOR DBE FRAUD

Dennis DeGrazia and David Hebert were sentenced in U.S. District Court, Boston, MA, for their roles in a conspiracy to defraud the U.S. Government in a scheme to impede, impair, and obstruct DOT’s DBE program.

The Massachusetts Port Authority (Massport) awarded FAA-funded Residential Soundproofing Improvement Program contracts in excess of $2.5 million to U.S. Window and Door Construction, Inc., a company DeGrazia and Hebert partially owned. For approximately 10 years, DeGrazia and Hebert indicated that Robert Dickerson—sole proprietor of Woodchuck’s Building and Home Center, a State-certified DBE—supplied windows and doors towards each contract’s DBE goal. However, Dickerson served as a pass-through and did not actually supply materials, incur expenses, or perform work. Throughout this time, companies that Hebert and DeGrazia worked
for or owned were awarded over $9.5 million in FAA-funded residential soundproofing contracts. Dickerson was paid a fee of up to 4 percent of the costs of materials for his role in the conspiracy. With Dickerson’s concurrence, the defendants submitted false documents to Massport to conceal Dickerson’s lack of activity and give the appearance that the DBE goal had been met.

DeGrazia was sentenced to 30 days incarceration, 2 years supervised release, and a $20,000 fine. Hebert was sentenced to 2 years supervised release and a $2,000 fine. Dickerson was sentenced on December 18, 2012, to 30 days incarceration, 2 years supervised release, and $10,000 fine.

January 10, 2013

COMPANY OFFICIAL SENTENCED FOR HIS ROLE IN DBE FRAUD

Michael Paletta, President of Crossboro Construction Contracting, was sentenced in U.S. District Court in New York, NY, to 3 years probation, a $50,000 criminal fine, and 100 hours community service.

Between 1994 and March 2011, Paletta, on behalf of Crossboro (a non-DBE), conspired with MS Construction (a DBE) to perform construction work on various federally funded bridge projects in Manhattan and other New York City boroughs where MS Construction was the purported DBE subcontractor. MS Construction was paid approximately 5 percent as a “fee,” and relied on Crossboro to perform the work. On September 11, 2012, Paletta pleaded guilty to a mail fraud conspiracy. As part of his plea agreement, Paletta agreed to forfeit $23,813. On September 13, 2012, Crossboro agreed to a civil settlement of $355,164 with the Southern District of New York to resolve a civil false claims action.

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

February 13, 2013

FORMER DIRECTOR OF BROWARD COUNTY PUBLIC WORKS DEPARTMENT, TWO FLORIDA CONTRACTORS, AND ANOTHER CHARGED WITH BRIBERY

On January 23, 2013, in U.S. District Court, Miami, FL, Jihad El Eid, former Director of Broward County Traffic Engineering Division Department (BCTED), and Wael El Eid were charged with bribery in connection with programs receiving Federal funds, highway fraud, mail fraud, extortion, and conspiracy. Also charged in connection with this scheme were Anthoneel Allen, owner of Southeast Underground Utilities, Corporation (SUU), and James Hashim, former Vice-President of SUU. Allen and Hashim were also charged with DBE
Violations. Hashim pleaded guilty on February 1, 2013, and Allen pleaded guilty on February 13, 2013, to charges of conspiracy to commit bribery in programs receiving Federal funds, highway fraud, mail fraud, extortion, and tax fraud.

The investigation revealed that from fall 2006 through 2010, Allen and Hashim provided Jihad El Eid, at his request, more than $150,000 in cash; a 2003 Ford Taurus; and a job at SUU for Wael El Eid, Jihad's relative. In return, Jihad El Eid allegedly helped SUU obtain work on multi-million dollar projects initiated by BCTED—part of a larger federally funded project. The investigation disclosed that Jihad El Eid assisted SUU's overpayment of at least $3 million. In addition, Allen, on behalf of SUU, filed a fraudulent application to have SUU certified as a DBE, resulting in the award of approximately 25 fraudulent contracts and subcontracts to SUU in excess of $10 million.

This investigation is being conducted jointly 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.

February 19, 2013

Montana Man Sentenced for Making False Statements on ARRA Funded Idaho Bridge Project

Kip Harris, former lead superintendent at Sletten Construction, Granite Falls, MT, was sentenced in U.S. District Court, Boise, ID, to 3 years probation and ordered to pay a $750 fine and a $100 special assessment. Harris was indicted in September 2012 for making false statements regarding the quality of work Sletten performed on the U.S. 2 Dover Bridge project near Coeur d'Alene, ID—a $21.6 million project funded by ARRA. Harris directed laborers under his supervision to modify nonconforming anchor bolts so they would appear to Idaho Transportation Department (ITD) inspectors to conform to project plans, knowing that the anchor bolts did not conform to the contract specifications.

ITD inspectors discovered the deficiencies during a routine construction inspection of the new bridge's piers. Inspectors found approximately 100 improperly installed bolts. FHWA and ITD had bridge experts evaluate the safety risks that the deficient anchor bolts posed to the bridge. Both agencies determined that the consequences of not discovering and repairing the non-confirming anchor bolts would have had a minimal impact on the structural integrity of the bridge. Sletten has since made repairs to the bridge to correct the
deficiencies. FHWA suspended Harris in October 2011, and Sletten terminated his employment with the company shortly thereafter.

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

**February 20, 2013**

**FLORIDA BUSINESS OWNER SENTENCED TO PROBATION FOR FALSE CLAIMS**

Jonathan Jenkins, owner of MLA Furniture, was sentenced in U.S. District Court, Orlando, FL, to 5 years probation, ordered to make restitution in the amount of $242,981, and fined $100 for his role in filing fraudulent claims for reimbursement of moving and relocation expenses. On January 25, 2013, Tina Marie Pollard, a former FDOT employee, pleaded guilty in U.S. District Court, Orlando, FL, to conspiracy and money laundering for her role in the scheme.

As part of a plan to widen 20 miles of Interstate 4, FDOT purchased property in 2006 that MLA Furniture rented in Orlando. The right-of-way property was procured with Federal and State grant funds. Pollard worked out of FDOT’s DeLand office as a right-of-way agent whose job was to help relocate people and businesses displaced by transportation projects. In return for receiving $30,000, Pollard conspired with MLA to process fictitious claims representing that MLA Furniture had applied for reimbursement of relocation expenses, even though MLA had not incurred any expenses. The investigation determined that Pollard deposited the funds into her personal bank account.

This investigation was conducted jointly with the FDOT Office of Inspector General.

**February 20, 2013**

**FORMER ILLINOIS POLICE COMMANDER CHARGED WITH MAKING FALSE STATEMENTS**

Timothy J. Veit, a former commander with the Des Plaines, IL, Police Department, was charged in U.S. District Court, Chicago, IL, with making false statements relating to a scheme to defraud a NHTSA funded program.

From approximately 2009 through 2012, Veit allegedly made false statements in reports that concealed the police department’s failure to meet the requirements of federally funded impaired driving enforcement campaigns. Veit, project director for the police department, allegedly inflated DUI arrests that resulted in the department receiving $132,893 in Federal reimbursement for overtime compensation to Veit and other police officers. As the project director, Veit was responsible for certifying departmental compliance with NHTSA’s participation requirements. Veit inflated the DUI arrests and provided false
Investigations

information about blood alcohol content levels on the reimbursement forms.

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

February 22, 2013

CHICAGO CONTRACTOR SENTENCED IN A DBE FRAUD SCHEME

Anthony Cappello was sentenced in U.S. District Court, Chicago, IL, to 6 months home confinement, 24 months probation, and a $25,000 fine; and ordered to pay $169,076 in restitution for mail fraud. In July 2012, Cappello admitted that from approximately 1999 through May 2006, he participated in a scheme to defraud the Government of more than $2.3 million in contracts with the Chicago Department of Aviation related to the Women in Business Enterprise (WBE) and DBE programs. Cappello falsely represented that his wife’s company, Stealth Group, Inc.—a certified WBE/DBE—performed the work, when in fact Cappello’s company, Diamond Coring, performed the work on behalf of Stealth Group.

This case was conducted jointly with the FBI, DOL Office of Inspector General, and the City of Chicago Office of Inspector General.

February 25, 2013

OWNER OF MINNESOTA TRUCKING COMPANY SENTENCED FOR THEFT

Gary Bauerly, owner and operator of WATAB Hauling, was sentenced in Hennepin County District Court, Minneapolis, MN, and ordered to pay $52,157 in restitution related to his guilty plea to theft charges.

This investigation determined that, from July through December 2007, Bauerly submitted fraudulent documents to obtain payments as a subcontractor and employed a series of schemes—including providing false payroll reports to contractors and Government contract administrators—to avoid paying prevailing wages, totaling approximately $52,000, owed to WATAB employees. Bauerly provided fraudulent information to general contractors and contract administrators for federally funded municipal, county, and State contracts. The contracts specified that employees were to be paid according to the prevailing wage rate in the area.

This investigation was conducted jointly with the Minnesota Department of Transportation and the Hennepin County Attorney’s Office.
Investigations

February 25, 2013

CONNECTICUT BUS COMPANY AND OFFICE MANAGER PLEAD GUILTY TO FALSIFICATION OF DRIVERS RECORDS

Wisla Express, LLC—a New Britain, CT, commercial passenger carrier operating vans, mini-buses, and tour buses—pleaded guilty in U.S. District Court, Hartford, CT, in connection with its role in presenting falsified documents to FMCSA in response to FMCSA’s demand for documents during its 2010 inspection of Wisla. Wisla’s Office Manager, Dariusz Szteborowski, of Rocky Hill, CT, pleaded guilty on February 22, 2013, in connection with the scheme.

The investigation disclosed that Szteborowski submitted false and fraudulent drivers’ logs to FMCSA that he created, or caused others to create, and maintained to make it appear that Wisla had met FMCSA’s reporting requirements. Szteborowski and others working with and for him and Wisla often assigned drivers to trips knowing that the drivers would be exceeding the regulated limits of on-duty driving time. To hide these violations from FMCSA inspectors, Szteborowski often instructed the drivers and other Wisla employees to record falsely in the logs that drivers were off-duty during those times, then submitted the falsified logs to FMCSA during its inspections.

The investigation was conducted with FMCSA assistance.

March 5, 2013

EIGHT CHARGED IN MOVING COMPANY SCHEME IN CALIFORNIA

A grand jury in Santa Clara County, CA, charged eight individuals who owned and/or were employed by ASAP Relocations, Inc., San Jose, CA, for their roles in a scheme to defraud customers who had hired ASAP to move their household goods. The individuals charged were Roni Hayon, ASAP owner and Chief Executive Officer; Adii Therese Karter, Hayon’s wife; Wayne Allen, ASAP Sales Manager; Adalinda Reyna-Mendoza, ASAP Customer Service and Dispatch Manager; Elazar Nisanov, ASAP Foreman; Moaz Kadesh, ASAP Foreman and Office Manager; Ido Or, ASAP Foreman and Office Manager; and Noam Israeli, ASAP Foreman and Office Manager. The charges include conspiracy to commit grand theft, extortion, money laundering, tax fraud, and filing false employment tax returns.

OIG has participated in several operations in conjunction with investigations of household goods moving companies with numerous complaints against them for holding customers’ goods hostage until illegally inflated charges were paid. In January 2010, an OIG agent arranged for a move with ASAP from Nevada to California and received a telephone quote of $1,461. After the goods were loaded, the agent was informed that the move would cost $3,138, more than twice the original quote. Of the $1,677 in overages, $900 was for packing materials.

This investigation was conducted jointly with the Santa Clara District Attorney’s Office, Monterey.
Investigations

March 8, 2013
FORMER DALLAS COUNTY DEPUTY SENTENCED

Johnny Quarles, former Dallas County Deputy Sheriff, was sentenced in Dallas County Criminal Court, Dallas, TX, in conjunction with his plea to tampering with Government records. Quarles was sentenced to 3 years of community supervision and was ordered to pay a $2,500 fine, $240 in court costs, and $2,232 in community supervision fees. Quarles was also ordered to surrender his Texas police officer’s license.

Quarles is one of three deputies who were indicted in Dallas County for submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued in 2009, 2010, and 2011 while working overtime under the Selective Traffic Enforcement Program, which is funded through a NHTSA grant. During this investigation, Dallas County has repaid $214,030 in ineligible costs to NHTSA.

We are conducting this investigation jointly with the Dallas County Sheriff’s Office, with assistance from NHTSA and the Texas Department of Transportation.

March 21, 2013
PRESIDENT AND OWNER OF A NEW YORK-BASED DBE CONTRACTOR PLEADS GUILTY

Yona Jimenez, aka “Yona J. Bocchino,” president and owner of Global Marine Construction Supply (GMCS), a certified DBE, pleaded guilty in U.S. District Court, White Plains, NY, to a mail fraud charge.

On October 6, 2011, Jimenez was charged for her role as a pass-through DBE purporting to provide structural steel on the FHWA-funded Cross Westchester Expressway Project. Between approximately June 2006 and October 2009, the general contractor claimed that GMCS had been awarded a subcontract valued at over $6 million to supply structural steel to reconstruct bridges, although another company (a non-DBE) actually supplied the steel. The general contractor then claimed credit for the services provided by GMCS towards meeting its DBE goal. GMCS was paid approximately 1 percent of the subcontract value as a commission.

We are conducting this investigation jointly with the Metropolitan Transportation Authority of New York Office of Inspector General, and the Port Authority of New York & New Jersey Office of Inspector General.
IN FOCUS
COMBATING HOUSEHOLD GOODS FRAUD

Each year, approximately 4,000 interstate moving companies transport the household goods (HHG) of 1.6 million Americans. And each year, FMCSA receives about 2,200 consumer complaints regarding interstate movers. Some of these complaints involve egregious offenses, such as holding goods hostage. Protecting consumers from these rogue companies is an important part of OIG’s case work, and our investigations have targeted suspect HHG brokers and carriers that demand significantly larger sums of money than originally quoted before releasing the consumer’s goods. To carry out this extortion, brokers and carriers engage in other illegal activities that include conspiracy, wire fraud, mail fraud, money laundering, and falsification of bills of lading and shipment weight documents.

FMCSA is responsible for the civil enforcement of the consumer protection and economic regulations governing interstate HHG transportation. While FMCSA has taken a number of actions to protect consumers—including requiring moving companies to provide customers with FMCSA’s booklet on consumer rights and responsibilities when they move—OIG investigations, and the resulting criminal prosecutions and sanctions, are strong deterrents to violators who consider civil penalties simply a cost of doing business.

To remove unscrupulous HHG movers before they victimize more American consumers, OIG’s Office of Investigations launched “Operation Boxed Up,” a proactive, cooperative initiative that targets groups of interrelated carriers and brokers engaged in HHG fraud schemes. To formally kick off Operation Boxed Up, we held a joint training session with FMCSA, emphasizing the importance of OIG-FMSCA cooperation to target those who prey on the trust of unsuspecting consumers.

By analyzing databases from FMCSA’s HHG regulatory program, we identified the consumer complaints on the most egregious actions by HHG carriers and brokers. To date, we have opened over a dozen investigations with hundreds of victims defrauded out of nearly three quarters of a million dollars, executed 10 search warrants, and made 7 arrests. Further, nine individuals have been indicted in connection with these fraud schemes.
One noteworthy Operation Boxed Up investigation led to the indictment of the owners and two employees of two moving companies on charges associated with hostage HHG schemes designed to unjustly enrich the companies’ owners. These schemes involved HHG brokers (or companies representing themselves as HHG brokers) luring customers by offering extremely low moving estimates, transferring the brokered loads to the unscrupulous carrier or one of its affiliates, and taking possession of customers’ goods. The movers then significantly increased the moving costs and withheld delivery until the customers paid the fraudulently inflated prices. In addition, customers were threatened that if they refused to pay, their goods would be auctioned. Our investigations of these complicit companies have identified 36 victims to date, with an approximate loss of $126,000.

In one transaction, an elderly couple relocating from Colorado to Nevada because of the wife’s poor health contacted a trucking company found on the Internet. The company—which acted as an HHG broker but was not registered with FMCSA as either an HHG broker or carrier—provided the couple a $1,340 estimate. After the contents of the couple’s home had been loaded on the truck and driven away, the husband was told that the cost of the move would now be around $7,400—a more than 500-percent increase. Included in the goods being held hostage was the wife’s wheelchair, which the owners of the carrier refused to release, saying “you are not getting it, period” or any of the other property until the extortionate revised cost of the move was paid. We later found out that the owner of the moving company was using the victim’s computer and his flat screen television in the business.

In connection with Operation Boxed Up, OIG’s Office of Investigations launched a “Wanted Fugitives” Web page to elicit credible tips from the public to locate and bring fugitives from OIG cases to justice. Currently, these fugitives have outstanding warrants for their arrest in connection with HHG moving fraud. We encourage anyone with knowledge of their whereabouts to contact OIG at 800-424-9071, rather than attempt to apprehend someone they suspect may be a fugitive.
OIG LAUNCHED A “WANTED FUGITIVES” WEB PAGE TO ELICIT TIPS FROM THE PUBLIC TO LOCATE AND BRING FUGITIVES TO JUSTICE

OIG Wanted Fugitives

Defendants charged with transportation related crimes sometimes flee the court's jurisdiction and/or the United States rather than face prosecution or serve a sentence. When these circumstances occur, they become fugitives from justice. The following are fugitives sought by the OIG’s Office of Investigations.

Do not attempt to apprehend any of these individuals.

Contact the OIG at 1-800-424-9071 or your local police.

Jovan H. Balknight
DOB: 08.02.1979
Height: 5' 11"
Weight: 210 lbs.
Wanted For: Fraud Involving Moving Company

Eli Kaupp
DOB: 02.23.1981
Height: 6' 1"
Weight: 176 lbs.
Wanted For: Fraud Involving Moving Company

Barak Braunshtain
DOB: 06.25.1975
Height: 6' 2"
Weight: 176 lbs.
Wanted For: Fraud Involving Moving Company
OIG’S RAIL, MARITIME, HAZMAT TRANSPORT, AND ECONOMIC ANALYSIS
WORK EMPHASIZES SAFETY AND ECONOMY THROUGH AUDITS OF RAIL, MARITIME, PIPELINES, AND HAZARDOUS MATERIALS SAFETY PROGRAMS, AS WELL AS ECONOMIC ANALYSIS AND SURFACE TRANSPORTATION FINANCING, AND THROUGH INVESTIGATIONS OF ILLEGAL PACKAGING AND TRANSPORTATION OF HAZMAT AND CRIMINAL VIOLATIONS OF PIPELINE SAFETY LAWS AND REGULATIONS
November 1, 2012

FRA’S REQUIREMENTS FOR HIGH-SPEED RAIL STAKEHOLDER AGREEMENTS MITIGATED RISK BUT DELAYED SOME PROJECT BENEFITS

Self-initiated

The Federal Railroad Administration’s (FRA) High-Speed Intercity Passenger Rail (HSIPR) grant program represents an unprecedented Federal investment in the U.S. intercity passenger rail system. In the 3 years since it established HSIPR, FRA has awarded and obligated over $10 billion in grant funds—$8 billion of which were funded through ARRA.

While FRA established stakeholder service outcome agreements for long-term corridor projects before obligating funds, most long-term project grantees lack the maintenance and construction agreements required to receive funds and start work. Continued delays in completing these agreements threaten HSIPR’s long-term goals because obligated funds will sit idle instead of being made available for projects that have completed agreements and a greater likelihood of success. Further, FRA’s initial focus on long-term projects delayed short-term project obligations and the determination of requirements for short-term project agreements.

We recommended that FRA develop the policies and guidance needed to ensure HSIPR projects achieve their intended benefits. The Agency generally concurred with our recommendations and indicated that it is committed to addressing the issue of further guidance if more HSIPR funding becomes available. We conducted this review as part of our ongoing ARRA oversight work.

December 6, 2012

A GRANTS MANAGEMENT FRAMEWORK AND STAKEHOLDER AGREEMENTS ARE KEY TO FULLY IMPLEMENTING FRA’S HIGH-SPEED INTERCITY PASSENGER RAIL PROGRAM

Testimony before the House Committee on Transportation and Infrastructure

The Assistant Inspector General for Rail, Maritime, Hazmat Transport, and Economic Analysis testified on FRA’s implementation of its High Speed Intercity Passenger Rail Program. Specifically, he discussed the progress FRA has made since the program was created and expanded the Agency’s role from primarily promulgating railroad safety regulations to overseeing $10.1 billion in grant funds. The Assistant Inspector General also described the challenges FRA faces as it works to establish a grants management framework that ensures effective program implementation and the integrity
Audits

March 27, 2013

AMTRAK’S NEW COST ACCOUNTING SYSTEM IS A SIGNIFICANT IMPROVEMENT, BUT CONCERNS OVER PRECISION AND LONG-TERM VIABILITY REMAIN

Required by Section 203(b) of PRIIA

Amtrak’s new cost accounting system—Amtrak Performance Tracking (APT)—captures and reports Amtrak’s financial performance by route, line of business, and major activity, as required by the Passenger Rail Investment and Improvement Act (PRIIA). While APT is a significant improvement over its predecessor, implementation problems and heavy reliance on cost allocation have affected the timeliness and precision of its reports. Further, APT’s highly customized design will make it costly to maintain, raising concerns regarding its long-term utility. Finally, the methodology FRA plans to use to determine the cost savings from a route’s discontinuation has significant limitations that would substantially reduce the value of savings estimates provided to Amtrak and Congress. We made several recommendations to FRA to improve the precision of Amtrak’s financial performance reporting. While FRA concurred with our recommendations and provided planned actions and target dates for completion, FRA stated that its avoidable cost methodology fulfills the purpose of providing an order of magnitude estimate of changes to Amtrak’s expenses from the elimination of a single route. We question FRA’s assertion and, therefore, have asked FRA to reconsider its response to this recommendation.
Investigations

October 2, 2012

STOCKTON MAN FINED $100,000 FOR UNLAWFULLY REFILLING AND TRANSPORTING COMPRESSED NATURAL GAS CYLINDERS

James Richard Giles, a former owner of Clean Fuels LLC, in Stockton, CA, was sentenced in U.S. District Court, Sacramento, CA, to serve 5 years of supervised release and ordered to pay $100,000 in fines for the willful and unlawful refilling of a compressed natural gas cylinder that was overdue for its 5-year requalification and then offering it for transportation.

The highly pressurized cylinders store various kinds of gases, some of which can be extremely hazardous. OIG began investigating the case following a complaint from a former employee of Clean Fuels—a company that transported compressed natural gas—who alleged that Giles was refilling metal cylinders with compressed natural gas that were well beyond their required 5-year requalification dates. Our investigation determined that Giles transported 38 refilled cylinders of compressed natural gas—all of which had requalification dates that had expired—from Stockton to Pacific Gas and Electric’s natural gas refilling station in San Joaquin, CA.

OIG conducted this investigation with significant assistance from the Pipeline Hazardous Materials Safety Administration (PHMSA).

December 18, 2012

FORMER HEAD OF OTTUMWA TRANSIT AUTHORITY INDICTED

Pamela Ward, former Transit Administrator for Ottumwa Transit Authority (OTA) and 10-15 Transit, Ottumwa, IA, was indicted by a grand jury in U.S. District Court, Des Moines, IA, for making false statements. Between 2006 and 2010, Ward allegedly submitted false ridership data to the Iowa Department of Transportation and 10-15 Transit to fraudulently secure additional Federal Transit Administration (FTA) grant funding for those agencies.

An Iowa State Auditor’s Office uncovered several alleged violations by OTA, including overstated passenger counts on documents submitted to the State and FTA; records destruction and failure to retain documents as required; payments to Ward Construction, a company owned by the OTA Director’s husband; and the use of OTA facilities for oil changes, car washing, maintenance, and detailing of personal vehicles.

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

January 17, 2013

HAWAII RESIDENT SENTENCED FOR ILLEGALLY SHIPPING FIREWORKS

Patrick Kamehameha Powers, a resident of Kailua, HI, was sentenced in U.S. District Court, Los Angeles, CA, for his role in the transport of undeclared fireworks from Ft Collins, CO, to Ontario, CA, and from Ontario to Honolulu, HI. Powers failed to mark the packages that contained the fireworks with the proper shipping name or identification number for the hazardous materials inside. Powers was sentenced to serve 1 year probation and ordered to pay a $100 special assessment.

In January 2009, FAA’s Hazardous Materials Branch, Los Angeles/Honolulu Field Office advised that in November 2008, several individuals, one of whom was Powers, illegally shipped fireworks by UPS to an address in Hilo, HI. Fourteen packages falsely labeled as household goods were shipped to an address in Hilo from Office Depots in Wyoming and Colorado. The packages were each transported by UPS ground and eventually transported to Honolulu by air carrier. A UPS driver in Honolulu discovered the illegal fireworks when one of the packages broke open. Powers admitted that he illegally shipped the fireworks to Hawaii for one of his former real estate clients, using fictitious shipping names and addresses on paperwork associated with the shipments, and shipped the fireworks from three different Office Depots to avoid being detected. He also admitted that he knew the shipments of fireworks would eventually be shipped to Hawaii by way of ground and air transport.

This investigation was conducted with substantial assistance from FAA.

March 15, 2013

WIFE OF FORMER VIRGINIA RAILWAY EXPRESS EMPLOYEE SENTENCED FOR HELPING HUSBAND CONCEAL RECEIPT OF OVER $200,000 IN BRIBES

Angela Jannell was sentenced in U.S. District Court, Alexandria, VA, to 6 months home confinement, 1 year of supervised release, and 40 hours of community service for concealing that her husband, Kevin Wirth Jannell, took more than $200,000 in bribes to ensure a Virginia Railway Express (VRE) subcontractor would be retained by VRE. In January 2013, Kevin Jannell, a former facilities manager for VRE, was sentenced in U.S. District Court, Alexandria, VA, to 24 months incarceration followed by 2 years supervised release for accepting the bribes.

The investigation revealed that from 2003 through March 2012, Kevin Jannell agreed to receive up to $4,000 a month in return for giving favorable evaluations that would ensure an individual and
the individual’s company would be retained as a subcontractor for VRE. He concealed the bribes by creating a fraudulent company and sending monthly invoices from the company to the subcontractor, falsely billing the subcontractor for services that were never rendered. Angela Jannell had signed the paperwork creating the fraudulent company for which she was the president.

This investigation was conducted jointly with the FBI.
OIG’S FINANCIAL AND INFORMATION TECHNOLOGY WORK EMPHASIZES ECONOMY AND EFFICIENCY THROUGH AUDITS OF FINANCIAL STATEMENTS, INFORMATION TECHNOLOGY SECURITY, AND OVERSIGHT OF SINGLE AUDITS
AUDITS AND INVESTIGATIONS
FINANCIAL AND INFORMATION TECHNOLOGY

Audits

November 2, 2012
QUALITY CONTROL REVIEW OF THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011

Required by the Government Corporation Control Act

We conducted a quality control review of an audit performed by Chiampou Travis Besaw & Kershner LLP, on the Saint Lawrence Seaway Development Corporation’s (SLSDC) financial statements for fiscal years 2012 and 2011. Chiampou Travis Besaw & Kershner LLP, under contract to SLSDC, issued a clean (unqualified) audit opinion on SLSDC’s financial statements. Its report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested.

November 8, 2012
QUALITY CONTROL REVIEW OF NTSB’S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011

Required by the Accountability of Tax Dollars Act

We conducted a quality control review of an audit performed by Leon Snead & Company, P.C., on the National Transportation Safety Board’s (NTSB) financial statements for fiscal years 2012 and 2011. Leon Snead & Company, P.C., under contract to OIG, issued a clean (unqualified) audit opinion on NTSB’s financial statements. Its report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested.

November 14, 2012
QUALITY CONTROL REVIEW OF FAA’S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011

Required by the Office of Management and Budget, Pursuant to the Chief Financial Officer’s Act, as Amended

We conducted a quality control review of an audit performed by KPMG LLP on FAA’s financial statements for fiscal years 2012 and 2011. KPMG LLP, under contract to OIG, issued a clean (unqualified) audit opinion on FAA’s financial statements. KPMG LLP’s report included two significant deficiencies in internal control over financial reporting. There were no instances of reportable noncompliance with laws and regulations tested.
Audits

November 14, 2012

FISMA 2012: ONGOING WEAKNESSES IMPEDE DOT’S PROGRESS TOWARD EFFECTIVE IT SECURITY

Required by the Federal Information Security Management Act of 2002 (FISMA)

DOT has improved its security controls, including enhancing the Department’s cyber security policy and guidance. However, the Department has not met Federal information technology (IT) security requirements. As a result, the Department’s information systems remain vulnerable to serious security threats and risks due to continued deficiencies in DOT’s information security procedures, controls, and remediation measures.

November 15, 2012

QUALITY CONTROL REVIEW OF DOT’S AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011

Required by the Chief Financial Officer’s Act, as Amended

We conducted a quality control review of an audit performed by KPMG LLP on DOT’s consolidated financial statements for fiscal years 2012 and 2011. KPMG LLP, under contract to OIG, issued a clean (unqualified) audit opinion on DOT’s consolidated financial statements. KPMG LLP’s report included one material weakness and two significant deficiencies in internal control over financial reporting. In addition, KPMG LLP’s report included two instances of reportable noncompliance with laws and regulations tested.

November 16, 2012

QUALITY CONTROL REVIEW FOR CONTROLS OVER THE ENTERPRISE SERVICES CENTER

Required by Office of Management and Budget Memorandum M-08-24

We conducted a quality control review of KPMG LLP’s attestation engagement pertaining to the Enterprise Services Center’s description of its system and the suitability of the controls’ design and operating effectiveness. The Department determined that our report contains sensitive security information; accordingly, we are not publicly disclosing our results.
Audits

December 7, 2012

QUALITY CONTROL REVIEW OF SINGLE AUDIT ON THE ORANGE COUNTY TRANSPORTATION AUTHORITY

Self-initiated

We conducted a quality control review of a single audit performed by Vavrinek, Trine, Day & Co., LLP (VTD) on the Orange County Transportation Authority’s use of DOT grants for the fiscal year ending June 30, 2011. During this period, the authority expended approximately $100 million from DOT’s major grant programs. VTD determined that the Federal Transit Cluster was a major program. We determined that VTD’s work was acceptable with deficiencies, and therefore generally met the requirements of generally accepted Government auditing standards; the Single Audit Act of 1984, as amended; and Office of Management and Budget (OMB) Circular A-133. We found nothing to indicate that VTD’s opinion on the Authority’s reports on internal control and compliance were inappropriate or unreliable. However, we identified deficiencies in audit documentation that VTD needs to correct in future audits. Based on VTD’s explanations, we determined that these deficiencies did not alter the overall results of the audit.

December 19, 2012

FAA HAS NOT ADEQUATELY IMPLEMENTED SECURITY REQUIREMENTS FOR ITS EN ROUTE AUTOMATION MODERNIZATION SYSTEM

Self-initiated

FAA plans to replace its 30-year-old En Route Host computer and backup system—as well as more than 800 controller workstations at FAA’s Air Route Traffic Control Centers across the country—with the En Route Automation Modernization (ERAM) Program. The program will facilitate aircraft separation and improve flight plan processing with flexible routing options; provide safety alerts to prevent collisions and congestion; and enable controllers to better handle unplanned events. We assessed the effectiveness of ERAM’s information security controls, including whether or not FAA is identifying security risks and properly mitigating them. The Department determined that our report contains sensitive security information; accordingly, we are not publicly disclosing our results.
Audits

February 1, 2013

INSPECTOR GENERAL REVIEW OF FISCAL YEAR 2012 DRUG CONTROL FUNDS AND PERFORMANCE SUMMARY REPORTING, FEDERAL AVIATION ADMINISTRATION

Required by the Office of National Drug Control Policy (ONDCP) Circular

Review procedures were performed on FAA's fiscal year 2012 Drug Control Obligation and Performance Summary Reports and management’s assertions. Our review processes were limited to inquiries and analytical procedures appropriate for an attestation review based on the criteria specified in ONDCP’s Circular. Specifically, we tested selected accounting internal control procedures to ensure drug control funds were properly identified in the accounting system. We also reviewed FAA’s internal controls for performance measures to gain an understanding of how the measures were developed. During our review, no information came to our attention that the accompanying FAA fiscal year 2012 Drug Control Obligation Summary and Performance Summary reports were not presented in conformity with the ONDCP Circular.

February 1, 2013

INSPECTOR GENERAL REVIEW OF FISCAL YEAR 2012 DRUG CONTROL FUNDS AND PERFORMANCE SUMMARY REPORTING, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Required by the ONDCP Circular

Review Procedures were performed on NHTSA’s fiscal year 2012 Drug Control Obligation and Performance Summary Report and management’s assertions. Our review processes were limited to inquiries and analytical procedures appropriate for an attestation review based upon the criteria specified in the Circular. Specifically, we tested selected accounting internal control procedures to ensure drug control funds were properly identified in the accounting system. We also reviewed NHTSA’s internal controls for performance measures to gain an understanding of how the measures were developed. During our review, no information came to our attention that the accompanying NHTSA fiscal year 2012 Drug Control Obligation Summary and Performance Summary reports were not presented in conformity with ONDCP’s Circular.
March 14, 2013

DOT’S FISCAL YEAR 2012 IMPROPER PAYMENT REPORTING GENERALLY COMPLIES WITH IPERA

Required by the Improper Payments Elimination and Recovery Act of 2010

In July 2010, President Obama signed the Improper Payments Elimination and Recovery Act (IPERA)—which amended the Improper Payments Information Act of 2002—to encourage the elimination of payment error, waste, fraud, and abuse in Federal programs. IPERA requires improper payment rates of less than 10 percent at Federal programs. It also requires Federal agencies to test annually for improper payments in their programs and to publish reports on their findings in their Annual Financial Reports. IPERA calls for inspectors general to review their agencies’ compliance with IPERA and to submit reports to the heads of their agencies. We found that DOT both accurately reported improper payment information in its fiscal year 2012 Annual Financial Report and complied with IPERA, with some exceptions. We made two recommendations to assist the Department in its IPERA reporting.

November 15, 2012

FORMER SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION EMPLOYEE SENTENCED IN A WORKER’S COMPENSATION FRAUD SCHEME

Thomas Schneller, a millwright and welder formerly employed by the Saint Lawrence Seaway Development Corporation (SLSDC), was sentenced in U.S. District Court, Syracuse, NY, to 6 months home confinement, 36 months probation, 100 hours community service, payment of $84,987 in restitution to DOL, and a $100 court assessment.

In July 2012, Schneller pleaded guilty to fraud involving Federal worker’s compensation benefits. Schneller claimed an on-the-job injury in February 2004 but continued to work at his private welding business, AKJ Marine (established about a week after his purported injury), while receiving Federal worker’s compensation benefits. Schneller failed to disclose this outside source of income on Office of Worker’s Compensation Program certification forms.

This investigation was conducted jointly with the DOL Office of Inspector General.
OIG’S ACQUISITION AND PROCUREMENT WORK EMPHASIZES ECONOMY AND EFFICIENCY THROUGH AUDITS OF THE DEPARTMENT’S ACQUISITIONS, CONTRACTS, AND FINANCIAL ASSISTANCE AGREEMENTS, AND THROUGH INVESTIGATIONS OF FALSE STATEMENTS AND CLAIMS, BRIBERY, AND CONFLICTS OF INTEREST
AUDITS AND INVESTIGATIONS
ACQUISITION AND PROCUREMENT

Audits

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

November 1, 2012

MWAA’S WEAK POLICIES AND PROCEDURES HAVE LED TO QUESTIONABLE PROCUREMENT PRACTICES, MISMANAGEMENT, AND A LACK OF OVERALL ACCOUNTABILITY

Requested by Congressmen Frank R. Wolf and Tom Latham

Established through the Metropolitan Washington Airports Act of 1982, the Metropolitan Washington Airports Authority (MWAA) operates the federally owned Washington Dulles International and Ronald Reagan Washington National airports under a lease agreement with DOT. More recently, MWAA assumed responsibility for the Dulles Corridor Metrorail Project, with a $3.1 billion budget for Phase 1—$900 million of which is a Federal investment—and cost estimates of $2.7 billion for Phase 2.

As an independent public body subject to few Federal or State laws, MWAA must rely on the strength of its policies and processes to ensure credibility in its management of two of the Nation’s largest airports and a multibillion-dollar public transit construction project.

In response to our May 15, 2012, interim letter and audit work, MWAA took action to improve its accountability, transparency, and governance, such as approving new travel and ethics policies for employees and its Board of Directors. However, several management weaknesses remain.

- First, MWAA’s contracting policies and practices are insufficient to ensure compliance with the Airports Act and the lease agreement. Ineffective contract management and oversight and inadequate procurement integrity policies further compromise contract awards and administration.

- Second, MWAA’s code of ethics for its employees and its related policies and procedures have lacked the rigor needed
Audits

to ensure credibility and the integrity of management and employee decisions.

• Third, MWAA’s human resources practices lack oversight and accountability, resulting in employees being hired and compensated without job descriptions, competition, pay setting reviews, or completed background checks.

We made 12 recommendations and 30 specific sub-recommendations to DOT’s Office of the Secretary (OST) for improving MWAA’s management policies and processes. OST responded that it has been working with MWAA to ensure that it swiftly adopts needed reforms.

March 27, 2013
IMPROVEMENTS TO DOT’S GOVERNANCE PROCESSES ARE NEEDED TO ENHANCE OVERSIGHT OF MAJOR IT INVESTMENTS

Self-initiated

For fiscal year 2012, DOT’s major IT investment portfolio was just over $2.2 billion—94 percent of which funds important aviation modernization programs, including NextGen, a multibillion-dollar effort to modernize the U.S. air traffic control system.

However, since 2005, FAA has experienced cost overruns, schedule delays, or both on 7 of its 14 major air traffic control IT programs, including 1 that exceeded original cost estimates by $2 billion and was delayed by 14 years.
Despite these weaknesses, DOT has not developed a comprehensive management framework for its major IT investments, as required by Office of Management and Budget (OMB) requirements and the DOT Investment Review Board’s charter. While FAA’s Joint Resources Council (JRC) has a comprehensive framework for investment governance, the Agency does not always follow JRC’s approval and oversight processes. These shortfalls limit DOT’s and FAA’s ability to effectively manage major IT acquisitions and make well-informed investment management decisions.

We made eight recommendations to improve DOT’s and FAA’s oversight of major IT investments. The Department concurred with all eight recommendations and stated that it has already implemented corrective actions for two recommendations, as of March 12, 2013. For the other six recommendations DOT provided sufficient planned actions with reasonable target dates.
IN FOCUS
OVERSEEING MWAA’S GOVERNANCE

Since its creation, the Metropolitan Washington Airports Authority (MWAA) and its Board of Directors have made substantial improvements to Ronald Reagan Washington National and Dulles International—two major airports in the Washington metropolitan area that MWAA operates under a lease agreement with DOT. MWAA is also responsible for constructing the Dulles Corridor Metrorail Project—a multibillion-dollar effort to expand Metrorail service in Northern Virginia and provide easier access to Dulles Airport. However, weaknesses in MWAA’s governance over its operations prompted us to include oversight of key transportation assets, including those governed by MWAA, as a top management challenge for the Department.

In 2011, Congressmen Frank R. Wolf and Tom Latham requested that we review MWAA’s management policies and processes. The Congressmen stressed that MWAA’s accountability and transparency are important to ensure the success of the Dulles Metrorail Project. In May 2012, we provided an interim letter to the Congressmen and briefed key stakeholders, including Loudoun and Fairfax counties, regarding our preliminary observations on MWAA’s management. We noted that, as an independent public body subject to few Federal and State laws, MWAA must rely on the strength of its policies and processes to ensure credibility in its management. We found, however, that MWAA’s oversight and internal policies and procedures related to contracting, ethics, travel, and transparency were insufficient to ensure fiduciary and ethical responsibility and accountability.

These findings—along with an August 2012 letter to MWAA from the Secretary of Transportation, the Governors of Maryland and Virginia, and the Mayor of the District of Columbia—compelled MWAA to make immediate reforms. Notably, MWAA terminated contracts with former Board members, approved a new travel policy and new codes of ethics for employees and the Board, and revised the Board’s bylaws and Freedom of Information Policy. In addition, the DOT Secretary appointed an Accountability Officer to monitor and report on any reform efforts at the Authority.
Despite these positive actions, significant weaknesses in MWAA’s governance remained. In November 2012, we reported that MWAA’s lack of internal controls created a culture that allowed questionable contracting practices by staff as well as its Board of Directors and senior officials—including initiating work before contract award, awarding sole source and limited competition contracts without proper justification, and providing non-public information that gives potential contractors an unfair advantage in competition. MWAA’s code of ethics and related policies and procedures had similarly been insufficient to detect violations of anti-nepotism and gift provisions and identify potential conflicts of interest. In addition, the lack of a formal policy for filling vacancies and creating new positions allowed senior officials to place candidates into new or existing positions without job descriptions, competition, or completed background checks. Finally, MWAA’s policies and processes did not ensure accountability and transparency for activities conducted by its Board of Directors.

We made 12 recommendations with 30 subparts to the Office of the Secretary to promote integrity and accountability in the Authority’s management and governance. We also recommended that the Office of the Secretary consider developing and adopting enforcement mechanisms to ensure that these actions were followed.

Since the publication of our report, MWAA has reiterated its commitment to reform its policies and procedures and improve its accountability through additional actions. For example, MWAA has

- fully implemented its formal ethics policy and procedures for Board members and MWAA employees, provided training under the new ethic codes, and developed procedures to oversee and enforce the codes;
- further revised its travel policy to enhance the definition of reasonable lodging expenses and establish guidelines for entertaining business contacts, including spending thresholds and prohibited items such as alcohol;
begun to revamp its human resources policies and procedures to ensure competitive hiring and compensation practices; and

revised its Contracting Manual to address some of our recommendations.

MWAA serves as an important example of the challenges DOT faces as it works to ensure the success and sustainability of its major transportation assets. Considering the impact these assets can have both locally and nationally, the Department’s commitment to oversight remains critical. While work remains to restore public trust in the integrity of MWAA’s governance, our efforts and those of the Office of the Secretary demonstrate that increased oversight can result in significant and needed reforms.
THE OFFICE OF INSPECTOR GENERAL CONDUCTS AUDITS AND INVESTIGATIONS OF DEPARTMENTWIDE ISSUES THAT ARE EITHER SELF-INITIATED OR IN RESPONSE TO REQUESTS FROM CONGRESS AND THE DEPARTMENT.
AUDITS AND INVESTIGATIONS

DEPARTMENTWIDE ISSUES

Audits

November 15, 2012

TOP MANAGEMENT CHALLENGES
FOR FISCAL YEAR 2013

Required by the Reports Consolidation Act of 2000 (P.L. 106-531) and OMB Circular A-136

On November 15, 2012, we issued our annual report on the top management challenges facing the Department in fiscal year 2013. The nine issues comprising this year’s report are:

• Ensuring that the Next Generation Air Transportation System advances safety and air travel;

• Enhancing FAA’s oversight and use of data to identify and mitigate safety risks;

• Overseeing administration of key transportation assets to ensure their success and sustainability;

• Strengthening existing surface safety programs and effectively implementing new safety requirements;

• Maximizing surface infrastructure investments with effective program oversight and execution of new legislative requirements;

• Adequately overseeing administration of high speed intercity passenger rail grant funds;

• Strengthening financial management over grants to better use funds, create jobs, and improve infrastructure;

• Ensuring effective management of DOT’s acquisitions to maximize value and program performance; and

• Managing and securing information systems to efficiently modernize technology infrastructure and protect sensitive data from compromise.

This report was included in the Department’s Annual Financial Report, as required by law.
Audits

November 16, 2012

OBSERVATIONS ON THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY’S GOVERNANCE

Testimony before the House Transportation and Infrastructure Committee

The Inspector General testified on the deficiencies in MWAA’s governance detailed in our November 1, 2012, report. Specifically, he discussed MWAA’s contract award and procurement practices, code of ethics for employees, hiring and compensation practices, and Board of Director activities. The Inspector General also described actions that MWAA has taken to improve its accountability and transparency in response to our ongoing concerns. However, he noted that further actions are needed to fully ensure fiduciary and ethical responsibility and restore public trust in the soundness of MWAA’s current and future activities.

December 21, 2012

LETTER TO CHAIRMAN ISSA AND RANKING MEMBER CUMMINGS ON OIG’S OPEN AUDIT RECOMMENDATIONS

Requested by Chairman Darrell Issa and Ranking Member Elijah Cummings, House Committee on Oversight and Government Reform

The Committee requested that we provide a summary of our 10 highest priority open recommendations—5 short-term and 5 long-term—to improve agency efficiency and reduce waste. As of December 10, 2012, we identified a total of 637 open recommendations, which were included in 217 audit reports issued between September 2004 and November 2012. We considered several criteria in identifying the open recommendations as the highest priorities, including their impact on safety, economy, or efficiency; documented vulnerabilities; dollar implications; and the ability of the Department to effect change in the related programs or areas.
Audits

March 5, 2013

TOP TEN OIG RECOMMENDATIONS FOR THE U.S. DEPARTMENT OF TRANSPORTATION

Testimony before the House Committee on Oversight and Government Reform

The Inspector General testified on the Office of Inspector General’s highest priority open recommendations for the Department of Transportation. The Inspector General focused on how these open recommendations will impact the Department’s ability to (1) ensure effective stewardship of the Department’s resources, (2) effectively implement transportation infrastructure programs while protecting investments in these programs, and (3) enhance aviation and surface safety.

March 14, 2013

TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF TRANSPORTATION

Testimony before the House Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

The Inspector General testified on the top management challenges facing DOT, focusing on three cross-cutting areas: (1) enhancing aviation and surface safety, (2) ensuring effective stewardship of the Department’s resources, and (3) effectively implementing transportation infrastructure programs.
Each year, we recommend hundreds of actions aimed at improving the conduct of the Department’s programs and operations. For this reporting period alone, we made 170 recommendations—17 of which relate to questioned costs and funds to be put to better use and 153 of which identify opportunities for increased safety, economy, or efficiency.

The Department and its agencies frequently concur with our recommended actions, and work with us to ensure recommendations are implemented in a timely manner. Some, however, remain open—that is, the Department or an agency has yet to fully implement proposed actions or to provide us with supporting documentation on their implementation. In some cases, recommendations remain open because the Department or agency does not concur with our recommended actions.

As required by law, we report semiannually on the status of open recommendations. Congress also periodically asks us to report on open recommendations that we identify as the highest priority. In making this determination, we consider several criteria, including impact on safety, economy, or efficiency; documented vulnerabilities; dollar implications; and the ability of the Department to effect change. Most recently, the Chairman and Ranking Member of the House Committee on Oversight and Government Reform requested that we provide a summary of our 10 highest priority open recommendations—5 short-term and 5 long-term. The recommendations we identified were made in 10 separate reports between January 2010 and October 2012.

The highest priority open short-term recommendations cut across the Department and have implications for its number one priority—safety—as well as its mission to safeguard taxpayer dollars. With regard to safety, we recommended that FAA collect and analyze information on pilot domicile and commuting to better target solutions to reduce pilot fatigue—a longstanding concern that has been linked to air-related fatalities. Originally, the Agency agreed to complete a scan of available data on pilot commuting and determine whether additional data could offer significant safety benefits by February 2013. However, in March 2013, FAA cited a study on flight attendant commuting and stated that collecting and analyzing data on pilot commuting was not warranted because pilots have an obligation to be fit for duty. We are evaluating FAA’s response, but at this time, the recommendation remains open. We also recommended that FMCSA publish a final rule on passenger carrier leasing with requirements comparable to those
for property carriers—a recommendation similar to one made by NTSB following its investigation of a fatal bus crash in 2008. NTSB determined that the bus company was, in effect, shielded from FMCSA oversight by its lease agreement with another company. FMCSA concurred with our recommendation and plans to issue a proposed rule this summer.

The remaining high-priority short-term open recommendations aim to minimize fraud, waste, and abuse:

- We reported that releasing idle funds from undelivered orders under inactive grants could free up approximately $1.4 billion for DOT agencies to use for other transportation infrastructure improvement projects and create jobs. Accordingly, we recommended that quarterly inactive project reviews be conducted to ascertain that inactive obligations—with particular attention to those that are tied to stagnant or closed projects—are liquidated in a timely manner. In July 2012, DOT initiated a 60-day, resource-intensive remediation effort to identify and deobligate inactive undelivered orders, resulting in the liquidation of $2.1 billion. For fiscal year 2013, DOT plans to issue a policy requiring agencies to perform quarterly reviews and annual certifications of obligation balances and train personnel to handle them. Implementing this recommendation will help the Department begin correcting a persistent, systemic problem with unliquidated obligations.

- We also recommended that FAA establish an integrated master schedule for implementing the six programs that will provide NextGen’s foundational technologies and infrastructure. Currently, FAA spends almost $1 billion annually to develop and implement NextGen, and without a master schedule, FAA will be challenged to fully address program risks, make informed cost and schedule tradeoffs, and prioritize delivery of capabilities.

- The final short-term highest risk open recommendation relates to Federal and State responsibilities to oversee about $40 billion in highway funds provided annually to States. While FHWA fulfilled its statutory mandate to enter into stewardship and oversight agreements with each State, the agreements do not consistently reflect Federal requirements or program risks and priorities that FHWA has identified and communicated to its Division Offices. Accordingly, we recommended that DOT implement a coordinated and effective data-driven, risk-based approach for Division Offices and Directors of Field Services to review agreements annually and make timely revisions.

The highest priority long-term recommendations—those to be implemented over the next several years—focus on needed controls over some of the Department’s largest assets and programs. DOT spends approximately $3 billion each year on its IT systems. Despite this significant investment—one of the largest in the Federal Government—DOT lacks an enterprise architecture (EA) to realize
cost savings, reduce duplicative systems, align IT investments with its mission, and effectively spend information security funds. DOT concurred with our recommendation to develop or revise its EA policy and procedures to address these weaknesses, and plans to develop an overarching policy by May 2013. However, DOT indicated that it would need funding to implement the policy and would commit to a completion date when funding becomes available.

DOT also concurred with our recommendation to implement the use of personal identity verification (PIV) cards as the primary authentication mechanism for all DOT employees and contractors. The Office of Management and Budget required all Federal personnel to use PIV cards by 2012 to log on to agency computers for multifactor user identity authentication. As of June 2012, only 42 percent of DOT’s systems were enabled for user logon with PIVs, and only 7 percent used PIV for identity authentication. DOT designated PIV card deployment for authentication as one of its top cybersecurity priorities for fiscal year 2013, and plans to implement our recommendation by fiscal year 2016.

One of the Department’s most ambitious and costly mandates is to develop a national high-speed rail system. The Passenger Rail Investment and Improvement Act of 2008 calls for FRA to develop a National Rail Plan to ensure that its $10 billion high-speed intercity passenger rail grant program supports national policy goals. Because delays in establishing the plan could result in FRA investing billions of dollars in Federal grant funds without assurance that these efforts support these goals, we recommended that FRA complete a National Rail Plan that includes measurable performance goals and clear stakeholder roles. FRA currently plans to complete the plan by June 2014.

We also recommended that FHWA report regularly on the effectiveness of States’ efforts to improve the condition of deficient bridges, which FHWA estimates at more than 140,000 or about one-quarter of the Nation’s bridges. Given the limited funding to address these deficiencies, we have emphasized over the past 2 decades the need to improve the quality of inspection data and to implement data-driven, risk-based oversight to prioritize bridge safety risks. DOT agreed to develop a new template by the end of 2013 to report on States’ efforts to address deficient bridges and to take steps by 2015 to enhance the level of detail reported on bridge conditions.

Finally, we recommended that FAA develop and regularly update comprehensive cost estimates for its multibillion dollar effort to realign and consolidate the Nation’s network of manned air traffic control facilities into centralized locations—a critical step in implementing NextGen and replacing the aging air traffic infrastructure. FAA concurred with our recommendation and plans to provide a detailed cost estimate for the first integrated facility in the New York metropolitan area by December 31, 2014. To completely implement our recommendation, FAA will also need to produce detailed financial information for Congress and other stakeholders regarding its longer term plans for other facilities.
OIG’s other accomplishments and contributions are those that extend beyond the legal reporting requirements of the Inspector General Act.
OTHER ACCOMPLISHMENTS

October 17, 2012

PARTICIPATION ON TEAMMATE USERS FORUM PANEL

A Project Manager from OIG’s Office of Audit Planning, Policy, and Technical Support spoke at the TeamMate Users Forum in San Antonio, TX, as part of a panel on “Integrating Government Sector Business Processes and Methodologies into the TeamMate Suite.” Users shared experiences implementing and using TeamMate in their departments. The forum was attended by over 700 attendees from around the world.

November 15, 2012

BRIEFING ON FRAUD AWARENESS

An Assistant Special Agent in Charge from OIG’s Seattle, WA, Investigations Office briefed the Idaho FHWA, State DOT, and Association of Contractors in Boise, ID, on contract and grant fraud indicators. The audience included FHWA engineers and inspectors, Idaho DOT engineers and inspectors, DBE certification specialists, and members of the Idaho General Contractors Association.

December 4, 2012

PRESENTATION ON OIG’S MOTOR CARRIER SAFETY AUDITS

The Assistant Inspector General for Highway and Transit Audits spoke at a meeting of the Motor Carrier Safety Advisory Committee in Alexandria, VA, on OIG’s audit process and recent and planned work impacting motor carrier safety issues. The 19 committee members, appointed by FMCSA, include representatives of the motor carrier industry, safety advocates, and safety enforcement officials.

February 6, 2013

PRESENTATION ON OIG’S EMPLOYEE INTEGRITY INVESTIGATIONS

An Assistant Special Agent in Charge from OIG’s Seattle, WA, Investigations Office spoke at FHWA’s Western Federal Lands Highway Division, Vancouver, WA, on OIG’s employee integrity investigations. Over 100 personnel from the Federal Lands Highway Division attended.

February 6, 2013

REDUCED THE UNCERTAINTY IN THE HIGHWAY TRUST FUND’S SOLVENCY

In response to recommendations we made in our March 2012 report on the management of the Highway Trust Fund’s (HTF) solvency, FHWA and FTA developed protocols for periodically assessing their outlay rate tables—the mechanism they use to project HTF outlays—to identify deviations in outlay trends and adjust shortfall projections accordingly. Based on their initial review, FHWA and FTA adjusted their rate tables to account for recent deviations in outlay trends resulting from incremental ARRA funding and ongoing fiscal problems confronting States and transit agencies. As a result, changes to the outlay rate tables reduced fiscal year 2013 outlay projections by a combined $600 million. While not a direct cost saving, this reduction allows for more accurate predictions of the magnitude and timing of future outlays and, more importantly, the timing of future HTF cash shortfalls.
WORK PLANNED AND IN PROGRESS

This section describes OIG’s work planned or in progress for April 1, 2013, through September 30, 2013. The work focuses on the Department’s Strategic Plan and responds to requests by Congress and Administration officials. We take into account the need to support DOT’s most critical programs and to ensure that the Department’s resources are protected from fraud, waste, and abuse.

AVIATION

In Progress

FAA’S CONTROLLER FACILITY TRAINING PROGRAM

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

FAA’S TERMINAL AUTOMATION MODERNIZATION PROGRAM

FAA plans to invest about $1 billion through 2018 to modernize terminal automation systems that controllers rely on to manage air traffic near airports. This effort is key to replacing aging equipment and achieving FAA’s NextGen goals. Our audit objectives are to determine whether FAA’s (1) acquisition strategy for terminal modernization effectively addresses technological and operational risks and (2) terminal modernization efforts are compatible with key NextGen programs and schedules.

FAA’S AVIATION SAFETY INSPECTOR AND ANALYST STAFFING

The Airline Safety and FAA Extension Act of 2010 directed OIG to review staffing levels for FAA’s aviation safety inspectors and operations research analysts. The 2009 Colgan crash raised concerns about the experience and numbers of inspectors and analysts assigned to oversee air carriers and review inspection data. Accordingly, our audit objectives are to (1) determine the status of FAA’s implementation of its new staffing model, (2) evaluate the process FAA uses to assess the
number and level of experience of inspectors and analysts assigned to each part 121 carrier, and (3) evaluate FAA’s use of other surveillance processes to supplement the inspections performed by assigned oversight offices.

**AVIATION SAFETY INFORMATION ANALYSIS AND SHARING (ASIAS) SYSTEM**

The Airline Safety and FAA Extension Act of 2010 directed OIG to assess the feasibility of FAA establishing a comprehensive repository containing data from multiple sources that is accessible by aviation safety inspectors and analysts. FAA’s ASIAS system contains data from numerous safety databases, including the Aviation Safety Action Program and other voluntary safety reporting programs. In the past, access to such data has been limited. Our audit objectives are to assess FAA’s (1) progress in implementing ASIAS, (2) process and plan for allowing system access at both field and headquarters levels and (3) use of ASIAS data to assist in commercial air carrier safety oversight.

**CHALLENGES AND RISKS IN THE IMPLEMENTATION OF AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST (ADS-B)**

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

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

FAA’S EFFORTS TO STREAMLINE ITS PROCESS FOR IMPLEMENTING NEW PERFORMANCE-BASED FLIGHT PROCEDURES

In 2009, RTCA Task Force 5—a joint FAA-industry task force—identified near-term performance-based flight procedure priorities for 2012 through 2018. Key task force recommendations focus on (1) developing flight procedures that provide benefits to airspace users and rely on equipment already onboard aircraft and (2) resolving longstanding approval and certification issues for new flight procedures. In response to the task force’s recommendations, FAA performed a study (the NAV Lean Project) that identified 21 needed improvements. However, these improvements could take as long as 5 years to complete, and new flight procedures are not yet yielding expected benefits—raising congressional and industry concern. At the request of the Chairmen of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we are assessing FAA’s progress on (1) providing new high-value performance-based navigation procedures and (2) implementing the improvements recommended by the NAV Lean Project.
AIR TRAFFIC CONTROLLER SCHEDULING PRACTICES

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

FAA’S OVERSIGHT OF THE VOLUNTARY DISCLOSURE REPORTING PROGRAM

In 2006, FAA established the Voluntary Disclosure Reporting Program (VDRP), which allows air carriers to voluntarily report adverse safety issues to the Agency in exchange for immunity from FAA enforcement actions. While this program provides an important opportunity to identify and mitigate safety issues that might not otherwise come to FAA’s attention, it also requires close monitoring to ensure that the program is not misused. The FAA Modernization and Reform Act of 2012 included a mandate that OIG examine FAA’s oversight of VDRP. Accordingly, our audit objectives are to determine whether FAA (1) ensures that air carrier disclosure reports meet FAA requirements prior to acceptance into VDRP and (2) evaluates the effectiveness of air carrier corrective actions prior to closing the reports.

AIR CARRIER FLIGHT DELAYS, CANCELLATIONS, AND ASSOCIATED CAUSES

The FAA Modernization and Reform Act of 2012 directed OIG to update its July 2000 report on air carrier flight delays and cancellations. As part of this effort, we are assessing FAA’s and the Bureau of Transportation Statistics’ progress on addressing our prior report findings and recommendations. We are also (1) comparing recent flight delay and cancellation trends with prior problem periods, (2) examining air carrier scheduling practices and their relative impact in causing flight delays and cancellations, and (3) assessing FAA’s use of benchmarks to measure capacity and monitor over-scheduling at the Nation’s busiest airports.
FAA’S OVERSIGHT OF ARRA EXPENDITURES

ARRA required Inspectors General to conduct audits of ARRA-funded projects to ensure the effective and efficient use of ARRA funds. Accordingly, OIG is reviewing FAA’s oversight of ARRA grants for airports to determine whether the Agency prevented improper payments and ensured ARRA funds were used only for authorized purposes.

LOS ANGELES INTERNATIONAL AIRPORT REVENUE USE

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

FAA’S POLICY REGARDING USE OF UNMANNED AERIAL SYSTEMS (UAS)

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security, as well as the Chairmen and Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we are conducting an audit to assess FAA’s (1) efforts to mitigate safety risks for integrating UAS into the National Airspace System and (2) progress and challenges in meeting the UAS requirements of the FAA Modernization and Reform Act of 2012.

AIR TRAFFIC CONTROLLER PRODUCTIVITY

Since 2000, air traffic operations have dropped by 21 percent while controller staffing levels have remained essentially unchanged, resulting in controller productivity dropping by nearly 23 percent over this time frame. FAA introduced several initiatives to improve operational productivity and encourage efficiency within the controller workforce. However, it is unclear whether this initial controller workforce plan is achieving the promised efficiencies. We are reviewing operational data to determine (1) controller productivity and factors that may impact controller productivity and (2) whether FAA’s productivity and efficiency initiatives are producing the desired outcomes.
In Progress

FAA’S SURFACE SURVEILLANCE PROGRAMS FOR RUNWAY SAFETY

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

PROGRESS IN MEETING NEXTGEN PROVISIONS OF THE FAA MODERNIZATION AND REFORM ACT OF 2012

FAA plans to spend $2.4 billion on NextGen programs during fiscal years 2013 through 2017. FAA’s Modernization and Reform Act of 2012 includes provisions that are intended to help FAA better manage NextGen and advance new technologies. At the request of the Chairmen of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we are reviewing FAA’s progress and challenges in meeting the NextGen provisions prescribed in Title II of the Act.

FAA OVERSIGHT OF EUROPEAN UNION REPAIR STATIONS

By May 2013, FAA is expected to complete its transfer of direct oversight of FAA-certificated repair stations in the European Union to the national aviation authorities of those countries. These authorities will be responsible for monitoring over 400 FAA-certificated repair stations located in 18 countries. Our objectives are to (1) determine FAA’s effectiveness in ensuring repair stations under the Aviation Safety Agreement between the United States and the European Union comply with Agency requirements and (2) evaluate the effectiveness of FAA’s process for transferring oversight to the national aviation authorities.

DOT OVERSIGHT AND ENFORCEMENT OF COMPLIANCE WITH REQUIREMENTS FOR ON-BOARD FLIGHT DELAYS

OIG’s work over the past decade has consistently shown that strong oversight of airline passenger protections is needed. We recommended several actions that DOT has taken to strengthen the accountability, enforcement, and the protection afforded to air travelers. We are assessing the effectiveness of DOT’s oversight and enforcement of airlines’ and airports’ compliance with requirements relating to long, on-board flight delays.
Planned

REVIEW OF THE FAA-NATCA COLLECTIVE BARGAINING AGREEMENT EXTENSION

Effective October 1, 2012, FAA and the National Air Traffic Controllers Association (NATCA) agreed to extend their original 3-year collective bargaining agreement through July 1, 2016. The extended agreement includes a memorandum of understanding covering pay. We plan to conduct an audit to evaluate (1) the accuracy and completeness of FAA’s cost estimate of the extension, (2) FAA’s internal controls over the agreement, and (3) the costs and benefits of the extension.

FAA’S DATA COMMUNICATIONS

DataComm, a NextGen transformational program, is expected to provide digital communications with data link capability for routine pilot-controller communications. Airspace users have raised significant concerns about DataComm’s development, and industry and FAA have not reached consensus on how to implement the technology. We plan to conduct an audit to (1) determine whether FAA’s acquisition strategy for DataComm addresses the cost, schedule, and performance risks associated with FAA’s NextGen plans and goals and (2) identify any difficulties or uncertainties in integrating new DataComm services with existing or planned automation platforms, such as the Standard Terminal Automation Replacement System and ERAM.

FAA’S OVERSIGHT AND ENFORCEMENT OF SHIPMENTS OF HAZARDOUS MATERIALS BY AIR

Each day, about 50,000 shippers of hazardous materials offer 200 U.S. and 200 foreign air carriers hazmat packages for shipment by air. However, comprehensive statistics are not collected on the aggregate number of declared and authorized hazmat packages or tonnage shipped within the United States. Adding to the uncertainty is the unknown number of undeclared, unauthorized hazmat shipments by air on any given day. We plan to assess FAA’s oversight and enforcement of air carriers’ compliance with hazmat regulations.

FAA’S IMPLEMENTATION OF TRAFFIC FLOW MANAGEMENT

In response to recommendations made by a Government-industry task force, FAA is implementing Traffic Flow Management (TFM) to strategically plan and manage air traffic demand and ensure efficient traffic flow in NAS. We plan to conduct an audit to determine (1) the current status of FAA’s TFM modernization efforts to integrate new NextGen capabilities for more flexible aircraft routing, such as trajectory based operations, and (2) how FAA is using TFM to manage the flow of air traffic in the NAS based on capacity and demand.
HIGHWAY AND TRANSIT

In Progress

FEDERAL LANDS HIGHWAY’S TRIBAL TRANSPORTATION PROGRAM

FHWA’s Tribal Transportation Program (formerly, the Indian Reservation Roads Program) provides financial resources and technical assistance for public roads that service the needs of Indian lands. For fiscal years 2005 through 2011, the program received $3.17 billion, including $310 million provided by ARRA. We are assessing whether FHWA (1) effectively coordinates with the Bureau of Indian Affairs to administer and manage the Tribal Transportation Program and (2) provides adequate oversight of projects.

FTA’S NATIONAL TRANSIT DATABASE

The National Transit Database (NTD) was established to be the Nation’s primary source of information and performance statistics on U.S. transit systems. Congress, Federal agencies, and transit industry stakeholders rely on NTD data to make sound planning and investment decisions. FTA apportions over $6 billion annually in formula grants to nearly 2,000 urban and rural transit agencies based on NTD data. We are evaluating whether FTA’s oversight of NTD data ensures that submissions from grant recipients and beneficiaries of transit funds for the Urbanized Area Formula Program are complete, accurate, and timely.

NEW YORK CITY MAJOR PROJECTS: EAST SIDE ACCESS PROJECT

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

FOLLOW-UP AUDIT ON CROSS-BORDER TRUCKING

OIG is conducting a follow-up audit of FMCSA’s implementation of NAFTA’s cross-border provisions. The Fiscal Year 2002 Department of Transportation Appropriations Act and subsequent appropriations legislation through 2012 mandates that we review the safety requirements related to Mexico-domiciled motor carrier operations. Accordingly, we are determining whether FMCSA (1) continues to comply with the safety requirements set forth in Section 350(c) of the 2002 Appropriations Act and (2) has taken sufficient action to implement our prior recommendations for improving its capacity to perform bus inspections at U.S.-Mexico border crossings.
FHWA’S OVERSIGHT OF UNEXPENDED ARRA OBLIGATIONS

ARRA established tight timeframes for the use of over $27 billion invested in highway infrastructure projects. As of September 2012, approximately $1.6 billion, or 6 percent, of the ARRA funds that States have obligated to projects had not been expended. We are assessing (1) FHWA’s actions to monitor remaining unexpended ARRA funds on highway projects and (2) the impact of FHWA’s policies and procedures on the use of recovered ARRA funds.

DOT’S EFFORTS TO IMPLEMENT MOVING AHEAD FOR PROGRESS IN THE 21ST CENTURY ACT (MAP-21) PROJECT AND PROGRAM DELIVERY REQUIREMENTS—PHASE 1

Subtitle C of MAP-21, the July 2012 surface transportation authorization, includes program reforms designed to reduce project delivery time and costs while protecting the environment. MAP-21 directs OIG to assess the Department’s related efforts. We initiated a three-phase approach to meet this mandate. In the first phase, we are (1) reviewing the Department’s plans to carry out MAP-21, Subtitle C provisions; (2) assessing the status of planned actions; and (3) identifying challenges that could affect the Department’s timely implementation of those plans.

FHWA’S EFFORTS TO IMPROVE OPERATIONAL EFFICIENCY

To accomplish its mission and oversee States’ use of Federal highway funds, FHWA has a workforce of about 3,000 staff distributed across headquarters, 52 State Division Offices, and other smaller field activities. A primary goal in FHWA’s current strategic plan relates to “corporate capacity”—ensuring organizational resources are optimally deployed to meet today’s and tomorrow’s missions. Accordingly, we are assessing FHWA’s planned and completed actions for ensuring its resources are used efficiently to meet current and future corporate capacity goals.

IMPLEMENTATION OF THE COMPLIANCE, SAFETY, ACCOUNTABILITY PROGRAM

FMCSA’s Compliance, Safety, Accountability (CSA) program is intended to improve commercial motor vehicle safety by focusing enforcement efforts on higher risk carriers. CSA’s Safety Measurement System uses seven safety improvement categories to evaluate carriers’ performance and assess their potential crash risks. At the request of the House Transportation and Infrastructure Committee’s Subcommittee on Highways and Transit, we are assessing whether FMCSA has (1) established adequate controls to ensure the quality of the...
In Progress

- Data used to evaluate carrier performance and risk and (2) effectively implemented CSA enforcement interventions.

### DOT’S HURRICANE SANDY EMERGENCY RELIEF EFFORTS

The Disaster Relief Appropriations Act of 2013 provides funds to assist in recovery and rebuilding efforts in the aftermath of Hurricane Sandy. The Act directs OIG to conduct oversight of Hurricane Sandy relief funds, focusing on FTA’s allocation of more than $10 billion. OIG plans to conduct an audit to identify any vulnerabilities that could impede DOT’s ability to (1) meet the Act’s requirements and (2) provide effective oversight of Federal Hurricane Sandy relief funds. Our Offices of Highway and Transit, Financial and Information Technology, and Acquisition and Procurement will partner on this work.

Planned

### FINAL AUDIT OF THE NAFTA PILOT PROGRAM

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

### DOT’S EFFORTS TO IMPLEMENT MAP-21 PROJECT AND PROGRAM DELIVERY REQUIREMENTS—PHASE 2

To continue meeting our mandate to assess the Department’s implementation of MAP-21 project and program delivery reforms, we will undertake the second phase of our three-phase audit. Specifically, we will assess the status of DOT’s reforms a year after the law’s passage and any other key issues that warrant a detailed review, based on potential vulnerabilities that emerged during the first phase of our audit.
Working Planned and In Progress
MARAD OVERSIGHT AND COORDINATION OF PORT INFRASTRUCTURE DEVELOPMENT PROJECTS

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

FRA’S NATIONAL ENVIRONMENTAL PROTECTION ACT PROCESS

As part of its $10.1 HSIPR program, FRA collaborates with project grantees and other DOT modal administrations on construction as well as compliance with National Environmental Policy Act (NEPA) requirements. Given HSIPR’s size and complexity, it is essential that FRA staff and grantees have clear policies, procedures, and guidance for navigating the NEPA application process. To increase transparency in FRA’s NEPA application process and address concerns raised by stakeholders, OIG is assessing FRA’s policies, procedures, and guidance for coordinating with FHWA and FTA and ensuring FRA staff and grantees meet NEPA requirements.

EFFECTS OF LIMITED COMPETITION ON AIRLINE FLIGHT DELAYS AND CANCELLATIONS

To meet a requirement of the FAA Modernization and Reform Act of 2012, OIG is analyzing the effects of limited competition on airline delays and cancellations. To conduct this analysis, we are developing econometric models of delays and cancellations. These models will allow us to separate the effects of changes or limits in competition on delays and cancellations from the effects of other factors, such as weather and congestion.

FRA’S PROGRESS IN IMPLEMENTING THE PROVISIONS OF THE PASSENGER RAIL INVESTMENT AND IMPROVEMENT ACT OF 2008 (PRIIA)

As required by Section 221 of PRIIA, OIG is conducting its second assessment of FRA’s implementation of PRIIA provisions. Our audit objectives are to (1) examine FRA’s continued progress in implementing its PRIIA responsibilities and (2) identify any challenges to completing these actions.
FRA’S RAILROAD REHABILITATION AND IMPROVEMENT FINANCING PROGRAM

FRA’s Railroad Rehabilitation and Improvement Financing (RRIF) program authorizes FRA to provide loans and loan guarantees to railroads and other eligible entities to finance the development of railroad infrastructure. We are conducting a review of FRA’s oversight of RRIF, and the effectiveness of the program’s support to railroads and other eligible entities in achieving improvements to the Nation’s rail infrastructure as envisioned by the authorizing statute. Our objectives are to (1) assess FRA’s policies and procedures for evaluating and selecting RRIF applications and (2) identify factors that affect prospective applicants’ decisions on whether or not to apply for RRIF credit assistance.

PHMSA’S OVERSIGHT AND ENFORCEMENT OF THE STATE PIPELINE SAFETY PROGRAM

The September 2010 pipeline explosion in San Bruno, CA—which killed eight and destroyed 37 homes—as well as other recent accidents called into question the effectiveness of Federal and State oversight and enforcement of pipeline operators’ compliance with federally mandated safety requirements. We are conducting an audit to assess PHMSA’s policies and processes for (1) executing the State Pipeline Safety Program and (2) verifying States execute their pipeline safety oversight and enforcement responsibilities.
**Planned**

**AMTRAK ANNUAL BUDGET AND 5-YEAR PLAN**

As required by Section 204 of PRIIA, OIG plans to review Amtrak’s fiscal year 2013 annual budget and 5-year financial plan to determine whether they meet PRIIA requirements and provide any relevant findings to the House Committee on Transportation and Infrastructure; the Senate Committee on Commerce, Science, and Transportation; and the House and Senate Committees on Appropriations.

**PHMSA’S HAZMAT SPECIAL PERMITS AND APPROVALS PROGRAM**

At the request of the Senate Appropriations Transportation Subcommittee, we plan to evaluate PHMSA’s progress in implementing action plans to improve management and oversight of the Hazardous Materials Special Permits and Approvals Program. Specifically, we plan to assess the effectiveness of PHMSA’s application, evaluation, authorization, and agency coordination policies and procedures for approving special permits.
FINANCIAL AND INFORMATION TECHNOLOGY

In Progress

QUALITY CONTROL REVIEW OF STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS (SSAE-16) NO. 16 REVIEW OF DOT’S ENTERPRISE SERVICES CENTER

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

DOT’S INFORMATION SECURITY PROGRAM AND PRACTICES FOR FISCAL YEAR 2013

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

SECURITY CONTROLS OVER FAA’S CIVIL AVIATION REGISTRY SYSTEMS

OIG is assessing FAA’s registry systems for airmen certification, rating, and authorization to determine whether (1) personally identifiable information is secure from unauthorized use or access, (2) information in the registry systems is sufficient for managing aircraft registrations and airmen’s records, and (3) registry contingency planning ensures FAA’s continued ability to accomplish its mission of aviation safety.

DOT’S COMMON OPERATING ENVIRONMENT ASSESSMENT

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

“ALL SYSTEMS GO!” BY ANDREW HART / CC BY-SA 2.0
SECURITY CONTROLS FOR FAA’S AIR TRAFFIC CONTROL SYSTEM COMMAND CENTER

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

FAA’S AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST SYSTEM

The satellite-based surveillance technology in FAA’s Automatic Dependent Surveillance-Broadcast (ADS-B) system will complement radar by using aircraft avionics and ground-based systems to provide information on aircraft locations to pilots and controllers. As required by the FAA Modernization Reform Act of 2012, we are evaluating how security issues are being addressed in ADS-B’s overall design and implementation.

QUALITY CONTROL REVIEWS OF DOT’S FISCAL YEARS 2013 AND 2012 CONSOLIDATED FINANCIAL STATEMENTS, AND FAA’S, SLSDC’S, AND NTSB’S FINANCIAL STATEMENTS

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

QUALITY CONTROL REVIEWS OF SINGLE AUDITS ON DOT GRANTEES

OIG is performing quality control reviews of the audits performed by independent public accounting firms on grant recipients’ use of DOT funds.
In Progress

DOT’S PURCHASE CARD PROGRAM

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

FTA’S IMPROPER PAYMENT CONTROLS

The Improper Payments Information Act of 2002 holds Federal agencies accountable for preventing and detecting improper payments in their programs. More recently enacted statutes implemented sanctions for noncompliance with mandated requirements to reduce and recover improper payments. The Department identified FTA’s Formula Grant and Capital Investment Grant programs as susceptible to significant improper payments; 99 percent of FTA’s ARRA funds were awarded through these programs. We are assessing FTA’s internal controls to determine if they are adequate to prevent and detect improper payments to ARRA grant recipients.

DOT’S TRAVEL CARD PROGRAM

OIG is performing an audit of DOT’s travel card program, which provides cards for DOT employees to pay for expenses related to official Government travel. In fiscal year 2012, DOT employees made 1.3 million payments and charges on their travel cards totaling $175 million. A prior DOT audit on the use of travel cards identified instances of employee abuse of travel cards by charging personal purchases, withdrawing cash in excess of their needs, and not paying their bills on time. We are assessing DOT’s internal controls to determine their effectiveness in preventing and detecting travel charge misuse.

UNION STATION REDEVELOPMENT CORPORATION

At the request of Representative Nick J. Rahall II and Congresswoman Eleanor Holmes Norton, OIG is performing an audit of the management and financial viability of the Union Station Redevelopment Corporation (USRC). Our objectives are to (1) conduct a quality control review of USRC’s latest financial statement audit to determine if the audit was performed in accordance with applicable standards and (2) assess the adequacy of USRC’s oversight of Union Station’s development, operation, and maintenance.
REVIEW OF DOT’S COMPLIANCE WITH THE REDUCING OVER-CLASSIFICATION ACT

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

DOT’S PRIVACY MANAGEMENT PROGRAM

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

FHWA’S IMPROPER PAYMENT OVERSIGHT OF ARRA GRANT PROGRAMS

ARRA appropriated $27.5 billion to FHWA. As of December 31, 2012, FHWA had expended more than $25.4 billion in ARRA grant funds. We plan to evaluate whether FHWA has adequate internal controls to prevent and detect improper payments to ARRA grant recipients.
## Work Planned and In Progress

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ACQUISITION AND PROCUREMENT

In Progress

UPDATE ON FAA’S CHALLENGES FOR THE AIR TRAFFIC CONTROLLER OPTIMUM TRAINING SOLUTION CONTRACT

At the request of the Chairman of the Senate Homeland Security and Governmental Affairs Committee’s Subcommittee on Contracting Oversight, OIG is conducting a follow-up audit of FAA’s Air Traffic Controller Optimum Training Solution (ATCOTS) contract, an $859-million contract intended to provide up to 10 years of controller training support and to assist in modernizing the training program. In September 2010, we reported that FAA faced significant challenges in achieving program goals under the ATCOTS contract. We are currently determining whether FAA (1) has implemented our prior recommendations to improve program and contract oversight, (2) has established effective performance measures to support ATCOTS training goals, and (3) can achieve ATCOTS training goals under the current contract.

DOT’S ADMINISTRATION OF THE DISADVANTAGED BUSINESS ENTERPRISE PROGRAM

Each year, DOT’s DBE program distributes over $3 billion to increase the participation of socially and economically disadvantaged firms in State and local contract awards. We are assessing DOT and State policies, internal controls, and program management to determine whether they are adequate to ensure only eligible firms are certified as DBEs and funds are effectively used to meet the program’s objectives.

DOT’S ADMINISTRATION OF COST-REIMBURSABLE CONTRACTS

In fiscal year 2010, DOT obligated $1.7 billion for new cost-reimbursable contracts. This contract type shifts cost risk from the contractor to the Government. Recent legislation requires that Inspectors General review their agencies’ use of these contracts for compliance with Federal acquisition regulations. We are conducting an audit to determine the extent to which DOT has complied with revisions to Federal Acquisition Regulations that address the proper use and management of cost-reimbursement contracts.
MANAGEMENT OF THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Under the terms of an 80-year lease authorized by the Metropolitan Airports Act of 1986, the Metropolitan Washington Airports Authority manages the federally owned Washington Dulles and National airports, and related facilities. Since 2006, MWAA has also been responsible for the federally funded Dulles Corridor Metrorail Project, receiving three FTA grants with a cumulative value of $900 million for Phase I. We are assessing MWAA’s controls for ensuring that FTA funds for Phase I of the Metrorail project were spent on eligible costs.

DOT’S USE OF MANAGEMENT SUPPORT SERVICES CONTRACTS

As part of the White House’s Campaign to Cut Waste, OMB announced its goal to reduce contract spending on management support services by 15 percent by the end of fiscal year 2012. DOT relies heavily on support services contracts to meet its mission needs; for fiscal year 2011, DOT reported to the Office of Federal Procurement Policy that it obligated over $1.2 billion in such contracts. However, DOT frequently uses time-and-materials, cost-reimbursement, or other contract vehicles that create cost risks and challenges because they are complex to manage and oversee. Our objectives are to (1) assess the steps DOT has taken to reduce management support services contract spending and (2) determine if DOT and its Operating Administrations have implemented effective controls to maintain reduced spending levels.

FOLLOW-UP AUDIT ON DOT’S SUSPENSION AND DEBARMENT PROGRAM

Suspension and debarment (S&D) actions are among the Government’s strongest tools to deter unethical and unlawful use of Federal funds. In January 2010, we reported that DOT’s S&D program lacked sufficient controls to prevent awards of contracts and grants to prohibited parties—those with records of wrongdoing and abuse. To respond to our recommendations, DOT has taken actions to improve its S&D policies and procedures, including revising its procedures for identifying and reporting prohibited parties. However, our ongoing work continues to find weaknesses in DOT’s S&D process. Given the importance of S&D programs and recent S&D directives from OMB, we initiated a follow-up audit of DOT’s S&D program to determine if DOT suspends or debars prohibited parties and reports S&D activities in governmentwide tracking systems timely and accurately.
DOT’S EFFORTS TO ENSURE PRICE REASONABLENESS PRIOR TO AWARDING FIXED-PRICE CONTRACTS

The Federal Acquisition Regulation requires agencies to establish fair and reasonable prices prior to awarding contracts to help ensure they receive the best value in their acquisitions. To this end, agencies are required to perform a fair and reasonable price determination—or price reasonableness review—using various analytical techniques. If agencies lack sufficient information to ensure reasonable contract prices, they are to conduct additional price analysis reviews or request contract audits from external parties. Pre-award price reasonableness reviews are especially critical for fixed-price contracts because the pre-award phase is the only opportunity for the Government to mitigate the risk of paying unreasonably high prices. Since 2011, DOT has obligated $2.1 billion annually using fixed-price contracts. We are assessing the extent to which and how DOT and its operating administrations obtain, perform, and use of pre-award price reasonableness reviews to establish fair and reasonable prices on fixed-price contracts.
In Progress

Office of Acquisition and Procurement Joint Audits in Progress

In addition to directing its own audits, OIG’s Office of Acquisition and Procurement partners with other OIG offices to provide acquisition expertise and audit work on a broad and cross-cutting range of reports related to our aviation; highway and transit; rail, maritime, and hazmat transport; and information technology work.

<table>
<thead>
<tr>
<th>In progress</th>
<th>Partner office</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>MARAD OVERSIGHT AND COORDINATION OF PORT INFRASTRUCTURE DEVELOPMENT PROJECTS</td>
<td>Rail, Maritime, Hazmat Transport, and Economic Analysis</td>
<td>Since 2003, MARAD has played a key role in overseeing and coordinating port infrastructure development projects, acting as a central procurement organization, leveraging Federal and non-Federal funding resources, and streamlining environmental review and permit processes. OIG is assessing MARAD’s (1) oversight and risk management of port infrastructure development projects and (2) oversight of port infrastructure projects’ contract awards and administration.</td>
</tr>
<tr>
<td>FTA’S INITIAL IMPLEMENTATION OF SANDY RECOVERY IMPROVEMENT ACT OF 2013</td>
<td>Highway and Transit</td>
<td>The Sandy Recovery Improvement Act requires FTA to implement a new Public Transportation Emergency Relief Program. We are assessing FTA’s readiness, processes, and procedures for meeting this and other Sandy Recovery statutory and regulatory requirements. As part of this audit, we are focusing on contract award and oversight plans, including the status of FTA’s review of recipients’ procurement systems and guidance on emergency contracting practices.</td>
</tr>
</tbody>
</table>
Planned

DOT’S CONTRACT CLOSEOUT PROCESSES

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

FTA OVERSIGHT OF GRANTEES’ CONTRACT AWARD AND ADMINISTRATION PRACTICES

FTA has awarded billions of dollars for the construction, renovation, and preventative maintenance of transit facilities. The objective of this audit will be to determine whether FTA’s oversight of transit agencies’ construction and renovation grants is sufficient to ensure that (1) contract award and administration practices they comply with laws, regulations, policies, and procedures and (2) processes for monitoring cost, schedule, and performance goals facilitate effective contract administration.

PARTICIPATION IN FAA’S AIRPORT DISADVANTAGED BUSINESS ENTERPRISE PROGRAM

Under FAA’s Airport DBE program, an airport receiving Federal grants must establish an annual goal of what DBE participation would be in the absence of discrimination. To achieve its goal, an airport seeks to award contracts in procurement, construction, professional services, and concessions to small businesses owned by women or minorities. In the FAA Modernization and Reform Act of 2012, Congress raised concerns that discrimination and related barriers continue to pose obstacles to disadvantaged firms seeking to do business at the Nation’s airports. As part of this legislation, Congress directed OIG to report annually from 2013 to 2015 on new DBE participation at large- and medium-hub airports and to identify reasons why some airports have been more successful than others at hiring new DBEs. Accordingly, we plan to (1) determine the number of new and existing DBE firms hired at the Nation’s large- and medium-sized airports in 2012 and (2) identify what factors led some airports to award more contracts to new DBE firms.
### STATISTICAL PERFORMANCE DATA

#### Summary of Performance

October 1, 2012 – March 31, 2013  
(dollars in thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports issued</td>
<td>67</td>
</tr>
<tr>
<td>Recommendations issued</td>
<td>170</td>
</tr>
<tr>
<td>Congressional testimonies</td>
<td>4</td>
</tr>
<tr>
<td>Total financial recommendations</td>
<td>$2,754,118</td>
</tr>
<tr>
<td>That funds be put to better use</td>
<td>$2,726,000</td>
</tr>
<tr>
<td>Questioned costs</td>
<td>$28,118</td>
</tr>
<tr>
<td>Fines (and special assessments), restitution, and recoveries</td>
<td>$6,154</td>
</tr>
<tr>
<td>Indictments</td>
<td>40</td>
</tr>
<tr>
<td>Convictions</td>
<td>40</td>
</tr>
</tbody>
</table>
## Completed OIG Reports

October 1, 2012 – March 31, 2013

*(dollars in thousands)*

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Questioned Costs</th>
<th>Unsupported Costs</th>
<th>Funds To Be Put to Better Use</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Audits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance audits</td>
<td>16</td>
<td>76</td>
<td>$7,100</td>
<td>$0</td>
<td>$82,000</td>
</tr>
<tr>
<td>Financial audits</td>
<td>4</td>
<td>24</td>
<td>$0</td>
<td>$0</td>
<td>$2,644,000</td>
</tr>
<tr>
<td>Attestation engagements</td>
<td>3</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other OIG reports</td>
<td>1</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total for Internal Audit Reports</strong></td>
<td><strong>24</strong></td>
<td><strong>100</strong></td>
<td><strong>$7,100</strong></td>
<td><strong>$0</strong></td>
<td><strong>$2,726,000</strong></td>
</tr>
<tr>
<td><strong>Grant Audits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audits under Single Audit Act</td>
<td>43</td>
<td>70</td>
<td>$21,018</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total for Completed Reports</strong></td>
<td><strong>67</strong></td>
<td><strong>170</strong></td>
<td><strong>$28,118</strong></td>
<td><strong>$0</strong></td>
<td><strong>$2,726,000</strong></td>
</tr>
</tbody>
</table>

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

Department of Transportation programs and operations are primarily carried out by Department personnel and recipients of Federal grants. As a result, our audits generally fall into one of three categories: internal audits of departmental programs and operations, audits of grant recipients, and other OIG reports.
**Audits**

**OIG Reports With Recommendations That Questioned Costs**

October 1, 2012 – March 31, 2013  
(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Questioned Costs</th>
<th>Unsupported Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong></td>
<td>6</td>
<td>7</td>
<td>$3,666</td>
<td>$0</td>
</tr>
<tr>
<td><strong>B</strong></td>
<td>14</td>
<td>15</td>
<td>$28,118</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Totals (A+B)</strong></td>
<td>20</td>
<td>22</td>
<td>$31,784</td>
<td>$0</td>
</tr>
<tr>
<td><strong>C</strong></td>
<td>12</td>
<td>14</td>
<td>$23,190</td>
<td>$0</td>
</tr>
<tr>
<td>(i)</td>
<td>9</td>
<td>11</td>
<td>$15,866</td>
<td>$0</td>
</tr>
<tr>
<td>(ii)</td>
<td>3</td>
<td>3</td>
<td>$7,323</td>
<td>$0</td>
</tr>
<tr>
<td><strong>D</strong></td>
<td>8</td>
<td>8</td>
<td>$8,594</td>
<td>$0</td>
</tr>
</tbody>
</table>

---

*a Unsupported costs are also included in questioned costs.  
*b Includes reports and recommendations where costs were both allowed and disallowed.
# Audits

## OIG Reports With Recommendations That Funds Be Put to Better Use

October 1, 2012 – March 31, 2013  
(dollars in thousands)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Funds To Be Put to Better Use&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1</td>
<td>1</td>
<td>$426</td>
</tr>
<tr>
<td></td>
<td>For which no management decision had been made by the start of the reporting period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>2</td>
<td>2</td>
<td>$2,726,000</td>
</tr>
<tr>
<td></td>
<td>Which were issued during the reporting period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals (A+B)</td>
<td>3</td>
<td>3</td>
<td>$2,726,426</td>
</tr>
<tr>
<td>C</td>
<td>2</td>
<td>2</td>
<td>$2,726,000</td>
</tr>
<tr>
<td></td>
<td>For which a management decision was made during the reporting period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i)</td>
<td>2&lt;sup&gt;a&lt;/sup&gt;</td>
<td>2&lt;sup&gt;a&lt;/sup&gt;</td>
<td>$2,726,000</td>
</tr>
<tr>
<td></td>
<td>Dollar value of recommendations that were agreed to by management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td>0&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0&lt;sup&gt;a&lt;/sup&gt;</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>Dollar value of recommendations that were not agreed to by management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>1</td>
<td>1</td>
<td>$426</td>
</tr>
<tr>
<td></td>
<td>For which no management decision had been made by the end of the reporting period</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup>Includes reports and recommendations where costs were both allowed and disallowed.
## OIG Reports Recommending Changes for Safety, Economy, or Efficiency

October 1, 2012 – March 31, 2013

<table>
<thead>
<tr>
<th>A</th>
<th>For which no management decision had been made by the start of the reporting period</th>
<th>39</th>
<th>96</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>Which were issued during the reporting period</td>
<td>48</td>
<td>153</td>
</tr>
<tr>
<td><strong>Totals (A+B)</strong></td>
<td>87</td>
<td>249</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>For which a management decision was made during the reporting period\a</td>
<td>65</td>
<td>182</td>
</tr>
<tr>
<td>D</td>
<td>For which no management decision had been made by the end of the reporting period\a</td>
<td>35</td>
<td>67</td>
</tr>
</tbody>
</table>

\a *Includes reports where management both made and did not make a decision on recommendations.*
### Audits

#### Management Decisions Regarding OIG Recommendations

October 1, 2012 – March 31, 2013  
(dollars in thousands)

<table>
<thead>
<tr>
<th>Number of</th>
<th>Number of</th>
<th>Questioned</th>
<th>Unsupported</th>
<th>Funds To Be Put to Better Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reports</td>
<td>Recommendations</td>
<td>Costs</td>
<td>Costs</td>
<td></td>
</tr>
<tr>
<td><strong>Unresolved as of 10/1/2012</strong></td>
<td>41</td>
<td>104</td>
<td>$3,666</td>
<td>$0</td>
</tr>
<tr>
<td>Audits with findings during current period</td>
<td>57</td>
<td>170</td>
<td>$28,118</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total To Be Resolved</strong></td>
<td>98</td>
<td>274</td>
<td>$31,784</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### Management Decisions

| Prior period audits<sup>b</sup> | 29 | 68 | $1,924 | $0 | $0 |
| Current period audits<sup>b</sup> | 42 | 130 | $21,266 | 0 | $2,726,000 |
| **Total Resolved** | 71 | 198 | $23,190 | $0 | $2,726,000 |

#### Age of Unresolved Audits<sup>c</sup>

<table>
<thead>
<tr>
<th>Age</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Questioned Costs</th>
<th>Unsupported Costs&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Funds To Be Put to Better Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 6 months old</td>
<td>21</td>
<td>40</td>
<td>$6,852</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>6 months to year</td>
<td>10</td>
<td>17</td>
<td>$1,249</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>1 year to 18 months</td>
<td>2</td>
<td>5</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>18 months to 2 years</td>
<td>2</td>
<td>5</td>
<td>$493</td>
<td>$0</td>
<td>$426</td>
</tr>
<tr>
<td>Over 2 years old</td>
<td>5</td>
<td>9</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Unresolved as of 3/31/2013</strong></td>
<td>40</td>
<td>76</td>
<td>$8,594</td>
<td>$0</td>
<td>$426</td>
</tr>
</tbody>
</table>

<sup>a</sup> Unsupported costs are also included in the figures shown as 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.
## Audits

### Published OIG Reports

October 1, 2012 – March 31, 2013

<table>
<thead>
<tr>
<th>DEPARTMENTWIDE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Audits: Performance - 2 reports</strong></td>
</tr>
<tr>
<td><strong>FISMA 2012: Ongoing Weaknesses Impede DOT’s Progress Toward Effective Information Security</strong></td>
</tr>
<tr>
<td>FI-2013-014</td>
</tr>
<tr>
<td>11/14/2012</td>
</tr>
<tr>
<td>DOT has improved its information security controls. However, the Department’s information systems remain vulnerable to serious security threats due to continued deficiencies in DOT’s information security procedures, controls, and remediation measures.</td>
</tr>
<tr>
<td><strong>DOT’s Fiscal Year 2012 Improper Payment Reporting Generally Complies With IPERA</strong></td>
</tr>
<tr>
<td>FI-2013-053</td>
</tr>
<tr>
<td>03/14/2013</td>
</tr>
<tr>
<td>DOT accurately reported improper payment information in its fiscal year 2012 Annual Financial Report and complied with the Improper Payments Elimination and Recovery Act, with some exceptions.</td>
</tr>
</tbody>
</table>

| **Internal Audits: Financial - 1 report** |
| **Quality Control Review of Audited Consolidated Financial Statements for Fiscal Years 2012 and 2011** |
| QC-2013-020 |
| 11/15/2012 |
| OIG conducted a quality control review of KMPG, LLP’s report on DOT’s financial statements. KMPG, LLP issued an unqualified opinion on DOT’s financial statements but reported one material weakness and two significant deficiencies in internal control over financial reporting. Put $2.6 billion to better use. |

| **Grant Audits: Audits of Grantee Under Single Audit Act - 1 report** |
| **State of North Carolina** |
| QC-2013-023 |
| 12/05/2012 |
| OIG conducted a quality control review of a single audit performed by the State Auditor on DOT’s major programs. We determined that the State Auditor’s work was acceptable with deficiencies, and therefore generally met the requirements of generally accepted Government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that the State Auditor on DOT’s major programs were inappropriate or unreliable. |
## Audits

### FEDERAL AVIATION ADMINISTRATION

#### Internal Audits: Performance - 9 reports

<table>
<thead>
<tr>
<th>Report Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MWAA's Weak Policies and Procedures Have Led to Questionable Procurement Practices, Mismanagement, and a Lack of Overall Accountability</td>
<td>11/01/2012</td>
</tr>
<tr>
<td>MWAA’s contracting policies and practices are insufficient to ensure compliance with the Airports Act and the lease agreement between DOT and MWAA. We also found ineffective contract management and oversight and a lack of adequate procurement integrity policies to ensure impartiality when awarding and administering contracts.</td>
<td></td>
</tr>
<tr>
<td>Contract Towers Continue To Provide Cost-Effective and Safe Air Traffic Services, but Improved Oversight of the Program Is Needed</td>
<td>11/05/2012</td>
</tr>
<tr>
<td>Contract towers continue to provide air traffic control services at a lower cost than similar FAA towers. In addition, contract towers had a lower number and rate of safety incidents compared to similar FAA towers, and users strongly support the program. However, OIG identified opportunities for FAA to enhance its oversight of the program, including strengthening financial controls and implementing voluntary safety reporting systems at contract towers.</td>
<td></td>
</tr>
<tr>
<td>Quality Control Review for Controls Over the Enterprise Service Center</td>
<td>11/16/2012</td>
</tr>
<tr>
<td>OIG conducted a quality control review of KPMG LLP’s attestation engagement pertaining to the Enterprise Services Center’s description of its system and the suitability of the controls’ design and operating effectiveness. The Department determined that our report contains sensitive security information; accordingly, we are not publicly disclosing our results.</td>
<td></td>
</tr>
<tr>
<td>FAA Has Not Adequately Implemented Security Requirements for Its En Route Automation Modernization System</td>
<td>12/19/2012</td>
</tr>
<tr>
<td>OIG assessed ERAM’s information security controls, including whether or not FAA is identifying security risks and properly mitigating them. The Department determined that our report contains sensitive security information; accordingly, we are not publicly disclosing our results.</td>
<td></td>
</tr>
</tbody>
</table>
## Audits

**FAA and Industry Are Advancing the Airline Safety Act, but Challenges Remain To Achieve Its Full Measure**  
AV-2013-037  
01/31/2013

FAA has made considerable and important progress implementing many elements of the Act, such as advancing voluntary safety programs, improving pilot rest requirements, and establishing better processes for managing safety risks. However, the Agency has not sufficiently targeted assistance to smaller air carriers, which face the most challenges in developing and implementing new safety programs.

**Inspector General Review of Fiscal Year 2012 Drug Control Funds and Performance Summary Reporting, FAA**  
FI-2013-038  
02/01/2013

OIG reviewed FAA’s fiscal year 2012 Performance Summary Report and management’s assertions. No information came to our attention that FAA’s fiscal year 2012 Drug Control Obligation Summary and Performance Summary reports did not conform with the Office of National Drug Control Policy Circular.

**Growth of Domestic Airline Code Sharing Warrants Increased Attention**  
AV-2013-045  
02/14/2013

OST and FAA are not required to review most domestic code share agreements. In addition, carriers, travel agencies, and advertisers do not regularly disclose this information, creating confusion among consumers about which airline is operating their flight. Finally, as a safety regulator, FAA is not required to review any domestic code share agreements and does not voluntarily do so. FAA also does not have specific procedures to advance the Agency’s commitment of ensuring an equivalent level of safety between mainline air carriers and their code share partners.

**FAA’s Efforts To Track and Mitigate Air Traffic Losses of Separation Are Limited by Data Collection and Implementation Challenges**  
AV-2013-046  
02/27/2013

The number of reported operational errors by controllers increased due to a rise in actual errors and other factors. Yet FAA lacks an accurate baseline of the actual total number of separation losses that occur. FAA instituted new policies and procedures for improving the collection, investigation, and reporting of separation losses. However, incomplete data and implementation challenges limit the effectiveness of these procedures. FAA recently developed new corrective action plans to mitigate high-risk separation loss events, but it is too early to determine the effectiveness of these plans.
Audits

Improvements to DOT’s Governance Processes Are Needed To Enhance Oversight of Major IT Investments (also listed under Office of the Secretary)

ZA-2013-057
03/27/2013

FAA and DOT face challenges in providing sufficient oversight of FAA’s major IT investments because DOT does not have an active Investment Review Board or supporting boards to provide a comprehensive management framework for its major IT investments. FAA’s Joint Resources Council has a comprehensive framework for investment governance, yet the Agency does not always follow the Council’s approval and oversight processes, limiting DOT and FAA’s ability to effectively manage major acquisitions and make well-informed investment management decisions.

Internal Audits: Financial - 1 report

Quality Control Review of FAA’s Audited Financial Statements for Fiscal Years 2012 and 2011
QC-2013-013
11/14/2012

OIG conducted a quality control review of an audit performed by KPMG LLP on FAA’s financial statements for fiscal years 2012 and 2011. KPMG LLP, under contract to OIG, issued a clean (unqualified) audit opinion on FAA’s financial statements. KPMG LLP’s report included two significant deficiencies in internal control over financial reporting. There were no instances of reportable noncompliance with laws and regulations tested.

Grant Audits: Audits of Grantee Under Single Audit Act - 7 reports

City of Columbus, IN
SA-2013-018
11/15/2012

A finding concerning the use of ARRA funds was identified. OIG recommends FAA improve grantee oversight; $47,896 questioned.

Clark County Department of Aviation, NV
SA-2013-030
01/24/2013

OIG recommends FAA improve grantee oversight; $1,434,633 questioned.

City of Kansas City, MO
SA-2013-033
01/24/2013

OIG recommends FAA improve grantee oversight.

Ridgewood High School District 234, IL
SA-2013-036
01/24/2013

OIG recommends FAA improve grantee oversight; $623,620 questioned.

Sarasota Manatee Airport Authority, FL
SA-2013-049
03/12/2013

OIG recommends FAA improve grantee oversight; $17,395 questioned.
Audits

<table>
<thead>
<tr>
<th>Location</th>
<th>OIG Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles World Airports, CA</td>
<td>OIG recommends FAA improve grantee oversight; $70,693 questioned.</td>
</tr>
<tr>
<td>SA-2013-050</td>
<td>03/12/2013</td>
</tr>
<tr>
<td>Gary Chicago International Airport Authority, IN</td>
<td>OIG recommends FAA improve grantee oversight.</td>
</tr>
<tr>
<td>SA-2013-066</td>
<td>03/29/2013</td>
</tr>
</tbody>
</table>

**FEDERAL HIGHWAY ADMINISTRATION**

**Internal Audits: Performance - 3 reports**

<table>
<thead>
<tr>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements to Stewardship and Oversight Agreements Are Needed To Enhance Federal-Aid Highway Program Management</td>
<td>FHWA fulfilled the statutory mandate to enter into Agreements with each State. However, the Agreements do not consistently reflect Federal requirements or program risks and priorities that FHWA identified. FHWA has not provided sufficient guidance and oversight to Division Offices for developing and updating the Agreements to ensure that inconsistencies reflect valid differences among the States and to ensure that legal issues are identified.</td>
</tr>
<tr>
<td>MH-2013-001</td>
<td>10/01/2012</td>
</tr>
<tr>
<td>FHWA Has Opportunities To Improve Oversight of ARRA High Dollar Projects and the Federal-Aid Highway Program</td>
<td>FHWA missed opportunities to maximize ARRA investments, since one-third of the States in our review did not perform value engineering studies during the project planning or design phase for at least one ARRA project. Further, FHWA did not consistently emphasize its cost estimating guidelines designed to help ensure States obligate ARRA funds for projects based on best estimates of project costs. FHWA is now challenged to monitor ARRA obligations for any unused or idle funds that result from overestimating or other occurrences, and make certain that the States re-obligate or return ARRA funds before they expire in 2015. Put $82 million to better use.</td>
</tr>
<tr>
<td>MH-2013-012</td>
<td>11/14/2012</td>
</tr>
<tr>
<td>FHWA Provides Sufficient Guidance and Assistance To Implement the Highway Safety Improvement Program (HSIP) but Could Do More To Assess Program Results</td>
<td>FHWA provides sufficient guidance and assistance to the States to implement HSIP. FHWA conducts limited evaluations of State reported HSIP data to report on the program’s impact.</td>
</tr>
<tr>
<td>MH-2013-055</td>
<td>03/26/2013</td>
</tr>
</tbody>
</table>
## Audits

**Grant Audits: Audits of Grantee Under Single Audit Act - 16 reports**

<table>
<thead>
<tr>
<th>Grantee</th>
<th>Findings</th>
<th>OIG Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dry Creek Rancheria Band of Pomo Indians, CA</td>
<td>Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>SA-2013-003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10/17/2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Craig Tribal Association, AK</td>
<td>A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight; $412,194 questioned.</td>
<td></td>
</tr>
<tr>
<td>SA-2013-017</td>
<td></td>
<td></td>
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<tr>
<td>11/15/2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pueblo of Zia, NM</td>
<td>A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>SA-2013-022</td>
<td></td>
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<tr>
<td>11/19/2012</td>
<td></td>
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<tr>
<td>State of Utah</td>
<td>A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.</td>
<td></td>
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<tr>
<td>SA-2013-026</td>
<td></td>
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<tr>
<td>12/19/2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State of New York</td>
<td>A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>SA-2013-034</td>
<td></td>
<td></td>
</tr>
<tr>
<td>01/24/2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hoonah Indian Association, AK</td>
<td>OIG recommends FHWA improve grantee oversight; $11,394 questioned.</td>
<td></td>
</tr>
<tr>
<td>SA-2013-035</td>
<td></td>
<td></td>
</tr>
<tr>
<td>01/24/2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government of the United States Virgin Islands</td>
<td>A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>SA-2013-041</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/12/2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>County of Spotsylvania, VA</td>
<td>A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>SA-2013-042</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/12/2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Audits

| State of Indiana | QC-2013-047 | 03/06/2013 | OIG conducted a quality control review on a single audit performed of the Indiana State Board of Accounts’ audit work as related to two DOT major programs and found the work was acceptable with a deficiency, and therefore generally met the requirements of generally accepted Government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that the State audit on DOT’s major programs was inappropriate or unreliable. |
| New Mexico Department of Transportation | SA-2013-051 | 03/12/2013 | A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight. |
| State of Nevada | SA-2013-059 | 03/29/2013 | Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight. |
| Commonwealth of Pennsylvania | SA-2013-060 | 03/29/2013 | Findings concerning the use of ARRA funds were identified. OIG recommends FHWA improve grantee oversight; $6,128,979 questioned. |
| State of Georgia (also listed under the Federal Transit Administration) | SA-2013-062 | 03/29/2013 | Findings concerning the use of the ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight. |
| Commonwealth of Massachusetts | SA-2013-064 | 03/29/2013 | A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight. |
| Commonwealth of Virginia | SA-2013-065 | 03/29/2013 | A finding concerning the use of ARRA funds was identified. OIG recommends FHWA improve grantee oversight. |
Statistical Performance Data

Audits

Wyoming Department of Transportation (also listed under Federal Transit Administration and National Highway Traffic Safety Administration)
SA-2013-066
03/29/2013
Findings concerning the use of ARRA funds were identified. OIG recommends FHWA, FTA, and NHTSA improve grantee oversight.

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance - 2 reports

FRA’s Requirements for High-Speed Rail Stakeholder Agreements Mitigated Risk but Delayed Some Projects’ Benefits
CR-2013-007
11/01/2012
FRA established stakeholder service outcome agreements for long-term corridor projects before obligating funds. However, most long-term project grantees lack the maintenance and construction agreements required to receive funds and start work. Further, FRA’s initial focus on long-term projects delayed short-term project obligations and the determination of requirements for short-term project agreements.

Amtrak’s New Cost Accounting System Is a Significant Improvement, but Concerns Over Precision and Long-Term Viability Remain
CR-2013-056
03/27/2013
Amtrak’s new cost accounting system—Amtrak Performance Tracking (APT)—allows Amtrak to capture and report financial performance by route, line of business, and major activity, as required by PRIIA. However, implementation problems and heavy reliance on cost allocation have affected report timeliness and precision. APT’s highly customized design also makes the system costly to maintain, raising concerns regarding its long-term utility. Finally, the avoidable cost methodology FRA plans to use to determine the cost savings from a route’s discontinuation has significant limitations that would substantially reduce the value of savings estimates provided to Amtrak and Congress.
### Audits

**FEDERAL TRANSIT ADMINISTRATION**

**Internal Audits: Performance - 1 report**

<table>
<thead>
<tr>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOT Has Opportunities to Address Key Risk Areas for Phase 2 of the Dulles Corridor Metrorail Project Upon Approval of Federal Financing MH-2013-054 03/25/2013</td>
<td>DOT has not fully developed an oversight strategy for Phase 2 because the local funding partners—MWAA and Fairfax and Loudoun Counties—have yet to receive approval of Federal credit assistance for the project. Until Federal credit assistance is approved, there are no obligated Federal dollars to oversee. Therefore, we cannot yet determine if DOT’s oversight of Phase 2 will be sufficient. Further, our assessment of Dulles Toll Road revenue estimates suggests that the assumptions MWAA used to arrive at the estimates are generally reasonable.</td>
</tr>
</tbody>
</table>

**Grant Audits: Audits of Grantee Under Single Audit Act - 18 reports**

<table>
<thead>
<tr>
<th>Grantee, State, or City</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Greeley, CO  SA-2013-002  10/17/2012</td>
<td>Findings concerning the use of the ARRA funds were identified. OIG recommends FTA improve grantee oversight.</td>
</tr>
<tr>
<td>City of Longview, WA  SA-2013-004  10/17/2012</td>
<td>A finding concerning the use of the ARRA funds was identified. OIG recommends FTA improve grantee oversight.</td>
</tr>
<tr>
<td>Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (METRA), IL  SA-2013-015  11/15/2012</td>
<td>A finding concerning the use of the ARRA funds was identified. OIG recommends FTA improve grantee oversight; $1,267,845 questioned.</td>
</tr>
</tbody>
</table>
## Audits

<table>
<thead>
<tr>
<th>Location</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gary Public Transportation Corporation, IN</td>
<td>A finding concerning the use of the ARRA funds was identified. OIG recommends FTA improve grantee oversight.</td>
</tr>
<tr>
<td>Worcester Regional Transit Authority, MA</td>
<td>A finding concerning the use of the ARRA funds was identified. OIG recommends FTA improve grantee oversight.</td>
</tr>
<tr>
<td>Quality Control Review of Single Audit on the Orange County Transportation Authority</td>
<td>OIG conducted a quality control review of a single audit performed by Vavrinek, Trine, Day &amp; Co., LLP (VTD) on Orange County Transportation Authority's use of DOT grants for the fiscal year ending June 30, 2011. VTD's work was acceptable with deficiencies, and therefore generally met the requirements of generally accepted Government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that VTD's opinion on the Authority's reports on internal control and compliance were inappropriate or unreliable. However, we identified deficiencies in audit documentation that VTD needs to correct in future audits.</td>
</tr>
<tr>
<td>King County, WA</td>
<td>A finding concerning the use of the ARRA funds was identified. OIG recommends FTA improve grantee oversight; $4,078,175 questioned.</td>
</tr>
<tr>
<td>Champaign-Urbana Mass Transit District, IL</td>
<td>Findings concerning the use of the ARRA funds were identified. OIG recommends FTA improve grantee oversight.</td>
</tr>
<tr>
<td>Southeastern Pennsylvania Transportation Authority</td>
<td>Findings concerning the use of the ARRA funds were identified. OIG recommends FTA improve grantee oversight.</td>
</tr>
<tr>
<td>City of Tulsa, OK</td>
<td>A finding concerning the use of the ARRA funds was identified. OIG recommends FTA improve grantee oversight.</td>
</tr>
</tbody>
</table>
## Audits

<table>
<thead>
<tr>
<th>Agency</th>
<th>Findings</th>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Carolina Department of Transportation</td>
<td>Findings concerning the use of the ARRA funds were identified. OIG recommends FTA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>Southeastern Regional Transit Authority, MA</td>
<td>Findings concerning the use of the ARRA funds were identified. OIG recommends FTA improve grantee oversight; $6,701,537 questioned.</td>
<td></td>
</tr>
<tr>
<td>Los Angeles County Metropolitan Transportation Authority, CA</td>
<td>Findings concerning the use of the ARRA funds were identified. OIG recommends FTA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>City of Fairfield, CA</td>
<td>A finding concerning the use of the ARRA funds was identified. OIG recommends FTA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>Capital Metropolitan Transportation Authority, TX</td>
<td>A finding concerning the use of the ARRA funds was identified. OIG recommends FTA improve grantee oversight; $223,378 questioned.</td>
<td></td>
</tr>
<tr>
<td>State of Georgia (also listed under the Federal Highway Administration)</td>
<td>Findings concerning the use of the ARRA funds were identified. OIG recommends FHWA and FTA improve grantee oversight.</td>
<td></td>
</tr>
<tr>
<td>Wyoming Department of Transportation (also listed under Federal Highway Administration and National Highway Traffic Safety Administration)</td>
<td>Findings concerning the use of the ARRA funds were identified. OIG recommends FHWA, FTA, and NHTSA improve grantee oversight.</td>
<td></td>
</tr>
</tbody>
</table>
## Audits

### NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

<table>
<thead>
<tr>
<th>Internal Audits: Performance - 2 reports</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effective Date:</strong> 02/01/2013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NHTSA’s Oversight of Mississippi’s Management of Federal Highway Safety Grants Needs Strengthening</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Mississippi Office of Highway Safety did not administer alcohol-impaired driving transfer funds in accordance with Federal requirements, resulting in ineligible enforcement activities and improper payments to sub-grantees for activities not directly related to alcohol-impaired driving. $7.1 million questioned.</td>
</tr>
<tr>
<td><strong>Effective Date:</strong> 02/06/2013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Grant Audits: Audits of Grantee Under Single Audit Act - 1 report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wyoming Department of Transportation (also listed under Federal Highway Administration and Federal Transit Administration)</strong></td>
</tr>
<tr>
<td><strong>Effective Date:</strong> 03/29/2013</td>
</tr>
</tbody>
</table>

### NATIONAL TRANSPORTATION SAFETY BOARD

<table>
<thead>
<tr>
<th>Internal Audits: Financial - 1 report</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quality Control Review of the National Transportation Safety Board’s Audited Financial Statements for Fiscal Years 2012 and 2011</strong></td>
</tr>
<tr>
<td><strong>Effective Date:</strong> 11/08/2012</td>
</tr>
</tbody>
</table>
## Audits

### Office of the Secretary

**Internal Audits: Other - 1 report**

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOT’s Fiscal Year 2013 Top Management Challenges</td>
<td>PT-2013-011 11/15/2012</td>
</tr>
</tbody>
</table>

As required by law, OIG identified the top management challenges facing the Department for Fiscal Year 2013.

**Internal Audits: Performance - 1 report**

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improvements to DOT’s Governance Processes Are Needed To Enhance Oversight of Major IT Investments (also listed under Federal Aviation Administration)</td>
<td>ZA-2013-057 03/27/2013</td>
</tr>
</tbody>
</table>

FAA and DOT face challenges in providing sufficient oversight of FAA’s major IT investments because DOT does not have an active Investment Review Board or supporting boards to provide a comprehensive management framework for its major IT investments. FAA’s Joint Resources Council has a comprehensive framework for investment governance, yet the Agency does not always follow the Council’s approval and oversight processes, limiting DOT and FAA’s ability to effectively manage major acquisitions and make well-informed investment management decisions.

**Grant Audits: Audits of Grantee Under Single Audit Act - 2 reports**

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
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</table>

A finding concerning the use of the ARRA funds was identified. OIG recommends OST improve grantee oversight.

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harbors Division, Department of Transportation, State of Hawaii</td>
<td>SA-2013-067 03/29/2013</td>
</tr>
</tbody>
</table>

A finding concerning the use of the ARRA funds was identified. OIG recommends OST improve grantee oversight.
### Audits

**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**

<table>
<thead>
<tr>
<th>Internal Audits: Financial - 1 report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Control Review of the Saint Lawrence Seaway Development Corporation (SLSDC) Audited Financial Statements for Fiscal Years 2012 and 2011 QC-2013-008 11/02/2013</td>
</tr>
</tbody>
</table>
## Audits

### OIG Congressional Testimonies

October 1, 2012 – March 31, 2013

<table>
<thead>
<tr>
<th>Title</th>
<th>Hearing Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Grants Management Framework and Stakeholder Agreements Are Key to</td>
<td>Before the Committee on Transportation and Infrastructure</td>
</tr>
<tr>
<td>Fully Implementing FRA’s High-Speed Intercity Passenger Rail Program</td>
<td>United States House of Representatives</td>
</tr>
<tr>
<td>CC-2013-004</td>
<td>12/6/2012</td>
</tr>
<tr>
<td>Observations on the Metropolitan Washington Airports Authority’s</td>
<td>Before the Committee on Transportation and Infrastructure</td>
</tr>
<tr>
<td>Governance</td>
<td>United States House of Representatives</td>
</tr>
<tr>
<td>CC-2013-005</td>
<td>11/16/2012</td>
</tr>
<tr>
<td>Top Ten OIG Recommendations for the U.S. Department of Transportation</td>
<td>Before the Committee on Oversight and Government Reform</td>
</tr>
<tr>
<td>CC-2013-009</td>
<td>United States House of Representatives</td>
</tr>
<tr>
<td>3/5/2013</td>
<td></td>
</tr>
<tr>
<td>Top Management Challenges Facing the Department of Transportation</td>
<td>Before the Committee on Appropriations</td>
</tr>
<tr>
<td>CC-2013-012</td>
<td>Subcommittee on Transportation, Housing and Urban Development, and Related Agencies</td>
</tr>
<tr>
<td>3/14/2013</td>
<td>United States House of Representatives</td>
</tr>
</tbody>
</table>
Audits

Unresolved Recommendations Over 6 Months Old

October 1, 2012 – March 31, 2013

<table>
<thead>
<tr>
<th>Cited in Semiannual Report for October 1, 2009 - March 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAA's Oversight of American Airlines’ Maintenance Programs (AV-2010-042)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cited in Semiannual Report for April 1, 2010 - September 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Security and Privacy Controls Over the Airmen Medical Support Systems (FI-2010-069)</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Cited in Semiannual Report for October 1, 2010 - March 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAA Did Not Ensure Revenue was Maximized at Denver International Airport (AV-2011-057)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cited in Semiannual Report for April 1, 2011 - September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York Flight Delays Have Three Main Causes, but More Work Is Needed To Understand Their Nationwide Effect (AV-2011-007)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cited in Semiannual Report for October 1, 2011 - March 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance–Broadcast Program and Realizing Benefits (AV-2011-002)</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Cited in Semiannual Report for April 1, 2011 - September 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Rigorous Oversight is Needed to Ensure Venice Municipal Airport Land Sales and Leases are Used Appropriately (AV-2011-180)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cited in Semiannual Report for October 1, 2012 - March 31, 2013</th>
</tr>
</thead>
</table>
## Audits

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

<table>
<thead>
<tr>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Approaches Are Needed to Strengthen FAA Oversight of Air Carrier Training Programs and Pilot Performance (ZA-2012-082)</td>
<td>12/20/2011</td>
</tr>
</tbody>
</table>

### Cited in Semiannual Report for April 1, 2012 - October 31, 2012

<table>
<thead>
<tr>
<th>Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOT Established Timely Controls For the TIGR Discretionary Grants Program, But Opportunities Exist to Strengthen Oversight (MH-2012-188)</td>
<td>9/20/2012</td>
</tr>
<tr>
<td>Territory of American Samoa (SA-2012-185)</td>
<td>9/17/2012</td>
</tr>
<tr>
<td>Weaknesses in Program And Contract Management Contribute to ERAM Delays And Put Other Nextgen Initiatives At Risk (AV-2012-179)</td>
<td>9/13/2012</td>
</tr>
<tr>
<td>City of Mount IDA, AR (SA-2012-172)</td>
<td>8/30/2012</td>
</tr>
<tr>
<td>FAA Has Not Effectively Implemented Its Wildlife Hazard Mitigation Program (AV-2012-170)</td>
<td>8/22/2012</td>
</tr>
<tr>
<td>Challenges With Implementing Near-Term Nextgen Capabilities At Congested Airports Could Delay Benefits (AV-2012-167)</td>
<td>8/1/2012</td>
</tr>
<tr>
<td>Long term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency (AV-2012-152)</td>
<td>7/19/2012</td>
</tr>
<tr>
<td>Commonwealth of Kentucky (SA-2012-114)</td>
<td>5/3/2012</td>
</tr>
<tr>
<td>State of Rhode Island and Providence Plantations (SA-2012-104)</td>
<td>5/2/2012</td>
</tr>
<tr>
<td>Status of Transformational Programs and Risks To Achieving Nextgen Goals (AV-2012-094)</td>
<td>4/23/2012</td>
</tr>
</tbody>
</table>
## Statistical Outcomes

### October 1, 2012 – March 31, 2013

<table>
<thead>
<tr>
<th>Financial Impact</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fines (and Special Assessments)</td>
<td>$778,676</td>
</tr>
<tr>
<td>Restitution</td>
<td>$3,808,714</td>
</tr>
<tr>
<td>Recoveries</td>
<td>$1,566,911</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,154,301</strong></td>
</tr>
</tbody>
</table>

### Investigative Workload

<table>
<thead>
<tr>
<th>Current investigations</th>
<th>346</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigations opened</td>
<td>51</td>
</tr>
<tr>
<td>Investigations closed</td>
<td>105</td>
</tr>
</tbody>
</table>

### Referrals

| Referred for criminal prosecution    | 161    |
| Accepted for criminal prosecution    | 87     |
| Declined for criminal prosecution    | 140    |
| Referred for civil prosecution       | 20     |
| Accepted for civil prosecution       | 11     |
| Declined for civil prosecution       | 17     |

### OIG Hotline Contacts

<table>
<thead>
<tr>
<th>Email</th>
<th>2,220</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fax</td>
<td>17</td>
</tr>
<tr>
<td>Letters</td>
<td>156</td>
</tr>
<tr>
<td>Web</td>
<td>576</td>
</tr>
<tr>
<td>Telephone</td>
<td>366</td>
</tr>
<tr>
<td>Walk-ins</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,336</strong></td>
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</table>

### Judicial and Administrative Actions

| Indictments                          | 40     |
| Convictions                          | 40     |
| Years incarceration                   | 32     |
| Years supervised release             | 42     |
| Years probation                      | 78     |
| Hours community service              | 1,740  |
| Business debarment                   | 1      |
| Business suspension                  | 6      |
| Individual debarment                 | 4      |
| Individual suspension                | 15     |
| Employee: Resigned/retired during investigation | 1 |
| Employee: Suspension                 | 1      |
| Certification/License/Permit revoked/ Terminated | 8 |
| Corrective action taken              | 1      |
| Decertification MBE/DBE              | 2      |
| Enforcement action taken             | 2      |
# Investigations

## Profile of All Pending Investigations by Case Type

As of March 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>Number of Investigations</th>
<th>Aviation Safety</th>
<th>Hazmat</th>
<th>Motor Carrier</th>
<th>Transportation Safety</th>
<th>Grant Fraud</th>
<th>Procurement Fraud</th>
<th>Workforce Protection</th>
<th>Employee Integrity</th>
<th>Other</th>
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<td>FAA</td>
<td>81</td>
<td>43</td>
<td>6</td>
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<tr>
<td><strong>Totals</strong></td>
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<td><strong>39</strong></td>
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<td><strong>5</strong></td>
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<td><strong>11</strong></td>
<td><strong>46</strong></td>
<td><strong>21</strong></td>
<td><strong>5</strong></td>
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</tbody>
</table>

Percent of Total

\(^a\) Includes computer intrusion cases

\(^b\) Saint Lawrence Seaway Development Corporation
OIG’s Office of Audits is currently the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review by the U.S. Department of Defense (DOD) OIG. DOD OIG expects to issue a final report by May 31, 2013.

The last peer review of OIG’s audit operations was performed in fiscal year 2010 by the U.S. Department of Veterans Affairs (VA) OIG. VA OIG determined the system of quality control for our audit function has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Accordingly, VA OIG provided a “pass” rating, and no recommendations were made. The report was released on March 3, 2010.

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 our Office of Investigations was in compliance with quality standards established by CIGIE and Attorney General guidelines, and no recommendations were made. Treasury OIG highlighted our Investigative Operations’ Contractor Performance Oversight, Professional Development Detail Program, and Special Agent Field Training Program as best practices. The report was released on August 30, 2012.

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

We conducted a CIGIE peer review of the U.S. Postal Service OIG’s audit operations, and provided a “pass” rating and made no recommendations. We reported the results of our review on December 18, 2012.
### Inspector General

**Deputy Inspector General**
- Chief of Staff
- Director, Quality Assurance Reviews and Internal Affairs

<table>
<thead>
<tr>
<th>Principal Assistant Inspector General for Investigations</th>
<th>Principal Assistant Inspector General for Auditing and Evaluation</th>
<th>Assistant Inspector General for Administration</th>
<th>Assistant Inspector General for Legal, Legislative, and External Affairs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Assistant Inspector General for Investigations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assistant Inspector General for Aviation Audits</td>
<td></td>
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<tr>
<td></td>
<td>• Deputy Assistant Inspector General for Aviation Audits</td>
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<td></td>
<td>Assistant Inspector General for Financial and Information Technology Audits</td>
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<td></td>
<td>Assistant Inspector General for Highway and Transit Audits</td>
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<tr>
<td></td>
<td>• Deputy Assistant Inspector for Highway and Transit Audits</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Assistant Inspector General for Rail, Maritime, and Hazmat Transport Audits, and Economic Analysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assistant Inspector General for Acquisition and Procurement Audits</td>
<td></td>
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</tbody>
</table>
The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95-452). The Act sets several goals for OIG:

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

The Inspector General is committed to fulfilling its statutory responsibilities and assisting members of Congress, the Secretary, senior Department officials, and the general public in achieving a safe, efficient, and effective transportation system. OIG’s audits and investigations offices and three support offices work together to fulfill its mission:

- **The Office of the Principal Assistant Inspector General for Auditing and Evaluation** supervises and conducts all audit activities related to DOT programs and operations through its five suboffices: Aviation; Highway and Transit; Rail, Maritime, Hazmat Transport, and Economic Analysis; Financial and Information Technology; 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.
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Mary Kay Langan-Feirson .......................................................... (202) 366-5225
To report fraud, waste, or abuse at the U.S. Department of Transportation, please contact the OIG Hotline:

1-800-424-9071
hotline@oig.dot.gov