Highlights

Investigative accomplishments

164/160 investigations closed/opened

25/31 convictions/indictments

$1.01b financial impact of DOT OIG investigations

Audit accomplishments

39 audit reports issued

138 recommendations

$1.10b financial impact of DOT OIG audit reports

Investigations, by priority area

48.7% transportation safety

26.9% procurement & grant fraud

19.2% employee integrity

5.1% other

Return on investment

“...DOT OIG returned $54 for every appropriated dollar—achieving its return on investment with just a fraction of the Department's total workforce and budget.”

Enacted FTEs

395 OIG

54,344 DOT

Appropriated budget

$87.5 million OIG

$76 billion DOT
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Investigations
We investigate allegations of fraud, waste, abuse, and other violations of law by DOT employees, contractors, grantees, and regulated entities. Some of the most significant issues we investigated during this reporting period include:

- **Airbag scheme.** As a result of our investigation, the Takata Corporation pleaded guilty and was sentenced to pay $1 billion in criminal penalties for a scheme involving defective airbag inflators.

- **Defective bridge parts.** As a result of our investigation, a manufacturer was sentenced to 35 months in jail and $549,000 in restitution for manufacturing defective bridge bearings throughout North Carolina.

- **Corruption.** Our special agents continue to pursue corruption of public officials. The president of an FAA-authorized repair station in Florida was sentenced to 2 years in prison and over $730,000 in fines and restitution for bribing an FAA inspector to provide unauthorized and confidential information.

- **Laser strikes.** Our investigations target those who endanger aircraft and pilots with laser beams and recently resulted in a man pleading guilty to shining a laser light at a Tulsa Police Department helicopter.

- **Union benefits fraud.** As a result of our investigation, two New York contractors were ordered to pay more than $1 million in restitution, fines, and forfeiture for their scheme to avoid paying $11 million in benefits.

### Investigative accomplishments

- **2,052** hotline contacts received
- **164/160** investigations closed/opened
- **108** investigations referred for criminal prosecution
- **25/31** convictions/indictments
- **71.2** total years of incarceration, probation, and supervised release
- **$1.01 billion** financial impact of DOT OIG investigations
Investigations
Statistical Data

Financial impact of DOT OIG investigations

$1,014,360,096
total financial impact

$517,008
forfeitures

$28,650,910
fines and special assessments

$978,780,723
restitution

$6,411,455
recoveries

Types of criminal monetary impositions

Forfeitures include the seizure of assets that represent the proceeds of, or were used to facilitate, Federal crimes.

Fines are criminal or civil monetary penalties.

Special assessments are part of the sentence for offenders of Federal crimes, applied on a per-count basis. The money is used to fund the Crime Victims Fund used to recompense victims of offenses against Federal law.

Restitution is a criminal or civil award to a victim for harm caused by the offender’s wrongful acts.

Recoveries include funds returned to the Government resulting from criminal and civil judgments, pleas, and settlements.
### Investigative workload

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open investigations as of October 1, 2016</td>
<td>491</td>
</tr>
<tr>
<td>Ongoing investigations</td>
<td>331</td>
</tr>
<tr>
<td>Investigations opened this reporting period</td>
<td>160</td>
</tr>
<tr>
<td>Investigations closed this reporting period</td>
<td>164</td>
</tr>
</tbody>
</table>

Current investigative workload includes a total of **491** open investigations, as of March 31, 2017.
Criminal prosecutions

DOT OIG investigates and refers a variety of matters for criminal prosecution, including cases involving transportation safety, procurement and grant fraud, consumer and workforce fraud, and employee integrity issues.

Number of investigations referred, accepted, and declined for criminal prosecution

<table>
<thead>
<tr>
<th></th>
<th>Referred</th>
<th>Accepted</th>
<th>Declined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>108</td>
<td>80</td>
<td>88</td>
</tr>
</tbody>
</table>

Persons and businesses referred to the U.S. Department of Justice or State/local authorities for criminal prosecution

- Persons referred to DOJ: 79
- Businesses referred to DOJ: 80
- Persons referred to State or local authority: 8
- Businesses referred to State or local authority: 1

Civil prosecutions

DOT OIG investigates and refers civil matters for prosecution, including False Claims Act cases involving fraud on DOT programs.

Number of investigations referred, accepted, and declined for civil prosecution

<table>
<thead>
<tr>
<th></th>
<th>Referred</th>
<th>Accepted</th>
<th>Declined</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>17</td>
<td>10</td>
<td>6</td>
</tr>
</tbody>
</table>
Summary of investigations referred for criminal and civil prosecution

**Grant & procurement**

- **A**
  - 13
  - false claims/false statements

- **B**
  - 11
  - DBE fraud

- **C-D**
  - 4
  - embezzlement
  - overbilling

- **E**
  - 2
  - kickbacks

- **F-G**
  - 1
  - anti-trust, bid rigging/collusion
  - product substitution/substandard work or materials

**Aviation**

- **A**
  - 6
  - instructor/mechanic/medical certificate fraud

- **B**
  - 5
  - accident related

- **C-D**
  - 3
  - aiming a laser pointer at an aircraft
  - suspect unapproved parts

- **E-F**
  - 2
  - airman's log falsification of FAA Orders or other documents

- **G-H**
  - 2
  - unmanned aircraft systems
  - unauthorized operation of an aircraft

**Employee integrity**

- **A-B**
  - 3
  - theft
  - travel card/voucher

- **C-G**
  - 2
  - assault/threat
  - bribery/gratuities
  - public corruption
  - ethics violation
  - violation of law, rule, or regulation

- **C-D**
  - 1
  - misuse of government funds or property
  - prohibited personnel violation
  - U.S. Merchant Marine Academy student misconduct
Summary of investigations referred for criminal and civil prosecution (cont.)

**Hazmat**
- A: 8 carriage by motor vehicle/public highway
- B: 5 carriage by air
- C: 2 pipelines
- D-F: 1 carriage by rail cylinders and packaging tank cars

**Motor Carrier**
- A: 5 reincarnated carriers
- B: 3 commercial driver’s license fraud/public corruption
- C-D: 2 drug and alcohol program violation falsification/alteration of inspection records
- D-G: 1 attempted bribery equipment inspection, repair, maintenance log books other

**Workforce Protection**
- A: 3 household goods/moving companies
- B: 1 broker, freight forwarder, carrier registration economic fraud by forwarder/broker

**Other**
- A-D: 1 impersonation of Government official theft of DOT funds or property falsification of FRA required records
- Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act violations
**Investigative reports**

DOT OIG distributed 127 investigative reports, including reports of investigation, stakeholder memos, and management implication reports.

**Indictments and informations from prior referrals**

A total of 22 indictments or criminal informations resulted from previous referrals for prosecution.

**Whistleblower retaliation**

DOT OIG did not close any investigations in which a DOT official was found to have engaged in whistleblower retaliation.

### Metrics used to develop investigative statistical data

DOT OIG maintains an Investigative Case Management System to track the life of an investigation. It captures hundreds of data points, including dates, significant investigative steps, referrals, and outcomes (criminal, civil and administrative).

It is also the repository for reports of investigation, stakeholder communications, and management implication reports. Each statistic and outcome reported is validated against the appropriate legal documents.
Judicial actions

- 6 pretrial diversions
- 25 convictions
- 31 indictments

- 14.2 years of incarceration
- 22 years of supervised release
- 35 years of probation
- 10,350 hours of community service

Types of judicial actions

Pretrial diversion is an alternative to prosecution which seeks to divert certain offenders from traditional criminal justice processing into a program of supervision and services.

A conviction is the verdict that results when a court of law finds a defendant guilty of a crime.

An indictment is an official written statement charging a person with a crime.

Supervised release is a period of supervision following an offender’s release from prison. It is imposed in addition to a sentence of imprisonment.

Probation is a period of supervision over an offender, ordered by a court instead of a sentence of imprisonment.

Community service is a sentencing option ordering offenders to perform a number of hours of unpaid work for the benefit of the public.
Administrative actions

Suspension & debarment actions

- **20** suspension & debarment referrals
- **7** business debarment
- **2** business suspension
- **5** individual debarment
- **5** individual suspension

Personnel actions

- **3** counseling
- **1** reassignment/transfer
- **1** proposed reassignment/transfer
- **2** removal
- **2** reprimand
- **3** resigned/retired during investigation
- **2** restitution
- **2** security clearance revoked/suspended
- **5** suspension

Other actions

- **4** certificate/license/permit revoked/terminated
- **2** certificate/license/permit revoked/suspended
- **14** compliance agreement
- **5** corrective action taken
- **1** MBE/DBE decertification

Types of administrative actions

Suspension and debarment excludes an individual or entity from financial and nonfinancial assistance and benefits under Federal programs and activities.

Personnel actions include significant changes in employee duties, responsibilities, or working conditions.

Compliance agreements are voluntary agreements aimed at preventing future wrongdoing by putting safeguards in place to correct past misconduct, and identify and correct any future misconduct.
Investigations involving senior Government employees that were closed but not disclosed to the public

- 5 abuse of authority
- 3 misuse of government property or funds
- 3 public corruption, current employee
- 3 time and attendance fraud
- 2 violation of law, rule, or regulation
- 1 assault/threat
- 1 theft
- 1 other

Investigations involving senior Government employees where misconduct was substantiated

<table>
<thead>
<tr>
<th>Allegation</th>
<th>Referral date</th>
<th>Accepted/Declined</th>
<th>Disposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time and attendance fraud. An FAA air traffic controller conspired with another to alter labor reports and falsely claim overtime, holiday, and other premium pays.</td>
<td>7/31/2014</td>
<td>Accepted</td>
<td>Retired after arrest. Found guilty and ordered to pay restitution of $235,466.</td>
</tr>
<tr>
<td>Time and attendance fraud. An FAA air traffic controller conspired with another to alter labor reports and falsely claim overtime, holiday, and other premium pays.</td>
<td>7/31/2014</td>
<td>Accepted</td>
<td>Removed from DOT employment. Found guilty and ordered to pay restitution of $204,151 and a forfeiture of $99,642.</td>
</tr>
<tr>
<td>Abuse of authority. An FAA manager pressured several employees to provide him with prescription pain medication.</td>
<td>6/2/2016</td>
<td>Declined 6/2/2016</td>
<td>Management imposed a 60-day employee suspension without pay and removed him from his position as manager.</td>
</tr>
<tr>
<td>Abuse of authority. An FAA employee admitted to providing prescription pain medication to his supervisor on several occasions.</td>
<td>6/2/2016</td>
<td>Declined 6/2/2016</td>
<td>Management imposed a 14-day employee suspension without pay.</td>
</tr>
</tbody>
</table>
DOT OIG maintains a Hotline Complaint Center for receiving allegations of fraud, waste, abuse, or mismanagement in DOT programs or operations. Allegations may be reported 24 hours a day, 7 days a week by DOT employees, contractors, or the general public.

2,052 total hotline contacts received

1 walk-in

1,058 telephone calls

1 (800) 424-9071

889 emails
hotline@oig.dot.gov

98 letters
1200 New Jersey Ave SE, West Bldg, 7th floor, Washington, DC 20590

6 web
oig.dot.gov/hotline
We conduct independent and objective audits and other reviews of DOT programs and activities to ensure they operate economically, efficiently, and effectively. Some of the most significant issues we reviewed during this reporting period include:

- **DBE participation at airports.** Our audit identified a decrease in both new and existing disadvantaged business enterprises working at the Nation’s largest airports between fiscal years 2012 and 2014.

- **FAA’s air traffic control contingency plans.** We found that FAA’s air traffic facilities are not fully prepared to respond effectively to major system disruptions.

- **FHWA’s use of project agreements for highway and bridge projects.** Because of insufficient controls on advertising projects for bids, FHWA put a projected $1.1 billion in Federal-aid funds at risk in the three States we reviewed.

- **Moving Ahead for Progress in the 21st Century Act (MAP-21).** DOT has had to delay full implementation of its initiatives to accelerate delivery of projects funded by FHWA and FTA, as required by Section C of MAP-21.

- **PHMSA’s implementation of mandates and recommendations.** We found that 20 of 81 mandates, 60 of 118 recommendations from NTSB, and 10 of 64 recommendations from GAO and DOT OIG remain open. PHMSA also missed the majority of deadlines for notices of proposed rulemaking and final rules.

### Audit accomplishments

- 39 audit reports issued
- 138 recommendations
- $450,097 questioned costs
- $1.1 billion funds put to better use
- $1,100,450,097 total financial impact of DOT OIG audits
# Audits

## Statistical Data

### Completed audits by type

<table>
<thead>
<tr>
<th>Type</th>
<th># of reports</th>
<th># of recommendations</th>
<th>Financial impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance audits</td>
<td>16</td>
<td>76</td>
<td>$1,100,000,000 funds to be put to better use</td>
</tr>
<tr>
<td>Financial audits</td>
<td>9</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>Audits under Single Audit Act</td>
<td>11</td>
<td>16</td>
<td>$450,097 questioned costs</td>
</tr>
<tr>
<td>Attestation engagements</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other audits</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39</strong></td>
<td><strong>138</strong></td>
<td><strong>$1,100,450,097</strong></td>
</tr>
</tbody>
</table>

### Types of audits

- **Performance audits** are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria.
- **Audits under Single Audit Act** are examinations of an entity that expends $750,000 or more of Federal assistance (i.e., Federal funds, grants, or awards) received for its operations.
- **Attestation engagements** are reviews that evaluate the assertions of another party for compliance with agreed-upon standards and procedures.

*Dollars shown are amounts reported to management. Actual amounts may change during final resolution.*
### Recommendations unresolved by end of reporting period

<table>
<thead>
<tr>
<th>Unresolved recommendations at the start of the reporting period</th>
<th>Number of reports</th>
<th>Number of recommendations</th>
<th>Questioned costs*</th>
<th>Funds to be put to better use*</th>
</tr>
</thead>
<tbody>
<tr>
<td>That questioned costs</td>
<td>1</td>
<td>1</td>
<td>$29,500</td>
<td></td>
</tr>
<tr>
<td>That funds be put to better use</td>
<td>0</td>
<td>0</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>For safety, efficiency, and economy</td>
<td>11</td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>A</strong> Total unresolved recommendations as of October 1, 2016</td>
<td>23</td>
<td></td>
<td>$29,500</td>
<td>$0</td>
</tr>
</tbody>
</table>

#### Recommendations made during reporting period

<table>
<thead>
<tr>
<th>Recommendations made during reporting period</th>
<th>Number of reports</th>
<th>Number of recommendations</th>
<th>Questioned costs*</th>
<th>Funds to be put to better use*</th>
</tr>
</thead>
<tbody>
<tr>
<td>That questioned costs</td>
<td>3</td>
<td>3</td>
<td>$450,097</td>
<td></td>
</tr>
<tr>
<td>That funds be put to better use</td>
<td>1</td>
<td>1</td>
<td></td>
<td>$1,100,000,000</td>
</tr>
<tr>
<td>For safety, efficiency, and economy</td>
<td>28</td>
<td>134</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B</strong> Total recommendations made during reporting period</td>
<td>138</td>
<td></td>
<td>$450,097</td>
<td>$1,100,000,000</td>
</tr>
<tr>
<td><strong>B</strong> Total recommendations to be resolved (A+B)</td>
<td>161</td>
<td></td>
<td>$479,597</td>
<td>$1,100,000,000</td>
</tr>
</tbody>
</table>

#### Recommendations resolved during reporting period

<table>
<thead>
<tr>
<th>Recommendations resolved during reporting period</th>
<th>Number of reports</th>
<th>Number of recommendations</th>
<th>Questioned costs*</th>
<th>Funds to be put to better use*</th>
</tr>
</thead>
<tbody>
<tr>
<td>That questioned costs (i) dollar value of recommendations that were agreed to by management (disallowed costs)</td>
<td>1</td>
<td>1</td>
<td>$29,500</td>
<td></td>
</tr>
<tr>
<td>(ii) dollar value of that were not agreed to by management (allowed costs)</td>
<td>0</td>
<td>0</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>That funds be put to better use (i) dollar value of recommendations that were agreed to by management</td>
<td>0</td>
<td>0</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>(ii) dollar value of recommendations that were not agreed to by management</td>
<td>0</td>
<td>0</td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>For safety, efficiency, and economy</td>
<td>28</td>
<td>129</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C</strong> Total resolved as of March 31, 2017</td>
<td>130</td>
<td></td>
<td>$29,500</td>
<td>$0</td>
</tr>
<tr>
<td><strong>D</strong> Total unresolved as of March 31, 2017 [(A+B)-C]</td>
<td>31</td>
<td></td>
<td>$450,097</td>
<td>$1,100,000,000</td>
</tr>
</tbody>
</table>

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

**NOTE:** See next page for definitions.
Definitions

Resolved/unresolved recommendations

OMB Circular A-50 requires DOT OIG recommendations to be resolved within 6 months. Recommendation resolution refers to whether (a) the agency has provided a management decision that agrees with the recommendation and proposes corrective actions and (b) DOT OIG agrees that the proposed corrective actions are appropriate to address the recommendation.

<table>
<thead>
<tr>
<th>Resolved recommendation</th>
<th>Unresolved recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A recommendation is resolved if the agency agrees with the recommendation and DOT OIG agrees to the agency’s proposed corrective actions.</td>
<td></td>
</tr>
<tr>
<td>A recommendation is unresolved if agency management does not agree with the recommendation or DOT OIG does not agree to the agency’s proposed corrective actions.</td>
<td></td>
</tr>
</tbody>
</table>

Questioned costs

Costs that are questioned by DOT OIG because of an alleged violation of a provision; costs not supported by adequate documentation (unsupported costs); or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

<table>
<thead>
<tr>
<th>Allowed costs</th>
<th>Disallowed costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar value that DOT management has agreed should be charged to the Government.</td>
<td>Dollar value that DOT management has decided should not be charged to the Government.</td>
</tr>
</tbody>
</table>

Funds put to better use

Funds that could be used more efficiently if management took actions to implement and complete the recommendation. For example, recommendations that funds be put to better use could result in reductions in spending, deobligation of funds, or avoidance of unnecessary spending.
Age of unresolved recommendations

- **less than 6 months**: 28
- **6 months to 1 year**: 1
- **1 year to 18 months**: 2
- **18 months to 2 years**: 2
- **more than 2 years**

$1.1 billion funds put to better use
$450,097 questioned

Recommendations unresolved as of October 1, 2016

<table>
<thead>
<tr>
<th>Report</th>
<th>Unresolved Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 year to 18 months</strong></td>
<td></td>
</tr>
<tr>
<td>Enhanced FAA Oversight Could Reduce Hazards Associated With Increased Use of Flight Deck Automation AV2016013 1/7/2016</td>
<td><strong>Recommendation 2.</strong> Develop standards to determine whether pilots receive sufficient training opportunities to develop, maintain, and demonstrate manual flying skills.</td>
</tr>
<tr>
<td><strong>More than 2 years</strong></td>
<td></td>
</tr>
<tr>
<td>Long Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency AV2012152 7/19/2012</td>
<td><strong>Recommendation 10.</strong> Revise ATSAP guidance to exclude accidents from the program.</td>
</tr>
<tr>
<td>FAA and Industry Are Advancing the Airline Safety Act but Challenges Remain To Achieve Its Full Measure AV2013037 1/31/2013</td>
<td><strong>Recommendation 5.</strong> In developing the Pilot Records Database, require training records for all unsatisfactory pilot evaluation events to include written comments from the examiner to aid in identifying specific performance deficiencies.</td>
</tr>
</tbody>
</table>
Open audit recommendations

As of March 31, 2017, DOT OIG had **505 open recommendations**, which were included in 172 audit reports issued between July 18, 2007, and March 28, 2017. Of these, 30 recommendations (from 24 reports) carry an **estimated monetary benefit or cost savings totaling over $7 billion**, including funds that could be put to better use and questioned costs.

We launched an online Recommendation Dashboard in November 2016 to provide Congress, DOT, and the public with accurate and timely data on the status of DOT OIG’s audit recommendations. Please visit our [Recommendation Dashboard](#) for a current list of open DOT OIG audit recommendations, as well as links to audit report summaries.

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Open and closed audit recommendations

A recommendation is **opened** on the date the audit report is issued. Once opened, a recommendation is “unresolved” until the Department and DOT OIG agree on the step(s) necessary to address the recommendation. Then the recommendation is considered “resolved” and remains open until the Department completes the corrective action and provides OIG with sufficient supporting evidence of the actions taken.

A recommendation is **closed** after the Department has agreed with the recommendation, takes appropriate corrective action, and provides DOT OIG with sufficient supporting evidence to demonstrate that the action was taken.
<table>
<thead>
<tr>
<th>Compliance with Federal Financial Management Improvement Act</th>
</tr>
</thead>
</table>

As part of the **annual CFO financial statement audit**, our contractor identified two material weaknesses related to general information technology controls at FTA that represent noncompliance with the Federal financial management system requirements of FFMIA:

1. Several control deficiencies in the FTA’s IT environment, specifically over the grant IT systems that collectively represent a material weakness in internal controls. These weaknesses fall into three categories: (1) inadequate controls over access and segregation of duties,
2. Deficiencies in vulnerability management, such as having out-of-date software patches, and (3) inadequate system audit log reviews and change management.
3. FTA did not adequately oversee and monitor its external service provider’s grant management system controls.
Audits
Completed Audit Reports

FEDERAL AVIATION ADMINISTRATION

Total Costs, Schedules, and Benefits of FAA’s NextGen Transformational Programs Remain Uncertain

Requested by the Chairman and Ranking Member of the Senate Committee on Commerce, Science, and Transportation
November 10, 2016
AV2017009

To meet its goals for NextGen, FAA is investing in six transformational programs that will provide a platform for new capabilities, such as a precise satellite-based surveillance system and digital data communications for air traffic controllers and pilots. FAA has invested over $3 billion in these programs since 2007 but has faced implementation challenges. Cost estimates, as currently defined, now total over $5.7 billion, and timelines extend beyond 2020.

Our 2012 report on the six transformational programs identified a lack of finalized program requirements and costs, schedules, or performance baselines. Since our 2012 report, FAA has made some changes: all programs are now initially baselined, but total costs and timelines remain unclear. Additionally, FAA continues to use a segmented approach for the transformational programs, which reduces risks in the near term but masks how much each program will ultimately cost, when planned capabilities/benefits will be delivered, how many segments the programs will have, and when each program will be completed. Moreover, FAA has not adjusted anticipated benefits for its transformational programs, and many benefits remain uncertain for improving the flow of air traffic and reducing Agency operating costs. For NextGen to realize its full benefits, airspace users must decide to make investments not only in avionics but in pilot and crew training. FAA originally identified the transformational programs as efforts that would fundamentally change the way the Agency managed air traffic. However, our review has found that, at least until 2020, most of the transformational programs will not transform how air traffic is managed in the National Airspace System. FAA did not concur with our one recommendation to help the Agency better address these ongoing issues; we are asking FAA to reconsider its response.

Quality Control Review of FAA’s Audited Consolidated Financial Statements for FY2016 and 2015

Required by the CFO Act
November 14, 2016
QC2017011

This report presents the results of our quality control review of FAA’s audited consolidated financial statements for fiscal years 2016 and 2015. KPMG LLP, under contract to DOT OIG, issued a clean (unmodified) audit opinion on FAA’s financial statements. KPMG LLP reported two significant deficiencies in internal control over financial reporting. KPMG did not report any instances of reportable noncompliance with laws and regulations tested. Our review disclosed no instances in which KPMG LLP did not comply, in all material respects, with generally accepted Government auditing standards.
In February 2005, FAA awarded a contract to Lockheed Martin Services Inc. to operate the Agency’s 58 flight service stations. By contracting these services, FAA anticipated cost savings of approximately $2.2 billion over 13 years. In a 2007 audit, we found that FAA had implemented effective controls over the transition to contractor operations but could not be certain that the controls would maintain quality of services or that the Agency would achieve anticipated savings. In this follow-up to our 2007 audit, we found that FAA has achieved most of the anticipated cost savings from contracting out flight services operations. It has saved approximately $2.13 billion over 13 years—$59 million less than the initial estimate—through reorganization of flight service operations and facility and equipment modernization, including service station consolidation and reduced staffing levels. FAA has also implemented effective controls for oversight of Lockheed Martin and flight services and established oversight mechanisms that monitor the program’s safety and operations. Finally, pilots and other users have multiple methods available to them to provide input on the program.

FAA has not decided how it will provide flight services and program oversight under its next contract. Since increased use of Web-based applications has significantly reduced the demand for services from flight service specialists, the Agency is considering phasing out most specialists and relying on the Internet to deliver services. However, FAA has not yet decided what changes it will make to the program or developed a corresponding oversight approach for the contractor and services. As a result, FAA may not have the appropriate mechanisms in place to ensure the program’s safety and efficiency. FAA concurred with all three recommendations we made to help the Agency ensure the program’s safety and efficiency.

The growing demand for civil UAS operations presents new safety oversight challenges for FAA. Using an authority granted by Congress, FAA has approved over 5,500 commercial UAS to operate by exempting them from regulatory requirements and recently issued a final rule governing operations of small UAS. In 2015, FAA streamlined its process for exempting civil UAS from regulatory requirements in response to increasing requests for exemptions and concerns about lengthy approval times. However, FAA’s process does not verify that operators actually meet or understand the conditions and limitations of their exemptions either before or after the application is approved. Furthermore, while FAA has taken some steps to advance UAS technology, the Agency has not established a risk-based safety oversight process for civil UAS operations—a key tool for focusing resources on a range of emerging risks. Despite an increase in reported UAS events, FAA lacks a robust data reporting and tracking system for UAS activity. As a result, FAA is currently taking a reactive approach to UAS oversight. FAA concurred with all six of our recommendations to enhance the effectiveness of its oversight of civil UAS.
Although FAA Has Taken Steps To Improve Its Operational Contingency Plans, Significant Work Remains To Mitigate the Effects of Major System Disruptions

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

January 11, 2017 AV2017020

FAA operates a vast network of facilities and communication, navigation, and surveillance equipment for managing air traffic throughout the United States. In recent years, FAA has experienced several major system failures that required individual air traffic control facilities to declare “ATC-Zero,” which means the inability to provide any air traffic control services. While FAA has taken steps to improve the effectiveness of its operational contingency plans, significant work remains. FAA's air traffic facilities are not fully prepared to respond effectively to major system disruptions, in part because the Agency lacks the necessary training for its controllers and the required redundancy, resiliency, and flexibility for its key air traffic control infrastructure. Many of the new technologies and capabilities that can improve the continuity of air traffic operations will not be available for years, and the Agency's procedures for updating contingency plans remain incomplete. While the Agency has established new requirements for transferring airspace and air traffic control responsibilities to other facilities, those plans are not ready to be fully implemented. FAA also does not have an effective method for sharing operational contingency plans and lessons learned with its internal and external stakeholders. The Agency concurred with all eight of our recommendations to improve FAA's ability to respond to air traffic control disruptions.

New Disadvantaged Business Enterprise Participation Is Decreasing at the Nation's Largest Airports, and Certification Barriers Exist

Required by the FAA Modernization and Reform Act of 2012

January 17, 2017 ZA2017021

Each year, FAA distributes more than $3 billion in Federal grants for airport projects. In accepting these grants, airports are required to establish disadvantaged business enterprise and airport concession DBE programs. These programs provide small businesses owned and controlled by socially and economically disadvantaged individuals with opportunities to compete for construction, professional services, and concession contracts.

In the FAA Modernization and Reform Act of 2012, Congress directed our office to report annually on new DBE participation at the Nation's largest airports and to identify reasons why some have been more successful than others. Our third and final review determined that between fiscal years 2012 and 2014, the number of existing DBE firms working at the 65 largest airports decreased by 31 percent and the number of new DBE firms working at these airports decreased by 76 percent. Several factors hampered new and existing firms that pursued DBE/ACDBE certification. These include (1) FAA's inability to effectively track certifying authorities' processing times for DBE/ACDBE applications to ensure they meet regulatory timeframes, (2) the lack of a method to determine whether mandated DBE certification training is complete or consistent, and (3) the absence of a “train-the-trainer” program from the Departmental Office of Civil Rights to ensure that FAA, Federal Highway Administration, and Federal Transit Administration personnel provide consistent guidance and training to certification staff. DOCR and FAA concurred with all 11 of our recommendations to strengthen FAA's oversight of airports' implementation of the DBE/ACDBE program and help ensure that only eligible firms are certified.
This report presents the results of our attestation review of FAA's Drug Control Funds and Performance Summary Reports for fiscal year 2016. During our review, no information came to our attention that would reverse FAA's assertions that its fiscal year 2016 Drug Control Obligation Summary and Performance Summary reports complied, in all material respects, with the requirements of the ONDCP, Accounting of Drug Control Funding and Performance Summary (2013).

We conducted a quality control review of the management letter related to FAA's financial statements for fiscal years 2016 and 2015. KPMG LLP, under contract to our office, issued a management letter identifying internal control matters that KPMG was not required to report in its independent audit report on FAA's financial statements for the period. Our review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.

FAA employs approximately 14,000 air traffic controllers and plans to hire more than 3,400 additional controllers over the next 2 years to offset estimated retirements. The Agency faces the challenge of selecting these new controllers and assigning them to air traffic facilities where they will have the best opportunity for success. In 2014, FAA began making changes to its controller hiring process. Congress and other stakeholders expressed concerns about the transparency and effectiveness of FAA's revised process. The Chairmen of the House Transportation and Infrastructure Committee and the Subcommittee on Aviation requested we review FAA's air traffic control hiring programs and practices. Ranking Member Nelson of the Senate Committee on Commerce, Science, and Transportation also expressed concerns about changes to the controller hiring process and requested that we look into the issue.

We found that FAA's decision to revise its controller hiring process was based on internal and external reviews of its policies, which identified equal opportunity issues and other opportunities to improve the process. While the new process incorporates recommended changes from external reviews, FAA
did not have an effective roll-out or communication strategy for implementing the new hiring process. In addition, FAA has experienced delays in hiring controllers through the new process that limited its ability to meet its hiring goals. FAA concurred with our two recommendations to increase effectiveness of FAA's air traffic controller hiring process. After the conclusion of our audit work, Congress passed and the President signed into law the FAA Extension, Safety, and Security Act of 2016, which includes changes to the hiring process for air traffic control specialists.

FEDERAL HIGHWAY ADMINISTRATION

FHWA Needs To Strengthen Its Oversight of State Transportation Improvement Programs

Self-Initiated
January 5, 2017
ST2017019

Each year, FHWA provides about $40 billion in Federal funding to States for construction and improvements to the Nation's highways and bridges. To ensure that States appropriately plan and budget for the use of these funds and meet Federal requirements, Congress requires each State to submit to its FHWA Division Office and FTA Regional Office a Statewide Transportation Improvement Program that lists and describes each project that the State and metropolitan planning organizations plan to implement over a 4-year period. FHWA and FTA jointly approve each STIP to ensure that the State Departments of Transportation meet Federal requirements—such as fiscal constraint, which demonstrates reasonably available project funding and reliable cost estimates.

Based on a sample of FHWA Division Offices, we determined that FHWA's guidance does not provide sufficient detail for STIP reviews in certain areas. Furthermore, FHWA Headquarters’ oversight process is not sufficient to routinely determine how well the Divisions ensure that States comply with certain STIP requirements. As a result, most of the Division Offices we visited did not adequately document their STIP reviews or demonstrate sufficient action to ensure that the STIPs complied with Federal requirements for fiscal constraint. Furthermore, while FHWA Division Offices and FTA Regional Offices coordinated approval of STIPs, some Division Offices and FTA Regional Offices have not updated coordination agreements in a timely manner or mitigated duplicative reporting requirements. FHWA concurred with three of our five recommendations to strengthen FHWA's oversight of Division Offices' STIP reviews and clarify existing guidance to Division Offices.
Each year, FHWA oversees about $40 billion in Federal aid for the construction, preservation, and operation of the Nation's highways and bridges. For a project to be eligible for Federal aid, the State DOT and FHWA must enter into a project agreement authorizing the use of Federal funding.

We found that FHWA and its Division Offices ensured that the three State DOTs in our review—Alabama, Massachusetts and Oregon—complied with Federal requirements on record content and preauthorization for project agreements and modifications. However, due to insufficient controls, FHWA did not always ensure that at least two Division officials signed agreements as required, or prevent the same Division official from recommending a project be authorized and then authorizing the same project. Additionally, FHWA policy allows one State DOT official to approve all aspects of an agreement and modification, contrary to Federal Internal Control Standards.

Furthermore, Federal regulations require States not to advertise projects for bids prior to FHWA's authorization of Federal funds for the project, but 15 of 60 projects we reviewed—totaling $281 million in Federal-aid funds—were advertised before authorization. Because of insufficient controls, we project that FHWA put an estimated $1.1 billion in Federal-aid funds at risk in the three States we reviewed.

FHWA also has not ensured that States comply with OMB's 2014 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which requires States to add Catalogue of Federal Domestic Assistance information, indirect cost rates, and project end dates to their project agreement and modification requests. The States have not complied in part because FHWA's current Fiscal Management Information System does not include mandatory fields for this information. FHWA concurred with one of the four recommendations we made to improve compliance with FHWA and Federal requirements for project agreements and modifications, and to ensure FHWA follows new requirements in OMB's Uniform Guidance.
FEDERAL TRANSIT ADMINISTRATION

Improvements in FTA’s Safety Oversight Policies and Procedures Could Strengthen Program Implementation and Address Persistent Challenges

Self-Initiated
November 2, 2016
ST2017004

Recent incidents have demonstrated weaknesses in the safety performance and oversight of some rail transit systems. For example, in January 2015, a Washington Metropolitan Area Transit Authority Metrorail train was involved in a serious incident in which 1 passenger died, and 91 people were injured. NTSB determined that the State safety oversight agency that monitored Metrorail lacked sufficient resources, technical capacity, and enforcement authority to carry out its oversight responsibilities. In October 2015, the Secretary of Transportation directed FTA to assume direct safety oversight for Metrorail until the District of Columbia, Maryland, and Virginia establish a fully functioning and capable oversight agency.

Based on our previous work, we determined FTA may face significant challenges in carrying out this authority. Accordingly, we initiated this audit to assess the Agency’s actions to assume and relinquish direct safety oversight of a rail transit agency. As part of our review, we also provided an update on FTA’s progress toward addressing the challenges to enhanced safety oversight we identified in our January 2012 report, Challenges to Improving Oversight of Rail Transit Safety and Implementing an Enhanced Federal Role. We found that FTA has actions underway to develop policies and procedures for assuming direct safety oversight of a rail transit agency and for transferring it back to the State safety oversight agencies but lacks milestones for finalization. In addition, FTA has assessed staffing needs but faces challenges in acquiring and retaining personnel and resources; has identified safety data gaps but has not established a data-driven, risk-based oversight system; and has established safety performance criteria and standards, but the criteria are limited and the standards are voluntary. FTA concurred with our seven recommendations for improving its overall rail transit safety oversight.

Quality Control Review on the Single Audit of the Port Authority of Allegheny County, Pittsburgh, PA

Self-Initiated
February 13, 2017
QC2017027

This report presents the results of our quality control review of Maher Duessel CPAs’ single audit of the Port Authority of Allegheny County’s use of DOT grants during its fiscal year ended June 30, 2015. During this period, the Port Authority expended approximately $60 million from DOT grant programs. Maher Duessel determined that DOT’s major program was the Federal Transit Cluster. We assigned an overall rating of pass to Maher Duessel’s work. Therefore, Maher Duessel met the requirements of the Single Audit Act, OMB Circular A-133, and the Federal Transit Cluster. We found nothing to indicate that Maher Duessel’s opinion on the Federal Transit Cluster was inappropriate or unreliable.
Quality Control Review on the Single Audit of the Alameda-Contra Costa Transit District, Oakland, CA
Self-Initiated
March 27, 2017
QC2017032

The report presents the results of our quality control review of DOT’s major grant program included in the single audit that Maze and Associates performed for the Alameda-Contra Costa Transit District’s fiscal year ended June 30, 2015. During this period, AC Transit expended approximately $36 million from DOT grant programs. Maze determined that DOT’s major program was the Federal Transit Cluster. Firms can receive a rating of pass, pass with deficiency(ies), or fail. Based on our review, we assigned an overall rating of pass with deficiencies to Maze’s work. Therefore, Maze generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT’s major program.

Quality Control Review on the Single Audit of the Metropolitan Transportation Authority, New York, NY
Self-Initiated
March 27, 2017
QC2017031

The report presents the results of our quality control review DOT’s major program included in the single audit of the Metropolitan Transportation Authority that Deloitte & Touche LLP performed for the Authority’s fiscal year ended December 31, 2015. During this period, the Authority expended approximately $1.6 billion from DOT grant programs. Deloitte determined that DOT’s major program was the Federal Transit Cluster. Firms can receive a rating of pass, pass with deficiency(ies), or fail. Based on our review, we assigned an overall rating of pass to Deloitte’s work. Therefore, Deloitte met the requirements of the Single Audit Act, Uniform Guidance, and DOT’s major program.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

IG Review of NHTSA's FY 2016 Drug Control Funds and Performance Summary Reporting
Required by ONDCP Circular, Accounting of Drug Control Funding and Performance Summary
January 31, 2017
FI2017023

This report presents the results of our attestation review of NHTSA’s Drug Control Funds and Performance Summary Reports for fiscal year 2016, required by the Office of National Drug Control Policy. During our review, no information came to our attention that would reverse NHTSA’s assertions that its fiscal year 2016 Drug Control Obligation Summary and Performance Summary reports complied, in all material respects, with the requirements of ONDCP Circular, Accounting of Drug Control Funding and Performance Summary (2013).
This report presents the results of our quality control review of the NTSB's audited financial statements for fiscal years 2016 and 2015. Allmond & Company, LLC, under contract to our office, issued a clean (unmodified) audit opinion on NTSB's financial statements. Allmond did not report any internal control deficiencies or instances of reportable noncompliance with laws and regulations tested. Our review disclosed no instances in which Allmond did not comply, in all material respects, with generally accepted Government auditing standards.

We conducted a quality control review of the management letter related to NTSB's financial statements for fiscal years 2016 and 2015. Allmond & Company, LLC, under contract to our office, issued a management letter comment identifying an internal control matter on which Allmond was not required to report in its independent audit report on NTSB's financial statements for the period.

An effective response to cybersecurity incidents minimizes disruptions to information systems and data losses. We conducted this audit because of DOT's large number of information systems that contain sensitive data as well as the high number of cybersecurity incidents that the Department reports each year—2,200 in 2014 alone.

Our audit found that DOT's Office of Chief Information Officer has not ensured that the Department's Security Operations Center has access to all departmental systems or required the Center to consider incident risk, thus limiting the Center's ability to effectively monitor, detect, and eradicate cybersecurity incidents. Without OCIO's approval, FAA conducts its own monitoring of the National Airspace System through its Cyber Operations Center, and this monitoring is incomplete. OCIO's lack of enforcement of DOT's cybersecurity policies, coupled with the weaknesses in FAA's monitoring, puts the Department's information systems at risk for compromise.
Because OCIO does not ensure that the Operating Administrations provide
the Center complete system access, the Center’s reports to the Department
of Homeland Security’s United States Computer Emergency Readiness Team
are incomplete. Federal guidelines require departmental points of contact,
such as the Center, to report each incident to US-CERT in timely manner.
FAA’s policy calls for reporting to the Center, but FAA officials stated that
during our review period, the Agency did not identify any incidents to report.
However, we found incidents in the NAS’s systems that FAA should have
reported, including a September 2014 fire at the Chicago air route traffic
control center that affected NAS systems and flight operations. Lastly, the
Center cannot report to US-CERT on departmental cloud systems because
it does not monitor them. Incomplete reporting from agencies undermines
US-CERT’s and law enforcement’s efforts to address serious incidents. We
made four recommendations. The Department concurred with three as
written and provided alternative actions for the fourth that meet the intent of
the recommendation.

This report was marked For Official Use Only to protect sensitive information
exempt from public disclosure under the Freedom of Information Act, Title 5
U.S. Code Section 552. Accordingly, a redacted version of the report has been
posted to our Web site.

Following a series of high-profile instances of passengers locked inside
aircraft during lengthy tarmac delays, DOT developed the tarmac delay
rule. Effective April 29, 2010, the rule renders airlines liable for fines of up
to $27,500 per passenger for incidents of domestic flights spending longer
than 3 hours on the tarmac. The FAA Modernization and Reform Act of 2012
directed our office to assess the impact of DOT’s rules on carriers’ decisions
to delay or cancel flights. To meet this mandate, the House Transportation
and Infrastructure Subcommittee on Aviation and the Senate Committee on
Commerce, Science, and Transportation requested that we focus specifically
on the TDR. In addition, they requested that we review the analysis
commissioned by the Office of the Secretary of Transportation on the subject.
We found that the TDR increased cancellation rates during the first 3 years
following its implementation (May 2010–April 2013). After that, the TDR did
not increase cancellation rates, and cancellation rates behaved as if the TDR
had never been imposed—at least through December 2014, which was the
end of our period of analysis. We examined two types of flight delays—tarmac
and gate delays—and found that the TDR was associated with a reduction
in tarmac delays, but displayed no obvious association with changes in
gate delays. Finally, we found that the OST-commissioned analysis of TDR
effects contained significant limitations that impact its reliability as a basis for
making possible policy decisions. We did not make any recommendations in
this report.

Effects of the
Tarmac Delay
Rule on Flight
Cancellations and
Delays
Required by FAA
Modernization and
Reform Act of 2012;
also requested by the
House Transportation
and Infrastructure
Subcommittee on
Aviation and the
Senate Committee on
Commerce, Science,
and Transportation
October 26, 2016
ST2017003
In 2014, Congress passed the Digital Accountability and Transparency Act to reinforce Federal agencies’ compliance with the Federal Funding Accountability and Transparency Act of 2006, which requires departments to maintain transparent and reliable information on Federal spending and financial assistance for public review. The Department of the Treasury makes this information available to the public at USASpending.gov. The DATA Act also requires that Federal inspectors general issue three reports assessing the data their agencies submit to USASpending.gov, with the first report due to Congress by November 7, 2016. However, because the act does not require agencies to submit spending data to USASpending.gov until May 8, 2017, inspectors general could not complete their first reports by November 7, 2016, because the data were not available to test. Consequently, the Council of the Inspectors General on Integrity and Efficiency proposed that as an alternative, inspectors general conduct reviews of their agencies’ readiness for DATA Act implementation. Accordingly, we assessed (1) DOT’s DATA Act Implementation Plan and (2) the progress of its implementation efforts through August 2016.

In accordance with implementation guidance from OMB and Treasury, the Department has conducted activities in support of its readiness to meet the May 2017 reporting deadline. DOT created a department-wide DATA Act Working Group comprised of representatives from OST, all DOT Operating Administrations, and the Enterprise Services Center. The DATA Act Project Management Office is responsible for implementation oversight, and it has developed an implementation plan and implemented controls to monitor the Operating Administrations and ensure they meet established target dates. Additionally, ESC created an internal DATA Act team of ESC personnel, who have been communicating and collaborating with Treasury, the DOT DATA Act working group, and other Federal agency customers. ESC developed its own comprehensive DATA Act implementation plan with input from DOT and other Federal agency customers. ESC’s implementation effort will occur in two phases: (1) development of the implementation plan and (2) enhancement of DATA Act reporting.

The Department is making progress on its implementation and meeting its timeframes. The most significant challenge has been a software developer’s delay in issuing key software patches. These patches are critical to the Department’s ability to meet the May 2017 reporting deadline. The first patch was due to be released in August 2016 but was not released until September 2016. The Department has to test each released patch and install each patch that tests successfully. Further delays in releasing the remaining three patches could jeopardize the Department’s ability to meet the May 2017 reporting deadline. However, ESC officials communicated that if the patches do not work, they will be able to develop a workaround to ensure the Department can meet the May 2017 reporting deadline. Because this report was primarily for informational purposes for Congress, we did not make recommendations.
Information security is a top priority for DOT and other Federal agencies, and it requires accurate and accountable application of classification standards. In this follow-up audit, we found that DOT has improved its compliance with Federal requirements for classification through more comprehensive programs for employee training and agency self-inspections. However, some weaknesses persist at both OST and FAA. For example, FAA's policy on safeguarding classified national security information is outdated, and both DOT and OST had document-marking errors. We found few instances of overclassification—we estimate about 7.5 percent at OST and about 3.5 percent at FAA. We also noted a practice that, while conforming to Information Security Oversight Office guidance, could result in overclassification of information in derivative documents. DOT concurred with all seven of our recommendations to improve information classification practices at OST and FAA.

This report presents the results of our annual audit of DOT's information security program and practices. Consistent with FISMA and OMB requirements, our audit objective was to determine the effectiveness of DOT's information security program. While the Department continues to make improvements, its cybersecurity program remains ineffective. In the five function areas defined by OMB, DOT achieved low maturity levels because of deficiencies in its security authorization, risk management and weakness monitoring, user identity and access management, security training, information security continuous monitoring, incident handling and reporting, and contingency planning and testing. OMB requires agencies to achieve maturity levels of medium-high for their programs to be effective. We made recommendations to address these issues.

DOT OIG reports annually on DOT’s top management challenges, as required by law. For fiscal year 2017, DOT faces eight major challenges: (1) maintaining transportation safety while keeping pace with rapidly evolving technologies; (2) bolstering vehicle and surface transportation safety; (3) strengthening cybersecurity strategies to address increasing threats; (4) strengthening controls to detect and prevent fraud, waste, and abuse; (5) enhancing the capacity, efficiency, and resiliency of the national airspace system; (6) increasing oversight of critical transportation infrastructure; (7) enhancing oversight of acquisition and financial management; and (8) managing existing and new mandates and initiatives. This report was included in DOT’s Annual Financial Report.
This report presents the results of our quality control review of DOT’s audited consolidated financial statements for fiscal years 2016 and 2015. KPMG LLP, under contract to our office, issued a clean (unmodified) audit opinion on DOT’s consolidated financial statements. KPMG LLP reported two material weaknesses and two significant deficiencies in internal control over financial reporting. KPMG LLP also reported two instances of reportable noncompliance with the laws and regulations tested. Our review disclosed no instances in which KPMG LLP did not comply, in all material respects, with generally accepted Government auditing standards.

This report presents the results of our quality control review of KPMG LLP’s audit of DOT’s Closing Package Financial Statements for fiscal year 2016. Our review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.

We conducted a quality control review of the management letter related to DOT’s financial statements for fiscal years 2016 and 2015. KPMG LLP, under contract to our office, issued a management letter identifying internal control matters on which it was not required to report in its independent audit report on DOT’s financial statements for the period. Our review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.
The Moving Ahead for Progress in the 21st Century Act of 2012 was the first long-term surface transportation authorization enacted since 2005. The act’s Subtitle C requires DOT to implement initiatives to accelerate delivery of projects funded by FHWA and FTA, and to report to Congress on the initiatives’ progress. In 2015, the Fixing America’s Surface Transportation Act reauthorized and changed some of the MAP-21 initiatives. MAP-21 also requires us to assess the Department’s implementation of these initiatives and submit an initial and final report to Congress. This final report presents the results of our latest audit to assess DOT’s progress. DOT developed a plan with 42 actions to meet Subtitle C requirements (Sections 1301-1321 and 1323). Our audit objectives were to (1) provide the status of DOT’s actions to carry out MAP-21 Subtitle C provisions and (2) identify possible vulnerabilities in DOT’s implementation of these actions.

DOT has completed 27 of its 42 planned actions for implementation of Subtitle C, including issuance of rulemakings, guidance, and reports. However, the Department has had to delay full implementation because it must revise a large number of these actions to comply with the FAST Act. These delays could impact the Department’s ability to achieve MAP-21’s intended benefits, such as accelerating project delivery, reducing costs, and more efficient and effective planning, design, engineering, construction, and financing of transportation projects. DOT also has not established target completion dates for 7 of the remaining 38 planned actions.

Vulnerabilities exist in FHWA’s implementation of planned actions for certain Subtitle C initiatives. FHWA does not require sufficient documentation as part of its implementation of Section 1304—Innovative Project Delivery Methods. The Agency also does not assess the effectiveness of the Surface Transportation Project Delivery program, and has not established a process to implement required reporting on categorical exclusions to Congress in 2017. Finally, low State participation may affect implementation of certain initiatives, such as States’ assumption of the Federal role under the process established by the National Environmental Policy Act and the use of innovative projects. Several factors affecting participation rates are States’ frequent use of categorical exclusions instead of environmental reviews, lack of financial incentives, reluctance to assume Federal roles, and use of existing processes. These vulnerabilities in the implementation of Subtitle C could inhibit achievement of the benefits of accelerated project delivery initiative. DOT concurred with our five recommendations.
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Insufficient Guidance, Oversight, and Coordination Hinder PHMSA’s Full Implementation of Mandates and Recommendations

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

October 14, 2016
ST2017002

PHMSA develops and enforces regulations for the safe operation of the Nation’s 2.6-million-mile pipeline transportation system and nearly 1 million daily hazmat shipments. The Agency also responds to congressional mandates and recommendations from NTSB, GAO, and DOT OIG on the safe transport of these materials, and addresses safety issues raised by other Operating Administrations in DOT. PHMSA has faced criticism from Congress for its lack of timeliness in implementing mandates and recommendations.

Since 2005, PHMSA implemented 173 of its 263 mandates and recommendations, but missed many deadlines. Twenty of 81 mandates, 60 of 118 recommendations from NTSB, and 10 of 64 recommendations from GAO and DOT OIG remain open. The Agency has also missed about 75 percent of its mandated deadlines and 85 percent of the deadlines that DOT policy requires Operating Administrations to set for notices of proposed rulemaking and final rules.

PHMSA has not established agency-wide processes for implementing mandates and recommendations, or provided guidance to its programs offices on implementing mandates and recommendations. The Agency has not established policies on rulemaking or implementing mandates and recommendations with guidance for the program offices, the Chief Counsel, and the Chief Safety Officer on fulfilling these responsibilities. Furthermore, PHMSA has not always followed project management requirements for implementing mandates and recommendations that require rulemakings or those that call for non-rulemaking activities, or provided adequate oversight of program offices’ efforts to implement mandates and recommendations. This lack of sufficient processes, project management, and oversight has impeded the Agency’s ability to meet deadlines.

PHMSA also has not adequately coordinated on rulemaking and international standards development with three other Operating Administrations—FAA, FMCSA, and FRA—involved with hazmat transportation as required by the DOT Order. The Agency has not established agreements regarding how it and other Operating Administrations will coordinate, or developed policy and guidance on how to respond to safety concerns from FAA, FMCSA, and FRA. As a result, disputes have arisen between PHMSA and the Operating Administrations that have delayed PHMSA’s rulemakings. PHMSA concurred with four of our five recommendations.
This report presents the results of our quality control review of SLSDC’s audited financial statements for fiscal years 2016 and 2015. Chiampou Travis Besaw & Kershner LLP under contract to SLSDC, issued a clean (unmodified) audit opinion on SLSDC’s financial statements. CTB&K reported one instance of noncompliance or other matter required to be reported under Government auditing standards. Except for the three deficiencies in CTB&K’s testing or documentation discussed in our report—related to the allocation of an approximate $2.9 million net surplus from the Seaway International Bridge Corporation Ltd. to SLSDC—our review disclosed no instances in which CTB&K did not comply, in all material respects, with generally accepted Government auditing standards.

This report presents the results of our quality control review of the Surface Transportation Board’s audited consolidated financial statements for fiscal year 2016. Leon Snead & Company P.C. of Rockville, MD, completed the audit of STB’s financial statements as of and for the year ended September 30, 2016, under contract to our office. Leon Snead concluded that the financial statements present fairly, in all material respects, STB’s financial position as of September 30, 2016, and the related net cost, changes in net position, and budgetary resources for the year ended in conformity with U.S. generally accepted accounting principles. Our review of Leon Snead’s report and related documentation found no instances in which Leon Snead did not comply, in all material respects, with generally accepted Government auditing standards.
SINGLE AUDITS

Report on Single Audit of Calhoun County, Pittsboro, MS
Self-Initiated
March 28, 2017
SA2017039
$293,889
QUESTIONED COSTS

As part of our single audit program oversight responsibilities, we provided DOT with a single audit report on the Calhoun County’s fiscal year ending September 30, 2013. An independent auditor performed the audit pursuant to the provisions of the OMB Circular A-133. We will track the single audit recommendations and consider them closed once we concur that FAA has provided sufficient documentation on its final actions.

Report on Single Audit of the Commonwealth Ports Authority, Saipan, MP
Self-Initiated
March 28, 2017
SA2017036
$26,820
QUESTIONED COSTS

As part of our single audit program oversight responsibilities, we provided DOT with a single audit report on the Commonwealth Ports Authority’s fiscal year ending September 30, 2015. An independent auditor performed the audit pursuant to the provisions of OMB Circular A-133. We will track the single audit recommendations and consider them closed once we concur that FAA has provided sufficient documentation on its final actions.

Report on Single Audit of the City of Langdon, Langdon, ND
Self-Initiated
March 28, 2017
SA2017034

As part of our single audit program oversight responsibilities, we provided DOT with a single audit report on the City of Langdon's fiscal year ending December 31, 2013. An independent auditor performed the audit pursuant to the provisions of OMB Circular A-133. We will track the single audit recommendations and consider them closed once we concur that FAA has provided sufficient documentation on its final actions.
As part of our single audit program oversight responsibilities, we provided DOT with a single audit report on the National Academy of Sciences’ fiscal year ending December 31, 2015. An independent auditor performed the audit pursuant to the provisions of OMB Uniform Guidance. We will track the single audit recommendations and consider them closed once we concur that FAA, FHWA, and FRA have provided sufficient documentation on their final actions.

Report on Single Audit of the National Academy of Sciences, Washington, DC
Self-Initiated
March 28, 2017
SA2017033

As part of our single audit program oversight responsibilities, we provided DOT with a single audit report on the Association of Village Council Presidents’ fiscal year ending December 31, 2015. An independent auditor performed the audit pursuant to the provisions of OMB Uniform Guidance. We will track the single audit recommendations and consider them closed once we concur that FHWA has provided sufficient documentation on its final actions.

Report on Single Audit of the Association of Village Council Presidents, Bethel, AK
Self-Initiated
March 28, 2017
SA2017037

As part of our single audit program oversight responsibilities, we provided DOT with a single audit report on the Government of the U.S. Virgin Islands’ fiscal year ending September 30, 2015. An independent auditor performed the audit pursuant to the provisions of OMB Circular A-133. We will track the single audit recommendations and consider them closed once we concur that FHWA has provided sufficient documentation on its final actions.

Report on Single Audit the Government of the U.S. Virgin Islands, Charlotte Amalie, VI
Self-Initiated
March 28, 2017
SA2017038

As part of our single audit program oversight responsibilities, we provided DOT with a single audit report on the Metropolitan Transportation Authority’s fiscal year ending December 31, 2015. An independent auditor performed the audit pursuant to the provisions of OMB Uniform Guidance. We will track the single audit recommendations and consider them closed once we concur that FTA has provided sufficient documentation on its final actions.

Report on Single Audit of the Metropolitan Transportation Authority, New York, NY
Self-Initiated
March 28, 2017
SA2017035

$129,378 QUESTIONED COSTS

www.oig.dot.gov
The Inspector General testified before the Senate Committee on Commerce, Science, and Transportation on the top management challenges facing DOT. The Inspector General focused on three cross-cutting areas: (1) addressing new and ongoing safety challenges, (2) enhancing stewardship of DOT’s financial and growing infrastructure investments, and (3) effectively addressing existing mandates and recommendations.

The Inspector General testified before the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies on the top management challenges facing DOT. The Inspector General focused on three cross-cutting areas: (1) addressing new and ongoing safety challenges, (2) enhancing stewardship of DOT’s financial and growing infrastructure investments, and (3) effectively addressing existing mandates and recommendations.
Correspondence

Letter to Chairman Thune on the Status of Recommendations to NHTSA
Requested by the Chairman of the Senate Committee on Commerce, Science, and Transportation
November 9, 2016

We assessed the status of 17 recommendations we made in June 2015 to the NHTSA to improve the Office of Defects Investigation's pre-investigation procedures. To date, we have closed 12 recommendations and continue to work with NHTSA to close the 5 remaining open recommendations, which involve improvements to early warning reporting data and NHTSA's consumer complaint process. We are committed to continue working with the Agency as appropriate to determine whether or when all actions are complete.

Letter to Chairman Ron Johnson and Chairman Charles Grassley on the Status of OIG Open Audit Recommendations
Requested by the Chairman of the Senate Committee on Homeland Security and Governmental Affairs and the Chairman of the Senate Committee on Judiciary
November 23, 2016

We sent our latest response to Senator Ron Johnson and Senator Charles E. Grassley regarding their February 27, 2015, request that we provide the status of open DOT OIG audit recommendations on a semiannual basis. Specifically, they requested the following: (1) the current number of open recommendations, their dates, and cumulative estimated cost savings; (2) a description of all audits and investigations provided to the Agency for comment that did not receive a response within 60 days; (3) a report on each investigation involving GS-15 level employees (or equivalent) and above, where misconduct was found but no prosecution resulted; (4) a description of any instances of whistleblower retaliation and any consequences imposed by the Agency; (5) a description of any attempts to interfere with our independence, including restricting our communications with Congress and budgetary constraints designed to limit our capabilities; (6) a description of any instances where the Department restricted or significantly delayed our access to information; and (7) a description of all closed audits and investigations that were not disclosed to the public.

Letter to OMB on DOT OIG Charge Card Recommendations
Required by the Government Charge Card Abuse Prevention Act of 2012
January 30, 2017

The Government Charge Card Abuse Prevention Act of 2012 requires us to report to OMB on the implementation of recommendations we made to address findings from audits of DOT charge card programs. During fiscal year 2014, we issued one report on DOT’s travel card program. We made four recommendations to strengthen program controls and reduce program costs. DOT agreed to implement all four of our recommendations; however, two recommendations remain open.
The National Defense Authorization Act of 2012 requires us to send an annual report to the Senate and the House of Representatives regarding our efforts to prevent and detect fraud, waste, and abuse in Small Business Innovative Research and Transfer Technology programs. The act requires us to describe the number of cases referred in the preceding year, the actions taken in each case, justifications for cases where no action was taken, and an accounting of funds used. In fiscal year 2016, we did not conduct or close any investigations related to Small Business Innovative Research and Transfer Technology program fraud.

We issued a letter in response to a congressional request for information regarding whistleblower protections at DOT and recent news reports about inspectors general and the presidential transition team. Specifically, Senator Bill Nelson requested information about 1) education and training for current and new DOT employees, 2) notification since January 20, 2017, to DOT employees about their whistleblower rights, 3) OIG’s designated Whistleblower Protection Ombudsman, and 4) recent communications with the presidential transition team regarding the position of Inspector General at DOT.

We stated that OIG’s Web site provides DOT employees with substantial information about their whistleblower rights and remedies related to allegations of retaliation. The site explains that employees may file claims directly with OIG or the Office of Special Counsel and includes contact information for our Whistleblower Protection Ombudsman and Complaint Center Operations. Under the prohibited personnel practice and whistleblower protection provisions of Title 5 of the U.S. Code, section 2302(c), Federal agencies are required to notify employees about their rights and available remedies. OSC has certified OIG and nearly all of DOT’s Operating Administrations. NHTSA and SLSDC have registered with OSC for the certification program, but they have not yet been certified. FTA has plans to register with OSC and complete the certification process as well. We also plan to contact each Operating Administration to offer training and materials to ensure that DOT employees remain cognizant of their whistleblower protections. All OIG employees, current and new, receive training on whistleblower retaliation laws and protections. Finally, our letter described the Inspector General’s recent communications and discussions with the President-elect’s transition team for DOT.
We issued a letter in response to a congressional request for information on regional air carrier pilot pay and qualifications. The letter reviews pilot compensation, retention, recruitment, and experience at regional carriers, as well as the impact of new regulations affecting pilots and the status of current labor agreements. Based on our review, regional airlines are taking steps to attract pilots, although in some cases, workforce challenges have delayed their ability to increase pay; in addition, new qualification rules have changed pilot pool and experience levels. As agreed with the requestors, we did not attempt to make a connection between pilot pay and safety. Furthermore, because FAA does not have regulatory authority over pilot compensation, the letter does not include any recommendations for the Agency.

FMCSA issued hours-of-service regulations in 2013 to establish daily and weekly driving limits and required rest periods for commercial vehicle drivers. The regulations included two additional restart provisions. These provisions required that commercial drivers include at least two nighttime periods in restart breaks and limited use of the restart provision to once every 168 hours. Congress raised concerns about the rule’s unintended consequences, such as increased congestion during certain traffic hours and suspended FMCSA’s enforcement of the two provisions in the 2015 Appropriations Act. The act also required DOT to conduct a study of the operational, safety, health, and fatigue impacts of these regulations and mandated that we review the study.

We found that DOT’s study met the act’s requirements and concurred with the Department’s conclusion that the study did not explicitly identify a net benefit from the use of the two suspended provisions on driver operations, safety, fatigue, and health.
Peer Reviews

DOT OIG’s auditing and investigations functions are subject to peer reviews in accordance with Generally Accepted Government Auditing Standards, the Council of the Inspectors General on Integrity and Efficiency guidelines, and the Attorney General Guidelines for Federal Offices of Inspectors General with statutory law enforcement authority. These peer reviews provide a formal, objective assessment of DOT OIG’s adherence to prescribed standards, regulations, and legislation.

Peer reviews conducted of DOT OIG

DOT OIG was not the subject of a CIGIE peer review during this reporting period.

DOT OIG’s Office of Audits was the subject of a CIGIE peer review by the U.S. Department of Energy OIG in 2016. Energy OIG concluded that the system of quality control for our audit organization 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, Energy OIG provided a “pass” rating, and no recommendations were made. The report was released on March 31, 2016.

DOT OIG’s Office of Investigations was the subject of a CIGIE peer review by the U.S. Department of the Treasury, Treasury Inspector General for Tax Administration in 2016. TIGTA OIG concluded that the system of internal controls and management procedures for our investigative function was in compliance with quality standards established by CIGIE and the applicable Attorney General guidelines, and no recommendations were made. The report was released on February 4, 2016.

For the reports of the peer reviews conducted on our office, please visit http://www.oig.dot.gov/peerreview.

Peer reviews conducted by DOT OIG

DOT OIG is currently conducting a CIGIE peer review of the U.S. Department of Energy OIG’s investigative function. We expect to release a final report in June 2017.
## Index of Reporting Requirements

**Index of reporting requirements under the Inspector General Act of 1978, as amended**

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## Acronym Glossary

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<td>ACDBE</td>
<td>Airport Concession Disadvantaged Business Enterprise</td>
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<td>ATSAP</td>
<td>Air Traffic Safety Action Program</td>
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<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>CIGIE</td>
<td>Council of the Inspectors General on Integrity and Efficiency</td>
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<td>DATA Act</td>
<td>Digital Accountability and Transparency Act</td>
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<td>DBE</td>
<td>Disadvantaged Business Enterprise</td>
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<td>Departmental Office of Civil Rights</td>
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<td>ESC</td>
<td>Enterprise Services Center</td>
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<td>Next Generation Air Transportation System</td>
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<td>OMB</td>
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<td>Office of National Drug Control Policy</td>
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