



U.S. Department of  
Transportation

# BUDGET ESTIMATES

**FISCAL YEAR 2020**

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**OFFICE OF INSPECTOR  
GENERAL**

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**SUBMITTED FOR THE USE OF  
THE COMMITTEES ON APPROPRIATIONS**

U.S. Department of Transportation  
Office of Inspector General  
Fiscal Year 2020 Budget Estimates

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# **SECTION 1: OVERVIEW**

# Inspector General's Administrator's Overview

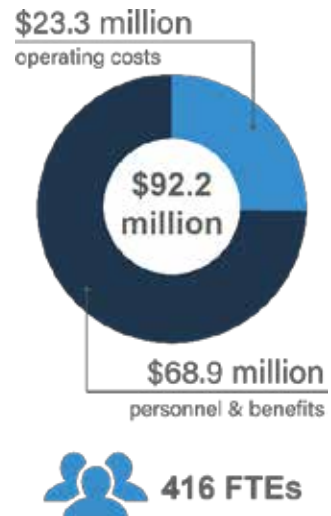
We respectfully submit the Department of Transportation's (DOT) Office of Inspector General (OIG) fiscal year (FY) 2020 budget proposal. \$92.2 million is proposed to support OIG's operations, with \$68.9 million to support personnel compensation and benefit costs for 416 full-time equivalents (FTE) and \$23.3 million to support operating costs (see figure 1). The 416 FTEs include 3 FTEs supported by carryover funding from the Disaster Relief Appropriations Act, 2013.

This request reflects a \$448,000 decrease from the FY 2019 Enacted budget and includes current services level increases for the annualization of the 2019 pay raise, one additional workday, General Services Administration (GSA) rent, and the Working Capital Fund. Consistent with Office of Management and Budget (OMB) guidance, this proposal includes no civilian pay raise estimate in 2020.

Since Congress created OIG in 1978, we have been dedicated to providing independent, objective reviews regarding the efficiency and effectiveness of DOT programs and operations, and that dedication to our mission will remain our primary focus in FY 2020 and beyond.

Our audit recommendations lead to substantial financial and program improvements, including ones that enhance safety. Furthermore, our investigations enhance safety by thwarting criminal activities that put lives at risk, and protect taxpayer investments through fines, restitutions, and recoveries. Our work consistently produces a significant return on investment<sup>1</sup> as demonstrated by our 5-year average of \$27 returned for every \$1 appropriated to OIG from FY 2014 through FY 2018.

Figure 1. OIG FY 2020 Budget Proposal



<sup>1</sup> Return on Investment considers the cost for DOT-OIG to do business compared to the revenue and other savings generated through our oversight work. These results are comprised of court-ordered fines, restitutions, recoveries of improper payments, recommended cost savings, and recommendations for funds put to better use.

## Figure 2. OIG FY 2018 Audit and Investigative Accomplishments

### Audit Accomplishments



### Investigative Accomplishments



Figure 2 illustrates our audit and investigative accomplishments for FY 2018, the most recent complete fiscal year.

## Inspector General Reform Act Statement

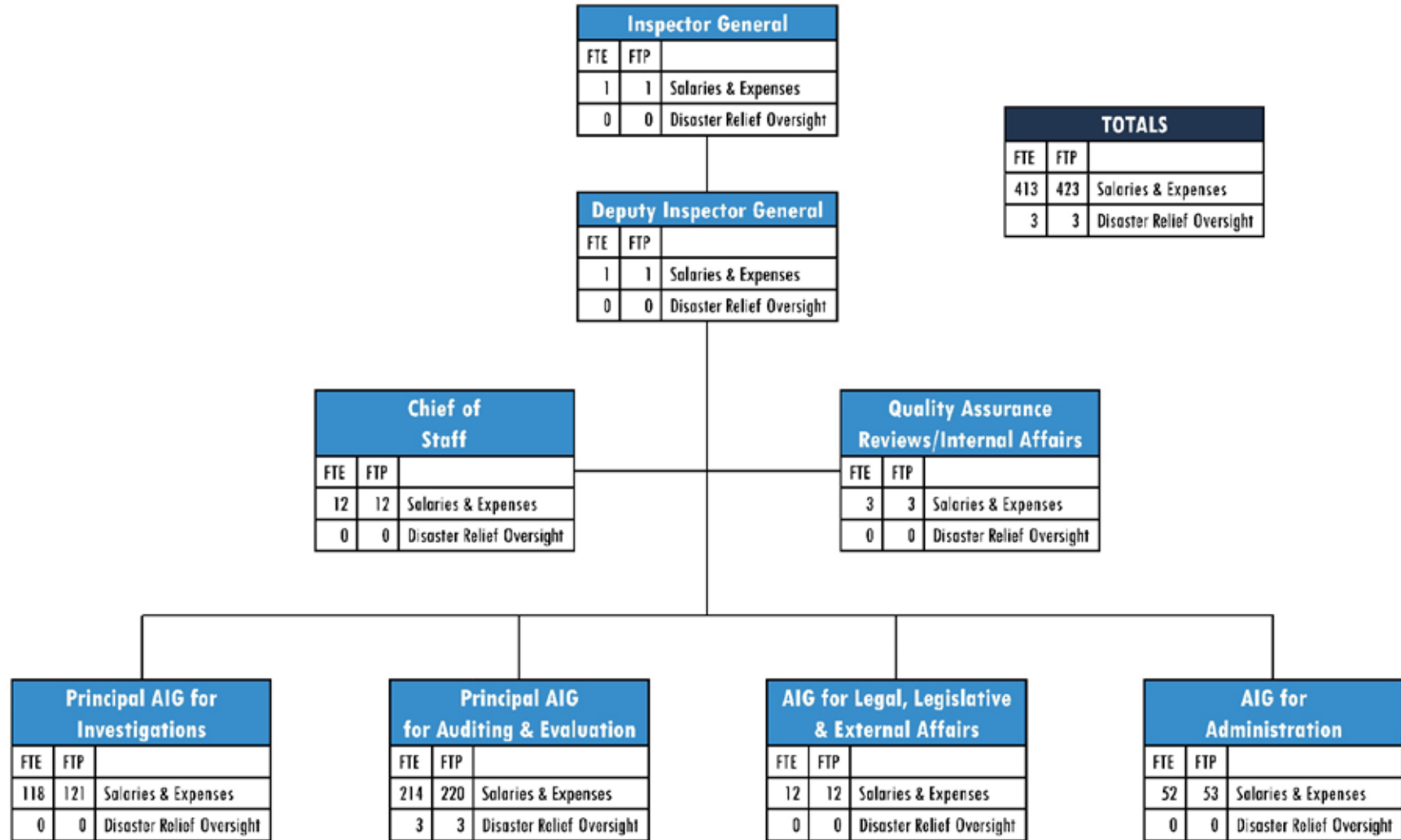
Section 6 of the IG Act was amended by the Inspector General Reform Act of 2008<sup>2</sup> to require certain information about budget submissions. In accordance with section 6(g) of the act, OIG submits the following information:

OIG submits this budget proposal in accordance with guidance as requested by OMB and the Secretary's budget officials.

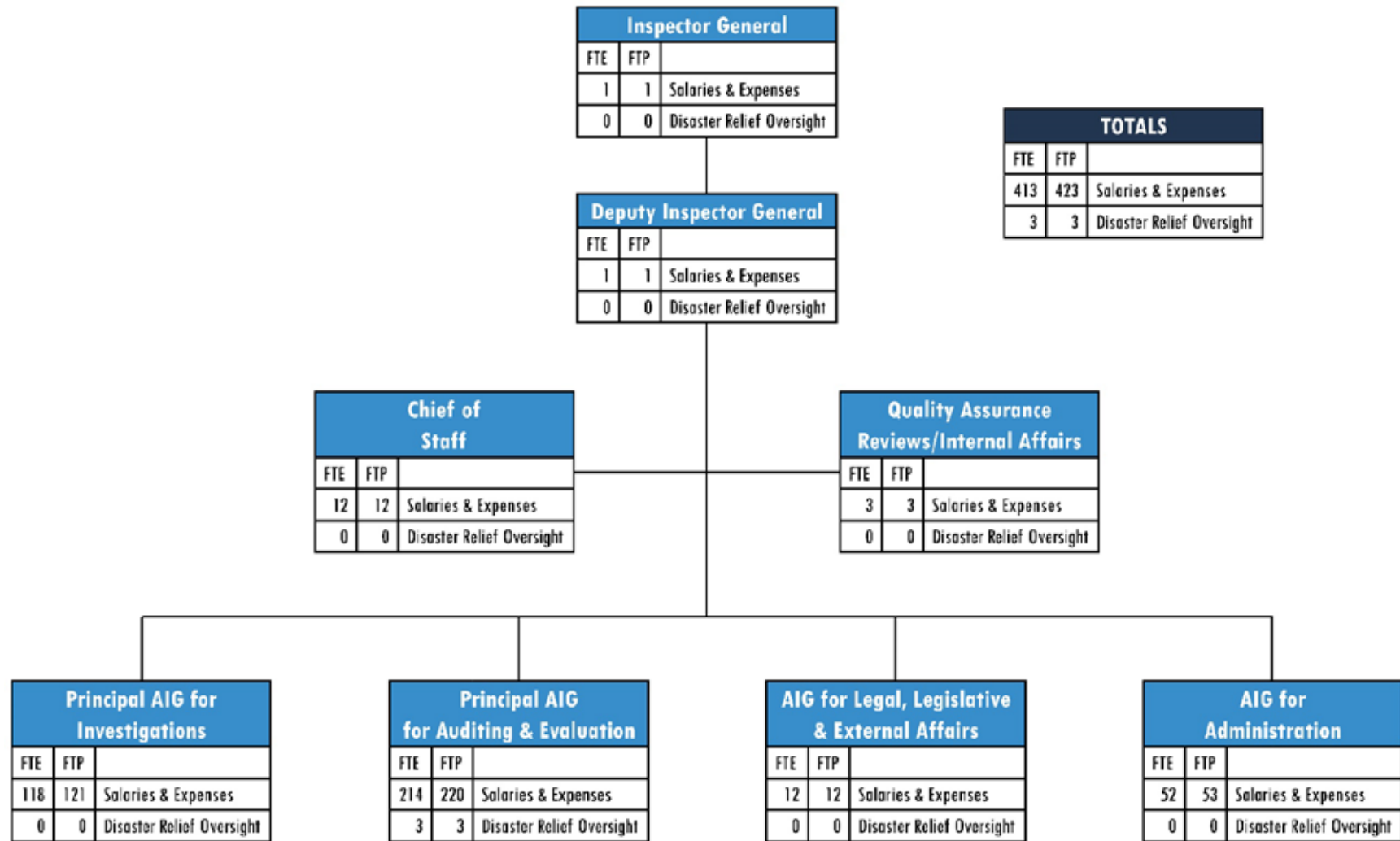
- OIG's FY 2020 budget request submitted to the Department was \$96.7 million, supporting 425 FTEs and included \$800,000 for training costs.
- OIG's FY 2020 budget request submitted to OMB was \$92.2 million, supporting 416 FTEs, and included \$750,000 for training costs.
- This proposal is for \$92.2 million and will support an estimated 416 FTEs and training of \$750,000. We note that this proposed funding level will present challenges that could impact our ability to effectively accomplish our mission.
- The portion of this proposed budget targeted to support the Council of the Inspectors General on Integrity and Efficiency is \$208,000.

<sup>2</sup> Public Law No. 110-409.

# FY 2019 OIG Organizational Chart (Exhibit I-A)



# FY 2020 OIG Organizational Chart (Exhibit I-B)



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# **SECTION 2: BUDGET SUMMARY TABLES**



# FY 2020 Comparative Statement of New Budget Authority (EXHIBIT II-1)

U.S. Department of Transportation  
Office of Inspector General  
(\$000)

ACCOUNT NAME	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2019 ENACTED	FY 2020 REQUEST
Salaries & Expenses	\$92,152	\$92,152	\$92,600	\$92,152
Rescission				
Subtotal	\$92,152	\$92,152	\$92,600	\$92,152
<b>TOTAL</b>	<b>\$92,152</b>	<b>\$92,152</b>	<b>\$92,600</b>	<b>\$92,152</b>
Appropriations	\$92,152	\$92,152	\$92,600	\$92,152
Rescissions	\$0	\$0	\$0	\$0

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## FY 2020 Total Budgetary Resources by Appropriation Account (EXHIBIT II-2)

U.S. Department of Transportation  
Office of Inspector General

Appropriations, Obligation Limitations, and Exempt Obligations  
(\$000)

ACCOUNT NAME	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2019 ENACTED	FY 2020 REQUEST
Salaries & Expenses	\$92,152	\$92,152	\$92,600	\$92,152
<b>TOTAL</b>	<b>\$92,152</b>	<b>\$92,152</b>	<b>\$92,600</b>	<b>\$92,152</b>

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## FY 2020 Budget Request by DOT Strategic and Organizational Goals (EXHIBIT II-3)

U.S. Department of Transportation  
Office of Inspector General

Appropriations, Obligation Limitations, and Exempt Obligations  
(\$000)

ACCOUNT NAME	SAFETY	INFRASTRUCTURE	INNOVATION	ACCOUNTABILITY	TOTAL
Salaries & Expenses	\$0	\$0	\$0	\$92,152	\$92,152
<b>TOTAL</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$92,152</b>	<b>\$92,152</b>

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## FY 2020 Budget Authority (EXHIBIT II-4)

U.S. Department of Transportation  
Office of Inspector General

(\$000)

ACCOUNT NAME	M / D	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2019 ENACTED	FY 2020 REQUEST
Salaries & Expenses	D	\$92,152	\$92,152	\$92,600	\$92,152
<b>TOTAL</b>		<b>\$92,152</b>	<b>\$92,152</b>	<b>\$92,600</b>	<b>\$92,152</b>
Discretionary		\$92,152	\$92,152	\$92,600	\$92,152

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## FY 2020 Outlays (EXHIBIT II-5)

U.S. Department of Transportation  
Office of Inspector General

(\$000)

ACCOUNT NAME	M / D	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2019 ENACTED	FY 2020 REQUEST
Salaries & Expenses	D	\$89,980	\$92,152	\$92,555	\$92,152
Salaries & Expenses, Emergency Disaster Relief Oversight	D	\$685	\$1,000	\$1,000	\$1,000
<b>TOTAL</b>		<b>\$90,665</b>	<b>\$93,152</b>	<b>\$93,555</b>	<b>\$93,152</b>
Mandatory					
Discretionary		\$90,665	\$93,152	\$93,555	\$93,152

## Summary of Requested Funding Changes From Base (EXHIBIT II-6)

### U.S. Department of Transportation Office of Inspector General Appropriations, Obligation Limitations, and Exempt Obligations (\$000)

	FY 2018 Actual	FY 2019 CR Annual.	FY 2019 Enacted	Annualization of 2019 Pay Raises 1.9%	Annualization of 2019 FTE	2020 Pay Raises 0.0%	Compensable Days (262 days)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation 0.0%	FY 2020 Baseline Services	Program Increases/ Decreases	FY 2020 Request
Salaries & Expenses													
<b>PERSONNEL RESOURCES (FTE)</b>													
FTE	413	416	416								416		416
<b>FINANCIAL RESOURCES</b>													
<b>ADMINISTRATIVE EXPENSES</b>													
Salaries and Benefits	\$68,100	\$68,579	\$69,027	\$322			\$271				\$69,620	(\$770)	\$68,850
Travel	\$2,700	\$2,425	\$2,425								\$2,425		\$2,425
Transportation	\$5	\$5	\$5								\$5		\$5
GSA Rent	\$5,800	\$5,700	\$5,700					\$125			\$5,825		\$5,825
Communications & Utilities	\$1,250	\$1,250	\$1,250								\$1,250		\$1,250
Other Services:	\$7,822	\$7,901	\$7,901								\$7,901	(\$494)	\$7,407
WCF	\$4,303	\$4,320	\$4,320						\$398		\$4,718		\$4,718
Supplies	\$275	\$275	\$275								\$275		\$275
Equipment	\$1,867	\$1,667	\$1,667								\$1,667	(\$300)	\$1,367
Insurance Claims & Indemnities	\$10	\$10	\$10								\$10		\$10
Unvouchered	\$20	\$20	\$20								\$20		\$20
<b>Admin Subtotal</b>	<b>\$92,152</b>	<b>\$92,152</b>	<b>\$92,600</b>	<b>\$322</b>	<b>\$0</b>	<b>\$0</b>	<b>\$271</b>	<b>\$125</b>	<b>\$398</b>	<b>\$0</b>	<b>\$93,716</b>	<b>(\$1,564)</b>	<b>\$92,152</b>
<b>TOTAL</b>	<b>\$92,152</b>	<b>\$92,152</b>	<b>\$92,600</b>	<b>\$322</b>	<b>\$0</b>	<b>\$0</b>	<b>\$271</b>	<b>\$125</b>	<b>\$398</b>	<b>\$0</b>	<b>\$93,716</b>	<b>(\$1,564)</b>	<b>\$92,152</b>

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## Working Capital Fund (EXHIBIT II-7)

U.S. Department of Transportation

Office of Inspector General

(\$000)

	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2020 REQUEST	CHANGE
<b>DIRECT:</b>				
Salaries & Expenses	\$4,303	\$4,320	\$4,718	\$398
<b>SUBTOTAL</b>	<b>\$4,303</b>	<b>\$4,320</b>	<b>\$4,718</b>	<b>\$398</b>
<b>TOTAL</b>	<b>\$4,303</b>	<b>\$4,320</b>	<b>\$4,718</b>	<b>\$398</b>

## Personnel Resource - Summary Total Full-Time Equivalents (EXHIBIT II-8)

U.S. Department of Transportation  
Office of Inspector General

ACCOUNT NAME	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2019 ENACTED	FY 2020 REQUEST
<b>DIRECT FUNDED BY APPROPRIATION</b>				
Salaries & Expenses	404	413	413	413
Salaries & Expenses, Emergency Disaster Relief Oversight	3	3	3	3
<b>SUBTOTAL, DIRECT FUNDED</b>	<b>407</b>	<b>416</b>	<b>416</b>	<b>416</b>
<b>REIMBURSEMENTS / ALLOCATIONS / OTHER</b>				
Reimbursements and Other	0	0	0	0
<b>SUBTOTAL, REIMBURSEMENTS/ALLOCATIONS/OTHER</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL FTEs</b>	<b>407</b>	<b>416</b>	<b>416</b>	<b>416</b>

**INFO:**

Allocations to Other Agencies	0	0	0	0
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## Resource Summary – Staffing Full-Time Permanent Positions (EXHIBIT II-9)

U.S. Department of Transportation  
Office of Inspector General

	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2019 ENACTED	FY 2020 REQUEST
<b>DIRECT FUNDED BY APPROPRIATION</b>				
Salaries & Expenses	414	423	423	423
Salaries & Expenses, Emergency Disaster Relief Oversight	3	3	3	3
<b>SUBTOTAL, DIRECT FUNDED</b>	<b>417</b>	<b>426</b>	<b>426</b>	<b>426</b>
<b>REIMBURSEMENTS/ALLOCATIONS/OTHER</b>				
Reimbursements and 'Other'	0	0	0	0
<b>SUBTOTAL, REIMBURSEMENTS/ALLOCATIONS/OTHER</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL POSITIONS</b>	<b>417</b>	<b>426</b>	<b>426</b>	<b>426</b>
<b>INFO:</b>				
Allocations to Other Agencies	0	0	0	0

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# **SECTION 3: BUDGET REQUEST BY APPROPRIATION ACCOUNT**

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## Appropriations Language

For necessary expenses of the Office of the Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended, [\$91,500,000] \$92,152,000: *Provided*, That the Inspector General shall have all necessary authority, in carrying out the duties specified in the Inspector General Act, as amended (5 U.S.C. App. 3), to investigate allegations of fraud, including false statements to the government (18 U.S.C. 1001), by any person or entity that is subject to regulation by the Department of Transportation.

## Salaries & Expenses - Summary by Program Activity (EXHIBIT III-1)

U.S. Department of Transportation  
Office of Inspector General

Appropriations, Obligation Limitations, and Exempt Obligations  
(\$000)

	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2019 ENACTED	FY 2020 REQUEST	CHANGE FY 2019-2020
Salaries & Expenses	\$92,152	\$92,152	\$92,600	\$92,152	\$(448)
<b>TOTAL</b>	<b>\$92,152</b>	<b>\$92,152</b>	<b>\$92,600</b>	<b>\$92,152</b>	<b>\$(448)</b>
FTEs					
Full-Time	404	413	413	413	0
Emergency Disaster Relief Oversight	3	3	3	3	0
Reimbursable, Allocated, Other	0	0	0	0	0

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## Program and Performance Statement

The Department of Transportation (DOT) Inspector General conducts independent audits, investigations, and evaluations to promote economy, efficiency and effectiveness in the management and administration of DOT programs and operations, including contracts, grants, and financial management; and to prevent and detect fraud, waste, abuse and mismanagement in such activities. This appropriation provides funds to enable the Office of the Inspector General to perform these oversight responsibilities in accordance with the Inspector General Act of 1978, as Amended (5 U.S.C. App. 3).

# Detailed Budget Justification for the DOT Office of Inspector General Fiscal Year 2020

## What Is the Request, and What Funds Are Currently Spent on the Program?

The fiscal year (FY) 2020 budget proposal for the Department of Transportation’s Office of Inspector General (OIG) is \$92.2 million in total budgetary resources to support 416 full-time equivalents (FTE). Of the \$92.2 million, \$68.9 million will support personnel compensation and benefits costs, and \$23.3 million will support operating costs.

This request reflects a \$448,000 decrease from the FY 2019 Enacted budget and includes current services level increases for the annualization of the 2019 pay raise, one additional workday, General Services Administration (GSA) rent, and the Working Capital Fund. Consistent with OMB guidance, this proposal includes no civilian pay raise estimate in 2020.

The proposed funding is expected to continue to include funding for oversight of the financial statement audit of a non-DOT Federal entity, the National Transportation Safety Board (NTSB). However, it does not provide funding for oversight of the financial management and operations of the Surface Transportation Board, which will continue to be funded by reimbursement from STB.

Table 1. FY 2020 OIG General Budget Request (\$000)

Program Activity	FY 2018 Actual	FY 2019 CR Annualized	FY 2019 Enacted	FY 2020 Request	Difference from FY 2019 Enacted
Salaries and Expenses	\$92,152	\$92,152	\$92,600	\$92,152	\$(448)
<b>TOTAL</b>	<b>\$92,152</b>	<b>\$92,152</b>	<b>\$92,600</b>	<b>\$92,152</b>	<b>\$(448)</b>
FTEs <sup>3</sup>	407	416	416	416	0

<sup>3</sup> FTE totals in Table 1 in each year presented include three FTEs supported by carryover funding from the Disaster Relief Appropriations Act, 2013.

## What Is This Program, and What Does This Funding Level Support?

OIG employs a highly trained, specialized workforce to conduct audits, investigations, and other administrative and enforcement actions that allow the Department to identify and recoup money it is owed, point out opportunities for program management to ensure money is spent efficiently and to avoid future misappropriations of funds. We fulfill a unique role as the Department's only in-house source for objective examination of programs and their integrity. Since Congress established Offices of Inspector General in 1978, we have been dedicated to providing independent, objective reviews regarding the efficiency and effectiveness of DOT programs and operations in order to detect and prevent fraud, waste, and abuse.

The IG Act, as amended, requires that Offices of Inspectors General:

- conduct independent and objective audits and investigations;
- promote economy, efficiency, and effectiveness;
- prevent and detect waste, fraud, and abuse;
- refer criminal violations to the Attorney General for prosecution;
- review pending legislation and regulations; and
- keep Congress and the Secretary fully and currently informed.

OIG is committed to fulfilling its statutory responsibilities under the IG Act while supporting DOT's mission and the Secretary's strategic goals of transportation safety, infrastructure, innovation, and accountability. Our work helps each Operating Administration (OA) and ultimately the Department to meet performance targets in all strategic and organizational goals. Our 5-year strategic plan aligns with the Department's mission and describes the goals, strategies, related risks, and performance measures we have identified to help us achieve our mission.

We require a highly skilled and diverse workforce to effectively execute our mission and address emerging transportation issues. Our personnel costs are consistently in the range of 75 percent of total costs. Mission-related travel and training; financial statement, Statement on Standards for Attestation Engagement, Digital Accountability and Transparency Act, and other contracts; rent and other fixed facilities costs; and shared service agreements are among some of our significant operating costs.



Our audits and investigations consistently produce a significant return on taxpayer investments. For FY 2018, we issued 106 audit reports with 315 recommendations and provided testimony before Congress three times, while our investigative work yielded 168 indictments and 89 convictions. Together, our work produced \$90 million in financial recommendations and \$21 million in fines, restitutions, and recoveries. These results generated a return on investment (ROI) of \$1.2 to \$1 (see figure 3); from FY 2014 through FY 2018, OIG achieved an average ROI of \$27 to \$1.

To maximize our available audit resources and provide the greatest potential benefits to the Department and the public, we have developed and maintained a comprehensive 24-month tactical audit plan, which is updated annually. As part of this plan, we retain a catalogue of possible audit areas, developed through a comprehensive review of DOT budget data, business plans, performance reports, modal websites, and Agency publications. Through these tactical plans, we have identified an additional 100 audits that we propose to initiate in critical areas across DOT's OAs.

To maximize our investigative resources, ensure effective allocation of those resources, and deliver impactful results to the Department and the public, we review our investigative priorities annually. Generally, we prioritize cases involving public safety, procurement and grant fraud, and employee integrity. Our goal is to conduct a minimum of 85 percent of our casework in these priority areas. The annual review allows us the flexibility to address emerging regional and national trends and tackle issues of high interest to the Department, Congress, and the American public.

Our tactical audit plan and investigative priorities provide a general framework to focus our resources. Our ongoing proactive communications with Congress and Department leadership help us identify emerging issues that require immediate response. All of our work supports the Secretary's priorities and the OAs' strategic objectives.

Figure 3. OIG FY 2018 Return on Investment



“ In FY2018, OIG returned \$1.2 for every appropriated dollar.”

We issue an annual report on DOT's top management challenges, which provides our assessment of the Department's management and operations, and identifies issues that require the most immediate attention to minimize financial and safety risks. We identified the following top challenges for FY2019:

- Effectively implementing FAA's new safety oversight strategy;
- Protecting against a wide range of threats to aviation safety and security;
- Maintaining focus on the railroad industry's implementation of positive train control;
- Improving NHTSA's data use, processes, and oversight of vehicle safety defects;
- Providing effective stewardship over surface infrastructure safety and investments;
- Modernizing the National Airspace System while introducing new capabilities and making sound investment decisions;
- Systematizing cybersecurity strategies to deter surging cyber threats;
- Harnessing innovative procurement and financing practices while maintaining oversight of acquisitions, grants, and assets.

## **What Benefits Will Be Provided to the American Public Through This Request, and Why Is the Program Necessary?**

OIG is the only source of internal, independent, and objective recommendations for the Department's senior executives and managers. Working closely with Congress, the Secretary, and senior DOT officials, we focus on issues that impact public safety and the best use of taxpayer dollars while enhancing the effectiveness and integrity of the programs that DOT administers through savings, recoveries, and efficiency gains.

In executing our mission, we benefit the American public by keeping safety issues at the forefront through consistent and focused program reviews and investigations. OIG's work also adds value for the American taxpayer by promoting economy, efficiency, and effectiveness in the administration of DOT programs and spending. Furthermore, we seek to prevent and detect waste, fraud, and abuse in those programs and keep the Secretary and Congress fully and currently informed.

Our audit recommendations lead to significant financial efficiencies by identifying large amounts of improper payments, cost reductions, funds to be put to better use, and financial and program improvements including those that enhance transportation safety. Our investigations protect taxpayer investments through fines, restitutions, and recoveries, and enhance safety by thwarting criminal activities that put lives at risk.

## PLANS AND PRIORITIES

We will continue to leverage the institutional knowledge of our professional staff—our most valuable resource for achieving our mission—and execute the work identified in our tactical plans and investigative priorities. These plans and priorities focus on the entire Department and its OAs and cover a wide array of topics, including:

### Departmentwide

- Assessing DOT’s oversight of financial and procurement-related issues such as purchase card abuse, research and development agreements, contract administration, and management of contracts for information technology products and services.
- Conducting other Departmentwide reviews, including audits of cybersecurity, financial statements, improper payments, and drug testing and abatement programs.
- Supporting our ongoing national procurement and grant fraud caseload and conducting outreach activities to enhance fraud and prevention awareness and generate investigative referrals from departmental, State, and local stakeholders.

### Federal Aviation Administration (FAA)

- Evaluating air traffic control (ATC) facilities and operations, including assessments of physical security, controller and technician training, and controller pensions.
- Assessing FAA acquisition and Next Generation Air Transportation System (NextGen) modernization challenges, ranging from reducing risk to improving the execution of billion-dollar efforts. These audits help determine overall program costs, schedule, and performance, as we assess FAA’s implementation of the individual components of NextGen, such as En Route Automation Modernization, Weather, and Data Communications programs.

- Assessing aviation safety areas, ranging from FAA’s oversight of unmanned aircraft systems, controller operational errors and other aircraft separation losses, aircraft evacuation procedures, aircraft cabin air quality, aircraft manufacturing processes, industry compliance with FAA’s drug and alcohol abatement program, and other safety directives.
- Conducting criminal investigations involving FAA-funded projects and aviation safety programs targeting crimes involving unapproved aircraft parts, false commercial airman certificates, and the illegal shipment of hazmat by air.

### Federal Highway Administration (FHWA)

- Evaluating FHWA’s programs and tools for overseeing the billions of dollars provided to States and localities to build, maintain, and repair the Nation’s roads and bridges to ensure compliance with statutes such as the Fixing America’s Surface Transportation Act. These audits will include assessments of FHWA’s oversight of bond financing, pavement projects, and tunnel programs.
- Focusing a significant portion of our grant fraud investigations on deceptive practices in FHWA-funded projects, such as product substitution, overbilling, substandard work, cost mischarging, and fraud related to disadvantaged business enterprises (DBE.)

### Federal Motor Carrier Safety Administration (FMCSA)

- Protecting American consumers and workers from fraudulent and deceptive commercial practices that criminally violate FMCSA’s programs governing interstate transportation of household goods.
- Auditing FMCSA’s efforts to attain comprehensive commercial motor carrier safety data, and conducting assessments of FMCSA’s oversight of the Motor Carrier Safety Assistance Program—which provides over \$200 million to States to reduce the incidence and severity of commercial motor vehicle crashes—and medical certification requirements for commercial drivers’ licenses (CDL).
- Conducting criminal investigations involving FMCSA’s safety programs, including hazardous materials violations; egregious motor carrier safety violations, such as commercial driver’s license fraud by schools and third-party testers; and carriers that reincarnate under different identities to circumvent FMCSA’s safety regulations and penalties.

## National Highway Traffic Safety Administration (NHTSA)

- Following up on our reviews of NHTSA’s procedures for collecting, analyzing, and managing information to identify safety-related vehicle defects.
- Assessing NHTSA’s preparedness to regulate, oversee, and promote advancements in vehicle technology.
- Conducting criminal investigations into NHTSA’s grant programs, targeting fraud in Strategic Traffic Enforcement Program grants awarded to law enforcement agencies and allegations of false statements to NHTSA—the Government’s regulator of motor vehicle safety—by automobile manufacturers and suppliers to the automotive industry.

## Federal Railroad Administration (FRA)

- Assessing FRA’s oversight of efforts to ensure that railroads perform drug and alcohol testing as required by regulation and whether FRA conducts consistent track inspections across its regions.
- Assessing FRA’s oversight of grants to Amtrak and assessing FRA’s efforts to promote highway rail-grade crossing safety.
- Conducting criminal investigations involving FRA’s safety programs and project grants, including the illegal shipment of hazardous materials, violations of rail safety regulations, and fraud on FRA-funded projects.

## Federal Transit Administration (FTA)

- Assessing new initiatives to maintain public transportation projects in a state of good repair, and FTA’s certification of State safety oversight programs.
- Assessing FTA’s oversight of funds provided under the Disaster Relief Appropriations Act of 2013 (DRAA), including an evaluation of how the Department has executed DRAA relief awards and addressed identified risks and audits on Hurricane Sandy relief contract award and oversight.
- Conducting grant fraud investigations involving FTA-funded projects, focusing on items such as product substitution, overbilling, substandard work, cost mischarging, and fraud involving DBE.

## Maritime Administration (MARAD)

- Evaluating the U.S. Merchant Marine Academy's (USMMA) acquisition function in accordance with the guidelines in the OMB's Circular A-123 and the four pillars of acquisition management—organizational alignment, policies and processes, human capital, and knowledge management. We will evaluate USMMA's acquisition activities and programs to identify potential internal control weaknesses.
- Addressing employee integrity matters for MARAD—response to allegations of sexual assault at USMMA and examination of allegations of harassment and retaliation against USMMA midshipmen who report sexual assaults.

## Pipeline and Hazardous Materials Safety Administration (PHMSA)

- Assessing PHMSA's oversight processes for pipeline inspections and evaluating PHMSA's processes for validating pipeline operators' control room management plans.
- Evaluating PHMSA's processes for selecting and appointing its Technical Advisory Committees.
- Conducting criminal investigations of fraud impacting PHMSA's programs, including pipeline safety, cylinder retesting, and falsification of DOT-required hazardous materials' packaging and marking.

OIG's tactical audit plan and investigative priorities provide a general framework on which we focus our resources. Ongoing proactive communications with Congress and Department leadership help us to identify emerging issues that require immediate response. All our work supports the OAs in meeting their strategic objectives.

## SIGNIFICANT RECENT WORK

Below are representative examples of OIG's recently completed work, which serve to demonstrate the significant impact of our work in relation to the Department's strategic objectives and major programs as well as our ability to provide timely and relevant oversight of emerging issues.

## Federal Aviation Administration (FAA)

*FAA Has Taken Steps To Address ERAM Outages, but Some Vulnerabilities Remain, November 7, 2018.* FAA's air traffic controllers use the En Route Automation Modernization (ERAM) system to manage over 3 million high-altitude en-route aircraft a month. Because of ERAM's importance to air traffic management, system outages can significantly impact operations in the National Airspace System (NAS). Our audit objective was to assess the causes of ERAM's outages and FAA's actions to address them. While FAA has taken steps to address the seven ERAM failures since 2014, some vulnerabilities remain. These seven failures included two serious incidents that significantly disrupted the NAS. During one of these incidents, in August 2015, ERAM failed when a software tool at controller workstations overloaded system memory. The incident caused flight delays and cancellations that impacted thousands of flights over several days.

FAA has since taken corrective actions to resolve the causes of these two serious incidents and other issues that caused five less serious outages. However, other issues remain unresolved. For example, FAA has not implemented annual testing of ERAM's contingency plan, as called for by Federal guidelines. In addition, FAA plans to decommission ERAM's existing backup system, the Enhanced Backup Surveillance System (EBUS), due to its incompatibility with upgrades to ERAM. However, FAA has not yet determined whether ERAM's remaining backup capability—the system's redundant dual channel design—will be sufficient to prevent future outages once EBUS is removed. The lack of sufficient backup capabilities could increase ERAM's vulnerability in the event of future unanticipated incidents. We made three recommendations to improve FAA's ability to mitigate future ERAM disruptions.

*FAA Has Not Fully Addressed Safety Concerns Regarding the American Airlines Flight Test Program, July 10, 2018.* Federal regulations require U.S. air carriers to verify the airworthiness of aircraft following major repairs or maintenance. To perform these maintenance checks, American Airlines (AA) established a flight test program. In February 2017, the Allied Pilots Association (APA)—which represents AA's pilots—contacted us about multiple safety issues at the AA flight test program, including the use of unqualified pilots. APA stated that concerns placed in an earlier letter to FAA had remained "largely unaddressed for over 18 months." We initiated an audit to assess the effectiveness of FAA's actions in response to safety concerns about the AA flight test program. Specifically, we examined how (1) FAA's oversight office for American Airlines addressed concerns about the flight test program and (2) the Agency processed and responded to a letter to

the Federal Aviation Administrator questioning the integrity of FAA's oversight of the flight test program.

FAA's oversight office for American Airlines lacked objectivity in its review. While FAA requires inspectors to provide impartial treatment, the inspector in this case seems to have been affected by his relationship with AA personnel and the 28 years he spent working with the carrier. While the Agency has a tool for assessing its relationships with carriers, the tool did not account for these risk factors. In addition, the Agency used a "best guess" method to determine who should respond to APA's written allegations, and ultimately routed the letter back to the target of the complaint for response. Due to a lack of oversight guidance, FAA also provided varying responses to APA and OIG regarding the requirements for the flight test program. As a result, APA received neither a comprehensive nor an accurate response to its concerns. FAA concurred with our seven recommendations to improve its oversight of the flight test program, as well as its ability to respond to safety concerns.

*FAA's Management and Oversight Are Inadequate To Secure Timely and Cost-Efficient Agency-Leased Offices and Warehouses, April 11, 2018.* Since 2003, the Government Accountability Office (GAO) has identified Federal real property management as a high-risk area. In fiscal year 2017, FAA's independently acquired lease portfolio represented \$104 million in annual rent, with office and warehouses comprising about three-quarters of that total. FAA's office and warehouse leases represent a total potential value of \$1.4 billion. Given GAO's persistent high-risk designation of Federal property management and the sustained Governmentwide focus on reform in this area, as well as the magnitude of taxpayer dollars involved, our audit objective was to assess FAA's management and oversight of its office and warehouse leases.

FAA's management and oversight are inadequate to secure timely and cost-effective Agency-leased offices and warehouses. In particular, FAA has not maintained accurate data on its leases or established effective policies and procedures to help ensure its office and warehouse leases are cost effective. For example, 26 of the 50 leases in our sample contained data errors in FAA's property management database, which it uses to oversee, manage, and report on its leases. FAA also lacks an effective strategic planning process for identifying and achieving improved lease efficiency through efforts such as consolidations, relocations, and rightsizing of space. Finally, FAA has not established sufficient controls to reconcile and validate the accuracy of all lease payments. These weaknesses have not only led to many questionable lease decisions but also create serious obstacles to achieving the Agency's space utilization standard. By not using its leased space as efficiently as possible, FAA has missed cost savings opportunities. Overall, we project a total of \$37.6 million in funds that could have been put to better use due to



various weaknesses in the Agency's management and oversight of FAA-leased offices and warehouses. FAA concurred with our 12 recommendations to improve FAA's management and oversight of its office and warehouse leases.

*South Florida Man Receives 7-Year Sentence for Multiple Fraud Schemes Against FAA, May 16, 2018.* The owner of Beach Aviation was sentenced in U.S. District Court, West Palm Beach, Florida, to 7 years' incarceration, 3 years' supervised release, and a \$400 special assessment fee for operating an aircraft without an airman's certificate, wire fraud, and falsification of records in a Federal investigation.

In 2016, FAA revoked the company owner's pilot certificates; yet, he continued to operate aircraft and was involved in multiple schemes to defraud the Government, airmen, and the flying public using a fleet of single-engine, multi-engine, and jet engine aircraft. He defrauded student pilots—who had paid significant sums of money to log flight instruction hours so they could obtain pilot certifications—by directing Beach Aviation employees to fraudulently endorse student pilot logbooks as if they were FAA-certified flight instructors (CFI). Neither he nor many of his flight instructors were CFIs. He also hired unqualified foreign nationals to act as CFIs. Many student pilots learned only later that FAA would not honor their training hours for certification.

Through Beach Aviation, the company owner used social media to advertise domestic and international charter flights, although neither he nor his company received FAA authorization to engage as a commercial carrier for hire. FAA approval includes strict pilot certification, aircraft maintenance, and regulatory compliance oversight conducted by the Agency. The investigation identified 700 discount charter flights for which passengers paid for travel to the Bahamas, South Florida, and other domestic locations. He piloted many of the commercial flights in a turbojet-powered Eclipse 500 aircraft, which he was not certified to fly or transport commercial passengers.

*Former Alaska Airlines Pilot Sentenced for Piloting Passenger Aircraft Under the Influence of Alcohol, July 25, 2018.* A former airline pilot was sentenced in U.S. District Court, Santa Ana, California, to 12 months and 1 day of incarceration, 3 years' supervised release, a \$10,000 fine, and a \$100 special assessment fee. On February 26, 2018, he pleaded guilty to operating a common carrier while under the influence.

The pilot was a captain for Alaska Airlines, Inc. (Alaska) for over 20 years. On June 20, 2014, he performed safety sensitive functions on Alaska flights 580 and 573 while under the influence of alcohol. Specifically, he piloted flight 573 from San Diego, California, to Portland, Oregon, and flight 580 from Portland to Santa Ana, California. He was selected for a random drug-and-alcohol screening, which took place after flight 580 landed at the

John Wayne Airport in Santa Ana. The first test measured his breath alcohol concentration as 0.134 percent. A second test was administered 15 minutes later, and his breath alcohol concentration was 0.142 percent. The maximum breath alcohol concentration permitted for pilots operating an aircraft is 0.04 percent. His sentence also prohibits him from piloting an aircraft or applying for an airman's certificate from FAA.

## Federal Highway Administration (FHWA)

*FHWA Lacks Detailed Guidance on Infrastructure Resilience for Emergency Relief Projects and a Process To Track Related Improvements, January 10, 2018.* FHWA's Emergency Relief Program (ERP) provides funds for the repair and reconstruction of highways and roads that have sustained serious damage from catastrophic failures or natural disasters, including extreme weather events. Since fiscal year 2012, Congress has appropriated approximately \$5.7 billion to the ERP. The Department of Transportation's (DOT) current draft strategic plan states that the Department will better ensure that infrastructure is resilient enough to withstand extreme weather that could disrupt the transportation network and require major reconstruction. Because of the importance resilience plays in ensuring a safe and reliable transportation system, we assessed FHWA's guidance and processes for incorporating resilience improvements into emergency relief projects to rebuild damaged highway infrastructure.

While FHWA's primary guidance for the ERP was updated in 2013 to include a greater focus on infrastructure resilience, we found it to be inadequate in some areas. The guidance does not define "resilience improvement," inform States how to incorporate resilience improvements into emergency relief projects, or share related best practices. These gaps in the guidance have led to inconsistent interpretations of what resilience is by the Agency's Division Offices and State DOTs, and make it difficult for State DOTs to make informed decisions about how they should use emergency relief funding for projects. As a result, States may not be improving the resilience of transportation infrastructure to the extent possible.

FHWA also has no process to track State DOTs' efforts to include resilience improvements in their emergency relief projects. While no specific requirement exists for FHWA to conduct such tracking, the Agency's lack of data on resilience improvements impedes its ability to ensure that the benefits of resilience are achieved in emergency relief projects and enhance its stewardship of ERP funds. FHWA concurred with two of our recommendations to strengthen the Agency's ERP guidance on resilience and enhance its oversight of ERP-funded projects, and partially concurred with the third.

*VDOT Contractor Sentenced for Fraud Scheme, February 16, 2018.* Two Virginia Department of Transportation (VDOT) supervisors and three owners of a Virginia trucking company were sentenced in U.S. District Court, Alexandria, Virginia, on charges of conspiracy to commit honest services fraud. One of the VDOT officials was also sentenced on a charge of possession with intent to distribute cocaine. These individuals pleaded guilty in November and December 2017.

All of the defendants were sentenced to incarceration for periods ranging from 90 days to 84 months, supervised release periods ranging from 2 to 3 years, and forfeitures totaling \$1.3 million.

Beginning in early 2013, the individuals used their official positions as employees at VDOT's Burke Area Headquarters to negotiate bribe agreements with several owners and operators of trucking and snow-removal companies in northern Virginia. In exchange for obtaining snow-removal work, the owners would provide VDOT officials a percentage or a flat rate of their hourly contracts as cash payments. In addition, the VDOT officials approved the companies' invoices to VDOT. From the 2013–2014 to the 2015–2016 snow season, the VDOT officials received approximately \$140,000 in cash bribes.

*Pennsylvania Steel Company Owner Sentenced in DBE Fraud Scheme, March 13, 2018.* The president and owner of a Pennsylvania company was sentenced in U.S. District Court, Pittsburgh, Pennsylvania, to 3 years' probation, a \$30,000 fine, and 300 hours of community service. The owner was also ordered to pay \$85,221 in restitution to the Pennsylvania Department of Transportation (PennDOT).

In October 2017, the owner pleaded guilty to conspiracy charges for his role in a Disadvantaged Business Enterprise (DBE) fraud scheme involving federally funded bridge projects. He admitted that he joined and presided over a DBE pass-through scheme in which his company used a certified DBE as a front company to obtain profits from DBE subcontracts. The DBE company failed to perform a "commercially useful function" on the projects, and the Pennsylvania company officials actually found, negotiated, coordinated, performed, managed, and supervised DBE subcontracts related to bridge construction. To conceal the scheme, the company used letterhead and email accounts for the DBE when communicating with general contractors and PennDOT officials. The company also possessed business cards, T-shirts, and hard hats for the DBE, and used the DBE's magnetic placards to conceal its logos on construction vehicles.

## Federal Motor Carrier Safety Administration (FMCSA)

*Estimates Show Commercial Driver Detention Increases Crash Risks and Costs, but Current Data Limit Further Analysis, January 31, 2018.* The Fixing America's Surface Transportation Act of 2015 (FAST Act) directs FMCSA to issue regulations that cover the collection of data on delays experienced by commercial motor vehicle (CMV) operators before the loading and unloading of their vehicles. The act also directs OIG to report on the effects of driver detention. Accordingly, we conducted this audit to (1) assess available data on delays in motor carrier loading and unloading, and (2) provide information on measuring the potential effects of loading and unloading delays. In addressing our objectives, we also reviewed FMCSA's plan to collect data on driver detention.

Accurate industrywide data on driver detention do not currently exist because most industry stakeholders measure only time spent at a shipper or receiver's facility beyond the limit established in shipping contracts. Available electronic data cannot readily discern detention time from legitimate loading and unloading tasks, and are unavailable for a large segment of the industry. We estimated that a 15-minute increase in average dwell time—the total time spent by a truck at a facility—increases the average expected crash rate by 6.2 percent. In addition, we estimated that detention is associated with reductions in annual earnings of \$1.1 billion to \$1.3 billion for for-hire commercial motor vehicle drivers in the truckload sector. For motor carriers in that sector, we estimated that detention reduces net income by \$250.6 million to \$302.9 million annually.

FMCSA's plan to collect data on driver detention does not call for collection or detailed analysis of reliable or representative data, and the Agency has no plans to verify the data that motor carriers and drivers would provide. As a result, the data may not accurately describe how the diverse trucking industry experiences driver detention, which would limit any further analysis of impacts. FMCSA concurred with our recommendation to improve future plans for collection of data on driver detention.

*Third-Party CDL Examiner Sentenced for His Role in a Fraudulent CDL Skills Testing Scheme, June 21, 2018.* A third-party commercial driver's license (CDL) examiner was sentenced in U.S. District Court, Jackson, Mississippi, to 3 years' probation, a \$1,500 fine, and \$100 special assessment fee for making false statements. He had accepted cash payments from multiple CDL skills test applicants in lieu of administering the federally mandated test. Instead, the examiner provided the CDL applicants with score sheets, falsely certifying that they had successfully completed the skills test. In fact, they were never tested.

The investigation revealed that the Mississippi CDL examiner provided approximately 75 individuals with paperwork that falsely stated they had passed the tests. In exchange, the individuals paid him between \$200 and \$300 per test. The Mississippi Department of Public Safety (MSDPS) revoked the CDLs from individuals known to have purchased test results.

FMCSA provides funding to help its State counterparts administer CDL programs, which include developing proper testing procedures and overseeing trucking schools and individuals obtaining CDLs. Trucking schools and individual applicants are required to pass an extensive written test and a multipart road skills test, including an in-depth driving test to obtain a CDL and specialized endorsements. Third-party testers are placed in positions of trust and are expected to adhere to FMCSA and State testing requirements and procedures to ensure public safety.

OIG conducted this investigation with MSDPS, Mississippi Bureau of Investigations, and FMCSA Mississippi Division.

*DOT-Approved Drug and Alcohol Screener and Nurse Practitioner Sentenced for Falsifying Records, March 21, 2018.* A Georgia drug and alcohol screener was sentenced to 15 months' imprisonment, 3 years' supervised release, and a \$3,000 fine, and a Georgia nurse practitioner was sentenced to 20 months' imprisonment, 3 years' supervised release, and a \$5,000 fine in U.S. District Court, Augusta, Georgia, for falsifying DOT-mandated medical examinations of commercial driver's license holders.

Both individuals routinely falsified medical examination reports and medical examiner's certificates. At the time of the offense, the nurse practitioner was an approved medical examiner on the FMCSA's National Registry of Certified Medical Examiners.

## National Highway Traffic Safety Administration (NHTSA)

*NHTSA's Management of Light Passenger Vehicle Recalls Lacks Adequate Processes and Oversight, July 18, 2018.* Since 2008, auto manufacturers have issued dozens of recalls for vehicles equipped with defective airbags manufactured by Takata. To date, 15 fatalities and more than 220 injuries in the United States alone have been linked to the defective airbags. In addition, NHTSA estimates that, as of January 2018, the Takata recalls have affected 37 million vehicles.

In December 2015, Congress passed the FAST Act, which required our office to audit NHTSA's recall processes. This mandate stemmed from congressional concerns about the Agency's handling of the Takata airbag recall. Accordingly, our audit objectives were to

assess NHTSA's processes for (1) monitoring manufacturers' proposed recall remedies and scope and (2) overseeing safety recall implementation, including the sufficiency of recall completion rates.

NHTSA's process for monitoring for light passenger vehicle recalls lacks documentation and management controls, and does not ensure that remedies are reported completely and in a timely manner. The Agency also does not verify recall completion rates, although it has the authority to do so, and it lacks sufficient management controls to ensure staff assess risk when deciding whether to use oversight tools to improve recall completion rates. Finally, while NHTSA expanded its oversight of the Takata recalls in 2015, by increasing the reporting requirements for manufacturers, it did not follow its own procedures to address low recall completion rates for earlier Takata recalls. Overall, inadequate controls and processes for verifying and collecting manufacturer-reported information have hindered NHTSA's ability to oversee safety recall implementation. We made six recommendations to improve NHTSA's processes for monitoring recall remedies and scope, and overseeing safety recall implementation.

*Former Virgin Islands Office of Highway Safety Employee Agrees to \$123,917 Civil Settlement, March 15, 2018.* A Virgin Island territory employee entered into a civil settlement agreement with the U. S. Attorney's Office (USAO), District of Virgin Islands. He agreed to pay NHTSA \$123,917.

The agreement settles allegations that between 2008 and 2012, the Virgin Island territory employee misdirected NHTSA grant funds and equipment for personal gain when he falsely certified, on at least three occasions, that the Virgin Island Police Department (VIPD) received computer equipment purchased with NHTSA grant funds. He allegedly sold the items to a third party. At the time of the alleged fraud, he was the traffic records coordinator for the Virgin Islands Office of Highway Safety and the owner of Umbrella I.T., a private tech company. As the traffic records coordinator, he was responsible for requesting and receiving Federal funds to purchase equipment for the VIPD under sections 406 and 408 of the NHTSA grant program.

*Former Massachusetts State Trooper Pleads Guilty to Overtime Fraud, July 2, 2018.* A retired Massachusetts State Police (MSP) Trooper pleaded guilty in U.S. District Court, Massachusetts, to one count of embezzling funds from a State agency receiving Federal funds.

In 2015 and 2016, the trooper was not present and did not work for hundreds of hours of overtime shifts for which he had been paid by the Massachusetts State Police. The trooper admitted that he frequently left overtime shifts early, and, on occasion, did not work overtime shifts at all. To hide this conduct, the trooper submitted bogus motor vehicle citations that were never issued to operators, and then claimed on the citations and internal MSP paperwork that they had been written during overtime shifts that the trooper did not work.

## Federal Railroad Administration (FRA)

*Perspectives on FRA's Oversight of the High-Speed Intercity Passenger Rail Program and of Federal Funding for the California High-Speed Rail Authority, August 9, 2018.* On August 9, 2018, Inspector General Calvin L. Scovel III testified before the U.S. House of Representatives Committee on Transportation and Infrastructure's Railroads, Pipelines, and Hazardous Materials Subcommittee at a hearing focused on the continued oversight of the California high-speed rail project.

The Inspector General's testimony noted that FRA has faced several challenges in developing an oversight framework for the High Speed Intercity Passenger Rail (HSIPR) program but has also taken action to address many of them in response to OIG's previous findings and recommendations. FRA also took steps to address certain weaknesses in its oversight of HSIPR funds. At the Subcommittee Chairman's request, OIG recently initiated an audit of FRA's oversight of its grants to the California high-speed rail project, which will assess the Agency's risk analysis, assessment, and mitigation efforts as well as its procedures for overseeing the expended Federal funds. To meet these objectives, OIG will examine FRA's management of the HSIPR program in general and specifically the oversight of its grants to the California High-Speed Rail Authority. The Inspector General noted that because the audit is still in its initial phase, the evidence OIG has collected is not yet sufficient to allow for any reporting of preliminary findings. OIG plans to issue its report in spring 2019.

*Federal Funding Support for Positive Train Control (PTC) Implementation, March 28, 2018.* Over the last decade, several fatal rail incidents have led the U.S. rail industry and congressional leaders to commit to implementing PTC systems. The Rail Safety Improvement Act of 2008 (RSIA) requires PTC systems to be implemented across a significant portion of the Nation's rail system. DOT was tasked with overseeing PTC implementation and funding support, including grants and loans. At the request of the Senate Committee, we reviewed DOT's oversight of Federal funds for PTC projects and

the recipients' use of the funds. Specifically, we were asked to (1) identify railroads that received DOT funding or financing to support PTC projects, (2) describe those PTC projects, (3) assess oversight of PTC funding allocations, and (4) determine whether recipients have used awarded funds "completely and efficiently."

As of the end of fiscal year 2017, approximately 60 percent of the U.S. rail systems required to implement PTC are receiving financial support from the Federal Government. Specifically, 29 rail systems have received Federal assistance for projects that vary greatly based on the type of railroad, needs for interoperability, and available communication systems. According to estimates provided to us by the funding recipients, DOT has provided \$2.9 billion to date to implement PTC. However, our work focused on approximately \$2.3 billion obligated as of September 30, 2017, since this was the actual amount available to recipients. Of this amount, the Department obligated \$1.3 billion through various Federal grants, and the Build American Bureau issued approximately \$1 billion through a loan. More than half of the recipients reported spending over 50 percent of their funds, and about 40 percent reported spending over 75 percent. However, although the deadline for PTC implementation is the end of this year, only 4 of 37 funding recipients have completely expended their Federal funds. We are not making recommendations; the data gathered are informational and meant to be responsive to the congressional request.

*Former DOT Employee Sentenced on Bank Fraud Charges, January 18, 2018.* A former employee of FRA and FMCSA was sentenced to 1 day of incarceration and 5 years of supervised release, including 2 years of home confinement. In addition, he must complete 400 hours of community service. He was previously convicted by trial on August 25, 2017.

From November 2010 through October 2016, the former employee attempted to obtain money, loans, and lines of credit from Envision Credit Union by lying about his employment status, employer, job title, length of employment, and salary. To support his applications for loans and lines of credit, he falsified, forged, or otherwise manipulated his DOT leave and earnings statements. He also represented that he was employed by DOT and FRA when that was no longer the case, and falsely indicated on the applications that he was a DOT investigator.

*Former Amtrak Contracting Officer Pleads Guilty to \$7.6M Bribery Scheme, April 19, 2018.* A former lead contract administrator at the National Railroad Passenger Corporation (Amtrak) pleaded guilty in U.S. District Court, Philadelphia, Pennsylvania, to one count of Federal program bribery for his role in a kickback scheme.



The former contract administrator was responsible for procuring equipment and services and managing the Amtrak diesel and locomotive seat cushion vendor accounts. He allegedly approved Company 1 as a vendor and seat cushion supplier, and through his efforts, Amtrak awarded Company 1 four fleet maintenance contracts worth over \$7.6 million. In return for steering contracts and providing pricing information to Company 1, he received approximately \$20,000 and other things of value, including trips to Rehoboth Beach, Delaware. He and two Company 1 executives created a sham consulting company and submitted invoices to Company 1 for payment.

## Federal Transit Administration (FTA)

*Assessment of Harris County, TX METRO's Financial Condition and Capacity, September 20, 2017.* The Metropolitan Transit Authority of Harris County, Texas (METRO) provides a range of transit services to about 3.6 million people in the Houston area. The House Appropriations Committee directed us to conduct a financial solvency audit of METRO. Our objective was to evaluate METRO's financial condition and capacity, including its ability to fund new services while maintaining current operations. We hired Steer Davies Gleave (SDG) to conduct an evaluation of METRO's financial condition and capacity, subject to our oversight. We conducted our work from September 1, 2016, to August 10, 2017, prior to Hurricane Harvey's impact on the Houston area.

Based on SDG's analysis, we found that METRO's financial condition—its ability to operate and maintain its transit system at present levels of service—was satisfactory but vulnerable to adverse revenue or cost changes. Specifically, SDG projected that METRO would be able to maintain its current operations and debt obligations through fiscal year 2021 while maintaining its minimum required level of operating reserves—15 percent of operating expenses. METRO may also encounter difficulties maintaining its added cash reserves if it faces adverse revenue or cost changes. For example, adverse revenue changes of 5 percent or adverse cost changes of 10 percent in fiscal year 2017 could prevent METRO from meeting its added cash reserve targets in each of the 5 fiscal years from 2017 through 2021.

We also found, through SDG's analysis, that METRO's financial capacity—which includes both general financial condition and the stability and reliability of revenue sources needed to meet future annual capital, operating and maintenance costs—was significantly restricted due to a recent lack of reliability and stability in revenues. As a result, METRO's ability to fund new services while maintaining operations is limited.

*New Jersey Business Owners Sentenced to Prison for Attempted Bribery of DBE Official, January 30 and January 31, 2018.* A husband and wife who owned Safe Rides, LLC, were sentenced in U.S. District Court, Philadelphia, Pennsylvania, for conspiring to bribe a Southeastern Pennsylvania Transportation Authority (SEPTA) Disadvantaged Business Enterprise (DBE) specialist. The wife was sentenced to 1 year and 1 day incarceration and 2 years' supervised release. The husband was sentenced to 6 months' incarceration and 2 years' supervised release. Both pleaded guilty to conspiracy and bribery charges in October 2017.

The owners admitted that between November 2016 and December 2016 they conspired to corruptly give and offer a thing of value to an agent of SEPTA intending to influence and reward the agent in connection with a business transaction. Specifically, the wife gave a DBE specialist an envelope containing \$5,000 in cash for the purpose of expediting the DBE application process for Safe Rides, LLC. Furthermore, both provided a second envelope containing \$5,000 in cash to a person they believed to be a DBE specialist for the purpose of expediting the DBE application a second time. The investigation was based on a referral from SEPTA, one of the five certifying agencies of the Pennsylvania Unified Certification Program.

*Former New York City Transit Authority Director Sentenced on Federal Bribery Charges, February 23, 2018.* A former senior director, New York City Transit Authority (NYCTA), was sentenced in U.S. District Court, Brooklyn, New York, to 46 months' incarceration, 3 years' supervised release, a forfeiture of \$136,420, a \$20,000 fine, and a \$100 special court assessment.

On October 3, 2017, the former director pleaded guilty to bribery charges in connection with his role in soliciting and accepting bribe payments from two contractors that were scheduled to perform work on federally funded NYCTA subway station projects. He and his wife created a consulting company named Bhavna Associates for the sole purpose of receiving and disguising these payments. He admitted that between March 2009 and May 2015, he received a total of \$152,420 in checks from several contractors in exchange for favorable treatment. He was the construction manager assigned to their projects and helped the contractors expedite work orders and engineer's drawings, submit bid packages, and facilitate any issues that arose.

## Maritime Administration (MARAD)

*Gaps in USMMA's Sexual Assault Prevention and Response Program Limit Its Effectiveness, March 28, 2018.* The National Defense Authorization Act for Fiscal Year 2017 (NDAA) mandated that, by March 31, 2018, we report on the effectiveness of the United States Merchant Marine Academy's (USMMA or the Academy) Sexual Assault Prevention and Response (SAPR) program. We assessed (1) the SAPR program's policies and procedures; (2) the Department's and Academy's progress and challenges in prioritizing and addressing recommendations from past studies and current action plans, including the 2017 Culture Change Action Plan; and (3) the Department's and Academy's responses to reports of sexual assault or harassment involving members of the Academy. To meet an NDAA requirement, we consulted experts from the Centers for Disease Control and Prevention (CDC).

Due to weaknesses in its infrastructure—which includes policies, procedures, and staffing—the Academy's SAPR program does not fully align with the CDC's strategies for effective sexual violence prevention efforts on college campuses. Critical gaps remain in comprehensive prevention and evaluation. For example, USMMA has not ensured that policies prohibiting sexual assault and sexual harassment are reinforced in the Midshipmen Regulations or established a reliable methodology for collecting sexual harassment data.

MARAD and USMMA have made progress implementing recommendations from past studies and action plans but have missed target dates and lack a risk-based approach to prioritization. USMMA reported completion of 62 of 138 recommendations (about 45 percent) derived from past studies and action plans, including those necessary to maintain its accreditation.

USMMA's lack of full compliance with its procedures, particularly for sexual harassment, limits its ability to respond to incidents and report to Congress. For example, USMMA lacks documentation related to reports of sexual harassment, which impacts its ability to provide survivor services and accurately assess its progress in addressing sexual harassment. USMMA concurred with all 10 of our recommendations to improve the SAPR program's effectiveness.

## Pipeline and Hazardous Materials Safety Administration (PHMSA)

*PHMSA Has an Opportunity To Refine Its Guidance and Performance Reporting for the Pipeline Safety Research and Development Program, May 30, 2018.* PHMSA designed its Pipeline Safety Research and Development (R&D) Program to provide safety improvements, reduce environmental impacts, and enhance reliability of the Nation's pipeline transportation system. During fiscal years 2013–2016, PHMSA's Office of Pipeline Safety (OPS) awarded \$38 million in support of 83 pipeline safety R&D projects—covering a variety of topics—conducted by Federal and non-Federal entities. The Protecting Our Infrastructure of Pipelines and Enhancing Safety (PIPES) Act of 2016 mandated that we evaluate PHMSA's pipeline safety R&D program. Accordingly, our objectives were to assess PHMSA's processes for (1) consulting with stakeholders, (2) mitigating selection panel members' conflicts of interest, and (3) measuring the benefits and uses of R&D outcomes.

PHMSA consults with stakeholders as required by the Pipeline Safety Improvement Act of 2002 (PSIA), and uses stakeholder input to prepare its 5-year program plan and select project proposals. However, the Agency is missing an opportunity to increase R&D forum attendance and does not have written guidance for using forum results. PHMSA has management controls to manage conflicts of interest (COI) on R&D merit review panels. Although we did not identify any violations in this area, the Agency's written guidance for COIs is incomplete. Finally, the benefits and uses of R&D outcomes are challenging to assess, because they may take years to be fully realized and may not be tangible; increased knowledge is one such intangible benefit. PHMSA staff also lack written guidance for certain follow-up processes, which could lead to inconsistency and a loss of institutional knowledge. While the Agency uses 14 performance metrics to evaluate the overall R&D program, these metrics provide only a tally of program outputs and lack context or analysis for the numerical data. PHMSA concurred with our three recommendations to help the Agency improve its management of the Pipeline Safety R&D Program.

*Ohio Company Based in California and Employee Sentenced for Shipping Undeclared Hazardous Materials by Air, January 22, 2018.* A former warehouse manager for an Ohio company based in California pleaded guilty in U.S. District Court, Los Angeles, California, to transporting hazardous materials (hazmat) without marking and labeling. On January 29, the company itself was sentenced to 5 years' probation—under which it must establish a rigorous compliance program—and fined \$250,000.

The company's employees conspired to ship hazmat via air transportation from a company warehouse in Riverside, California, to Anchorage, Alaska, and concealed the appropriate markings that identified the shipments as hazardous. On July 30, 2012, the United Parcel Service (UPS) examined a shipment from the company at its Anchorage airport facility. The exterior packaging was damaged, and after inspecting the contents, UPS discovered six fiberboard boxes, each containing twelve 320-milliliter cans of Vector Butane Gas, a hazmat. Closer examination showed the outer packaging originally had been marked in the same manner as the packages inside the box. However, the outer packaging had been reassembled inside out, which concealed the hazmat markings on the exterior of the package. The company admitted that it directed various managers and employees to conceal the hazardous nature of the hazmat from its shippers.

*California Man Sentenced to Prison for Illegally Transporting Hazardous Materials, April 9, 2018.* A California man was sentenced in U.S. District Court, Los Angeles, California, to a prison term of 1 year and 1 day for transporting hazardous materials—specifically consumer-grade fireworks—without proper placarding. The court also sentenced him to 36 months of supervised release after he completes his term of incarceration and a \$100 special assessment fee.

An estimated 200,000 pounds of illegal fireworks were identified during a search warrant executed in South Gate, California, whereas large quantities of fireworks were located inside a warehouse, in four semitrailers, and in a single rental moving truck. In addition to the commercial fireworks, remnants of fireworks manufacturing materials were present in the warehouse, including explosive flash powder. All of the fireworks in the rental truck belonged to the man and were transported to California from Nevada.

## Saint Lawrence Seaway Development Corporation (SLSDC)

*Independent Auditors' Report on the St. Lawrence Seaway Development Corporation's Financial Statements for Fiscal Years 2018 and 2017, November 13, 2018.* In accordance with the Government Corporation Control Act of 1945, we audited the financial statements of the SLSDC, a U.S. Government Corporation, as of and for the years ended September 30, 2018, and September 30, 2017.

In our opinion, SLSDC's financial statements present fairly, in all material respects, SLSDC's financial position as of September 30, 2018, and September 30, 2017, and its statements of operations and changes in cumulative results of operations, cash flows, budgetary resources and actual expenses, and changes in equity of the U.S. Government for the years then ended, in accordance with U.S. generally accepted accounting principles. We

found no material weaknesses in internal control over financial reporting based on the limited procedures we performed. However, we did identify a significant deficiency related to the untimely recording of Property, Plant & Equipment retirements in the property records. In addition, we found no reportable noncompliance for fiscal year 2018, with provisions of applicable laws, regulations, and contracts we tested.

We made three recommendations to help SLSDC strengthen its controls over property, plant, and equipment reporting.

### Office of the Secretary (OST)

*Initial Audit of Florida International University Pedestrian Bridge Project—Assessment of DOT’s TIGER Grant Review and Selection Processes, October 29, 2018.* On March 15, 2018, a pedestrian bridge under construction at Florida International University (FIU) in Miami, FL, collapsed onto the highway below, resulting in six fatalities and eight injuries. As the FIU project was partially funded by a Transportation Investment Generating Economic Recovery (TIGER) discretionary grant, the Secretary of Transportation asked us to evaluate whether it complied with Federal requirements and specifications. In addition, the Ranking Member of the Senate Committee on Commerce, Science, and Transportation, asked us to review the implementation and oversight roles of the parties to the TIGER agreement. Accordingly, we announced an initial audit to assess whether the FIU project met Federal and Department of Transportation requirements for the TIGER application, selection, and grant agreement processes in place when the project began. As we continue our work, we will address post-award oversight roles and responsibilities.

We did not find any evidence connecting OST’s review and selection of the FIU project grant application in 2013 to the pedestrian bridge collapse in 2018. Decisions on the bridge’s design and construction were made after the grant was selected. However, we did observe documentation shortfalls in the review and selection processes. Many of these observations mirror earlier recommendations issued by our office and the Government Accountability Office, and OST has addressed them. Specifically, OST’s documentation of its decisions did not address all the factors included in the guidelines. In addition, OST did not document its justification for changing the FIU project’s technical evaluation rating from *recommended* to *highly recommended*. Finally, while OST guidelines permit partial funding if the funded components maintain independent utility, OST made changes and reduced funding for the FIU project but did not document how it determined the completed project would be ready for its intended use.

This initial report responded to the Secretary's and the Ranking Member of the Senate Committee on Commerce, Science, and Transportation requests and was intended for informational purposes only. We did not make recommendations at that time.

*DOT Operating Administrations Can Better Enable Referral of Potentially Criminal Activity to OIG, August 22, 2018.* DOT's mission depends on proper stewardship of funds and effective enforcement of laws and regulations. Our office plays a crucial role in supporting DOT's mission by detecting and preventing waste, fraud, abuse, and mismanagement, as well as providing criminal enforcement for violations of law. In order for the Department and our office to fulfill these roles, Operating Administrations must notify us whenever circumstances appear to indicate a potential criminal violation. We initiated this audit to assess DOT's policies and procedures for prompt referral of potential criminal violations to our office.

DOT's criminal referral policies are not up to date and were unavailable in a central location to DOT employees for almost 2 years. While DOT does not require Operating Administrations to have their own policies or prohibit management involvement, four Operating Administrations have developed policies outlining their internal referral review processes. However, internal processes used by two of the four Operating Administrations may hinder prompt referrals to OIG. Finally, the number of referrals varies across Operating Administrations, and our survey results point to training needs.

We made three recommendations to help the Department and its Operating Administrations put policies, procedures, and training in place to enable prompt referral of fraud, waste, abuse, or other potential criminal violations to our office.

*FISMA 2017: DOT's Information Security Posture Is Still Not Effective, January 24, 2018.* The Federal Information Security Management Act of 2002 (FISMA), as amended, requires inspectors general to conduct annual reviews of their agencies' information security programs and report the review results to the Office of Management and Budget (OMB). DOT's operations rely on 464 information technology systems, which represent an annual investment of approximately \$3.5 billion. Consistent with FISMA and OMB requirements, our audit objective was to determine the effectiveness of DOT's information security program and practices in five function areas—Identify, Protect, Detect, Respond, and Recover.

In all five function areas, we found DOT to be at the Defined maturity level—the second lowest tier of the maturity model for information security—because the Department has, for the most part, formalized and documented its policies, procedures, and strategies.

However, these policies and procedures are not consistently implemented throughout DOT.

Identify controls include risk management, weakness remediation, and security authorization. Protect controls include configuration management, identity and access management, and security training. Detect controls are used to identify cybersecurity incidents as part of information security continuous monitoring (ISCM). Respond controls cover incident handling and reporting. Recover controls cover development and implementation of plans to restore capabilities and services impaired by cybersecurity incidents. DOT's Identify, Protect, Detect, Respond, and Recover controls are currently inadequate. We made eight recommendations to help the Department address the challenges in developing a mature and effective information security program. DOT concurred with six of our recommendations, partially concurred with one, and non-concurred with one.

*Illinois Computer Store Owner Indicted for Fraud, June 20, 2018.* The operator of an Illinois computer company was indicted in U.S. District Court, Peoria, Illinois, on charges of mail and wire fraud, interstate transportation of stolen property, and theft of Government property.

The Computers for Learning Program (CFL) allowed schools and nonprofit educational organizations to receive excess Federal government computer equipment at no cost. The indictment alleges that, between 2007 and 2017, the company operator defrauded CFL when he obtained computer equipment supposedly for the Dwight Baptist Academy in Dwight, Illinois. In fact, he fraudulently acquired most of the equipment for his personal benefit. The computer equipment originally cost the United States Government over \$22 million.



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## FY 2011—FY 2020 Funding History

U.S. Department of Transportation

Office of Inspector General

Salaries and Expenses

Fiscal Year	Request	Appropriation
2011	\$81,772,000	\$76,960,000
2012	\$89,185,000	\$79,624,000
2013	\$84,499,000	\$75,459,187 <sup>4</sup>
2013 SANDY	N/A	\$5,700,000 <sup>5</sup>
2014	\$85,605,000	\$85,605,000
2015	\$86,223,000	\$86,223,000
2016	\$87,472,000	\$87,472,000
2017	\$90,152,000	\$90,152,000
2018	\$87,305,716	\$92,152,000
2019	\$91,500,000	\$92,600,000
2020	\$92,152,000	

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<sup>4</sup> FY 2013 reflects the net reduction of \$4,005,565 pursuant to the Joint Committee sequester ordered on March 1, 2013 and an across-the-board rescission of \$159,248 included in P.L. No. 113-6, Consolidated and Further Continuing Appropriations Act, 2013.

<sup>5</sup> FY 2013 reflects the net reduction of \$300,000 pursuant to the Joint Committee sequester ordered on March 1, 2013. Reflects Disaster Relief Appropriations Act, 2013 (P.L. 113-2).

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# **SECTION 5: INFORMATION TECHNOLOGY EXPENDITURE**

# Information Technology Budget Justification for the DOT Office of Inspector General Fiscal Year 2020

(Budget Authority in Thousands)

Budget Account	FY 2018 ACTUAL	FY 2019 CR ANNUALIZED	FY 2020 REQUEST
General Support Services (GSS)	<b>\$6,698</b>	<b>\$6,941</b>	<b>\$7,118</b>
Commodity IT SS WCF	\$1,113	\$1,413	\$1,870
Modal IT Spend	\$5,102	\$5,252	\$4,987
FAA Franchise Fund	\$383	\$276	\$261
Audit Information Security Lab	<b>\$785</b>	<b>\$823</b>	<b>\$798</b>
Modal IT Spend	\$785	\$823	\$798
Data Analytics	<b>\$1,619</b>	<b>\$1,846</b>	<b>\$1,810</b>
Modal IT Spend	\$1,619	\$1,846	\$1,810
<b>TOTAL</b>	<b>\$9,002</b>	<b>\$9,610</b>	<b>\$9,726</b>

The Office of the Inspector General (OIG) is requesting \$9.73 million in FY 2020 for information technologies (IT) that support the full spectrum of the OIG’s programs

## ***Commodity IT Shared Services through the WCF***

OCIO will continue to provide OIG commodity IT shared services in FY 2020. OIG’s share was based on actual commodity IT consumption in prior years as well as planned future consumption. OCIO, in collaboration with OIG, assumed a one-to-one cost estimate to transition all commodity IT to OCIO. OIG will only be charged for services rendered.

- **Commodity IT Shared Services (SS) through the Working Capital Fund**—OIG requests \$1.87 million from the General Support, Maintenance of Network ADP, Hardware and Software (GSS) account for its share of Department investments in cybersecurity and commodity information technology including voice, cable, and networks; desktop services; server operations; directory and messaging services; enterprise licensing; and enterprise dashboards.

The following modal IT investments will be maintained by OIG in FY 2020:

- **General Support, Maintenance of Network ADP, Hardware and Software**—OIG requests \$4.98 million for operation and maintenance of the OIG IT Infrastructure System. Central to OIG’s role to provide independent oversight of the Department, OIG’s IT Infrastructure System provides dedicated resources, separate from the Department, for our audit, data analytics, and investigative staff, enabling the successful achievement of OIG’s mission.
- **Audit Information Security Lab**—OIG requests \$798 thousand for the operation and maintenance of the Audit Information Security Lab. This lab is composed of a production and test environments, which are used by IT auditors for the following activities and services that enable successful achievement of OIG’s mission and enhance the Department’s cybersecurity: vulnerability assessment and penetration testing of other operating administrations within the DOT, testing system images received from an auditee to avoid disrupting the auditees environment, training environment for vulnerability assessment and penetration testing to test IT capabilities; analysis of large databases received from auditees to validate whether outputs are reproducible, and building custom software and databases for data process in support of OIG audit teams.
- **Data Analytics and Computer Crimes (DACC)**—OIG requests \$1.81 million for the maintenance and operation of the DACC unit, which conducts cyber investigations; supports investigations through the preservation, collection, and analysis of digital evidence; and conducts data analytics in support of audits and investigations of Departmental and open-source data to proactively identify fraudulent, or other criminal behaviors, for the successful achievement of OIG’s mission.