



OFFICE OF
INSPECTOR GENERAL

U.S. Department of
Transportation

Semiannual Report to Congress

April 1 – September 30, 2004

SEMIANNUAL REPORT TO CONGRESS

April 1–September 30, 2004





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FROM THE INSPECTOR GENERAL

I am pleased to provide OIG's Semiannual Report to Congress for the six-month period ending September 30, 2004. I want to thank Secretary Mineta, former Deputy Secretary Van Tine, our modal administrators, and Members and staff of Congress for their responsiveness to our recommendations to strengthen safety, improve program delivery, and maximize efficiency.

In November, we issued our annual review of the top management challenges facing the Department. A summary of that report, along with highlights from other audits, investigations, and congressional testimony presented during the report period, can be found inside.

Our focus in the coming months will be on several significant issues, among them: FAA budget, financing, and trust revenue fund shortfalls; multi-billion dollar Air Traffic Control (ATC) modernization projects; controller retirements; Amtrak; rail safety; oversight of large transit and highway infrastructure projects; commercial drivers' license fraud; and opportunities for achieving Department-wide cost savings through better management of contracts and grants.

Over the last six months, our investigative work resulted in 93 convictions and more than \$25 million in fines, restitutions, civil penalties and recoveries. We also issued 61 audit reports, testified 7 times before Congress and made more than \$431 million in financial recommendations that questioned costs and suggested how funds could be put to better use.





WORK PLANNED AND IN PROGRESS

During this reporting period, the Office of Inspector General will continue to focus on the Department's key strategic goals to improve safety, capacity, and efficiency. We will review the cost and schedules of major acquisitions programs in FAA; safety oversight of the changing aviation industry; and human resources issues, such as staffing in FHWA and FAA. We will ensure thorough financial reporting and accounting practices throughout the Department and review information system acquisitions and security. We will continue to monitor the progress of major highway and transit projects, assess programs to improve motor carrier safety, and evaluate activities to improve public transit and passenger rail security.

OIG has developed the following work plan for the period of October 1, 2004, through March 31, 2005.

Aviation Audits

■ Review of FAA's Terminal Automation Alternatives.

Identify the modernization needs of FAA's small, medium, and large terminal sites and consider the alternatives available to FAA to meet those needs.

■ Safety Oversight of an Air Carrier Industry in Transition.

Determine whether: (1) action taken by FAA to monitor financially distressed air carriers is effective; (2) the Air Transportation Oversight System (ATOS) and the Safety Performance Analysis System (SPAS) have been used effectively to monitor financially distressed carriers by providing the data and tools inspectors need to conduct their work; (3) FAA has effectively implemented procedures to heighten surveillance of low-cost air carriers during periods of growth or change; and (4) FAA's risk-based surveillance system is used effectively to target identified risk areas, and to aid FAA in the allocation of inspector resources for low-cost air carriers.

■ National Airspace Redesign.

Determine: (1) if FAA has an effective process to control costs, mitigate risks, and coordinate local, regional, and Headquarters efforts; and (2) whether or not opportunities exist for FAA to make airspace redesign efforts more cost-effective.



■ **Air Carriers Use of Non-Certified Repair Facilities.**

Determine: (1) how FAA identifies and oversees work performed at non-certificated repair facilities; (2) how FAA requirements for non-certificated facilities differ from those for certificated repair stations; and (3) the quantity and type of work air carriers outsource to non-certificated repair facilities.

■ **Validation of the STARS Phase I Program Costs.**

Review and validate the life cycle cost studies and other relevant analyses provided to FAA's Joint Resources Council to justify and re-baseline Phase I of the STARS program.

■ **En Route Automation Modernization (ERAM) Program.**

Determine whether FAA has a realistic and executable plan to provide a new en route automation system on time and within budget; identify the key program risks that could affect FAA's ability to meet cost and schedule projections; and determine whether FAA has adequately addressed computer security in the ERAM system design.

■ **FAA Staffing and Training for Flight Standards Inspectors.**

Evaluate staffing and training issues that may impact FAA's ability to provide effective oversight of an aviation industry in transition.

■ **Advanced Technology and Oceanic Procedures (ATOP) II.**

Compare FAA's experience in acquiring an oceanic system to the experiences of other major oceanic air traffic control service providers. Review cost, schedule, and performance specifications and the operating environment (complexity and volume of airspace) the systems were designed to accommodate.

■ **Oversight of Aircraft Manufacturers' Quality Assurance System for Suppliers.**

Evaluate FAA's oversight of aircraft manufacturers' quality assurance system for domestic and foreign suppliers.

■ **Status of FAA's Major Acquisitions.**

Update the cost and schedule of FAA's major acquisitions, and identify key issues affecting their implementation.

■ **Controller Staffing Issues.**

Report on FAA's current process for determining staffing levels at individual facilities and evaluate FAA's plans to correct staffing imbalances. Report on FAA's progress toward implementation of a labor distribution system and review any pilot programs developed to better measure controller productivity. Lastly, evaluate FAA's air traffic controller staffing plan that Congress mandated be provided annually starting in December 2004.

Financial and Information Technology Audits

■ **Use of Contract Audit Services — DOT Operating Administrations.**

Determine whether DOT and its Operating Administrations are obtaining contract audit services, as necessary, and in accordance with policies, procedures, and acquisition regulations.

■ **FY 2005 OCIO Budget Request for Enhancing Security, E-Government Services, and Investment.**

Determine: (1) whether the Office of Chief Information Officer (OCIO) and Operating Administration budget requests for IT security, E-Government services, and IT investment management contain duplicative or overlapping items; (2) the extent to which the budget requests were adequately planned and coordinated by the OCIO; and (3) progress made to improve IT security, E-Government services, and IT investment management.

■ **Consolidation of DOT Accounting Functions.**

Determine the extent to which DOT would achieve financial and operational benefits by consolidating its accounting functions.

■ **DOT FY 2004 Financial Statements.**

Determine whether principal DOT financial statements and accompanying notes are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; assess internal controls over financial reporting, including safeguarding assets; report identified instances of non-compliance with selected laws and regulations that could have a direct and material effect on the DOT financial statements or that have been specified by the Office of Management and Budget; determine whether DOT's financial management systems substantially comply with the Federal Financial Management Improvement Act; assess whether financial information in the Management Discussion and Analysis is materially consistent with the information in the principal DOT financial statements; assess whether internal controls ensured the existence and completeness of reported data supporting performance measures; and determine whether supplementary and stewardship information is consistent with management representations and the DOT financial statements.

■ **FAA Maintenance Processing System Security and Controls.**

Determine whether the computer systems used by FAA technicians to maintain field surveillance, navigation, and communications equipment are adequately secured to ensure the integrity and availability of air traffic controls operations.

■ **Inactive Obligations, FAA.**

Determine whether FAA's inactive obligations represent valid financial liabilities or can be used on other capital projects.

■ **2004 Status Assessments of Cost Accounting System and Practices, FAA.**

Review the status of the FAA's cost accounting system and results, to date, on specific assessment areas required by AIR-21 as of December 31, 2004.

Surface and Maritime Programs

■ **Follow-Up Audit of the Implementation of the NAFTA Cross-Border Trucking Provisions.**

Verify whether FMCSA has the staff, facilities, equipment, and procedures in place to comply with the provisions in Section 350 of the FY 2002 Appropriations Act.



■ **FHWA's Program Oversight of State Transportation Management Processes.**

Determine whether FHWA implemented a risk assessment process that reliably assessed the risks associated with states' implementation of the Federal-aid highway program.

■ **Office of Vehicle Safety Compliance.**

Determine: (1) whether NHTSA is timely processing petitions, assigning eligibility numbers, and handling hardship exemptions for military personnel and other individuals; and (2) the reasons that importers may be experiencing delays in obtaining approval to import a vehicle.

■ **Oversight and Workforce Strategic Issues in the Federal Highway Administration.**

Obtain employee views on current work activities, how their future workload is expected to change, and the workforce discipline and tools needed to perform program and project oversight activities.

■ **FHWA's Fiscal Management Information System.**

Determine whether FHWA's investment proposal for FMIS adequately addressed project data shortfalls.

■ **Federal Highway Administration's Cost Recovery Actions.**

Evaluate FHWA's oversight of states' processes and procedures for controlling, identifying, and tracking errors and/or omissions on major projects, and the progress made by FHWA and the states in recovering costs resulting from design errors and/or omissions.

■ **Highway-Rail Grade Crossing Inspections, Accident Reporting, and Investigations.**

Assess the adequacy of the Federal Railroad Administration’s oversight of highway-rail grade crossing safety inspections, accident reporting requirements, and accident investigation procedures.

■ **Central Artery/Tunnel Project 2004 Finance Plan.**

Determine whether the 2004 Finance Plan: (1) presents a cost estimate that is based on all known and reasonably expected costs; (2) identifies appropriate and available funding sources sufficient to meet the total estimated cost; (3) provides a project construction schedule that is based on all known and reasonably anticipated delays; and (4) discloses other issues affecting the project.

■ **Safety of Highway Bridges.**

Evaluate whether: (1) structurally deficient bridges on the National Highway System have been inspected in accordance with National Bridge Inspection Standards; and (2) FHWA’s oversight is effective to address the deficiencies on these bridges.

■ **Major Project Cost-Estimating Activities.**

Determine frequent factors that cause cost estimates to be unreliable; evaluate efforts to improve cost-estimating guidance; and identify opportunities to improve oversight of project-sponsored processes and procedures for preparing credible cost estimates.

■ **Oversight of the Use of Alcohol-Impaired Driving Highway Traffic Safety Funds.**

Determine whether NHTSA’s oversight is adequate to: (1) ensure that states applied alcohol-impaired driving highway traffic safety funds for intended purposes and in compliance with Federal requirements; and (2) assess how unused alcohol-related fund balances will be accounted for as TEA-21 expires.

■ **Motor Carrier Safety Program.**

Assess the FMCSA progress in: (1) implementing the OIG’s recommendations from the April 1999 audit report; (2) implementing the MCSIA requirements on new entrant motor carriers; and (3) issuing rulemakings required by the MCSIA.



Competition and Economic Analysis

■ **2003 and 2004 Amtrak Assessment.**

Summarize Amtrak’s 2003 and 2004 financial and operating results.



■ **Review of Designated High-Speed Rail Corridors.**

Assess status of each of the designated corridors, focusing on demand studies performed to date, expense projections, estimated capital requirements, and proposed implementation schedules.

■ **Evaluation of Amtrak's 5-Year Capital Plan.**

Determine how Amtrak prioritizes capital projects and if cost projections for selected projects are reasonable. Also, update Amtrak's financial status.

■ **Assessment of Amtrak's Route Structure.**

Analyze alternative route structures to determine the potential for reducing Federal funding while improving opportunities for increased ridership.

■ **Financing the Aviation System.**

Examine the financing structure (taxes, fees, and prices) supporting the operation of and investment in the airway system in the United States, and assess whether a different funding model could produce more efficient operation of the airway system while also providing better information to direct investment.

Hazardous Material, Security, and Special Programs

■ **FAA's Hazardous Materials Program.**

Assess whether FAA's execution of its HAZMAT Program was adequate to ensure industry's compliance with HAZMAT regulations. To do this, we focused our audit on FAA's: (1) administration of HAZMAT enforcement cases; (2) efforts to ensure that HAZMAT regulations address the unique environment for shipments of HAZMAT by air; and (3) efforts to prevent unauthorized HAZMAT from being carried on board passenger aircraft.

■ **Chicago O'Hare Modernization Plan.**

Assess: (1) the status of FAA's work to date on the Chicago O'Hare Interaction Airport Modernization Plan (OMP); (2) FAA's efforts in redesigning the airspace to accommodate the OMP; and (3) FAA's role in ensuring that the manner in which Chicago proposes funding the OMP is fully documented and supported, and that the funds are available and secure.

■ **Security of Public Transit and Passenger Rail Operations.**

Assess: (1) DOT's roles and responsibilities with respect to security of the Nation's public transit and passenger rail systems; (2) DOT's efforts to collaborate and coordinate with the Department of Homeland Security on public transit and passenger

rail security rulemaking, oversight, and enforcement; and (3) the extent and effectiveness of DOT funding for securing the public transit and passenger rail system.

■ **Management of Land Acquired Under Airport Noise Compatibility Programs.**

Determine if FAA oversight ensures that airport sponsors properly sell or lease land that was purchased for noise compatibility (noise land) but is not needed for airport development or aviation-related purposes

■ **Background Security Investigations of DOT Government and Contract Employees.**

Determine: (1) whether DOT government and contractor employees have undergone background investigations that are appropriate to the position that they hold; (2) how promptly background investigations of government and contractor employees are completed; (3) the status and adequacy of departmental systems for tracking background investigations; and (4) whether DOT uses the investigative results of other Federal agencies in assessing the backgrounds of current and potential government and contract employees.

■ **Physical Security of FAA Facilities.**

Evaluate the: (1) security processes and standards that are applied to FAA facilities; (2) access controls to FAA’s staffed and unstaffed National Airspace System critical facilities; and (3) security at staffed FAA facilities to ensure that contract security company employees meet FAA’s requirements for security training and weapons qualifications.

■ **Rulemaking Process and Tracking System.**

Update DOT’s progress in managing its rulemaking process and in meeting its deadlines.



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[Florida Man Jailed for Piloting Plane without an Airman Certificate](#) **April 12**

Donald Wilson of St. Cloud, Florida was sentenced to a 15-month prison term by a U.S. District Court judge in Fort Lauderdale, Florida, for piloting a plane without a legitimate airman certificate and flying an aircraft with an unapproved modification to its fuel system. Wilson used various fraudulent identities in order to obtain FAA licenses and falsely register an aircraft. He also modified a plane by installing fuel-tank systems without making the change according to FAA maintenance regulations. The case was investigated with assistance from the FAA, Department of Homeland Security -Immigration and Customs Enforcement, and the Ft. Lauderdale Police Department.

[Key Issues for the Federal Aviation Administration's FY 2005 Budget](#) **April 22**

The Office of Inspector General testified before the Senate Transportation-Treasury Appropriations Subcommittee regarding the Federal Aviation Administration's (FAA) fiscal year (FY) 2005 budget request of \$14 billion and other aviation issues. We discussed key issues and ways to control costs within the Agency's Operations, Facilities and Equipment and Airport Improvement Program (AIP) accounts. These issues focused on, among other things, getting reliable cost and schedule baselines for billion-dollar acquisitions, addressing the pending wave of controller retirements, and providing effective safety oversight of an airline industry in transition. OIG also stated that with domestic traffic levels showing an upward trend and revenue passenger emplanements declining, FAA must position itself to meet this increased demand.

[OIG Testifies on FTA's "New Starts" Evaluation Process Before House Panel](#)

April 28

We testified regarding the Federal Transit Administration's (FTA) "New Starts" criteria before the U.S. House of Representatives Transportation-

Treasury Appropriations Subcommittee. The testimony stated that funds available for New Starts projects over the next 6 years can support only a fraction of the 26 projects with existing full funding grant agreements and another 38 projects in preliminary engineering, final design, or that have been proposed for funding. These projects are collectively seeking \$24.3 billion in Federal funding. OIG also testified that: (1) FTA provides guidance to local authorities to assist them in conducting the alternatives analysis but does not approve the selection of the locally preferred alternatives; (2) there have been changes to the New Starts evaluation process since FY 1998, but there is still room for improvement; (3) FTA has improved its ability to identify problems with ridership forecasts — the single most critical element supporting project justification — but without more reliable and up-to-date ridership analyses, project justification will continue to be problematic; and (4) resolution of problems in estimating highway congestion relief will be difficult to achieve without a joint effort by the Federal Highway Administration (FHWA) and FTA to understand the extent to which transit provides highway congestion relief.

Connecticut Man Gets 46 Months in Jail for Smuggling Undeclared Ammonia on Commercial Flight

April 29

Bernard Williams of Norwalk, Connecticut, was sentenced to 46 months in prison and was fined \$7,500 by a U.S. District Court judge in Brooklyn, New York, for violating federal hazardous materials transportation regulations by shipping two undeclared cartons of highly concentrated ammonia on a commercial flight on February 15, 2002. Williams declared that the two cardboard boxes, which he checked on a flight from Fort Myers, Florida, to New York City, contained kitty litter, when they in fact held 14 gallons of ammonia. During the flight, one of the gallon bottles broke, causing 28 passengers to become ill; one infant passenger lost consciousness and had to be hospitalized.

Colonial Pipeline Company Fined \$400,000 for Tennessee Pipeline Rupture

May 4

Following a five-year investigation, Colonial Pipeline Company, based in Atlanta, Georgia, pleaded guilty to a charge of violating the Rivers and Harbors/Refuse Act as a result of a February 1999 rupture of one of its pipelines that spilled an estimated 1,275 barrels of diesel fuel into the Tennessee River. The company was ordered to pay \$400,000 in penalties, including a \$50,000 fine and \$350,000 to be used for environmental education, protection, and incident response. The rupture caused diesel fuel to spew into the air, and onto nearby houses before it flowed down a hillside and then



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sequentially into Goose Creek, Fort Loudoun Lake, and the Tennessee River. The investigation was conducted by a task force composed of the DOT-OIG, the Department of Energy, the Department of Defense-Defense Criminal Investigative Services, Federal Bureau of Investigation, Environmental Protection Agency, and the Tennessee River Valley Authority.

Airport Lease Broker Sentenced to Over Six Years for Fraud

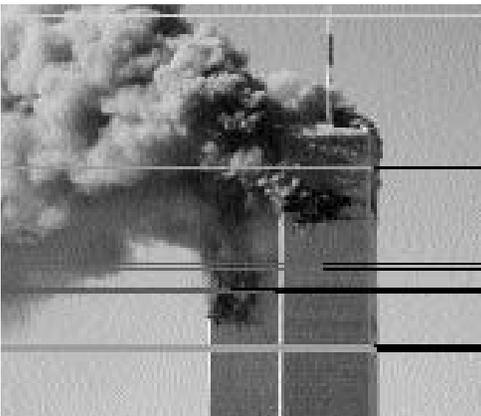
May 4

Alfred Speckmann (aka Fred Herman), was sentenced by a U.S. District Court judge in Wilmington, Delaware to 78 months incarceration and ordered to pay \$207,314 in restitution after pleading guilty to three counts of mail fraud for selling leased aircraft without the owners' consent, and keeping the proceeds. Speckmann pleaded guilty in November 2003 to submitting false bills of sale and aircraft registration documents to FAA. He received the maximum sentence due in part to his extensive criminal history, which included several felony convictions for consumer fraud, embezzlement, and passing bad checks. The FAA has taken steps to insure that FAA Aircraft Registry records reflect the aircrafts' proper owners. The investigation was conducted with the assistance of FAA.

IG Report on Destruction of 9–11 Audiotape of Air Traffic Controller Witness Statements

May 4

In response to a request from Senator John McCain, chairman of the Committee on Commerce, Science, and Transportation, we investigated allegations that FAA officials destroyed an audiotape of air traffic controller witness statements created the morning of the 9–11 terrorist attacks. We found that five air traffic controllers who communicated with two of the hijacked aircraft on 9-11 made a previously undisclosed audiotape account of their actions that morning. The tape, made at the direction of a manager at the New York Air Route Traffic Control Center, was supposed to provide law enforcement with information until the controllers could write statements. No one outside



the center was told the tape existed, and it was subsequently destroyed by another center manager. OIG's investigation did not find the managers attempted a cover-up, and we have no indication there was anything on the tape that the managers were hiding or that the controllers did not properly carry out their duties on 9-11. We recommended that FAA implement procedures establishing an evidence-custody system for aircraft accidents and incidents, review the conduct of the two managers in question, and take appropriate administrative action.

MARAD's Cargo-Preference Billing and Payment Process

May 5

The Office of Management and Budget and officials from the Maritime Administration (MARAD) requested that OIG review a cargo preference dispute between the U. S. Department of Agriculture's (USDA) Commodity Credit Corporation and MARAD over a \$379 million invoice from USDA. MARAD is required to reimburse USDA for excess ocean freight costs that food assistance programs incur to comply with cargo preference statutes. However, MARAD has not made a payment for excess ocean freight since 1995, when it paid \$35 million due for FY 1992. In part, delays were due to an antiquated manual billing and payment process, but delays primarily reflect a fundamental dispute between USDA and MARAD over calculating the amount of excess ocean freight owed. OIG recommended that MARAD immediately pay \$164 million of the \$379 million invoice for FYs 1994 through 2000. We also recommended that MARAD, USDA, and the U.S. Agency for International Development reexamine the billing and payment process to identify ways to accelerate it. MARAD officials agreed with our recommendations.



Tulsa Airport Authority's Management, Operations, and Use of Airport Funds

May 6

We issued our investigative report regarding contracting irregularities, conflicts of interest, and other issues at the Tulsa Airports, undertaken in response to a request from Senator James M. Inhofe, Chairman of the Committee on Environment and Public Works. The investigation found instances where the Tulsa Airport Authority's procurements of professional services, which were funded by the Airport Improvement Program, did not adhere to FAA's required competitive-selection procedures. We also found conflicts of interest on the part of former authority officials, poor recordkeeping by the Authority, and a lack of sufficient oversight by FAA.

The audit report issued on the same day found that the airport entered into

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an agreement that may require it to purchase property used as collateral in a loan to Great Plains Airlines. As a party to this real estate transaction—under which it was obligated to pay off the loan in case of default—the airport appeared to be subsidizing the airline. In addition, use of airport funds to pay off the loan would constitute a diversion of airport revenue or could result in inappropriate use of monies collected from passenger facility charges. FAA agreed that the real estate transaction constituted a direct subsidy to the airline and was therefore prohibited. FAA also agreed to take actions to ensure the airport did not inappropriately use passenger facility charges or airport revenue to pay off the loan.

Short- and Long-Term Efforts To Mitigate Flight Delays and Congestion

May 18

OIG testified before the Senate Commerce Aviation Subcommittee regarding FAA's preparations to avoid flight delays and ease congestion beginning in the summer of 2004. The testimony focused on current traffic and delay conditions, the changing reasons for congestion, FAA's action in the past 4 years, and the outlook for the summer of 2004. We stated that increasing flight delays are partially caused by the increased use of regional jets, the expansion of low-cost air carriers, and waiting times at airport security lines.

In the testimony and in formal recommendations to the Department of Transportation and FAA in June, OIG recommended that the Secretary, the Bureau of Transportation Statistics, and the Transportation Security Administration (TSA) work together to develop and report monthly airport-specific waiting time metrics for both peak and off-peak hours. We also recommended that FAA issue updated capacity benchmarks for major airports as soon as possible. FAA's original benchmarks were issued in 2001 in response to a 2000 OIG recommendation and measured the maximum traffic an airport could handle under varying weather conditions.



Former FAA Employee Ordered to Repay \$350,000 in Workers Compensation Fraud

May 20

Michael Lee Harms was ordered by a U.S. District Court judge in Dallas, Texas, to serve 33 months in prison, and to pay \$354,389 in restitution for fraudulently collecting workers compensation after injuring his back in 1996 while employed as an air traffic control specialist for the FAA. He was convicted of mail fraud and making false statements to the Department of Labor (DOL) in February 2004. While collecting workers compensation, Harms was employed as a pilot for two air freight companies and served as President and CEO of Amber Aviation, a non-profit organization. FAA and the DOL-OIG assisted with this investigation.



Opportunities To Improve FAA's Process for Placing and Training Air Traffic Controllers in Light of Pending Retirements

June 2

We issued our report on FAA's progress for placing and training air traffic controllers, as attrition in the air traffic controller workforce is expected to rise sharply over the next 9 years. We found that while FAA's nationwide estimates of expected controller attrition are reasonable, FAA needs to develop attrition estimates by location. We also found that FAA needs to assess newly hired controllers' abilities before they are placed and improve its overall oversight and management of the on-the-job training process. We recommended that FAA: (1) establish a system to uniformly estimate controller attrition by location and adjust national attrition and hiring strategies as needed; (2) develop an assessment process for identifying a new controller's potential to certify at a certain facility and use this information in placing newly hired controllers; and (3) compile national statistics and establish a baseline to better manage the controller on-the-job training process and include these statistics in developing a tracking system for training. FAA concurred with our recommendations.

Guilty Plea in Motor Fuel Tax Evasion Case

June 3

Thomas W. Quintin of Cherry Hill Village, Colorado, pled guilty in U.S. District Court in Denver to 98 counts of mail fraud and 15 counts of tax evasion for failing to pay more than \$7.5 million in Federal motor fuel excise taxes. Quintin operated two wholesale motor fuel distribution companies, Max Oil, Inc. and Pit Stops of America, Inc., licensed to purchase fuel tax-free from terminal suppliers. Quintin also owned about 20 retail truck stops in Colorado,

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Nebraska, and Wyoming which then received the fuel and sold it to the motoring public at prices which included state and federal excise taxes. The loss to the three states is believed to be more than \$10 million in unpaid taxes. Quintin's wife, Sandra J. Westphal, who faces similar charges, is in Canada awaiting extradition.

Report on the October 2003 Finance Plan for Boston's Central Artery/Tunnel Project

June 4

Our audit of the Central Artery/Tunnel Project's October 2003 finance plan found that the Project's schedule for completing its two remaining segments by November 2005 was reasonable. We also found that the plan discloses milestone dates that take into account potential risks based on the Project's past history of delays, fairly represents the Project's cost, identifies adequate funding, and accurately presents cash flow. We recommended that FHWA ensure that the Massachusetts Turnpike Authority: (1) in developing the 2004 finance plan, establish and use a process for documenting the reasons for amounts assessed and budgeted for unresolved contractor claims; and (2) develop a more realistic milestone date for completing the cost recovery process and include the revised date in its next quarterly report to FHWA.



CDL Applicants Should Provide Evidence of Legal Presence in the United States

June 10

We issued a management advisory to the Deputy Secretary recommending that additional measures be considered to strengthen controls for obtaining a commercial driver's license (CDL). We expressed concern that vulnerabilities exist within the current CDL program, which allows persons to obtain a license without being legally present in the United States. Under DOT regulations, commercial drivers applying for a CDL without a hazardous material endorsement are only required to provide a Social Security number, which

does not ensure the applicant's citizenship or legal presence. Since nearly 70 percent of the 11 million CDLs issued since 1989 do not carry a hazardous materials endorsement, this represents a very large loophole. In a 2002 audit, we recommended that the Federal Motor Carrier Safety Administration (FMCSA) require that all CDL applicants demonstrate U.S. citizenship or legal presence. While FMCSA agreed with our recommendation, the issuance of this proposed rule is not scheduled until May 2005. We recommend that FMCSA, at a minimum, require all CDL applicants to demonstrate that they are either a U.S. citizen, a permanent legal resident, or are otherwise legally present in the United States.



Actions Taken and Needed For Improving Pipeline Safety

June 14

Our report, required by the Pipeline Safety Improvement Act of 2002, found that the Research and Special Programs Administration's (RSPA) Office of Pipeline Safety (OPS) is making considerable progress in issuing regulations required by congressional mandates in 1992, 1996, and 2002, as well as responding to recommendations by the National Transportation Safety Board (NTSB). While OPS has made progress in improving pipeline safety, the work is not done. The current situation is far from an "end state" for ensuring the safety of the nation's pipeline system.

We recommended that OPS: (1) complete its actions on remaining congressional mandates and NTSB recommendations; (2) require operators of natural gas distribution pipelines to implement some form of enhanced safety program similar to those used by hazardous liquid and natural gas transmission lines; (3) complete its web-based system for monitoring the cost, schedule, and performance of research and development projects; (4) finalize and implement best practices for its internal review process; (5) implement a formal policy and procedures for responding to NTSB recommendations so that key safety recommendations are addressed quickly; and (6) petition the Department to formalize the security roles and responsibilities of OPS and TSA.

We testified before three congressional committees regarding OIG's newly released report: (1) on June 15, 2004 before the Senate Committee on Commerce, Science, and Transportation; (2) on June 16, 2004 before the House Transportation Subcommittee on Highways, Transit, and Pipeline; and (3) on July 20, 2004 before the House Energy and Commerce Subcommittee on Energy and Air Quality.

Air Traffic Controller Attrition

June 15

We testified before the U.S. House of Representatives Transportation and

While OPS has made progress in improving pipeline safety, the work is not done.

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Infrastructure Subcommittee on Aviation regarding the air traffic controller workforce, with particular emphasis on expected air traffic controller retirements, training of new controllers, assessing how many controllers are needed, and where they should be placed. Because controllers hired after the 1981 Professional Air Traffic Controllers Organization strike will become eligible for retirement in upcoming years, attrition in the air traffic controller workforce is expected to rise sharply. As a result, FAA will have to begin hiring and training controllers at levels the Agency has not experienced since the early 1980s.

OIG recommended that when addressing the increase in controller attrition, FAA should focus its efforts on: (1) developing better attrition estimates by location, (2) assessing newly hired controllers' abilities before they are placed at facilities, and (3) determining ways to reduce the time and costs associated with on-the-job training while still achieving results. The testimony was based on an OIG audit report, which was issued on June 2, 2004.

Audit of the Highway-Rail Grade Crossing Safety Program

June 16

We found that the Department made progress toward accomplishing its 1994 Action Plan goal of fewer than 2,500 grade crossing accidents and 300 fatalities at the end of 2003. Under this plan, the number of grade crossing accidents declined by 41 percent, from 4,892 to 2,909, and fatalities fell by 48 percent, from 626 to 325. Much of this progress was largely attributable to addressing the “low-hanging fruit,” that is, the Department’s initiatives to close grade crossings and to install automatic gates and flashing lights at those public crossings with a high probability for accidents. To achieve further improvements, the Department must adopt a more targeted approach that focuses on those states and public crossings that continue to have the most accidents.

We recommended that the Department, in implementing its new Action Plan for grade crossing safety: (1) require the states that continue to have the most

accidents to develop individual action plans; (2) encourage states to enhance educational programs and develop legislation to further improve safety; (3) encourage states to set annual goals for closing crossings; (4) promote mandatory reporting requirements for railroads and states to improve the accuracy and completeness of national crossing inventory data; (5) include rail transit accidents in the new Action Plan's goals and statistics; and (6) ensure that states submit annual evaluation reports on expenditures of Federal safety improvement funds. The Department concurred with all of our recommendations, and agreed to take corrective actions.



Former Airline Pilot Sentenced for Submitting False Medical Certificates

June 27

Reza Ostaldali of Forest Hill, Maryland, was sentenced by a U.S. District Court judge in Baltimore, Maryland, to one year probation following his guilty plea on May 7 for presenting false medical certifications to the FAA on five separate occasions. The FAA requires airline pilots to periodically submit a medical certificate of examinations by a physician. Ostadali certified that a physician examined him on five occasions between April 2000 and August 2002, when in fact the doctor last examined him in October 1996.

Follow-Up Audit of DOT Government Travel Card Delinquencies and Charge-Offs

June 29

In this follow-up to our August 2003 report, we found that the Department is making progress in reducing the number of delinquent and charged-off travel card accounts. However, proper follow-through and implementation of travel card policies is needed, since delinquencies and charge-offs continue to occur. We recommended that the Department: (1) continue actions to promptly implement salary offsets and split travel reimbursements to address delinquent and charged-off accounts of current employees and reconcile DOT employees identified with charged-off accounts to Citibank records; (2) work with the General Services Administration to identify methods to recoup charged-off amounts from former employees, especially those who are still Federal employees; and (3) ensure Operating Administrations comply with departmental policy to discipline employees who are delinquent in paying their bills or have charged-off accounts. The Department concurred with our findings and recommendations.

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Investment Review Board's Deliberations on the Motor Carrier Management Information System (MCMIS)

June 29

We found that FMCSA's budget justifications for the Motor Carrier Management Information System (MCMIS) provided an incomplete picture of the data quality issues associated with the system and did not adequately support cost estimates. We recommended that future MCMIS funding requests and briefings to the DOT Investment Review Board (IRB) identify the scope and success of FMCSA's actions to ensure that complete and accurate data are used in MCMIS. In conjunction with the departmental Chief Information Officer, FMCSA should implement guidance for developing and validating information technology funding requests and provide supportable estimates for the MCMIS life-cycle costs. Without improved information, neither FMCSA nor the IRB can make informed decisions about continued funding for MCMIS operations and enhancements to the system.

Former FAA Employee Sentenced in Travel Card Abuse Case

July 1

Former FAA employee Charles M. Frederickson was sentenced by a U.S. District Court judge in Seattle, Washington to pay \$7,231 in restitution and serve three years probation for failing to pay off his government credit card when he left his job as a program specialist at FAA's regional office in Renton, Washington. On April 6, Frederickson pleaded guilty to one misdemeanor count of converting property, which included using the travel card to pay for hotels associated with personal travel and to make cash advances for personal business.

Contractor and Owner Ordered to Pay \$1.5 Million in Connection with Fraudulent Claim Scheme

July 7

White Construction Company of Chiefland, Florida, and owner/CEO Luther M. White Jr. were sentenced to 30 years probation, barred from doing business with the Florida Department of Transportation (F-DOT) for 30 years, and ordered to pay a total of \$1.5 million in restitution and fees. The company had pleaded guilty to six counts of grand theft and Luther White, Jr. pleaded guilty to one count of grand theft in connection with false claims made to F-DOT for work completed on Federal-aid highway construction projects on Interstate 75 near Ocala, Florida from 1994 through 1997. White Construction Company filed more than \$30 million in false claims, in some cases double and triple-billing for labor, equipment, and material costs. The case was investigated jointly with the Florida DOT OIG and the Florida Department of Law Enforcement.

Former FAA Employee Fined in Travel Fraud Case

July 16

Former FAA employee Daniel Baussan was ordered by a U.S. District Court judge in Alexandria, Virginia, to pay \$4,332 in restitution and a \$1,000 fine following his May 13 guilty plea to charges of government property theft. Baussan submitted three travel vouchers claiming reimbursement for temporary quarters subsistence expenses for four family members who did not reside with Baussan. Bausman resigned from FAA in June 2004 prior to formal termination.

Corporate President Sentenced for False Certification of Air Supply Cylinders for Firefighters

August 5

Greg Austin, president of Austin & Pruitt Fire & Safety Equipment (A&P) in Wilmington, Delaware, was placed on probation by a U.S. District Court judge in Wilmington following his May 4 guilty plea to charges of making false statements regarding the testing of about 2,000 high-pressure compressed-gas cylinders. Austin's business is authorized by the Department to conduct visual and hydrostatic retests of high-pressure cylinders, such as fire extinguishers and firefighter air-packs. After an unannounced inspection in September 2000, the firm was asked to recall and retest 81 cylinders. Austin subsequently informed Department officials that about 64 of the 81 cylinders had been recalled and retested. However, investigators found 30 cylinders at fire departments that had not been retested. Firefighters count on certifications that their equipment is properly functioning and safe. Separately, A&P was fined \$22,185



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by the federal Pipeline and Hazardous Materials Safety Administration in connection with this case. The company has paid the fine. The case was investigated by OIG and PHMSA.



FAA's En Route Center Computer Security and Controls

August 9

We found that security over FAA's en route air traffic control computer system operations needs to be improved. FAA relies on computer systems deployed to 20 en route centers to direct high-altitude air traffic (above 18,000 feet) over the United States. We recommended that FAA: (1) enhance system, physical, and network access security; (2) reduce risks of en route service disruptions; (3) strengthen its overall contingency planning; and (4) improve the security review process for air traffic control computer systems. FAA concurred with our findings and is taking corrective actions that, when fully implemented, will enhance the integrity and availability of en route computer system operations. These corrective actions are in various stages of implementation.

Airline Industry Metrics Update Evaluates System Performance

August 10

We issued our sixth in a series of periodic updates to our airline industry metrics report, which were developed to help FAA and the Department monitor airline industry trends. We found that network carriers' financial troubles persisted in the first half of 2004 — despite efforts to reduce costs — and reflected a weakened environment in revenues and airfares. Although delays in June 2004 were 11 percent below their peak in 2000, they were 58 percent greater than June 2003. We also found that the growth of low-cost carriers is driving the rebound in passenger traffic.

Former Logan Air Traffic Controller Sentenced for Lying on Airman's Medical Certificate About 'Operating Under the Influence'

August 11

Ronald M. Hatch II, an FAA air traffic controller at Logan International Airport, was sentenced in U.S. District Court in Boston to two years probation, and ordered to undergo substance abuse counseling and pay a total of \$1,000 for making false statements on his airman's medical certification form. After an arrest for driving under the influence of alcohol in March 2003 (his fourth offense), a review of Hatch's personnel file found that documents in the file were false in that he had failed to disclose a past arrest, criminal convictions, and driver's license suspensions related to driving under the influence. Extensive OIG investigative effort, including research of his undeclared history of convictions in two states and driving records over 12 to 15 years; interviews with several senior FAA personnel; and testimony provided at the suppression hearing culminated in a two-day jury trial. Hatch was convicted by a federal jury in May 2004 on the false statements charges, and his FAA employment was terminated in August 2004.

Three More Plead Guilty in a \$10 Million Fraud Scheme Using Bogus Money Orders

August 17

Cesi Aquia El Binyamiyn Bey, Patricia Crisp, and Crystal Wooten pleaded guilty in U.S. District Court in Camden, New Jersey, to charges of attempting to defraud the U.S. Transportation and Treasury Departments of nearly \$10 million. The three defendants are among nine persons indicted in May 2003 with attempting to defraud DOT and various other parties for over \$10 million by fabricating money orders that appeared to be issued legitimately by either the Department of Transportation or Department of Treasury. Five others of the nine charged in the case were convicted in July 2004 following a jury trial and await sentencing. The 25-count indictment alleged that between May 2000 and December 2001, the defendants used a commercial printer to create 2,150 fictitious money orders worth \$50 million and charges the suspects with passing about \$10 million. DOT suffered no monetary loss, but some creditors accepting the money orders lost over \$91,000. The defendants claimed to be members of the Al Moroccan Empire, or 'Moors' — a separatist movement asserting that it is not subject to the laws of the United States. The investigation is being conducted by the OIG, the FBI, and the U.S. Secret Service.

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Two Pyrotechnic Corporations and Three Company Officers Fined a Combined \$88,000 in Fatal Plant Explosion Case

August 20

Pyro Products, Inc., Grubville, Missouri, and its sister company, Next FX, Inc., Columbus, Montana, were fined \$70,000 and \$10,000 respectively by a U.S. District Court judge in St. Louis, Missouri for violating hazardous materials transportation regulations related to a fatal fireworks manufacturing plant explosion in November 1999 which killed 2 employees and seriously injured 5 others. Pyro officers Ronald R. Walker and Kim J. Walker each received 13 months in prison and \$3,000 in fines following their May guilty plea to charges of conspiring to illegally transport hazardous wastes, and illegal storage of explosives. Russell R. Nickel, former vice president of Next FX, was fined \$2,000 and ordered to serve two months in prison following his guilty plea for making false statements to OSHA. The case was investigated jointly with the Bureau of Alcohol, Tobacco, Firearms, and Explosives, and the Missouri State Fire Marshal's Office.

Aircraft Parts Distributor Sentenced in Suspected Unapproved Parts (SUPs) Case

August 20

Ralph Cooper, owner of Cooper Industries, Fort Lauderdale, Florida, was sentenced by a U.S. District Court judge in Ft. Lauderdale to 30 months in jail and ordered to pay \$56,000 in restitution stemming from his June 1, 2004, guilty plea to the charge of making a materially false statement concerning an aircraft part. Cooper acquired plain encased seals, commonly known as "O" rings, from an unapproved source and then sold them to the Department of Defense (DoD), falsely certifying that they were from approved DoD manufacturers, when in fact they were not. The "O" rings are commonly used in various military helicopters, including the UH60 Blackhawk, which operates in Iraq and Afghanistan. This investigation was conducted jointly with DoD-DCIS, NASA-OIG, DHS-ICE, and the USAF-OSI.

South Florida Moving Fraud Update

September 2

The reporting period saw extensive legal action on the March 2003 indictment of 74 persons and 16 companies accused of extorting large sums of money from 970 household goods moving customers.

The moving fraud schemes under investigation involved apparent low-ball estimates given by moving company representatives with subsequent significantly inflated charges (sometimes two to three times the original estimate) made after the goods had been picked up. Associated hardships alleged by customers/victims included:

- Insistence of company representatives on receipt of cash.
- Significant delays (e.g., several months) in making final delivery of the goods — often after failing to deliver on multiple dates established.
- Damaged and missing goods.
- Extremely poor company responsiveness to customer queries — to the point of company representatives using abusive language and issuing threats to the customers.

As of September 30th, 50 people have pleaded guilty or been convicted and have been ordered to pay more than \$4 million in fines and restitution. For example:

- On September 2, Yair Malol, owner of Apollo Van Lines, Plantation, Florida, and Jennifer Tafuri Vaknin, secretary and claims processor, were convicted in U.S. District Court, Miami, Florida, on multiple counts of conspiracy and extortion.
- Shalat Baruch, a sales representative for All Points USA Relocation System (All Points), Pembroke Pines, Florida, was ordered by a U.S. District Court judge in Fort Lauderdale, Florida, on May 20 to serve 84 months in prison, and to pay \$415,801 in restitution to defrauded customers. On May 5, an All Points foreman/driver was sentenced to 63 months in prison and ordered to pay \$212,000 in restitution, while an All Points sales representative received a five-year prison term and was ordered to pay \$451,292 in restitution.
- On May 6th, Anat Ben-Zion, owner of Southeastern Van Lines, North Miami, Florida, was sentenced by a U.S. District Court judge in Miami to 20 months in prison for her role in defrauding customers of her household goods moving company. When Ben-Zion completes her prison term, she will be released to immigration officials for possible deportation to Israel.

The investigations were handled jointly with the FBI and with assistance from FMCSA.

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FAA's Actions To Address Allegations of Leave and Overtime Abuse at Five Locations

September 9

Our audit found that FAA managers adequately addressed allegations that employees at five facilities were manipulating work schedules, sick leave, and annual leave to increase overtime payments. The managers addressed this by making an extra effort to collect the data needed to identify possible cases of abuse. However, that process is extremely labor-intensive, and it is uncertain whether managers throughout FAA are putting forth similar efforts. We also found that management implemented policies and procedures, where appropriate, to prevent future occurrences. For example, managers created stronger controls over leave and overtime usage by limiting the authority of Controllers-in-Charge to approve overtime, schedule changes, or credit hours.

To ensure that FAA has Agency-wide tools for meeting those needs, we recommended that FAA identify the information that managers will need to monitor overtime and leave usage, determine whether the labor distribution system will capture the information identified, and modify the system as needed to ensure the appropriate information is captured and reported.

Missouri Trucking Company Fined \$74,000 for Hours of Service and Environmental Crimes

September 10

Voss Transportation, Inc., of Cuba, Missouri, its owner, David Voss, and Merry Robinson, a company dispatcher, were sentenced in U.S. District Court in St. Louis, Missouri, on charges stemming from violations of DOT hours-of-service regulations and of the Clean Air Act. They pleaded guilty to the charges on May 25. Voss Transportation, Inc. was ordered to pay \$74,000 in penalties for discharging of diesel fuel into a local stream and conspiracy to conceal excessive driving hours and illegal trips by company drivers. Voss was sentenced to two months in prison for conspiracy to make false statements. Robinson was sentenced to a \$500 fine for her role in the conspiracy to conceal drivers' excessive hours. OIG investigated this case with the EPA-CID and FMCSA.

Controls Over the Reporting of Operational Errors

September 20

Our audit found that operational errors have not been accurately reported at certain FAA air traffic control facilities. An operational error occurs when an air traffic controller allows two aircraft to come too close together in the air and can pose very serious safety risks. FAA has established systems to alert controllers and managers when aircraft get too close together in only 20 of its 524 air traffic control facilities. However, at 504 facilities, FAA relies on supervisors and controllers to self-report when errors have occurred and does not have a system in place to verify that this reporting process is reliable. We determined that at facilities where operational errors are self reported, 22 percent of the errors that occurred in FY 2003 were initially reported by outside parties and were not identified by the facility controllers or managers. Only 4 percent of the errors reported at facilities that had an automatic reporting system were identified by outside parties.

We recommended that FAA: (1) rescind provisions in its “Air Traffic Quality Assurance Order 7210.56C” that prevent FAA from using playback tools to identify operational errors; (2) establish internal audit procedures that require quality assurance staff at Terminal Radar Approach Control (TRACON) and tower facilities to review data to assess whether operational errors are being fully reported; and (3) require air traffic evaluation staff to review and test audit records at TRACON and tower facilities to ensure they are conducting periodic audits. FAA concurred with our recommendations and agreed to form a working group to determine how FAA could implement better controls over operational error reporting.

Follow-Up Audit on NHTSA’s Office of Defects Investigation

September 23

We found that NHTSA had successfully implemented 20 of the 22 Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act requirements and completed development of the Advanced Retrieval (Tire, Equipment, Motor Vehicle) Information System (ARTEMIS) in July 2004. However, the ARTEMIS development effort experienced significant cost increases and schedule delays. We also found that NHTSA had identified, but could not verify, \$17.12 million in future operations and maintenance costs for ARTEMIS. After we questioned how these costs were derived, NHTSA reduced the amount to \$11.46 million, thus creating an opportunity to put \$5.66 million to better use.

In addition, we found that ARTEMIS did not have the analytical capabilities originally envisioned to help point analysts toward potential safety defects warranting further investigation. NHTSA plans to separately acquire these

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capabilities but had not finished defining the capabilities needed, identified the software it will purchase to analyze the early warning reporting information, outlined associated costs, or established a schedule for implementing these capabilities. Nevertheless, NHTSA now has much more information from which to identify potential safety defects. Lastly, we found that because only NHTSA will have access to the majority of the early warning reporting information, it is critical that it complete screening procedures to address congressional concerns expressed in September 2000 about its ability to use the data it possessed to spot trends related to failures in Firestone tires. NHTSA concurred with our findings and recommendations.

Land Acquisition and Relocation Assistance at the Seattle-Tacoma and Reno-Tahoe International Airports

September 23

Our audit found that airport sponsors at Seattle-Tacoma International Airport (Seattle-Tacoma) and Reno-Tahoe International Airport (Reno-Tahoe) generally acquired property and relocated occupants consistent with applicable laws and regulations. However, we questioned Reno-Tahoe's planned use of \$1.5 million in Airport Improvement Program funds to relocate several buildings located at the Steele-Nash Ranch. Prior to acquiring the ranch, FAA and Reno-Tahoe entered into a memorandum of understanding to relocate then-perceived historic buildings on the ranch to another site. However, due to vandalism and numerous internal and external alterations during the 1950s and 1960s, those buildings no longer appear to have historical significance. We recommended that FAA reassess whether it should participate in relocating the buildings, and if FAA shares our observations, the grant used to acquire the land should be closed and any unexpended funds should be made available for other Airport Improvement Program projects. FAA concurred with our findings and recommendations.

Two Contractors Plead Guilty in Wisconsin Contract Fraud Case

September 27

The Vinton Construction Company of Manitowoc, Wisconsin, and owners James and Michael Maples, pled guilty before a U.S. District Court judge in Green Bay, Wisconsin, to charges of bid-rigging on approximately \$100 million in federally-funded highway contracts between 1997 and January 2004. They were arrested as part of a Federal investigation of contract fraud in Wisconsin. Earlier, on September 20, Streu Constuction Co., of Two Rivers, Wisconsin, and its owners, John and Ernest Streu, pled guilty to bid-rigging charges. The investigation revealed that the 2 companies shared pricing and bid information which inflated the cost of the involved contracts by 10percent, adding \$2.2 million to the costs of the projects. The investigation is being conducted jointly with the FBI, and U.S. Attorney's Office for the Eastern District of Wisconsin, with assistance from FHWA.

Implementation of QuickTime Time and Attendance System in NTSB

September 27

The National Transportation Safety Board has not yet taken important preparatory steps needed to successfully implement the QuickTime time and attendance system and, as a result, is not positioned to deploy QuickTime by its projected implementation deadline of the fourth quarter of FY 2004. We recommended that NTSB establish a new date to implement QuickTime and take a more aggressive posture by assigning roles, responsibilities, identifying funds, developing an implementation plan, and completing other preparatory steps. NTSB concurred with our recommendations.

FAA Management and Oversight of Regionally Issued Contracts

September 28

Our review of FAA's oversight of regionally issued contracts found significant weaknesses in internal controls that could make FAA susceptible to potential fraud. For example: (1) unauthorized individuals were negotiating, approving, and signing contractual agreements; (2) independent cost estimates ensuring contractor bids were reasonable and complete were not done before contracts were awarded; (3) completed contracts remained open for up to 4 years; and (4) contract files lacked basic documentation critical for safeguarding the Government's interests. The internal control weaknesses we identified occurred largely because there was no clear delineation of accountability for the administration and oversight of regional contracting functions. During our review, FAA took timely actions to address our concerns and substantially improve its administration and oversight of regional contracts.

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MARAD's Title XI Loan Guarantee Program

September 28

We examined whether the Maritime Administration had implemented recommendations made in our 2003 audit of the Agency's Title XI Loan Guarantee Program. We found that MARAD has developed policies and procedures that address these recommendations in a satisfactory manner. However, we found that MARAD was not sufficiently enforcing the reserve requirements established to mitigate the risks of noncompliant loans. Furthermore, the system MARAD developed to monitor the Title XI portfolio is antiquated and rudimentary. This is of considerable importance because MARAD has determined that over 25 percent of its \$3.6 billion portfolio is at an elevated risk of default. Consequently, we made three new recommendations to enhance management of the Title XI program, and MARAD provided a written response that satisfactorily addressed the intent of the recommendations.

NTSB Information Security Program

September 28

We found that NTSB had not designated a Chief Information Officer to supervise the implementation of an Agency-wide information security program. Our assessment also showed the Board's computer system firewall is reasonably configured to prevent unauthorized access from the Internet. However, we found that NTSB networks are vulnerable to unauthorized access by insiders—NTSB employees, contractors, and business associates. Specifically, we identified a total of 5,309 (256 high-risk, 461 medium-risk, and 4,592 low-risk) vulnerabilities on 719 NTSB network computers. We recommended that NTSB designate a Chief Information Officer, implement an Agency-wide information security program, and strengthen NTSB network security to prevent unauthorized access by insiders.

Truck Driver Involved in Fatal Amtrak Grade Crossing Collision Sentenced

September 28

John R. Stokes, of Manteno, Illinois, was sentenced in Illinois State Court to two years in prison for felony charges stemming from a March 1999 collision between a semi-trailer truck driven by Stokes and an Amtrak train near Bourbonnais, Illinois. Eleven Amtrak passengers were killed in the collision. Stokes was found guilty on August 11 to charges of violating maximum specified driving times and willful falsification of the driver's records of duty status. The case was investigated by OIG in cooperation with FMCSA, the Illinois Attorney General's Office, and the Illinois Police.

Former FAA Air Traffic Controller Pleads Guilty to Soliciting a Minor Over the Internet While on Duty

September 28

Shawn Patrick Barnett, a former air traffic controller, pleaded guilty in Dakota County District Court in Hastings, Montana, to a felony charge of soliciting a child to engage in sexual conduct. In April 2004, Barnett admitted to using his personal laptop computer during work breaks at the FAA facility to solicit sex online with someone he believed was a 13-year-old girl. Barnett was fired by FAA in June 2004. The case was jointly investigated with the Farmington, Montana, Police Department, with assistance from FAA.

Company President Pleads Guilty in DBE Fraud Case

September 29

Stephen Funny, president of Fairview Contracting Corporation of Elmsford, New York, pleaded guilty in U.S. District Court in Islip, New York, to money laundering charges in connection with Disadvantaged Business Enterprise fraud. Between January 2000 and December 2001, Funny said he conspired with representatives of Perini Construction, Inc., and Walter Construction Associates, Inc. to serve as a minority front for three New York City transportation construction projects on which Walter actually performed the work. Fairview submitted fraudulent invoices for the associated labor and materials to Perini, the prime contractor. The investigation is being conducted under a multi-agency Federal Construction Fraud Task Force.

Audit of the Tren Urbano Rail Transit Project

September 29

Our audit found that the Tren Urbano Rail Transit Project in San Juan, Puerto Rico continues to experience rising costs, schedule slippages, and con-

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struction quality problems. Tren Urbano was originally estimated to open in July 2001, at a cost of \$1.25 billion. The projected completion date is December 2004 and the cost has risen to \$2.25 billion. While 40 percent of the cost growth is due to scope changes, such as the addition of rail vehicles, the remaining 60 percent is due to rising costs, schedule slippages, and construction quality problems. The reliability of the current cost estimate is questionable, however, given the likelihood of future claims and additional costs that may be incurred to resolve outstanding safety and performance issues.

We recommended that FTA: (1) ensure that all safety-critical requirements are met before the system is opened to passenger use; (2) require the Authority to provide a full account of the payment transactions on 377 irregular change orders; (3) hold off on awarding any additional Federal funds for this project unless an amended full funding grant agreement is approved; (4) not approve the Puerto Rico Highway and Transportation Authority's FY 2004 Finance Plan until it ensures that the plan appropriately reflects costs, expenditures, and revenue sources; and (5) designate the Authority as a "high-risk" grantee. FTA generally agreed with the findings and recommendations in the report, stating it would continue to closely oversee the project and would not amend the project's full funding grant agreement until it was satisfied that the Authority had taken action to fully implement these recommendations.

MARAD Inactive Obligations

September 30

MARAD has implemented an effective program to monitor and liquidate unneeded obligations, except for its Loan Guarantee program. The number of inactive obligations has declined more than 80 percent, from 1,246 in March 1999 to 212 in December 2002. However, our audit identified \$24.4 million in unneeded obligations, over 99 percent (\$24 million) of which belonged to MARAD's Title XI Loan Guarantee Program. We recommended that MARAD review all open letter commitments annually and deobligate funds associated with loan commitments that are no longer needed. MARAD concurred with our recommendation.

Observations on FAA's Controller-Pilot Data Link Communications Program

September 30

As directed by the Senate Committee on Appropriations, we examined the reasons FAA cancelled the Controller-Pilot Data Link Communications (CPDLC) program and what might be salvageable for future efforts. CPDLC was expected to play an important role in FAA's Operational Evolution Plan for enhancing capacity and reducing delays over the next decade. We found FAA decided to cancel the current CPDLC program due to concerns about (1) cost growth, (2) schedule delays, and (3) the timeliness with which airlines would equip aircraft with necessary avionics. We also found that \$23 million of the \$100 million spent on the project may be salvageable for future data link efforts. However, the problems that led to the project's cancellation show the need for FAA to do a better job of managing programs and setting expectations where both Government and industry need to make investments in new systems. Accordingly, we recommended that FAA implement a process by which FAA and industry agree on entrance and exit criteria for the execution of joint programs, should FAA start another CPDLC.

Top DOT Management Challenges

The Office of Inspector General has identified 10 top management challenges for the DOT for fiscal year (FY) 2005. In considering the items for this year's list, we continue to focus on the Department's key strategic goals to improve transportation safety, capacity, and efficiency.

Getting the Most Value From Investments in Highway and Transit Infrastructure Projects.

Highway Trust Fund revenues are falling short of what is needed for important transportation projects. Therefore, it is critical that the Department ensures infrastructure improvements are delivered on time and within budget, while yielding the greatest benefits for their costs. Taking these actions is imperative, as a 1-percent improvement in the efficiency with which states managed the \$700 billion investment in highway projects over the last 6 years would have yielded an additional \$7 billion for infrastructure improvements-enough to fund 9 of 18 active major projects.

Delivering Air Traffic Control Services and Fielding New Air Traffic Control Equipment While Controlling Costs in a Fixed Budget Environment.

The Federal Aviation Administration (FAA) faces challenges as funding requirements significantly outpace revenue from aviation taxes. At the same time, FAA's budget has increased substantially. In FY 2005, FAA's budget is expected to exceed Trust Fund revenues by over \$3 billion. Other challenges include addressing an expected surge in controller attrition, containing costs, and fielding existing modernization projects while effectively managing a new multi-billion dollar project.

Increasing Aviation Capacity and Mitigating Delays.

In some markets, air traffic and delays are returning to the intolerable gridlock levels experienced in 2000. Delays were particularly disruptive earlier last year at several key airports; one reported a 40-percent increase in delays over the same period in 2000. The Department is challenged to keep planned technological and infrastructure projects on schedule while effectively relieving congestion and delays in the interim and exploring market-based solutions where increased physical capacity is not a viable alternative.

Ensuring Safety in a Changing Aviation Environment.

FAA and U.S. air carriers have maintained a remarkable safety record, but FAA needs to remain vigilant in adjusting its safety oversight to the industry's emerging trends, such as the rapid growth of low-cost and regional air



carriers and the record-breaking monetary losses of network air carriers — at least \$21.8 billion in the past 3 years. FAA must continue progress in reducing runway incursions and operational errors and in developing reliable procedures for reporting those errors.

Ensuring That Surface Safety Programs Lead to More Lives Saved.

More than 40,000 people die each year on the Nation's highways and at rail crossings. The Department has set ambitious targets for reducing fatality rates in the future, which means it must address issues such as seatbelt laws, SUV rollover concerns, laws against alcohol-impaired driving, vehicle defects, commercial driver's license fraud, better safety data, and safer highway-rail grade crossings. Ensuring that these efforts bring about reductions in accidents and fatalities will require leadership by the Operating Administrations and consideration of possibly controversial solutions.

Strengthening Financial Management To Protect Federal Funds.

The Department has made progress in correcting longstanding financial management deficiencies, but challenges remain. These include freeing up millions of dollars in idle funds for use on active projects and exercising greater stewardship over the more than \$35 billion awarded annually on highway and transit projects. The Department must also consolidate or replace fragmented financial systems to help executives improve operations.

Holding the Line on Programs Conducive to Fraud.

Given today's funding demands and increasingly tight budgets, getting the most for our money by aggressively deterring fraud is of critical importance. Over the past several years, our investigations point to three key program where fraud has had a particularly insidious effect on DOT's mission: (1) highway and transit infrastructure programs — we are investigating more than 135 of these fraud schemes in 37 states; (2) Commercial Driver's License programs — we have investigated and prosecuted over 75 CDL fraud schemes in 21 states; and (3) the Disadvantaged Business Enterprise (DBE) program — we are currently investigating 45 DBE fraud schemes in 19 states. The Department must remain focused on reducing fraud in these areas.

Improving Cost Effectiveness of \$2.7 Billion in Information Technology Investments and Continuing To Enhance Computer Security.

DOT is responsible for one of the largest information technology (IT) investment portfolios among civilian agencies, investing about \$2.7 billion annually in IT acquisitions and operations, many of which have experienced significant cost overruns and schedule delays. During FY 2004, DOT made strides in increasing its oversight of major IT investments, but still needs a consistent management review process. Continued improvements are also needed in the areas of computer security, especially for air traffic control systems security. Another area needing improvement involves IT funding



and operations and the changing responsibilities of the Office of the Chief Information Officer. Specifically, DOT needs to adjust the IT budget submission practice to better align resources with responsibilities and to avoid the appearance of duplicate budget requests.

Restructuring the Intercity Passenger Rail System To Match Fiscal Capacity.

Judging by the House and Senate marks for fiscal year (FY) 2005 for \$900 million and \$1.2 billion, respectively, and in view of the fact there is no authorization for Federal funding in 2005, it seems likely that Amtrak will receive substantially less Federal funding than its request of \$1.8 billion. DOT must continue to work with Congress to break the cycle of appropriations without authorization for Amtrak and to realign the size, operations, and governance of the system to match the levels and sources of funding available.

Management Attention Needed To Strengthen Oversight of Title XI Loan.

In FY 2004, the Maritime Administration's (MARAD) consolidated Title XI loan guarantee portfolio was valued at \$3.6 billion, with another \$1.4 billion in pending loan guarantee applications. MARAD has determined that over 25 percent of its portfolio is at an elevated risk of default. Strengthened management procedures are critical to reducing the portfolio risk profile and realizing the intended benefits. MARAD has worked to get satisfactory procedures in place, but follow through and implementation are essential. The Department will need to monitor MARAD's progress.



Emerging Issues

In addition to the 10 management challenges presented, there are three emerging issues which are overarching in nature and will require Secretarial direction or cross-modal coordination.

Ensuring Transportation Funds Are Adequate To Meet Growing Needs.

The highway and aviation trust funds, which are supported by passenger, fuel, and user taxes, are not generating sufficient revenue to cover anticipated costs of transportation systems. This is partly due to changes in the aviation sectors, such as lower average base ticket prices (\$109 in September 2004 versus \$147 in September 2000). At the same time, the costs of building, operating, and maintaining transportation systems continue to rise. Options for funding the aviation shortfalls, such as paying down trust fund or tapping the General Fund, may prove increasingly difficult in the future. The Department's challenge in the next few years will be to evaluate whether the current funding methods are adequate and whether alternative financing methods are feasible.

Growing Interdependency Among DOT and Other Federal Agencies To Ensure Safe, Secure, and Efficient Transportation.

Federal agencies, such as DOT and the Department of Homeland Security (DHS), are increasing collaborative efforts to protect the nation's citizens, transportation infrastructure, and the environment. However, there is a lack of clearly defined roles among the Federal entities at the working level, which could lead to duplicative or conflicting efforts, ineffective intergovernmental relationships, depleted resources, and-most importantly-problems in responding to terrorism. DOT has identified more than 100 agreements either existing or under development with DHS, but determining which agreements are needed will be a challenge.

Meeting Human Resource Needs Given Retirements and Changing Skill Mix.

DOT has made progress in its human capital initiatives, but human resources management will be a concern for many years to come. In FY 2007, about 23 percent of DOT's nationwide workforce of approximately 60,000 will be eligible to retire, including large numbers of supervisory staff. FAA attrition estimates show that nearly half of its controller workforce of 15,000 could leave between FY 2005 and FY 2012. The Department is in the early stages of addressing these issues. Although it will be a challenge to hire and retaining a sufficient quantity of quality staff, there is also an opportunity for agencies to revamp their organizations by hiring employees with the latest technical skills and knowledge and placing them where they are needed most. ■

Volpe National Transportation Systems Center

The John A. Volpe National Transportation Systems Center (Volpe) in Cambridge, Massachusetts, conducts research and development projects, engineering and scientific support, and analytical work, on a fee-for-service basis, in pursuit of solutions that cut across traditional transportation modes and technical disciplines. Established in 1970, Volpe's client base includes OST and the Department's operating administrations, other Federal agencies, State and local governments, industry, and academia.

Over the past 35 years, the Volpe Center has addressed major national and international transportation issues related to safety, security, environment, mobility, and economic growth and trade. Examples of successfully implemented projects include the Federal Aviation Administration's Enhanced Traffic Management System (ETMS) and Safety Performance Analysis System (SPAS), and the Federal Motor Carrier Safety Administration's SafeStat Online program.

At the time these audits were conducted, Volpe was part of the Department's Research and Special Programs Administration (RSPA). It has since been transferred to the Department's newly established Research and Innovative Technology Administration, pursuant to the Norman Y. Mineta Research and Special Programs Improvement Act (Public Law 108-426, November 30, 2004). Volpe Center receives no direct appropriation from Congress; funding is through a fee-for-service structure where costs are covered by sponsor projects.

In 2003, Representative Ernest J. Istook, Jr., Chairman of the House Appropriations Subcommittee on Transportation and Treasury, and Independent Agencies, requested that the OIG conduct an audit to determine: (1) how Volpe's role and functions have changed over the years and whether current Volpe activities meet the DOT's needs, (2) if Volpe has the necessary financial controls in place to assure its service fees are appropriate, and (3) DOT's role in overseeing Volpe and whether that role is adequate to ensure that Volpe provides cost-effective services. In FY 2004, we issued three reports in response to Chairman Istook's request:

OIG Report Number SC-2004-077, "The Role and Functions of the Volpe National Transportation Systems Center," August 4, 2004.

OIG Report Number FI-2004-076, "Financial Controls for Cost Accounting and Billing Practices, Volpe National Transportation Systems Center," August 4, 2004.

OIG Report Number SC-2004-100, "Volpe's Project Management Oversight," September 30, 2004.

A summary of each report's findings follows.

Roles and Functions

We examined Volpe's role and functions and whether it is meeting DOT's needs. We found that (1) Volpe's mission and role need to be better defined, (2) Volpe's changing customer base raises questions as to whether the Center is a DOT or a non-DOT asset; and (3) Volpe has taken on non-DOT projects and maintained capabilities in areas that currently offer greater benefits to other agencies. Based on our findings, we made several recommendations involving the establishment of an oversight board for Volpe. The agency concurred with our recommendations, noting that Volpe would benefit from having such a board.

Financial Controls

We reviewed whether the Center's revenue and costs were accurately reflected in accounting records and evaluated whether Volpe's overhead rate development and implementation, including its method of distributing overhead costs to projects, are in accordance with Federal accounting standards. We found that Volpe recorded actual direct costs such as labor and acquisitions and assigned them to projects appropriately. However, we found that overhead costs were not assigned to the proper year and information provided to customers and internal users was inadequate. We recommended that Volpe develop a policies and procedures manual for all managerial cost-accounting activities.

Project Management Oversight

We reviewed the Volpe National Transportation Systems Center's project management controls and whether such controls are adequate to ensure cost-effective services. We determined that (1) project agreements between Volpe and DOT customers frequently lacked well-defined requirements, (2) cost estimates were deficient for most projects, (3) project management and oversight were hampered by insufficient project status reporting, and (4) project management controls did not ensure the timely reimbursement of excess funds on inactive projects. Based on our findings, we made several recommendations aimed at improving Volpe's and DOT's management and oversight of departmental projects. RSPA concurred with our findings and recommendations and has initiated a comprehensive plan of action to address project management oversight deficiencies at Volpe. ■

OTHER ACCOMPLISHMENTS

This section extends beyond the legal reporting requirements of the Inspector General Act to highlight other accomplishments and contributions by Office of Inspector General (OIG) staff. We highlight the impact OIG has made as we carry out our statutory responsibilities to review existing and proposed legislation and regulations; respond to congressional and departmental requests for information; and review policies for ways to provide economy, effectiveness, and efficiency, or to detect and prevent fraud, waste, and abuse.

AIRPORT CAPACITY BENCHMARKS AND AIRLINE SCHEDULING INFORMATION PUBLISHED

As a result of OIG comments, FAA published an updated airport capacity benchmark study, which describes the number of aircraft an airport can safely handle under various weather conditions and the expected impact of new runways. FAA expanded the study to include scheduling information for some of the Nation's most active airports.

IMPROVING BUDGETING GUIDANCE

Based on concerns raised by OIG, the Department's Chief Information Officer developed a new approach for reporting the developmental costs of information technology projects. This approach was proposed to the Departmental Information Technology Investment Review Board. The Board included the approach in DOT's FY 2006 Information Technology Budget Guidance.

PARTICIPATION IN AGA CONFERENCE

An OIG representative participated in two panel discussions at the Association of Government Accountants (AGA) annual conference. The conference was attended by 1,700 Federal, State, and local Government and contractor personnel. The panel discussion topics included building information technology skills in audit shops and meeting annual computer security requirements.

TRAVEL CARD MISUSES

In response to a hotline referral resulting from our follow-up audit on DOT Government Charge Cards (SC-2004-066), the Federal Railroad Administration (FRA) issued a letter of reprimand to an employee for misusing his Government cred-

it card. In addition, Citibank had cancelled the employee's account because of his failure to keep his account in good standing. The employee had used the card to make unauthorized cash withdrawals in excess of \$3,000. The Federal Aviation Administration (FAA) also verbally reprimanded an employee for misusing her Government credit card. The employee had charged \$3,712 for laser eye surgery to her Government travel card, which she paid back the following month. FAA advised the employee that her card usage would be closely monitored and that any further abuse could result in more severe disciplinary action.

COMPUTER SECURITY ISSUE

FAA issued a directive memorandum requiring field staff to immediately disable certain remote access devices at air traffic control radar sites after OIG staff pointed out the vulnerabilities those devices caused.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) TASK FORCE

An OIG representative served on the PCIE task force to revise the Financial Audit Manual (FAM). The FAM is used by every audit group that conducts financial statement audits.

PREVENTING MEGA-PROJECT FRAUD

As part of the OIG major highway and transit infrastructure monitoring effort, we queried Maryland and Virginia officials about their approach for ensuring the \$2.4 billion Woodrow Wilson Bridge project in the Washington, DC area remained free from fraud. In response, state transportation officials developed plans to formalize and improve their respective proactive oversight and audit efforts. Maryland officials specifically identified \$1.6 million in the project budget to sustain their efforts, and Virginia officials are exploring doing the same.

TITLE XI MODIFICATION

As a result of the DOT Credit Council raising questions regarding due diligence, a maritime company made a full payment of its debt under the Maritime Administration's Title XI Loan Guarantee Program. The maritime company originally sought a modification to its outstanding Title XI loan.

MOTOR FUEL TAX EVASION FRAUD

Responding to an estimated \$1 billion lost annually in revenue to the Highway Trust Fund and the need for increased stewardship of trust fund resources, OIG assisted the Senate Appropriations Committee in preparing language in the FY 2005 Committee Report requesting that the Secretary of the Treasury develop a strengthened motor fuel tax evasion compliance and enforcement strategy. The strategy, to be developed in

OTHER ACCOMPLISHMENTS

cooperation with the Secretary of Transportation, is to include a memorandum of understanding providing DOT criminal investigators access to petroleum products tax compliance information received by the Treasury Department. The Committee also requested the Inspector General for Tax Administration to conduct an audit, in consultation with the DOT Inspector General, evaluating prior and planned use of trust fund monies by the Internal Revenue Service for motor fuel tax enforcement, including monies used to develop and operate the Excise Fuel Information Reporting System.

DETECTING IMPROPER PAYMENTS

Based on OIG suggestions, the departmental Office of Financial Management made changes to comply with the Improper Payments Information Act of 2002. An approach to test the propriety of grant payments was implemented at the grantee level, including a pilot project that required one State Highway office to test the propriety of a statistical sample of grant payments. The pilot will be expanded to other States and programs if justified by the results.

EN ROUTE AUTOMATION MODERNIZATION

In hearings before the Senate Appropriations Committee, we chronicled the risks facing FAA's En Route Automation Modernization (ERAM) effort, which is expected to cost \$2.1 billion and span 7 years. As a result, the Senate Appropriations Conference report encouraged FAA to take advantage of fixed price contracts for elements of ERAM to help control costs.



C H A R T S & T A B L E S

Summary of Performance

April 1 – September 30, 2004

Reports issued	61
Recommendations issued	143
Congressional testimonies	7
Total financial recommendations	\$ 431,364,970
— that funds be better used	\$ 413,280,213
— that questioned costs	\$ 18,084,757

INVESTIGATIONS

Judicial and Administrative Actions

April 1 – September 30, 2004

Indictments	84
Employee	
Terminations	8
Suspensions	5
Downgrade	1
Reprimands	5
Resignations/Retirements	9
Counseling	5
Debarment/Suspension	18
Decertified	2
Federal funding terminated/reduced	2
Convictions	93
Years Sentenced	75
Years Probation	154
Years Supervised Release	98
Hours of Community Service	350

Financial Impact

Fines	\$972,202
Restitution/Civil Judgments	\$4,143,595
Federal Recoveries	\$299,940
Administrative Recoveries	\$8,807,427
State Recoveries*	\$1,668,808
Costs Avoided	\$9,869,213
TOTAL	\$25,761,185

* "Recoveries" include fines, restitution, civil judgments or settlements, and the cost of remedial actions. Federal recoveries go to the U.S. Treasury; state recoveries are retained by the states.

During the 6-month period covered by this report, 172 cases were opened and 115 were closed, leaving a pending caseload of 632. In addition, 194 individuals/companies were referred for prosecution, 115 were accepted for prosecution, and 74 were declined. As of September 30, 2004, 37 cases were pending before prosecutors.

Profile of All Pending Investigations

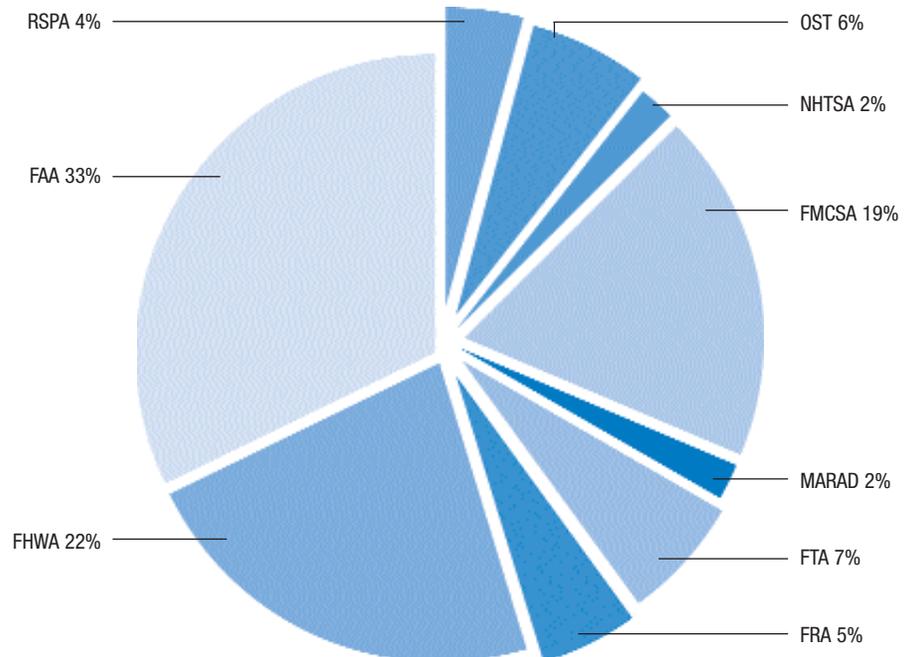
As of September 30, 2004

Types of Cases

	Number of Cases	Contract & Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	Hazmat	Other
Operating Administration							
Bureau of Transportation Statistics	1	1	0	0	0	0	0
Federal Aviation Administration	242	31	80	119	0	4	8
Federal Highway Administration	135	124	6	0	0	0	5
Federal Railroad Administration	17	5	4	0	0	5	3
Federal Transit Administration	38	33	3	0	0	0	2
Maritime Administration	5	4	0	0	0	0	1
Federal Motor Carrier Safety Administration	112	2	7	0	78	18	7
Office of the Secretary	23	7	11	0	0	0	4
Research and Special Programs Administration	44	1	2	0	0	42	0
National Highway Traffic Safety Administration	15	4	4	0	0	0	7
Totals	632	212	117	119	78	69	37
Percent of Total	100%	33%	19%	19%	12%	11%	6%

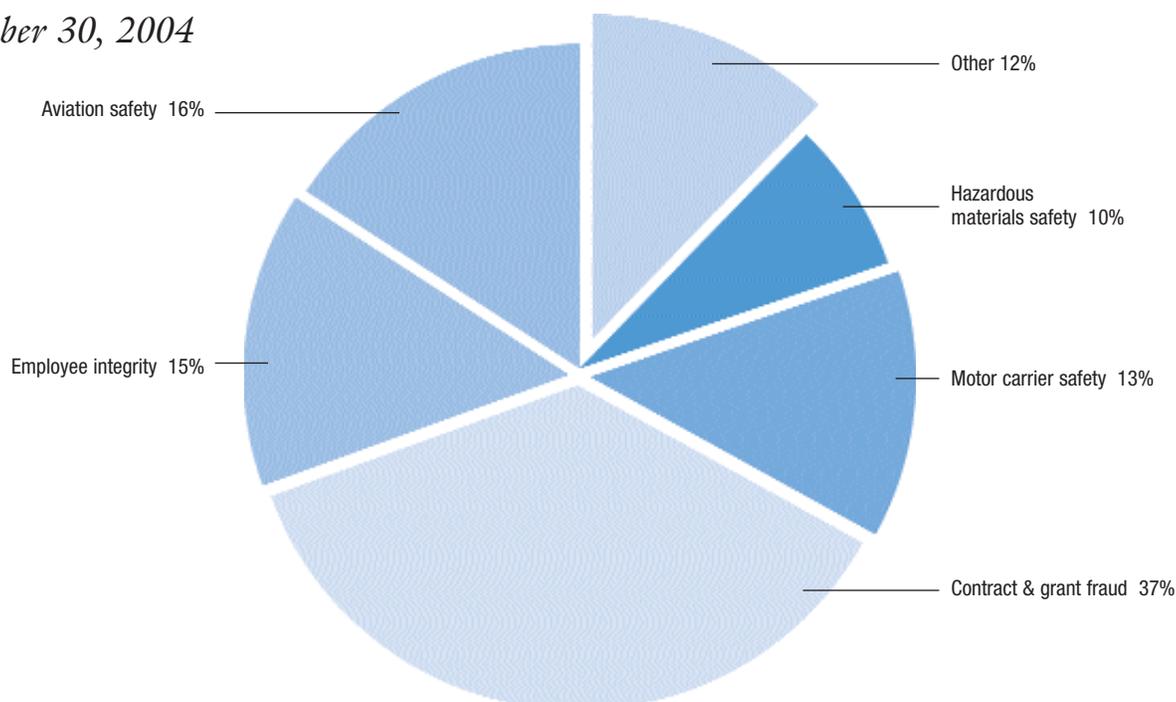
Application of Investigative Project Hours by Operating Administration

April 1 – September 30, 2004



Application of Investigative Project Hours by Priority Area

April 1 – September 30, 2004



Percentages add to more than 100 percent due to rounding.

AUDITS

Completed OIG Reports

April 1 – September 30, 2004

(Estimated amounts*)

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs	Funds to Be Put to Better Use
<i>Internal Audits</i>				
— Program/Functional	26	105	\$11	\$413,280
— Chief Financial Officer Financial Statements	1	0	0	0
Total Internal Audits and Reports	27	105	\$11	\$413,280
<i>Grant Audits</i>				
— Audits of Grantee Under Single Audit Act	34	38	\$18,074	\$ 0
Totals	61	143	\$18,085	\$413,280

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

**There were no recommendations for unsupported costs during the reporting period.

Department of Transportation programs and operations are primarily carried out by the Department's own personnel and recipients of Federal grants. Audits by DOT's Office of Inspector General, as a result, generally fall into two categories: internal audits of Departmental programs and operations, and audits of grant recipients. The table above shows OIG's results in the two categories for the 6 months covered by this report.

OIG Reports with Recommendations That Questioned Costs

April 1 – September 30, 2004

(Dollars in thousands)

Reports	Number of Reports	Number of Recommendations	Questioned Costs
A For which no management decision had been made by the start of the reporting period	18	22	\$ 49,233
B Which were issued during the reporting period	18	25	\$ 18,085
Total A+B	36	47	\$ 67,318
C For which a management decision was made during the reporting period	12	16	\$ 8,405
— dollar value of disallowed costs*	7	7	\$ 4,313
— dollar value of costs not disallowed**	8	11	\$ 4,357
D For which no management decision had been made by the end of the reporting period	24	31	\$ 58,912

*There were no recommendations for unsupported costs during the reporting period.

**Includes reports and recommendations where costs were both allowed and disallowed.

OIG Reports with Recommendations That Funds Be Put to Better Use

April 1 – September 30, 2004

(Dollars in thousands)

Reports	Number of Reports	Number of Recommendations	Funds to Be Put to Better Use
A For which no management decision had been made by the start of the reporting period	4	6	\$ 1,263,000
B Which were issued during the reporting period	7	8	\$ 413,280
Total A+B	11	14	\$ 1,676,280
C For which a management decision was made during the reporting period	2	3	\$ 403,400
— dollar value of recommendations that were agreed to by management*	2	3	\$ 403,400
— dollar value of recommendations that were not agreed to by management	0	0	\$ 0
D For which no management decision had been made by the end of the reporting period	9	11	\$ 1,272,880

*Includes reports and recommendations where costs were both allowed and disallowed.

OIG Reports Recommending Changes for Safety, Economy, or Efficiency

April 1 – September 30, 2004

	Number of Reports	Number of Recommendations
Reports		
A For which no management decision had been made by the start of the reporting period	33	102
B Which were issued during the reporting period	31	110
Total A+B	64	212
C For which a management decision was made during the reporting period*	33	114
D For which no management decision had been made by the end of the reporting period*	33	98

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

Management Decisions Regarding OIG Recommendations

April 1 – September 30, 2004

(Dollars in thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs*	Funds to Be Put to Better Use
Unresolved as of 04/01/04	41	130	\$49,233	\$1,263,000
Audits with Findings During Current Period	48	143	\$18,085	\$413,280
Total to Be Resolved	89	273	\$67,318	\$1,676,280
<i>Management Decisions:</i>				
— Audits Prior Period‡	17	48	\$1,800	\$0
— Audits Current Period‡	24	85	\$6,605	\$403,400
Total Resolved	41	133	\$8,405	\$403,400
<i>Aging of Unresolved Audits: **</i>				
— Less than 6 months old	27	58	\$11,480	\$9,880
— 6 months–1 year	8	42	\$1,061	\$547,500
— 1 year–18 months	11	24	\$46,357	\$221,000
— 18 months–2 years	1	2	\$14	\$0
— Over 2 years old	5	14	\$0	\$494,500
Unresolved as of 09/30/04	52	140	\$58,912	\$1,272,880

*There were no recommendations for unsupported costs during this reporting period.

‡Includes reports and recommendations where costs were both allowed and disallowed.

**Considered unresolved if management decisions have not been made on all report recommendations.

Office of Inspector General Reports

April 1 – September 30, 2004

Report	Date	Title	Focus of Report/ Recommendations
BUREAU OF TRANSPORTATION STATISTICS			
<i>Internal Audits: Program/Functional—1 report</i>			
CR-2004-066	06/17/04	Short- and Long-Term Efforts to Mitigate Flight Delays and Congestion (also listed under Office of the Secretary and Federal Aviation Administration)	Increased reporting needed on flight capacities and checkpoint wait-times.
FEDERAL AVIATION ADMINISTRATION			
<i>Internal Audits: Program/Functional—9 reports</i>			
AV-3004-058	05/06/04	Loan Default Could Result In Misuse of Funds at Tulsa International Airport	Ensure revenues are not diverted to pay off airline loan.
AV-2004-060	06/02/04	Opportunities to Improve FAA's Process for Placing and Training Air Traffic Controllers in Light of Pending Retirements	Estimate controller attrition by location; adjust attrition and hiring strategies.
CR-2004-066	06/17/04	Short- and Long-Term Efforts to Mitigate Flight Delays and Congestion (also listed under Bureau of Transportation Statistics and Office of the Secretary)	Increased reporting needed on flight capacities and checkpoint wait-times.
FI-2004-078	08/09/04	En-Route Center Computer Security and Controls	Enhance the security controls of en-route computer system operations.
AV-2004-081	09/09/04	Actions to Address Allegations of Leave and Overtime Abuse at Five Locations	Closely monitor overtime and leave usage and ensure labor distribution system captures key data.
AV-2004-085	09/20/04	Controls Over the Reporting of Operational Errors	Operational errors not fully reported; aggressive steps needed to ensure accurate reporting.
SC-2004-090	09/23/04	Land Acquisition and Relocation Assistance at the Seattle-Tacoma and Reno-Tahoe International Airports	\$10,580 questioned; put \$1,500,000 to better use.
AV-2004-094	09/28/04	FAA's Administration and Oversight of Regionally Issued Contracts	Put \$233,000 to better use.
AV-2004-101	09/30/04	Observations on FAA's Controller-Pilot Data Link Communications Program	Process needed to ensure use of agreed upon criteria for FAA and industry joint programs.
<i>Grant Audits: Audits of Grantee Under Single Audit Act—12 reports</i>			
QC-2004-041	04/08/04	City of Medina, Medina County, Ohio	\$843,004 questioned.
QC-2004-043	04/08/04	Wayne County, Michigan	\$3,254,135 questioned.
QC-2004-044	04/08/04	Clark County, Indiana	\$101,497 questioned.
QC-2004-045	04/08/04	Erie Municipal Airport Authority, Pennsylvania	\$480,000 questioned.
QC-2004-046	04/08/04	Colorado River Indian Tribes, Arizona	\$65,998 questioned.
QC-2004-047	04/08/04	County of Chautauqua, New York	Improve grantee oversight.
QC-2004-049	04/08/04	City and County of Denver, Colorado	\$1,155,000 questioned.
QC-2004-069	06/29/04	Salt Lake City Corporation, Utah	\$1,199,089 questioned.
QC-2004-079	08/20/04	County of Broome, New York	Improve grantee oversight.
QC-2004-082	09/10/04	Massachusetts Port Authority	Improve grantee oversight.
QC-2004-083	09/14/04	Southern New Jersey Transportation Authority	Improve grantee oversight.
QC-2004-092	09/28/04	Los Angeles World Airports, California	Improve grantee oversight.
FEDERAL HIGHWAY ADMINISTRATION			
<i>Internal Audits: Program/Functional—2 reports</i>			
MH-2004-061	06/04/04	October 2003 Finance Plan for the Central Artery/Tunnel Project	Plan fairly represents cost, funding, and cash flow.
MH-2004-065	06/16/04	Highway-Rail Grade Crossing Safety Program (also listed under Federal Railroad Administration and Federal Transit Administration)	Significant progress achieved since 1994; targeted strategies needed in new plan.

Office of Inspector General Published Reports *(continued)*

Report	Date	Title	Focus of Report/ Recommendations
<i>Grant Audits: Audits of Grantee Under Single Audit Act—9 reports</i>			
QC-2004-048	04/08/04	State of Hawaii Department of Transportation Highways Division	Improve grantee oversight.
QC-2004-050	04/08/04	State of Alabama	\$148,053 questioned.
QC-2004-051	04/08/04	Michigan Department of Transportation	\$38,000 questioned.
QC-2004-055	04/08/04	State of Rhode Island and Providence Plantations	\$2,364,154 questioned.
QC-2004-056	04/08/04	Government of Guam	\$369,584 questioned.
QC-2004-059	05/26/04	City of Charlotte, North Carolina	Improve grantee oversight.
QC-2004-070	07/20/04	State of North Carolina	\$328,771 questioned.
QC-2004-080	09/07/04	State of California	Improve grantee oversight.
QC-2004-093	09/28/04	National Academy of Sciences, Washington, District of Columbia	Improve grantee oversight.
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION			
<i>Internal Audits: Program/Functional—1 report</i>			
MH-2004-068	06/29/04	Investment Review Board Deliberations on the Motor Carrier Management Information System (also listed under Office of the Secretary)	Additional data needed to validate funding requests and life-cycle costs.
FEDERAL RAILROAD ADMINISTRATION			
<i>Internal Audits: Program/Functional—1 report</i>			
MH-2004-065	06/16/04	Highway-Rail Grade Crossing Safety Program (also listed under Federal Highway Administration and Federal Transit Administration)	Significant progress achieved since 1994; targeted strategies needed in new plan.
<i>Grant Audits: Audits of Grantee Under Single Audit Act—1 report</i>			
QC-2004-073	07/27/04	Alaska Railroad Corporation	Improve grantee oversight.
FEDERAL TRANSIT ADMINISTRATION			
<i>Internal Audits: Program/Functional—2 reports</i>			
MH-2004-065	06/16/04	Highway-Rail Grade Crossing Safety Program (also listed under Federal Highway Administration and Federal Railroad Administration)	Significant progress achieved since 1994; targeted strategies needed in new plan.
MH-2004-098	09/29/04	Tren Urbano Rail Transit Project	Resolve public safety, performance, and contract issues.
<i>Grant Audits: Audits of Grantee Under Single Audit Act—12 reports</i>			
QC-2004-040	04/08/04	Richland County Transit Board, Ohio	\$16,157 questioned.
QC-2004-042	04/08/04	Central New York Regional Transportation Authority and Subsidiaries	\$55,483 questioned.
QC-2004-052	04/08/04	Indianapolis Public Transportation Corporation	\$4,379,814 questioned.
QC-2004-053	04/08/04	State of Vermont	\$2,975,438 questioned.
QC-2004-054	04/08/04	Regional Transit Authority, Louisiana	Improve grantee oversight.
QC-2004-062	06/10/04	State of Nevada	\$300,000 questioned.
QC-2004-072	07/27/04	Utah Transit Authority	Improve grantee oversight.
QC-2004-074	07/27/04	Pioneer Valley Transit Authority, Massachusetts	Improve grantee oversight.
QC-2004-075	07/27/04	Regional Transportation District, Denver, Colorado	Improve grantee oversight.
QC-2004-086	09/20/04	Central Florida Regional Transportation Authority	Improve grantee oversight.
QC-2004-087	09/20/04	Metropolitan Atlanta Rapid Transit Authority, Georgia	Improve grantee oversight.
QC-2004-089	09/21/04	Metropolitan Transit Authority of Harris County, Texas	Improve grantee oversight.

Report	Date	Title	Focus of Report/ Recommendations
MARITIME ADMINISTRATION			
<i>Internal Audits: Program/Functional—3 reports</i>			
FI-2004-057	05/05/04	Cargo Preference Billing and Payment Process	Put \$379,000,000 to better use.
CR-2004-095	09/28/04	Title XI Loan Guarantee Program	Enforce reserve agreements, improve default management, and acquire financial monitoring software.
FI-2004-099	09/30/04	Inactive Obligations	Put \$24,400,000 to better use.
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
<i>Internal Audits: Program/Functional—1 report</i>			
MH-2004-088	09/23/2004	Follow-Up Audit of the Office of Defects Investigation	Put \$5,660,000 to better use.
NATIONAL TRANSPORTATION SAFETY BOARD			
<i>Internal Audits: Program/Functional—2 reports</i>			
FI-2004-091	09/27/04	Implementation of QuickTime Time and Attendance System	More aggressive action needed in implementing QuickTime.
FI-2004-097	09/28/04	Information Security Program	Implement an agencywide information security program.
OFFICE OF THE SECRETARY OF TRANSPORTATION			
<i>Internal Audits: Program/Functional—4 reports</i>			
CR-2004-066	06/17/04	Short- and Long-term Efforts to Mitigate Flight Delays and Congestion (also listed under Bureau of Transportation Statistics and Federal Aviation Administration)	Increased reporting needed on flight capacities and checkpoint wait-times.
SC-2004-067	06/29/04	Follow-up Audit on DOT Government Travel Card Delinquencies and Charge-Offs	Progress made in reducing delinquencies and charge-offs; follow-through and implementation of new policies needed.
MH-2004-068	06/29/04	Investment Review Board Deliberations on the Motor Carrier Management Information System (also listed under Federal Motor Carrier Safety Administration)	Additional data needed to validate funding requests and life-cycle costs.
SC-2004-071	07/23/04	Policy and Procedures for Locating Federal Offices and Facilities in Rural Areas	Department in substantial compliance with the Rural Development Act.
<i>Internal Audits: Chief Financial Officer Financial Statement—1 report</i>			
FI-2004-096	09/28/04	Independent Accountant's Report on the Application of Agreed-Upon Procedures: Selected Personnel Related Cost Items	Retirement, health benefits, and life insurance withholding and contributions fairly represented.
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION			
<i>Internal Audits: Program/Functional—4 reports</i>			
SC-2004-064	06/14/04	Actions Taken and Needed for Improving Pipeline Safety	Considerable progress made in implementing congressional safety mandates.
SC-2004-077	08/04/04	The Role and Functions of The Volpe National Transportation Systems Center	Tighter controls and closer oversight needed to ensure efficient use of resources.
FI-2004-076	08/04/04	Financial Controls for Cost Accounting and Billing Practices, Volpe National Transportation Systems Center	Put \$2,310,000 to better use.
SC-2004-100	09/30/04	Volpe's Project Management Oversight	Put \$177,213 to better use.
SURFACE TRANSPORTATION BOARD			
<i>Internal Audits: Program/Functional—1 report</i>			
SC-2004-084	09/17/04	Management Controls for Administrative Activities at the Surface Transportation Board	Most activities in compliance with regulations and policies; increased monitoring of leave scheduling and travel card usage needed.

Office of Inspector General Congressional Testimonies

April 1 – September 30, 2004

Control No.	Date	Subject	Before
CC-2004-038	04/22/2004	Key Issues for the Federal Aviation Administration's FY 2005 Budget	Committee on Appropriations Subcommittee on Transportation, Treasury and General Government U.S. Senate
CC-2004-021	04/28/2004	The Rating and Evaluation of New Starts Transit Systems	Committee on Appropriations Subcommittee on Transportation, Treasury and Independent Agencies U.S. House of Representatives
CC-2004-045	05/18/2004	Short and Long-term Efforts to Mitigate Flight Delays and Congestion	Committee on Commerce, Science, and Transportation, Subcommittee on Aviation, U.S. Senate
CC-2004-055	06/15/2004	Actions Taken and Actions Needed to Improve Pipeline Safety	Committee on Commerce, Science, and Transportation, U.S. Senate
CC-2004-058	06/15/2004	Addressing Controller Attrition: Opportunities and Challenges Facing the Federal Aviation Administration	Committee on Transportation and Infrastructure, Subcommittee on Aviation, U.S. House of Representatives
CC-2004-061	06/16/2004	Actions Taken and Actions Needed to Improve Pipeline Safety	Committee on Transportation and Infrastructure, Subcommittee on Highways, Transit, and Pipelines, U.S. House of Representatives
CC-2004-071	07/20/2004	Progress and Challenges in Improving Pipeline Safety	Committee on Energy and Commerce, Subcommittee on Energy and Air Quality, U.S. House of Representatives

Status of Unresolved Recommendations Over Six Months Old

Cited in Semiannual Report for April 1, 2000–September 30, 2000

Contract Towers: Observations on FAA's Study of Expanding the Program	AV-2000-079	04/12/00	Awaiting additional information from FAA
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Cited in Semiannual Report for April 1, 2001–September 30, 2001

Compensation Issues Concerning Air Traffic Managers, Supervisors, and Specialists	AV-2001-064	06/15/01	Working with FAA to resolve open issues
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Cited in Semiannual Report for October 1, 2001–March 31, 2002

Downtown Waycross Development Authority, GA	QC-2002-027	10/31/01	FTA working with Grantee to resolve open issues
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Operational and Supportability Implementation System (OASIS)	AV-2002-064	12/07/01	Working with FAA to resolve open issues
FAA's Acquisition of Aviation Weather Systems	AV-2002-084	02/28/02	Working with FAA to resolve open issues

Cited in Semiannual Report for October 1, 2002–March 31, 2003

Innovative Pavement Research Foundation	QC-2003-035	03/31/03	FHWA working with Grantee to resolve open issues
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Cited in Semiannual Report for April 1, 2003–September 30, 2003

Status Report on FAA's Operational Evolution Plan	AV-2003-048	07/23/03	Working with FAA to resolve open issues
City and County of San Francisco, CA	QC-2003-056	09/03/03	FTA working with Grantee to resolve open issues
FAA Needs to Reevaluate STARS Costs and Consider Other Alternatives	AV-2003-058	09/09/03	Working with FAA to resolve open issues
State of Hawaii, Department of Transportation-Airports Division	QC-2003-065	09/18/03	FAA working with Grantee to resolve open issues
Santa Barbara Electric Transportation Institute, CA	QC-2003-069	09/18/03	FTA working with Grantee to resolve open issues
State of West Virginia	QC-2003-079	09/23/03	FHWA working with Grantee to resolve open issues
City of Hattiesburg, MS	QC-2003-081	09/23/03	FTA working with Grantee to resolve open issues
State of Tennessee	QC-2003-084	09/23/03	FHWA working with Grantee to resolve open issues
State of California	QC-2003-085	09/23/03	FHWA working with Grantee to resolve open issues
Air Carrier Compensation Claims	CR-2003-092	09/30/03	Working with OST to resolve open issues
Allegheny County Airport Authority, PA	QC-2003-091	09/30/03	FAA working with Grantee to resolve open issues

Cited in Semiannual Report for October 1, 2003–March 31, 2004

Suburban Mobility Authority for Regional Transportation	QC-2004-012	01/20/04	FTA working with Grantee to resolve open issues
State of North Carolina	QC-2004-018	01/20/04	FAA working with Grantee to resolve open issues
Chambersburg Transit Authority	QC-2004-019	01/20/04	FTA working with Grantee to resolve open issues
Central New York Regional Transportation Authority and Subsidiaries	QC-2004-020	01/20/04	FTA working with Grantee to resolve open issues
Virginia Highlands Airport Commission	QC-2004-023	01/20/04	FAA working with Grantee to resolve open issues
Monitoring of Highway Trust Fund FY 2003 Financial Statements	QC-2004-029	01/23/04	Working with FHWA to resolve open issues
Revenue Diversions at San Francisco International Airport	SC-2004-038	03/31/04	Working with FAA to resolve open issues
Inactive Obligations, FHWA	FI-2004-039	03/31/04	Working with FHWA to resolve open issues

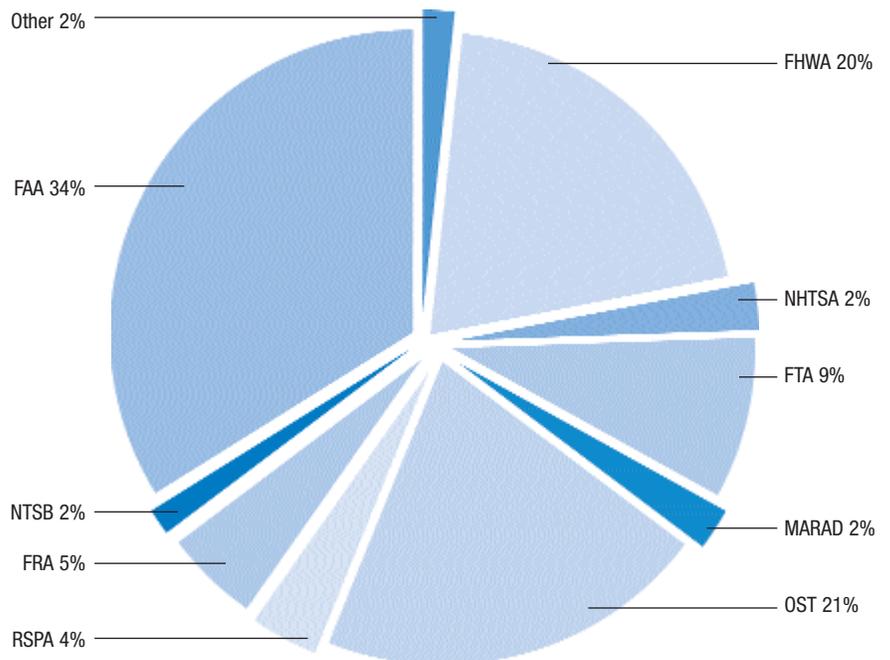
CHARTS & TABLES

Application of Audit Project Hours by Operating Administration

April 1 – September 30, 2004

Note: Resources shown for OST include time spent performing audits of the DOT Consolidated Financial Statements (which includes all Operating Administrations), the Consolidation of DOT Accounting Functions, and other OST activities, including a review of the FY 2005 Office of the Chief Information Officer Budget Request for Enhancing Security, E-Government Services, and Investment.

Resources shown as “Other” were expended on the Federal Motor Carrier Safety Administration, the Surface Transportation Board, and the St. Lawrence Seaway Development Corporation and totaled less than 1 percent each.



Required Statements:

The Inspector General Act requires the Semiannual Report to carry explanations, if during the reporting period, departmental management significantly revised management decisions stemming from an audit. OIG follows up on audits reported in earlier semiannual reports. During this reporting period, departmental management did not report any significant revisions to management decisions.

The Act also requires descriptions of any significant decisions that departmental management made regarding an audit with which OIG disagrees. When the reporting period closed, there were no such significant decisions with which OIG disagreed.

A W A R D S

Secretarial Awards and Recognition

Exceptional Public Service Award

Alexis M. Stefani

For her tireless commitment and effort which has resulted in extraordinary improvements in transportation programs and operations, protection of the traveling public, and this year alone has resulted in financial benefits to America's taxpayers of nearly \$1 billion.

Meritorious Executive Award

Mark R. Dayton

For his outstanding contributions to OIG's audit and evaluation program regarding Amtrak's financial condition that assisted the Administration, Congress, DOT, and Amtrak in making key recommendations regarding a sustainable inter-city passenger rail system in the United States.

Team Award

Air Traffic Operations Audit Team

For significant contributions in improving the efficiency and cost-effectiveness of the Federal Aviation Administration's Air Traffic Control System.

Daniel R. Raville, Susan L. Bader, Robert F. Prinzbach, II, Francis E. Danielski, Angela D. McCallister, Robert A. Romich, Coletta A. Treakle, Christopher S. Frank, Kimberly Anne Leading, Erik A. Phillips

Award for Meritorious Achievement

Joseph W. Comé

For his exceptional leadership and motivation during audits of motor carrier safety programs, resulting in critical enhancements to the commercial driver licensing (CDL) program.

William L. Owens

For his stellar professionalism and keen investigative acumen in a recent investigation uncovering details surrounding an allegation that FAA had destroyed an audiotape that had been made at a New York air traffic facility on September 11, 2001.

Award for Excellence

Julia S. Greene

For her consistent professionalism supporting OIG's audit division, which include

providing guidance on report preparation and handling functions typically performed by more senior staff.

Theresa Luong

For her outstanding performance supporting OIG’s legal and external affairs programs and her leadership in coordinating the student intern program and designing and improving tracking and communication systems.

Inspector General Awards

Team Award

FHWA Inactive Obligations Audit Team

For exemplary work identifying hundreds of millions of dollars in unneeded FHWA obligations which, as a result of their work, are now being reapplied to other necessary highway projects nationwide.

Terrence J. Letko, Michael S. Ralph, Leonard F. Meade, Sharon J. Ayers, Clarence S. Fujimoto, Kathleen A. Huycke, LaKarla M. Lindsay, William E. Savage, Linda L. Toms, Jill L. Cottonaro, Keyanna L. Frazier, Edith Ayukegba Makoge, Jelilat A. Ojodu, Stacie A. Seaborne

Highway-Rail Grade Crossing Safety Program Audit Team

For their exceptional performance in evaluating the Department’s progress to improve grade crossing safety and reduce the number of accidents and fatalities at grade crossings.

Michael E. Goldstein, Petra Swartzlander, Brenda R. James, Wendy M. Harris, Harriet E. Lambert, Nathaniel K. Adusei, Josephine Bates, Hillary H. Larson, Mark A. Stiglitz

Major Projects Monitoring Team

For their outstanding work in creating a new and innovative approach to the way the OIG evaluates the audit potential of DOT’s 75 active and proposed major highway and transit infrastructure projects, valued at about \$115 billion.

Jim H. Crumpacker, David J. Barnes, Rodolfo E. Pérez, Peter F. Babachicos, Francis H. Ochs, Tyler C. Appfel, William R. Lovett, Michele O. Paratte, Anthony V. Saraco, Alvin Schenkelberg, Kenneth E. Vought, Brett M. Kramer, Paul D. McBride, David R. Uhl, Scott L. Williams

MARAD Cargo Preference Audit Team

For their review of the Cargo Preference Billing and Payment Process, which resulted in \$305 million being designated into programs that support U.S. flagged Merchant Vessels, America’s farmers and international food assistance.

Alvin A. Brown, Thomas K. Lebrich, Leonard F. Meade, Kathleen A. Huycke, Linda L. Toms, Keyanna L. Frazier, Edith Ayukegba Makoge, Stacie A. Seaborne

MARAD Title XI Program Audit Team

For their excellent work in monitoring and reporting on MARAD’s actions to

A W A R D S

strengthen the management of the Title XI Loan Guarantee Program.

Stuart A. Metzger, Mitchell L. Behm, Gary B. Fishbein, Bernard Fishman

Office of Defects Investigation Audit Team

For their outstanding performance in identifying and reporting on serious problems with NHTSA's safety defects information system, ARTEMIS, which prompted senior DOT and NHTSA officials to take immediate corrective actions.

Jim H. Crumacker, David J. Barnes, Thomas K. Lebrich, Michael L. Marshlick, Michael Sivi, Seth B. Kaufman, Harriet E. Lambert, Frank J. Schutz, Richard Hatcher, Scott L. Williams

Office of Financial, Administrative, and Information Management

For their admirable teamwork, dedication and professionalism in the performance of their myriad duties and responsibilities resulting in enhanced the efficiency JM-30 services to the entire OIG.

Dorothy B. Bowie, Charles G. Hiep, Sharon N. Caboga, Ernestine Anderson, Jackie B. McNeil, Odessa M. Pyles, Lorena M. Simpson

OIG Cost Management System Team

For their extraordinary efforts in the successful development and implementation of OIG's Cost Management System, which involved integrating information from multiple systems.

Keith L. Cosper, Samuel Davis, Jr., James F. Heminger, Terrence J. Letko, Suzanne Murrin, Jerome Persh, James C. Vincent, Jacquelyn R. Weber, Ernest Eigenbrode, Rosemarie T. Tolson, Sydney H. Verinder, Joanne Wallis, Michael Weisz, Kerry Dudley

OIG-FAA Workers' Compensation Fraud Investigation Team

For their highly effective communication and cooperation throughout an investigation of significant fraud in the workers' compensation program, which resulted in 3 felony counts of making false statements and 3 felony counts of mail fraud, and \$350,000 in restitution.

Charles V. Miller, Karl M. Kaprelian, Sadie Perez

Volpe Audit Team

For their exemplary contributions in advancing DOT's oversight and management of the Volpe National Transportation Systems Center.

Darren L. Murphy, Petra Swartzlander, Robert D. Falter, John M. Hannon, Kathleen A. Huycke, Raymond Larpenteur, William R. Lovett, Randy D. Rohwer, Kirk A. Gillett, Deborah A. Kloppenburg, Susan M. Zimmerman

White Construction Company Investigative Team

For conducting an outstanding contract fraud investigation of White Construction Company, a large highway construction contractor who was ordered to pay over \$1.5 million in fines and restitution.

John W. Long, James St. John, Ronald Lee, Edward Dix, Michael K. Bowen, Kim B. Smith

Wisconsin Antitrust Investigation Team

This team conducted a thorough investigation of allegations regarding antitrust activities involving two construction companies in Green Bay, Wisconsin.

Kent E. Byers, Julie Dingle, Bruce Matzke, Richard Frohling, Matthew Jacobs, Diane Lotko-Baker, Andrew Rosa, David Gorr, Allyn Lepeska, Cari Anne Renlund

Award for Superior Achievement

Daniel R. Raville

For his multiple reports and testimonies regarding FAA operations, which have received widespread attention from Congress and the media.

Ramon Sanchez, Jr.

For his excellent work investigating a commercial truck driver training school which was providing inadequate training and operating a fraudulent financing scheme.

Exceptional Civilian Service Award

Gail L. Browne

For her expertise and significant contributions in streamlining OIG's Hotline Complaint Center.

Lou E. Dixon

For her dedicated leadership during numerous OIG audit efforts to address complex issues involving aviation safety.

Theodore L. Doherty, III

For his exemplary performance and professionalism leading the Cambridge investigations office in numerous contract fraud investigations.

Rodolfo E. Pérez

For expert engineering analysis and advice on multiple concurrent OIG projects, including the audit of the Finance Plan for the Central Artery/Tunnel Project, the most complex and costly highway construction project in the nation.

Marguerite Christensen Award for Excellence in Administration

Kelly M. French

For significant contributions to customer service, including covering the workload of absent HR specialists and serving as an alter-ego for the OHR Director on many Departmental issues.

A W A R D S

Manager of the Year Award

Matthew E. Hampton

For invaluable work in the management and oversight of OIG audits of FAA major acquisitions, as well as providing exceptional insight regarding Congressional committee hearings.

Terrence J. Letko

For his extraordinary performance leading several financial and cost accounting audits which have resulted in savings to DOT, and the identification of inactive obligations totaling nearly \$500 million.

Supervisor of the Year Award

Susan L. Bader

For her exceptional dedication and supervision over a proactive audit of FAA's actions to address an anticipated surge in air traffic controller attrition over the next 10 years.

Nathan J. Custer

For his consistent professionalism and dedication in leading two significant computer security audits over the last year.

Brenda R. James

For outstanding leadership in taking over the high-profile Audit of the Department's Highway-Rail Grade Crossing Safety Program, which was performed at the request of the ranking minority member of the Senate Committee on Government Affairs.

Michelle W. McGee

For leading investigations that resulted in nine indictments, eight convictions, six administrative actions, and monetary recoveries of over \$126,000.

Leonard F. Meade

For playing an integral role in several audits, including the Audit of MARAD's Process for Making Cargo Preference Payments, which he completed in 6 weeks and which led to \$305 million in funds put to better use.

Charles A. Ward

For invaluable work leading several overlapping assignments and multi-disciplinary teams, including those that investigated the Standard Terminal Automation Replacement System (STARS) and En Route Modernization effort.

Employee of the Year Award

Mitchell N. Balakit

For his unparalleled professionalism and dedication in the issuance of audit reports relating to FAA's En Route Air Traffic Control Computer System Security.

Laurence G. Burke

For his significant contributions to the success of two major audits, the Tren Urbano Rail Transit Project and the Audit of the 2003 Finance Plan for the Central Artery/Tunnel Project.

Jeffrey W. Germann

For his technical expertise in developing a systematic program for the backup and recovery of all OIG data files.

Stephen Gruner

For outstanding expertise and dedication to OIG work regarding rail safety, including supporting the investigative staff regarding allegations concerning rail safety enforcement activity.

David J. Hoefler

For his exceptional leadership in two investigations involving fraud which posed a threat to highway safety.

Stephen L. Jones

For his exemplary service in the oversight of pipeline safety and aviation infrastructure audits, at a level normally performed by project managers.

Robert Y. Lee

For his admirable dedication in developing sections of the OIG's Audit of Progress in Implementing Recommendations for Improving Pipeline Safety.

Karen A. Muller

For her highly skilled technical support to critical human resources programs and operations, including coverage for awards and human resources automation.

Lonnie G. Robertson

For his outstanding investigative work in the areas of hazardous materials and commercial driver's license fraud.

Robert A. Romich

For significant contributions to a number of high-profile FAA audits, with one resulting in a request for OIG testimony before the House Transportation and Infrastructure Subcommittee on Aviation.

Kevin C. Shirley

For his extraordinary investigative skill and contributions toward OIG's motor carrier initiative through his participation on two investigations under Operation Safe Road.

A W A R D S

Patricia K. Stevens

For consistently providing invaluable support to OIG management and demonstrating significant flexibility in a very fast paced environment.

Gerard H. Tucker, Jr.

For his superior investigative efforts which have led to five indictments and five convictions in three separate cases, including one investigation that led to the indictment of nine individuals for their part in producing more than \$10 million in fictitious money orders.

R. Curt Vaughan

For his exceptional skill in conducting the most sensitive and complex investigations, including those requested by Congress.

Paul W. Kimbrough, Sr.

Award for Public and Community Service

Paul D. McBride

For his unparalleled dedication as a volunteer for international nonprofit organization World Computer Exchange and Peace Corps Relations Manager.

Administrative Professional of the Year Award

Emma Hernandez

For consistently providing outstanding administrative support to OIG's audit and investigative staffs in New York, including the recruitment of a volunteer student intern.

Joanne M. Pittman

For handling an extraordinarily heavy workload in taking on the assignments of another staff member, as well as providing support to the HR Director.

Fannie C. Robinson

For invaluable assistance to Office of Assistant Inspector General for Investigations San Francisco Regional Office investigators toward obtaining 47 indictments, 26 convictions, and millions of dollars in monetary recoveries, as well as successfully managing more than 100 hotline and complaint case files.

Constance C. Wiley

For her high-quality administrative support to the entire Aviation audit staff, including coordinating with the Atlanta field staff, and overseeing all purchasing, Transportation Inspector General Reporting System, and file maintenance activities.

New Employee Award

Brian J. Frist

For his substantial contributions to the Audit of DOT Inactive Obligations, in which he convinced FAA finance officials to de-obligate approximately \$20 million in unnecessary funds.

Bradley K. Kistler

For outstanding work on three major audits — Delphi Computer System Security and Controls, DOT’s Information Security Program, and the Office of the Chief Information Officer’s Budget Submission.

Debra L. Mayer

For providing critical economic research, analyses, and expertise on several audit projects, including the Review of Federally Designated High Speed Rail Corridors and FTA’s New Starts program.

Dennis M. Ocampo

For his exceptional initiative and professionalism while conducting highly sensitive investigations for the OIG.

President’s Council on Integrity And Efficiency Awards

Alexander Hamilton Award

Air Traffic Operations Audit Team

For significant contributions in improving the efficiency and cost effectiveness of the operation of FAA’s Air Traffic Control System.

Daniel R. Raville, Susan L. Bader, Robert F. Prinzbach, II, Francis E. Danielski, Angela D. McCallister, Robert A. Romich, Coletta A. Treagle, Christopher S. Frank, Kimberly Anne Leading, Erik A. Phillips

Award for Excellence — Audits

Motor Carrier Safety Status Measurement System Audit Team

For their expert and innovative work in improving the reliability of the Motor Carrier Safety Status Measurement System, which is used to target unsafe motor carriers.

Barbara M. Cobble, Joseph W. Comé, Petra Swartzlander, Dr. Francis M. Ponti, Janice S. Alger, James W. Bess, Christopher T. Brothers, David W. Brown, John M. Hannon, Harriet E. Lambert, William E. Savage, Alvin B. Schenkelberg, Constance B. Hardy, Richard Hatcher, Calvin L. Moore, II, Wayne L. White

A W A R D S

Pipeline Safety Audit Team

For their exemplary dedication and notable contributions to pipeline safety and security issues in developing a report presented to the Senate Committee on Commerce.

Scott K. Macey, Petra Swartzlander, Gregory S. Bond, Kathleen A. Huycke, Stephen L. Jones, Kim P. Tieu, Earl G. Kindley, Robert Y. Lee, Susan M. Zimmerman

Award for Excellence — Investigations

Leigh R. Hinson

For outstanding skill and dedication during a fraud investigation, which resulted in a conviction and over \$8.7 million in fines and restitution.

Award for Excellence — Multiple Disciplines

Tulsa Airport Review Team

For exceptional teamwork and performance in investigating the management and operations of Tulsa airport in response to a request from the Chairman of the U.S. Senate Committee on Environment and Public Works.

Lou E. Dixon, Joseph M. Zschiesche, David J. Barnes, Thomas K. Lehrich, Mary E. Hanson, Seth B. Kaufman, Ann M. Kessel, James D. Madden, Charles V. Miller, Kenneth A. Finley, David Jensen, Tom Kucera

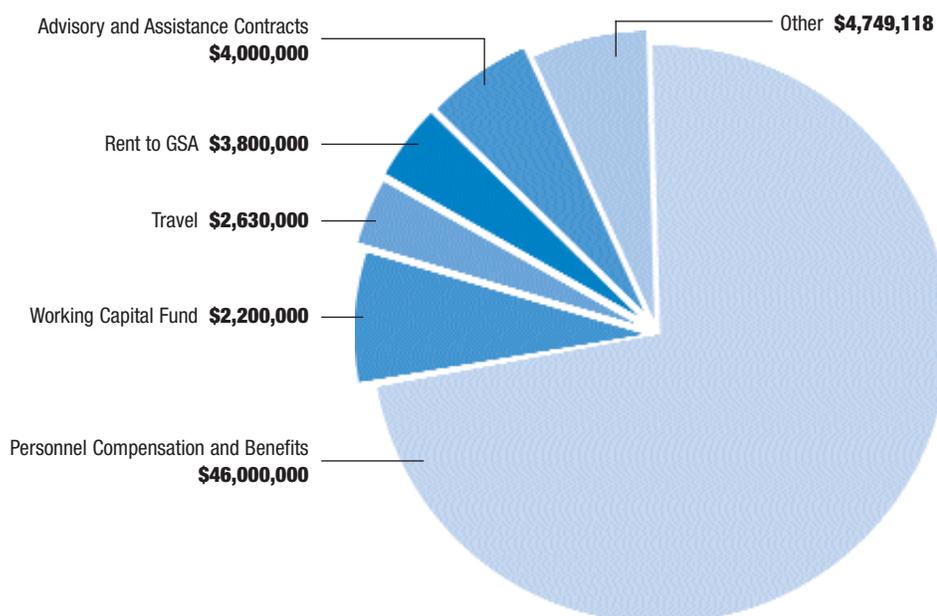
MISSION, ORGANIZATION, & CONTACTS

The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95-452). The act sets several goals for OIG:

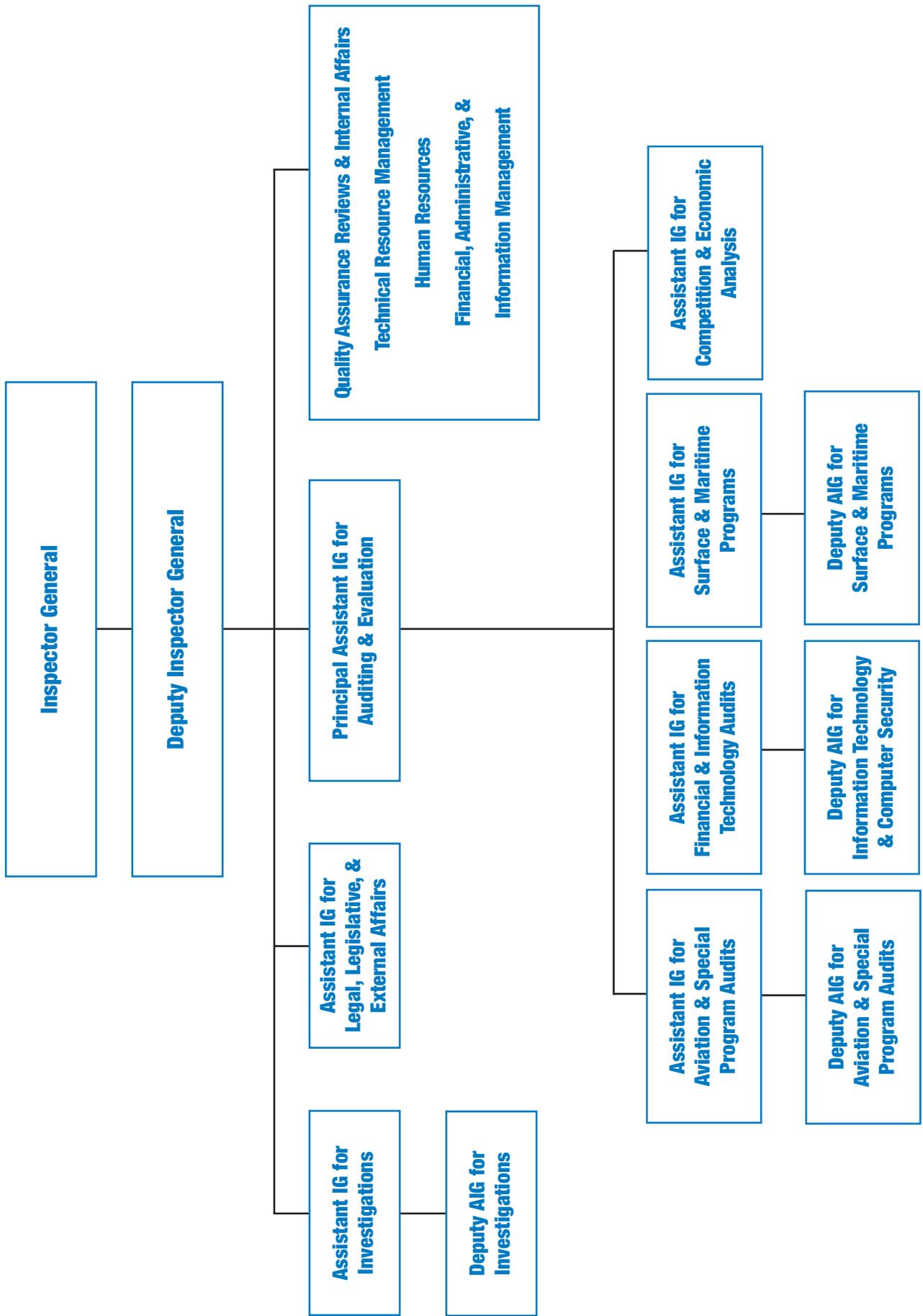
- To conduct or supervise objective audits and investigations of DOT's programs and operations;
- To promote economy, effectiveness, and efficiency within DOT;
- To prevent and detect fraud, waste, and abuse in the Department's programs;
- To review existing and proposed laws or regulations affecting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

OIG FY 2004 Program-Level Resources

Total: \$63,379,118



OIG is divided into two major units and five support units. The major units are the Office of the Principal Assistant Inspector General for Auditing and Evaluation and the Office of Assistant Inspector General for Investigations. Each has headquarters staff and field staff. The support units are the Office of Legal, Legislative, and External Affairs; the Office of Technical Resource Management; the Office of Human Resources; the Office of Financial, Administrative, and Information Management; and the Office of Quality Assurance Reviews/Internal Affairs.



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Richard Kaplan(202) 366-1504

Hotline to report fraud, waste, and abuse:

phone: 1-800-424-9071

fax: 202-366-7749

e-mail: hotline@oig.dot.gov

OIG website: <http://www.oig.dot.gov>

ABBREVIATIONS

AGA	Association of Government Accountants	IT	Information Technology
AIG	Assistant Inspector General	MARAD	Maritime Administration
AIP	Airport Improvement Program	MCMS	Motor Carrier Management Information System
ARTEMIS	Advanced Retrieval (Tire, Equipment, Motor Vehicle) Information System	MCSIA	Motor Carrier Safety Improvement Act
ATOP	Advanced Technology and Oceanic Procedures	NAS	National Airspace System
ATOS	Air Transportation Oversight System	NASA	National Aeronautics and Space Administration
BATF	Bureau of Alcohol, Tobacco, Firearms and Explosives	NHTSA	National Highway Transportation Safety Administration
BTS	Bureau of Transportation Statistics	NTSB	National Transportation Safety Board
CDL	Commercial Driver's License	OA	Operating Administration
CID	Criminal Investigations Division	OCIO	Office of Chief Information Officer
CIO	Chief Information Officer	OHR	Office of Human Resources
CPDLC	Controller-Pilot Data Link Communications	OIG	Office of Inspector General
DAIG	Deputy Assistant Inspector General	OMB	Office of Management and Budget
DBE	Disadvantaged Business Enterprise	OMP	O'Hare Modernization Program
DCIS	Defense Criminal Investigative Services	OPS	Office of Pipeline Safety
DHS	Department of Homeland Security	OSHA	Occupational Safety and Health Administration
DOD	Department of Defense	OSI	Office of Special Investigations
DOL	Department of Labor	OST	Office of the Secretary of Transportation
DOT	Department of Transportation	PCIE	President's Council on Integrity and Efficiency
EPA	Environmental Protection Agency	PHMSA	Pipeline and Hazardous Material Safety Administration
ERAM	En Route Automation Modernization	RSPA	Research and Special Programs Administration
ETMS	Enhanced Traffic Management System	SafeStat	Safety Status Measurement System
FAA	Federal Aviation Administration	SLSDC	St. Lawrence Seaway Development Corporation
FAM	Financial Audit Manual	SPAS	Safety Performance Analysis System
FBI	Federal Bureau of Investigation	STARS	Standard Terminal Automation Replacement System
FHWA	Federal Highway Administration	STB	Surface Transportation Board
FMCSA	Federal Motor Carrier Safety Administration	SUV	Sport Utility Vehicle
FMIS	Fiscal Management Information System	TEA-21	Transportation Equity Act for the 21st Century
FRA	Federal Railroad Administration	TIGR	Transportation Inspector General Reporting System
FTA	Federal Transit Administration	TRACON	Terminal Radar Approach Control
GAO	General Accountability Office	TREAD	Transportation Recall Enhancement, Accountability, and Documentation
GSA	General Services Administration	TSA	Transportation Security Administration
HAZMAT	Hazardous Material	USAF	United States Air Force
ICE	Immigration and Customs Enforcement	USDA	United States Department of Agriculture
IRS	Internal Revenue Service	VE	Value Engineering



U.S. Department of Transportation

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