



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

The Inspector General

Office of Inspector General
Washington, D.C. 20590

May 15, 2013

The Honorable Jeanne Shaheen
United States Senate
520 Hart Senate Office Building
Washington, DC 20510

Dear Senator Shaheen:

Thank you for your April 5, 2013, letter expressing concern over the potential impact sequestration will have on the ability of Inspectors General to oversee Government spending. We share your concern. The Department of Transportation (DOT) Office of Inspector General (OIG) provides the only internal and independent oversight of DOT's sizeable budget—\$70.6 billion this fiscal year. In fiscal year 2012, we issued 188 audit reports; delivered 8 congressional testimonies; and made 589 recommendations, including financial recommendations totaling nearly \$1.8 billion. Our investigative work resulted in 145 indictments, 95 convictions, and a total of more than \$32 million in fines, restitution, and recoveries.

We have consistently demonstrated a commitment to ensuring the greatest return on taxpayer investments. Over the past decade, we developed and implemented new policies, processes, and reporting formats to maximize efficiencies while enhancing the quality and timeliness of our audit reports. Further, we conducted a comprehensive review of our existing case work and in February 2011, outlined our investigative priorities to make sure that this work remained focused on areas that have the greatest direct impact and the highest rate of return for the Department. As a result of our efforts, we achieved a return on investment of \$23 for every dollar appropriated to OIG for fiscal year 2012.

With the enactment of the Budget Control Act in August 2011, our primary goal was to ensure OIG was in a position to continue carrying out mission-critical operations in the event sequestration was imposed on January 1, 2013. Because 75 percent of our budget supports personnel expenses, sequestration would have required extensive furloughs, significantly compromising our ability to maintain our high levels of achievement. Accordingly, we took immediate and comprehensive measures to cut spending to avoid furloughs in fiscal year 2013. These proactive measures included instituting a hiring freeze, releasing staff through "early outs," and curtailing travel and

training. (The attached exhibit provides more detail on the cost-cutting measures we have taken since August 2011.)

While our aggressive cost-cutting measures, along with temporary economic and disaster recover funding, have allowed us to avoid furloughs, these measures have come at a cost. As you requested, we have outlined the current impacts of sequestration on our office as well as the expected long-term impact on our oversight abilities.

SEQUESTRATION PRESENTS SIGNIFICANT CHALLENGES TO SUSTAIN OIG'S MISSION

Historically, our audits have helped the Department improve transportation safety, recover improper payments, reduce costs, put funds to better use, and achieve other efficiencies. For example, as a result of our financial audit work, DOT freed an estimated \$2.1 billion in idle grant funds—funds that can be used for other transportation infrastructure projects and to create jobs. Our investigations have led to convictions, fines, restitutions, civil recoveries, and the suspension and debarment of companies that have defrauded the Government. One multi-year investigation recently resulted in multiple convictions in a \$136 million disadvantaged business enterprise fraud scheme—one of the largest in the Nation's history. In addition to these monetary recoveries, many of our audits and investigations are aimed at achieving nonfinancial benefits—including improved transportation safety, DOT's number one priority. We remain committed to identifying and alerting the Department to critical safety vulnerabilities; however, OIG's ability to conduct timely and relevant audits and investigations and achieve positive outcomes is directly linked to the number of full-time equivalent (FTE) staff we are able to support through our annual budget.

Base Staffing Levels at Historic Lows

Our current base level FTEs are at the lowest level since OIG was established by the Inspector General Act of 1978. We estimate that between fiscal years 2010 and 2013, our base level FTEs will decrease 10 percent—from 416 to an estimated 375.

The impact of these drops is particularly striking when compared to the increase in Department dollars that OIG tracks. While DOT dollars have increased substantially over the past decade, we have experienced a significant drop in our audit and investigator FTEs—constraining our ability to conduct comprehensive oversight of DOT programs and operations. Specifically, in fiscal year 2004, each OIG FTE covered \$137 million in DOT budgetary resources; for fiscal year 2013, we estimate each OIG FTE will cover approximately \$188 million in DOT spending—a 37 percent increase.

Planned Audits and Investigations Have Been Delayed or Curtailed

Reductions in staff diminish the scope of our oversight of DOT programs and operations—the fewer auditors and investigators we have, the less audit and investigative work we can conduct. Since our August 2011 hiring freeze, OIG’s audit organization has experienced attrition of approximately 12 percent in critical positions that we have been unable to fill, including auditors, analysts, an information technology (IT) specialist, and a highly skilled computer scientist. As a result, we currently have delayed or curtailed several planned audits, including the following:

Federal Aviation Administration	<ul style="list-style-type: none"> • Oversight of cockpit automation issues • Effectiveness of safeguards to protect TRACON (Terminal Radar Approach Control) computer systems • Effectiveness of FAA’s implementation of multibillion dollar modernization programs critical to implementing the Next Generation Air Transportation System • Effectiveness of FAA’s drug and alcohol testing program
Federal Highway Administration	<ul style="list-style-type: none"> • Oversight of major highway projects • Oversight of reimbursable costs for project engineering • Controls over liquidated damages
Federal Motor Carrier Safety Administration	<ul style="list-style-type: none"> • Oversight of \$300 million in annual motor carrier safety grants
Federal Transit Administration	<ul style="list-style-type: none"> • Oversight of major transit projects in New York City and on the West Coast • Oversight of recipient contract award and administration practices
Research and Innovative Technology Administration	<ul style="list-style-type: none"> • Effectiveness of safeguards to protect Volpe Center computer systems
Departmentwide	<ul style="list-style-type: none"> • Effectiveness of DOT’s processes for closing contracts efficiently and effectively, including de-obligating excess funds on completed contracts • Effectiveness of DOT’s procedures to protect citizens’ private information

Our investigations organization has been similarly impacted. While we continue to closely review every allegation that we receive and currently have over 400 criminal investigations under way, we are making difficult choices and opening only those investigations with the greatest potential financial and safety impacts. From October 2011 through March 2013, we have seen about a 47 percent decline in the number of new investigations we have been able to open, and financial recoveries resulting from our investigative case work have decreased by 62 percent—due in large part to the reduction in Office of Investigations resources.

Our ongoing audits and investigations have also been hindered by cuts we have made in travel—one of our most important tools to observe field operations first-hand and execute time-sensitive law enforcement actions.

LONG-TERM SEQUESTRATION WILL UNDERCUT OIG'S OVERSIGHT ROLE

One reason we were able to avoid furloughs in fiscal year 2013 is that some of our staff were working on audits and investigations that were funded by the American Recovery and Reinvestment Act of 2009 (ARRA). However, ARRA funding expires at the end of this fiscal year, and many of the cuts in fiscal year 2012 were one-time cuts. Consequently, if sequestration continues into fiscal year 2014 and depending on budget levels, we may need to implement furloughs and take more drastic actions.

Additional staff losses in fiscal year 2014 would further erode our ability to conduct audits and investigations. Our staff losses to date have already compelled us to scale back plans for overseeing certain key transportation issues. Audits that we have been unable to start include audits aimed at ensuring the Department effectively spends dollars for improving road and bridge conditions and addresses heightened safety concerns regarding transit and bus travel. We have also dropped plans to increase our efforts in acquisitions and contracting—areas in which we have worked with the Department to realize significant dollar savings. Further, we may need to curtail our consumer and workforce fraud protection investigative work to allow us to focus our resources on our high-priority areas—transportation safety, and grant and procurement fraud.

Moreover, delaying or curtailing audits and reducing the number of investigations have long-term safety and financial implications. For example, because most DOT suspension and debarment actions result from OIG investigations, a reduction in investigations increases the risk that individuals and companies that have defrauded the Government will continue to receive federally funded contracts. Further, those intent on defrauding the Government will not be deterred from committing crimes without the threat of investigation and prosecution.

Finally, some of the cuts we have made in IT investments and staff training cannot be sustained without further undermining our work. Maintaining a viable IT infrastructure is critical to ensuring we are operating at peak efficiency and our information systems are secure. Rapid IT advances preclude long-term IT spending constraints.

Continuous learning is critical to ensure staff maintain the skills needed to examine a variety of complex technical and operational issues—such as those involving air traffic control systems, bridge and road construction projects, the transport of hazardous materials, acquisitions, loan financing programs, and cyber security—as well as understand Federal, State, and local laws and regulations and related case law. Federal standards require OIG auditors to obtain 80 continuing professional education credits every 2 years in order to comply with generally accepted Government auditing standards. Investigators must also complete a minimum level of training each year that includes field training and regional in-service training on arrest techniques, defensive tactics, weapons proficiency, first aid, and other job-related skills. While we have a highly trained and effective staff, curtailing our training in fiscal year 2014 and beyond would adversely impact the effectiveness of our auditors and investigators and, ultimately, our ability to conduct oversight.

LOOKING AHEAD

Demand for our work has never been greater. In addition to meeting our mandate to objectively review DOT programs and operations and to detect and prevent fraud, waste, and abuse, we are being called on by Congress, the Secretary, and the Office of Management and Budget (OMB) to increase our oversight of additional entities and management focus areas, such as Union Station in Washington, DC. In addition, we are often called on to expend our resources to review issues outside of our usual oversight responsibilities, such as our extensive reviews of contracting and governance issues at the Metropolitan Washington Airports Authority.

OIG's eroding FTE level puts at risk our ability to fully meet congressional, OMB, and Secretarial priorities. To continue to identify and address safety issues across transportation modes, ensure efficiency in the Department's procurement and contract acquisition programs, and discover cost-savings opportunities, we determined that at a minimum we need \$85.605 million for fiscal year 2014 to support our mission.¹ As Congress considers fiscal year 2014 appropriations, we would appreciate your support for full funding of OIG to maximize the return on investment to American taxpayers and help ensure the Nation's transportation systems are safe and effective.

¹ For a detailed explanation of our fiscal year 2014 budget request, go to <http://www.oig.dot.gov/budget>.

Our office remains committed to fulfilling our statutory responsibilities and supporting the Congress, the Secretary, and the American people in achieving a safe, efficient, and effective transportation system. If you have any questions or wish to speak to us further regarding this matter, please do not hesitate to contact me at (202) 366-1959 or Nathan Richmond, Director and Counsel for Congressional and External Affairs, at (202) 493-0422.

Sincerely,

A handwritten signature in cursive script that reads "Calvin L. Scovel III". The signature is written in black ink and is positioned above the printed name.

Calvin L. Scovel III
Inspector General

EXHIBIT: OIG Cost-Cutting Measures

To date, OIG has avoided furloughs by carefully managing and targeting resources on the highest priority areas and making difficult decisions to reduce costs wherever possible. We instituted a number of proactive cost-cutting measures prior to and following the August 2011 passage of the Budget Control Act. While some of these initiatives were one-time actions, many remain in effect.

Management and Administrative Actions

OIG sought ways to further reduce rent; IT equipment, maintenance, and services; and other operational costs—which represent about 25 percent of our budget. While we exercise minimal control over these costs, we were able to reduce costs by making difficult choices. Specifically, we took the following actions:

- Reduced our physical footprint by releasing space at multiple field office locations, including Lakewood, CO, and Oakland, CA, investigation offices.
- Reduced travel expenditures from \$2.2 million to \$1.5 million between fiscal years 2011 and 2013, almost a 32 percent decrease.
- Limited contracts for technical expertise in key mission-related fields in support of our audit work, including expertise in aviation safety and on large infrastructure projects.
- Suspended our leadership development program, and curtailed employee training.
- Limited IT hardware and software licenses.
- Limited improvements critical for OIG's continued operations following a disaster, including doing without an alternative continuity of operations site.
- Suspended employee student loan repayment program.
- Withdrew from participating in the DOT Honors Attorney program.

Human Resources and Personnel Actions

With 75 percent of our budget comprised of personnel compensation and benefits costs, we were also forced to cut human resources spending. Specifically, OIG took the following actions:

- Instituted an immediate, across-the-board hiring freeze in August 2011, which is still in effect.
- Used Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments—approved by the Office of Personnel Management—to achieve an additional staff reduction of 14 FTEs by the end of fiscal year 2012.
- Drew down temporary staff through attrition of term employees and releasing rehired annuitants who had been retained under special authority granted by ARRA.