



Semiannual Report to the Congress

April 1, 2001 - September 30, 2001



**This semiannual report and other OIG materials are available
on the World Wide Web at <http://www.oig.dot.gov>.**

**To report fraud, waste, or abuse, call
OIG's Hotline at 1-800-424-9071.**

Cover: Amtrak photo courtesy of Daniel Duncan.

FROM THE INSPECTOR GENERAL 2

ACRONYMS IN THIS REPORT 4

ORGANIZATION / MANAGEMENT 5

FOCUS: Transportation Security 7

WORK PLANNED AND IN PROGRESS 11

AUDITS AND INVESTIGATIONS 17

CHARTS AND TABLES

 Summary of Performance 2

 OIG Fiscal Year 2002 Budget 5

 Completed Reports 49

 Management Decisions Regarding OIG Recommendations 49

 OIG Reports with Recommendations That Questioned Costs 50

 OIG Reports with Recommendations That Funds Be Put to Better Use 50

 OIG Reports Recommending Changes for Safety, Economy, or Efficiency 51

 Staus of Unresolved Recommendations Over 6 Months Old 51

 OIG Reports 52

 OIG Congressional Testimonies 56

 Application of Audit Resources by Operating Administration 57

 Profile of Pending Investigations 59

 Application of Investigative Resources by Operating Administration 59

 Investigative Resource Allocation by Priority Area 59

 Administrative Actions Taken 60

 Judicial Actions Taken 60

PCIE AWARDS 61

CONTACTS 64



The tragedy and horror of September 11 touched the lives of all Americans and dramatically emphasized the importance of transportation security. We have entered a new era in which efforts to enhance mobility, increase system capacity, and relieve congestion across and within all modes of transportation must be viewed in a context of considerably tighter security.

Both the Congress and the Department drew upon more than a decade’s worth of Office of Inspector General audits and investigations in fashioning the requirements of the new Aviation and Transportation Security Act. Since September 11, we provided five Congressional testimonies on the subject of security. Our work covered the inadequate use of explosives detection equipment to screen checked luggage; security screener qualifications and performance; and the need to strengthen controls over issuance of airport identification badges, perform criminal background and fingerprint checks of airport and airline workers, tighten access to parked aircraft, baggage areas, and runways, and improve cargo security.


Also, per President Bush’s instructions, we are conducting undercover audits of security performance at airports nationwide and reporting the results of these to Secretary Mineta, Under Secretary McGaw, and FAA Administrator Garvey. In support of the Secretary’s "Zero-Tolerance" Policy for security lapses, we are monitoring checkpoint security at airports, including effecting on-the-spot corrections with FAA. Over 100 OIG auditors and special agents—more

Summary of Performance	
APRIL 1, 2001 - SEPTEMBER 30, 2001	
Reports issued	54
Recommendations issued	156
Congressional testimonies	13
Total financial recommendations	\$654,893,000
— That funds be better used	\$647,000,000
— That questioned costs	\$7,893,000
Referrals for prosecution	135
Cases accepted for prosecution	143
Indictments	122
Fines, restitutions, and recoveries	\$15,158,526
Convictions	101
Debarments and suspensions	13
Actions affecting DOT employees	6

than 20 percent of our workforce—are carrying out these duties. The immediate challenge is implementing the new Transportation Security Administration, fulfilling the requirements of the Act, and establishing a world-class security program—one that justifies a high level of confidence in the security of our transportation system.

While the emphasis in this foreword is on security, there are other pressing transportation matters as well: (1) stabilization of the airline industry and ensuring competitive service globally and in small- and medium-sized communities; (2) motor carrier and commercial driver safety, domestically and at the southern border; (3) the future of Amtrak, and the structure and financial viability of intercity passenger rail; (4) implementation of the TREAD Act to provide early warning of vehicle safety defects; (5) Coast Guard requirements, including port security, implementation of a stronger search and rescue program, and the multibillion-dollar Deepwater acquisition for afloat and airborne assets; and (6) oversight of large transportation projects, such as Boston’s Central Artery, the Wilson Bridge outside Washington, D.C., and the Tren Urbano rail transit project in Puerto Rico, and stewardship of funds to make sure they are spent for the purposes intended.

We continue to reassess and refine our work plans to address the implications of September 11, but remain committed to maintaining rigorous oversight of the risk areas described. Both Secretary Mineta and Deputy Secretary Jackson have been most active in drawing upon Office of Inspector General audit and investigative work and in soliciting our recommendations. We appreciate this level of confidence, and the constructive relationship it implies, as well as the support of the Congress in our work. The staff of the Office of Inspector General want to do everything they can to provide high-quality oversight and contribute to a safer, more secure, and more efficient transportation system.

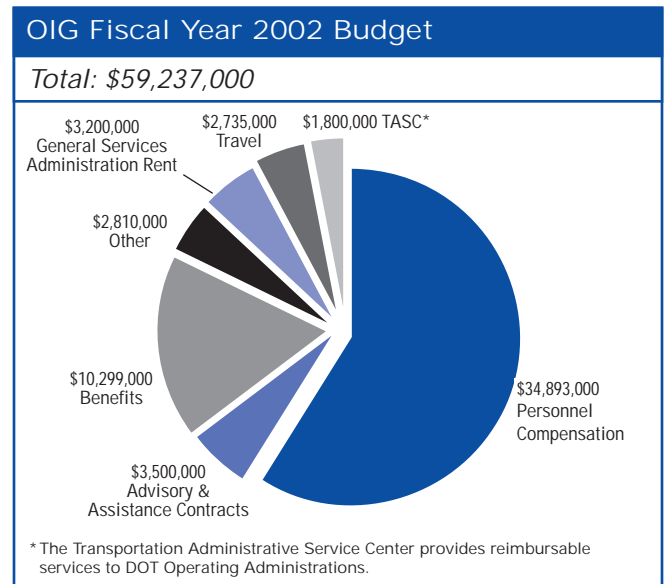
A handwritten signature in black ink, appearing to read "Kenneth C. Keal". The signature is written in a cursive style with a large, stylized initial 'K'.

Acronyms in This Report

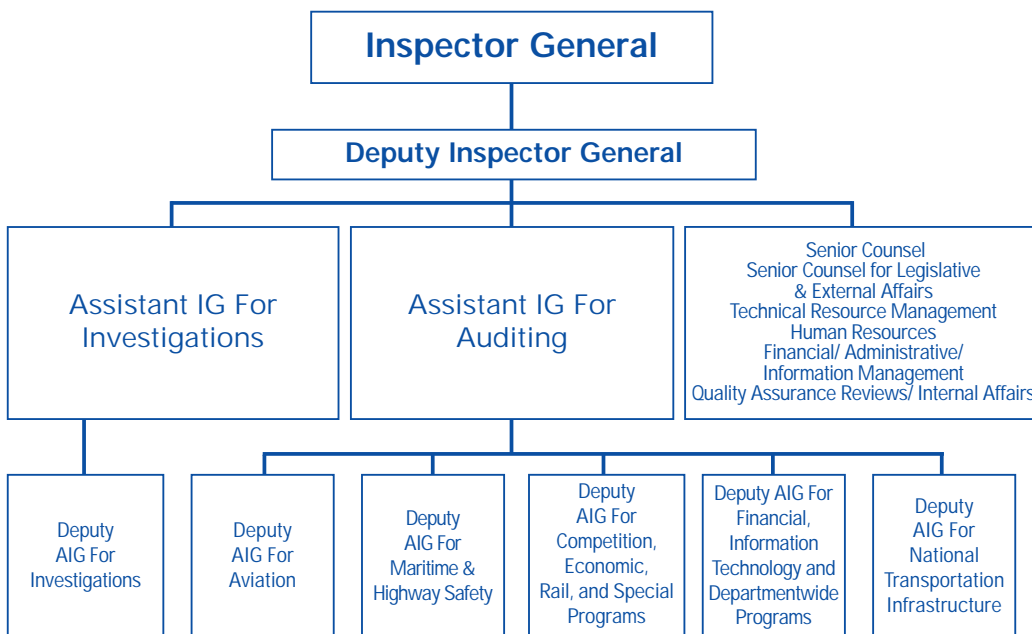
AIG	Assistant Inspector General
CDL	Commercial Drivers License
DBE	Disadvantaged Business Enterprise
DOT	Department of Transportation
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FHWA	Federal Highway Administration
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
GSA	General Services Administration
IG	Inspector General
IRS	Internal Revenue Service
MARAD	Maritime Administration
NAFTA	North American Free Trade Agreement
NASA	National Aeronautics and Space Administration
NHTSA	National Highway Traffic Safety Administration
OIG	Office of Inspector General
OST	Office of the Secretary of Transportation
RSPA	Research and Special Programs Administration
STARS	Standard Terminal Automation Replacement System
TASC	Transportation Administrative Service Center
TREAD Act	Transportation Recall Enhancement, Accountability, and Documentation Act of 2000
USCG	U.S. Coast Guard

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 the Office of Inspector General (OIG):

- To conduct or supervise objective audits and investigations of the Department of Transportation’s (DOT) 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; and
- To keep the Secretary of Transportation and Congress fully informed about problems in Departmental programs and operations.



OIG is divided into two major units and six support units. The major units are the Office of Assistant Inspector General for Auditing and the Office of Assistant Inspector General for Investigations; each has headquarters staff and field staff. The support units are the Office of Legal Counsel; the Office of 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. ■



Inspector General for Investigations; each has headquarters staff and field staff. The support units are the Office of Legal Counsel; the Office of 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. ■

Transportation Security

IN THE MONTHS LEADING UP TO SEPTEMBER 11, a significant amount of OIG's resources were devoted to aviation capacity, highway safety, and financial stewardship issues, in particular the issues of flight delays and cancellations and efforts to build new runways. As Secretary Mineta stated, while capacity, demand, and stewardship of Federal funds remain critical issues, we have entered a new era in which efforts to enhance mobility must take security measures into account.

We have seen in recent months that the nation's increased commitment to security has taken shape through many endeavors, among them creation of the Transportation Security Administration. In the coming months, we will be working constructively with the new agency and closely monitoring how it carries out the sweeping responsibilities and numerous mandates provided by the Aviation and Transportation Security Act.

Transportation security has long been one of our top priorities. Many of the security issues drawing attention post-9/11 have been the subject of OIG reviews. These include access to secure areas of airports; cargo security; use of explosives detection equipment; baggage screening; training to improve the performance of security screeners; and background investigations of airport and airline employees.



The Coast Guard patrolling the Potomac River outside Washington, D.C.

OUR CURRENT SECURITY-RELATED EFFORTS INCLUDE:

- At the instruction of the President on November 9, conducting undercover audits of security performance at airports nationwide to ensure strict compliance with Federal Aviation Administration (FAA) requirements. As part of the President's directive, we are monitoring the use of security checkpoint X-ray machines that screen carry-on baggage, as well as explosives detection devices used to screen checked baggage.

- Supporting the Secretary's "Zero-Tolerance" Policy for aviation security lapses by monitoring checkpoint security at airports around the nation and reporting violations of security directives to FAA.
- Testifying before Congressional committees on our recommendations for deployment and maximum use of explosives detection equipment for screening checked baggage. In the five testimonies since September 11, we reported on our post-9/11 review of checked baggage screening, where we found air carriers were not maximizing the use of explosives detection machines and that 73 percent of the machines were not in continuous use as required by FAA.
- Investigating and assisting in the prosecution of numerous cases where airport employees misrepresented their criminal histories or immigration status in order to obtain jobs that gave them access to secure areas of the airport, including gates and ramps. This includes our recent follow-up investigation of Argenbright Holdings, Inc., after its conviction for hiring felons as screeners and falsifying screeners' training.
- Recommending that air cargo controls be tightened, particularly the process for certifying freight forwarders and assessing their compliance with security requirements. In response, FAA no longer allows air carriers to accept cargo from unknown shippers and has stiffened the requirements for becoming a known shipper.
- Briefing law makers and Departmental officials on our recommendation that the Department upgrade access controls to reduce the continued vulnerability of its computer networks to unauthorized intrusions, especially those governing critical functions such as air traffic control, maritime search and rescue, and financial systems supporting the accounting for and distribution of billions of dollars in Federal funds. The Department is working to correct these problems.
- Monitoring Federal oversight of the Federal Commercial Drivers License (CDL) program to minimize fraud and abuse and prevent unqualified individuals from driving big rigs on our country's highways.

COMPUTER SECURITY

The events of September 11 brought increased interest in protecting the air traffic control system and other transportation communications networks from disruption. We highlighted the critical need to address the vulnerability of the Department's computer systems to outside hackers in our report released on September 7, 2001. Our evaluation of the Department's information security controls and procedures was part of the Department's first-ever report under the Government Information Security Reform Act of 2000. The audit also reported that:

- DOT systems are vulnerable to insiders. More than 100,000 people inside DOT are authorized to access the computer systems on its private networks, but only about 10 percent of DOT mission-critical systems have received security certification reviews, a critical control which requires periodic management reviews to certify that major systems are adequately secured.

Our review cited issues we had raised in earlier audits and investigations, including the:

- May 23 release of a report identifying 86 of 142 Department web servers as being vulnerable to hackers. DOT subsequently took corrective actions.
- August 21 audit raising concerns about FAA's plans to replace its telecommunications systems with a digital network system that would put air traffic control systems, now operating through dedicated networks, on the same network with administrative systems having direct connections to the Internet. FAA agreed to modify its plans by keeping administrative systems outside the scope of the replacement network.
- Department's unfinished background checks on 18,000 contractor personnel working on DOT systems. We urged completion of the checks in July 2000, and so far, FAA has completed background checks on 85 percent of its contractor personnel. Other modal administrations reported completion of background checks on only 25 percent of their contractor personnel.

In earlier Congressional testimony, we reported that about 900 DOT computers were susceptible to attack by insiders such as employees or contractors. This vulnerability was well demonstrated by the case of an FAA software developer who stole an air traffic control system source code the agency had spent \$1 million to develop. The employee led a team that worked 5 years to develop a program which relayed critical flight data. He resigned his post in 1998, telling his supervisor that he had accidentally destroyed the original source code. IG investigators discovered a floppy disk containing an encrypted version of the code at his home. He was sentenced in June to a year in prison.



The vulnerability of the Department's information systems was further illustrated in 2001 when a Department computer system was breached by a 15-year-old Connecticut boy who gained unautho-

rized access into a system at the Department's Volpe Center in Cambridge, MA, in order to hack into the Air Mobility Command computer system at Scott Air Force Base.

COMMERCIAL DRIVERS LICENSES

Public concern about transportation security turned toward the nation's highways in October when it appeared that a potential terrorist suspect had illegally obtained a CDL allowing him to haul hazardous materials. While the FBI quickly cleared the trucker of the allegations, the case illustrated the ease with which persons can obtain a license to operate a truck or bus in interstate commerce.

The case of a former Pennsylvania Transportation Department CDL examiner charged in November with providing fraudulent CDLs is the latest example of potential problems with state oversight for licensing commercial truck drivers.

Federal and state investigators have uncovered cases of CDL fraud in at least 15 states. OIG has been involved in cases in Illinois, Florida, Ohio, and Mississippi where applicants bribed examiners to falsify test results. The biggest case so far is "Operation Safe Road," the ongoing investigation of bribes-for-licenses in the Illinois Secretary of State's office, which has resulted in 41 convictions.

Our current work with the Federal Motor Carrier Safety Administration (FMCSA) indicates the agency has improved the quality of its oversight reviews since it was established in January 2000. Between September and November 2001, FMCSA issued 10 reports based on reviews in 2000 and early 2001. The reports show the agency has enhanced the frequency and depth of its oversight reviews by, for example, examining state procedures to control potential abuse and visiting state testing facilities. We will continue our close oversight of the agency and make additional recommendations to help it strengthen its programs.

The events of 9/11 have caused us to think of our transportation system and its operations in a new light—that is, the safety and security of all who drive on our nation's highways, navigate its waterways, fly in airplanes, or ride the rails. We will continue to vigorously monitor all aspects of transportation security to help protect the safety of those who depend on it.

PRESIDENTIAL DIRECTIVE

IN A [NATIONALLY TELEVISED PRESS CONFERENCE](#) on November 9, 2001, President Bush directed OIG to conduct undercover audits of security performance at airports nationwide to detect lapses in security systems and ensure strict compliance with FAA security standards. We are conducting tests at approximately 25 airports and will be providing our results to the appropriate officials.

DOT'S TOP MANAGEMENT CHALLENGES

[EVEN BEYOND THE PRESIDENTIAL DIRECTIVE](#) discussed above, the events of September 11, resulted in significant changes to our planned and ongoing work. For instance, we decided to take a fresh approach to our annual list of DOT's top management challenges. As a result, the 2002 list will be very different from previous lists, reflecting the changed priorities in the Department and the OIG. While the final items are under development as of this printing, we know the list will cover:

RESPONDING TO 9/11

- strengthening transportation security and establishing the Transportation Security Administration;
- implementing the Air Transportation Safety and System Stabilization Act and addressing changes in air services;
- following through on aviation safety, capacity, and modernization efforts in a post-9/11 world; and
- balancing the Coast Guard's missions and budget priorities in light of 9/11.



A Coast Guard deck officer stands watch in Hampton Roads, VA.

TRANSPORTATION SAFETY

- helping to ensure motor carrier safety at the U.S.-Mexico border and improving oversight of state Commercial Drivers License programs; and
- implementing the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act provisions to improve detection of motor vehicle safety defects and identifying strategies to achieve goals for increasing seat belt usage.

STEWARDSHIP OF FEDERAL RESOURCES

- deciding the future structure and funding of intercity passenger rail (Amtrak);
- improving the Maritime Administration's (MARAD) Title XI loan guarantee and ship disposal programs;
- assisting with reauthorization of the Transportation Equity Act for the 21st Century and strengthening oversight of Federal highway and transit funds; and
- addressing Department-wide management issues including Presidential Management Initiatives, computer security, contract oversight, new financial systems, the Government Performance and Results Act, human resources issues, and the Transportation Administrative Service Center.

CONGRESSIONAL INITIATIVES

OIG RECEIVES NUMEROUS REQUESTS each year from members and committees of Congress to conduct audits, reviews, and investigations and provide testimony on Departmental programs. OIG's work plan currently includes the following congressionally requested projects:

- Review the Office of the Secretary's procedures to implement payment provisions of the Air Transportation and System Stabilization Act, including analysis of up to \$10 billion in applications from air carriers for Federal loan guarantees, payment of \$5 billion in compensation to passenger and cargo air carriers for direct and incremental losses resulting from the terrorist attacks on September 11, and the supportability and reasonableness of air carrier compensation payment claims.
- Review and provide an interim report on the analysis of proposed cockpit door-securing technologies and related security measures.

- Assess the Department's efforts to ensure that Mexican trucks will operate safely within the United States.

- Determine if the Information Technology Omnibus Procurement Program is so broad and flexible that it could be used by DOT agencies to evade departmental oversight or Congressional scrutiny, if DOT agencies use this type of contract when they have contract professionals in-house who perform similar work, and if this procurement fits the main mission of TASC.



- Certify that increased funding to enhance staffing, training, and protective gear at Coast Guard search and rescue stations, surf stations, and command centers is used solely for the purposes intended.

- Review selected transportation mega-projects and aggressively investigate and refer for prosecution cases of fraud involving Federal funds.

OIG WORK IN PROGRESS

Other OIG work in progress in each of our audit offices includes:

AVIATION

- Assess FAA's Weather and Radar Processor programs with respect to cost, schedule, and performance. Examine how FAA will use the systems to lessen the effects of bad weather and improve air traffic flow.

- Assess FAA's progress in implementing the Air Transportation Oversight System and identify barriers to implementation.

- Evaluate the development and deployment of the Local Area Augmentation System, including program cost and schedule.

- Evaluate FAA's Free Flight Phase 1 (FFP1) initiative with emphasis on cost, schedule, human factors, and software development. In addition, evaluate plans for expanding the FFP1 effort (and other technologies planned for implementation) during the 2003 to 2005 time frame, and the interface between Free Flight technologies and other modernization efforts.

- Determine the effectiveness of FAA’s oversight of air carriers’ Continuing Analysis and Surveillance Systems use to monitor the effectiveness of aircraft maintenance and inspection programs.

FINANCIAL, INFORMATION TECHNOLOGY, &
DEPARTMENT-WIDE PROGRAMS

- Determine whether FY 2001 financial statements prepared by the Department and its Operating Administrations conform with Generally Accepted Accounting Principles, have adequate internal controls over financial reporting, and comply with laws and regulations that could have a direct and material effect on the financial statements.
- Determine if FAA is properly administering payment and closeout of cost-reimbursable contracts.
- Determine whether FAA computer security over Air Traffic Control En-Route Center operations is adequate to ensure the integrity, confidentiality, and availability of critical air traffic control systems.

NATIONAL TRANSPORTATION INFRASTRUCTURE

- Determine whether Central Artery’s October 1, 2001, Finance Plan complied with Federal Highway Administration (FHWA) guidance and whether estimated costs are supported by appropriate and sufficient cost data and funding sources. Determine whether the planned completion schedule is supported by appropriate information.



Tunnel construction on the Central Artery/Tunnel Project in Boston.

- Assess FHWA’s follow-up to generate a credit on the Central Artery/Tunnel Project for insurance premium overpayments and related trust fund income, and to develop a national policy for protecting the highway program from similar abuses of grant funds.
- As a follow-up to our audit reporting the status of issues related to the Woodrow Wilson Bridge Corridor Reconstruction Project, determine whether FHWA, the State of Maryland, and the Commonwealth of Virginia implemented agreed upon actions in the Final Finance Plan for the project.



- Determine whether the Hiawatha Corridor Light Rail Transit Project (Minneapolis, MN) has a reliable project budget, sufficient construction and operations funding, and a viable completion schedule in order to protect the Federal investment from waste, fraud, and abuse.

- Evaluate the cost estimate increases of the Springfield, VA Interchange Construction Project, as well as the adequacy of funding and scheduling.

MARITIME & HIGHWAY SAFETY PROGRAMS

- Determine whether the project cost and schedule estimates for the Coast Guard's National Distress and Response System Modernization Project are reasonable, supported, and justify the development of a new system.
- Assess the Coast Guard's management, direction, and funding of its research and development program, and its progress toward meeting the Department's performance goals and implementing previous OIG and General Accounting Office recommendations in this area.
- Evaluate the criteria and data used by the National Highway Traffic Safety Administration (NHTSA) to identify motor vehicle safety problems as part of action required by the TREAD Act. Assess the efficiency of NHTSA's procedures and processes for investigating problems and issuing consumer alerts or recalls and evaluate NHTSA's efforts to update its safety standards, specifically automobile tire standards.
- Determine whether oversight by the Federal Motor Carrier Safety Administration is adequate to identify state and third-party weaknesses in testing commercial drivers and issuing Commercial Drivers Licenses, and whether it can ensure correction of significant disclosed weaknesses.
- Assess the effect of the October 19, 2001, bankruptcy filing of American Classic Voyages Co. on its Title XI loan guarantees, and perform a comprehensive review of the Title XI program to determine if procedures for submitting, reviewing, approving, and monitoring selected loan guarantees comply with laws and regulations to protect the interests of the United States.

COMPETITION, ECONOMIC, RAIL, & SPECIAL PROGRAMS

- Assess Amtrak's current financial status, its 2001 Strategic Business Plan, and the current capital investment program, funding sources, and capital needs.
- Assess the accuracy of information in the Federal Railroad Administration's (FRA) safety inspection reports and database, determine whether the database information is used appropriately to calculate defect ratios, and evaluate the usefulness of the database in enforcing Federal safety standards.
- Continue to monitor aviation delays and service to small communities.

THE OFFICE OF INSPECTOR GENERAL INCLUDES A STAFF OF AUDITORS AND ANALYSTS who review DOT programs and make recommendations to enhance their effectiveness and improve their efficiency. Our aim is to ensure the Department spends taxpayer funds in a prudent and proper manner. Some audits focus on financial issues; others provide oversight of safety programs, contract management, computer security, and program performance. The Inspector General's staff also includes trained criminal investigators who build criminal cases against lawbreakers—such as unscrupulous contractors that defraud Federally funded highway and transit construction projects, people who buy and sell fraudulent Commercial Drivers Licenses, firms and individuals who falsify shipping documentation to conceal shipments of hazardous materials, and industry parties that traffic in counterfeit and unapproved aircraft parts. In addition, OIG's investigative staff includes administrative investigators who specialize in conducting time-sensitive noncriminal investigations of importance to the Department and Congress, such as cases involving employee misconduct and breaches of program integrity.

Many factors go into determining what to audit. Some audits are required by law. Others are requested by key decision makers, such as the Secretary of Transportation, heads of the Operating Administrations within DOT, or members of Congress. The OIG audit plan is also based on the past experience of an audited entity, the strategic goals of DOT, and priorities established each year by OIG itself. Since the events of September 11, OIG has been re-evaluating its audit plans and how to make them better reflect the Department's increasing emphasis on security.

Information for OIG investigations also comes from many areas. DOT's Operating Administrations and state government officials refer tips or information about suspicious activity to OIG special agents. Those agents, often with assistance from other law enforcement agencies, conduct investigations utilizing, as necessary, judicial tools such as search warrants and subpoenas to obtain evidence.

Another source of investigative direction is the Office of Inspector General Hotline, a toll-free number that gives citizens—including Federal workers—direct access to OIG investigative staff. The number is 1-800-424-9071. Hotline users are not obliged to disclose their identities, and whistleblowers within the government are protected from reprisal by Federal law. The Hotline staff can also be e-mailed at hotline@oig.dot.gov.

The Inspector General Act requires the Department to provide the Inspector General with all requested information and for the IG to report any instance in which access was denied. DOT officials withheld no information requested by OIG during the 6 months covered in this report. ■

Funds Suspended for Seattle Central Link Light Rail Project

April 4

IN RESPONSE TO A REQUEST FROM REP. HAROLD ROGERS, Chairman of the House Appropriations Subcommittee on Transportation, we reviewed the Department’s January 19, 2001 approval of a \$500 million grant for the Seattle Central Link Light Rail Project. We found that the Federal Transit Administration (FTA) did not perform satisfactory due diligence in reviewing the grant application.

We recommended that the Secretary direct FTA to hold the project’s funds and funding decisions in abeyance until (1) Sound Transit deals with issues that could significantly affect cost, schedule, and scope; (2) FTA and its consultant validate the estimated completion cost; (3) FTA and its consultant validate that



funding sources are sufficient; and (4) Congress has the necessary 60 days to review the project’s grant agreement. The Secretary concurred with our recommendations and is withholding funding on the project. Sound Transit has proposed a revised alignment, which FTA is reviewing.

Sentencings in Aviation Hazmat Case

April 6

AIRBAGS EXPRESS, INC. (ABEI), OF DAVIE, FL, was fined \$10,000 by a U.S. District Court judge in Miami, FL, for illegally shipping hazardous materials. ABEI and company owner Valerie Enrique illegally shipped automobile airbags and igniting devices to a freight forwarder for scheduled transport by air carrier, without properly labeling the hazardous materials as required by DOT regulations. Enrique, of Pembroke Pines, FL, received 3 years' probation and 150 hours' community service. OIG investigated this case with the Broward County Sheriff's Office, the Miramar, FL, Police Department, and the FBI.



Airbag in packing material. (Photo courtesy of Broward County (FL) Sheriff’s Office.)

HazMat Trucking Company Owner, Head Mechanic Jailed

April 12

ROBERT SCHIPPERS, PRESIDENT, OWNER, AND OPERATOR of Schippers Services, a now-defunct Easton, PA, trucking company, was sentenced in U.S. District Court in Philadelphia to 24 months' imprisonment and a \$7,300 fine for illegally transporting hazardous materials. Schippers and the company's chief mechanic, Ronald Padula, pleaded guilty in February 2000 to charges of illegally transporting hazardous materials in leaking and uninspected cargo tanks and discharging hazardous materials into Easton's public sewer system. Padula was sentenced to 10 months' imprisonment and a \$1,150 fine. OIG and the U.S. Environmental Protection Agency's (EPA) Criminal Investigations Division investigated the case as a result of a referral from FMCSA.

CDL Staffing Company Owner Fined in Drug Testing Case

April 18

ROY C. SMILLIE, OWNER OF CDL STAFFING, INC., of Arlington, TX, was fined \$4,000 and placed on 2 years' probation by a U.S. District Court judge in Arlington, for falsifying drug tests of commercial truck drivers. CDL Staffing, Inc., is a now-defunct temporary staffing agency that provided motor carrier companies with qualified truck drivers. Smillie instructed his employees to destroy records of positive drug tests and record only negative results. Upon learning of the positive test results, Smillie instructed drivers to return to his shop after they ingested "golden seal," a substance used to mask other drugs. FMCSA provided technical assistance to OIG during the investigation.

NHTSA Engineer Sentenced

April 20

LLOYD H. EMERY, A NHTSA HIGHWAY safety research engineer, was sentenced by a U.S. District Court judge in Alexandria, VA, to 3 years' probation and ordered to pay \$8,250 in restitution and a \$3,000 fine. Emery pleaded guilty in January 2001 to bankruptcy fraud charges stemming from his concealing approximately 33,000 shares of common stock he held in West Coast Mines, Inc., from creditors and the United States Trustee during proceedings in U.S. Bankruptcy Court. OIG investigated this case with the FBI.

Flight Delays and Cancellations

Flight delays and cancellations—and the related issues of capacity enhancement and air traffic control improvements—commanded a significant amount of OIG’s attention before the events of September 11th. The combination of burgeoning demand and limited growth in capacity resulted in widespread customer dissatisfaction with air travel, which FAA, airlines, and airports all have a role in addressing.

Early in 2001, at the request of Rep. Harold Rogers, Chairman of the House Appropriations Subcommittee on Transportation, we focused on efforts by the Department, FAA, and the airlines to reduce the number and frequency of flight delays and cancellations. We testified three times before the subcommittee and subsequently made recommendations to the Department and FAA based on our testimony.

In an April 3 report (based on our March 15 testimony), we observed that flight delays and cancellations, as well as consumer dissatisfaction with the airlines, were at an all-time high. Unknown at that point was whether the internal and external factors that had wreaked havoc with airline schedules in 2000 would



be repeated in 2001. We recommended that FAA establish a uniform system for tracking delays, cancellations, and their causes, and issue capacity benchmarks for the nation’s 30 largest airports. DOT’s ability to address delays and cancellation was significantly handicapped by the lack of a uniform system for tracking delays, cancellations, and their causes. This had led to misleading and inconsistent data.

At the May 3 hearing, we were able to state that FAA had (1) adopted the Department’s definition of a delayed flight—as one arriving 15 minutes or more after the scheduled arrival time; (2) established capacity benchmarks for 31 major airports that defined the maximum number of flights per hour that each airport could routinely handle at various times of the day and under favorable and unfavorable weather conditions; and (3) devised the National Operational Evolution Plan (a set of initiatives and milestones for expanding capacity in the air traffic control system). In addition, the Department enlisted four air carriers to participate in a pilot program to track the causes of flight delays and cancellations. We advised the subcommittee the next crucial step was how effectively and in how timely a fashion FAA and the Department would implement these actions.

By our August 2 testimony, we were able to report significant reductions in arrival delays and cancellations for the first half of 2001. Those delays which occurred were shorter in duration, and consumer complaints against the major air carriers decreased nearly 20 percent between the first 6 months of 2000 and 2001. This was due to (1) better weather; (2) fewer labor disruptions; (3) FAA and airline actions to improve communication, air traffic management, and airspace/airport usage; and (4) voluntary actions by several of the major airlines with respect to adjusting their flight schedules.

Despite these favorable statistics and trends, both the Department and the airlines need to continue working on long-term solutions to the underlying problems of capacity limits, scheduling, and disclosure. As reported in our August 17 transmittal of recommendations from our August 2 hearing: (1) DOT still lacks a uniform system for tracking the causes of flight delays and cancellations; (2) airlines need to notify passengers at the time of booking, without being asked, the prior month’s on-time performance for those flights which have been consistently delayed and/or cancelled 40 percent or more of the time; (3) airlines need to clarify the rights of passengers forced into an overnight situation due to delays, cancellations, or diversions; (4) FAA needs to continue working on eliminating the seven major airspace chokepoints, and to finalize its budget and plans for Free Flight Phase 2; and (5) airport runway projects, which will provide the most capacity improvements, are in various stages of progress, and most will not be completed until the period 2004–2007.

The events of September 11 have forced both the Department and the airlines to make aviation security the primary focus of their attention and resources. As the provisions of the Aviation and Transportation Security Act of 2001 are implemented, as passenger confidence in aviation is restored, and as the economy rebounds, we expect interest in reducing delays and cancellations will resurface as key aviation issues.

MARAD Officer Fined in Bribery Case

April 25

MARITIME ADMINISTRATION SPECIAL PROJECTS officer Francis Peter O'Connell was fined \$2,500 by a U.S. District Court judge in Beaumont, TX, for receiving unauthorized compensation on a government contract. O'Connell pleaded guilty in December 2000 to accepting \$3,250 in consulting fees from BGI Enterprise, Inc., on a U.S. Coast Guard contract to remove abandoned barges from inter-coastal waterways. OIG investigated this case with the FBI, the Defense Criminal Investigative Service, and the Naval Criminal Investigative Service.

Illinois Official Sentenced in Bribery Scandal

April 25

DEAN R. BAUER, THE FORMER INSPECTOR GENERAL for the State of Illinois Secretary of State's Office, was sentenced to 366 days in Federal prison by a U.S. District Court judge in Chicago for his role in a licenses-for-bribes scandal. Bauer was also ordered to pay a \$10,000 fine. Bauer pleaded guilty January 17, 2001, to obstruction of justice in his effort to thwart the Federal investigation known as "Operation Safe Road" focusing on fraud in the Illinois CDL program, administered by the Secretary of State. Operation Safe Road is a task force investigation involving OIG, the FBI, the IRS Criminal Investigative Division, the Postal Inspection Service, and the Illinois State Police.

Electronic Mail System Replacement

May 3

THE FEDERAL RAILROAD ADMINISTRATION (FRA) awarded a \$760,000 contract to USinternetworking (USi) to replace its electronic mail system. FRA selected USi without competition after confirming it was the sole application service provider (ASP) on the General Services Administration (GSA) schedule. We concluded the selection criterion was flawed. There are no industry standards or certification programs for ASPs; rather, it is up to service providers to decide whether they want

IG flags flaws in railroad agency e-mail award

BY PREETI VASISHTHA | GSN STAFF

E-GOV The Federal Railroad Administration inappropriately awarded a three-year, \$760,000 schedule contract to replace its e-mail system, the Transportation Department inspector general has concluded.

The administration used flawed selection criteria to award the contract to USinternetworking Inc. of Annapolis, Md., and did not determine whether the company was financially qualified

port the new messaging system and a \$120,000 contract to Intellisys Technology Corp., now known as PlanetGov, of Chantilly, Va., for the migration phase. The agency plans to complete the transition by July.

One criterion that the agency used in selecting a vendor to handle the support work was whether the would-be contractor categorized itself as an application service provider. Before selecting USi, the agency conferred with the General Services Administration that USi was the only company

agency failed to open the contract to fair competition when there were other vendors capable of providing the services, the IG said.

The use of the ASP criterion to justify the contract was flawed and inappropriately excluded other vendors from consideration, the IG said.

The DOT auditors said the problem arose because FRA's procurement officials did not understand the technical services requirements.

The IG also questioned the agency's failure to check out the company's performance. USi stock was posted at \$70 in March of last year but had dropped to \$10 at the time of the award in September. By May 1, USi stock had hit \$1.69.

The report also noted that the railroad agency failed to check with other agencies

➤ The use of the ASP criterion to justify the contract was flawed and inappropriately excluded other vendors, the IG said.

to be identified in the industry or on the GSA schedule as an ASP. Other GSA-approved e-mail service providers that did not identify themselves as ASPs were capable of providing the services required. Therefore, FRA's use of ASP as a criterion to justify a noncompetitive contract award to USi was flawed and inappropriately excluded other vendors from consideration. We recommended that FRA terminate the contract with USi at the end of one year, enhance the capability of procurement personnel to better understand information technology, and review the financial reliability of prospective contractors on the GSA schedule before awarding future contracts. FRA did not agree with OIG's conclusion that a flawed criterion was used to select USi but agreed with the recommendations.

Fluor Daniel to Pay \$8.2 Million Settlement for Overbilling Government

May 7

FLUOR DANIEL, INC., ONE OF THE NATION'S LARGEST engineering and construction companies, agreed to pay the United States \$8.2 million to settle a whistleblower complaint accusing it of improperly charging commercial overhead costs to its Federal contracts. As part of the agreement reached in U.S. District Court in Los Angeles, CA, the company did not admit guilt. The company was charged in 1997 with submitting millions of dollars in false invoices to the Government. Fluor Daniel was under contract to perform engineering and construction projects for numerous Federal agencies, including FAA and the Federal Transit Administration. DOT's portion of the improper charges totaled over \$623,000 in project management oversight services. OIG investigated this case with the Department of Energy's OIG, the Defense Criminal Investigative Service, the Army Criminal Investigation Division, and the Defense Contract Audit Agency.

Implementing NAFTA's Cross-Border Trucking Provisions

May 8

AT THE REQUEST OF SENATOR ERNEST HOLLINGS, Chairman of the Senate Committee on Commerce, Science, and Transportation, and Rep. Jim Oberstar, Ranking Democratic Member of the House Committee on Transportation and Infrastructure, we provided a status report on conditions related to inspection of commercial vehicles at the United States-Mexico border. We found that (1) the

percentage of Mexican trucks removed from service because of serious safety violations decreased from 44 percent in FY 1997 to 36 percent in FY 2000; (2) FMSCA increased the authorized number of inspectors at the southern border from 13 in FY 1998 to 60 in FY 2001, and asked for 80 additional enforcement personnel in its FY 2002 budget request; and (3) there have been few needed improvements to inspection facilities used by Federal and state commercial vehicle inspectors at border crossings. We recommended that FMSCA finalize and execute a comprehensive plan which specifies actions and completion dates for implementing the North American Free Trade Agreement's (NAFTA) cross-border provisions and which ensures safety at the southern border and across the United States. The Department concurred with our recommendations and is considering them as it develops a comprehensive safety strategy.



Otay Mesa Crossing, CA, outside San Diego. (Photo by Barbara Cobble.)

Texas Man Prohibited from Working in Aircraft Maintenance

May 14

[DARRELL MICHAEL RANSON WAS PROHIBITED](#) from working in aircraft maintenance for 2 years and fined \$500 by a U.S. District Court judge in Fort Worth, TX, for forging the signature of an FAA Designated Airworthiness Representative. Ranson falsely indicated a hydraulic fuse was new and manufactured in accordance with FAA approval data. The fuse helps regulate hydraulic pressure on aircraft.

Fine Levied for Fraudulent Repairs on USCG Gyroscopes

May 15

[NATARAJAN NARAYANAN, PRESIDENT OF NARAS AVIATION](#), a Miami, FL, aviation repair facility, was fined \$250,000 in U.S. District Court in Miami for making false claims regarding modifications of aircraft gyroscopes, used in guidance and navigation, for the U.S. Coast Guard (USCG). Narayanan

and his company pleaded guilty in January 2001 to replacing Coast Guard gyroscopes with used, unairworthy parts and billing the Coast Guard for new parts. The company was also ordered to hire an outside independent aviation consultant to audit its operations. OIG and the Defense Criminal Investigative Service investigated the case with assistance from the quality assurance section of the USCG Aircraft Repair and Supply Command in Elizabeth City, NC.



A gyroscope. (Photo courtesy of Defense Criminal Investigative Service.)

Guilty Plea in MARAD False Bids Case

May 23

[WALLACE BATISTE, SR., AND HIS COMPANY](#) W.B. Construction, a contractor for MARAD at the Beaumont, TX, Ready Reserve Fleet, pleaded guilty in U.S. District Court in Beaumont to charges of submitting false bids to obtain \$400,000 worth of MARAD construction and service contracts between 1993 and 1999. No sentencing date is scheduled. OIG conducted the investigation with assistance from the FBI and the Defense Criminal Investigative Service.

No Improprieties Found in FAA Promotional Practices

May 25

[AT THE REQUEST OF SENATOR RICHARD LUGAR](#), we investigated a constituent's concerns regarding the promotion, training, and leave policies of FAA technicians. Specifically, the concerns involved improper promotion of unqualified technicians, improper on-the-job training, and allowing untrained technicians to take on-the-spot annual leave without affording others the same opportunity. OIG found that (1) the employees in question were promoted based on a policy approved by their bargaining unit; (2) the supervisor had provided proper training; and (3) no disparate treatment existed regarding requested leave. OIG did find that some technicians had called in sick as opposed to requesting annual leave. When they returned to work, the technicians submitted annual leave requests for that period. FAA responded to us that they saw no problem with the practice, so long as management approved the leave.

Aircraft Cable Manufacturer to Pay \$1.6 Million for False Certification

May 30

STRANDFLEX COMPANY, A DIVISION OF Maryland Specialty Wire, Inc., was ordered by a U.S. District Court judge in Syracuse, NY, to pay a criminal fine of \$500,000 and \$100,000 in restitution after pleading guilty to charges of making false claims to the United States regarding the certification of aircraft cable. In a related case, Strandflex also agreed to pay \$1 million to settle a civil complaint filed under the False Claims Act. The company admitted to manufacturing aircraft cable and falsely certifying that it met the manufacture and quality assurance testing requirements of U.S. military specifications. Relying on these certifications, Strandflex customers sold the cable to Government agencies and the civilian aviation industry regulated by the FAA. During the investigation, the U.S. Attorney's Office notified all known military, domestic, and international airline end users that had purchased Strandflex cable to advise them it may not have met military specifications as required. OIG investigated with the Defense Criminal Investigative Service and the National Aeronautics and Space Administration OIG.

Review of Department's 2000 Performance Report/2002 Performance Plan

June 4

OIG REVIEWED THE DEPARTMENT'S 2000 Performance Report/2002 Performance Plan in response to a request from Rep. Dan Burton, Chairman of the House Committee on Government Reform. We found that the Department reasonably presented its progress and plans. Improvements in this year's document included establishing a new performance measure on airport capacity. Areas for further improvement include establishing a goal of rescuing an increasing percentage of mariners in imminent danger and establishing performance measures on the rate of foreign and domestic commercial drivers and vehicles placed out of service following inspection.

Pipeline Supervisor Sentenced for Clean Water Violations

June 7

MICHAEL SALEY, A FORMER CONSTRUCTION SUPERVISOR at the Iroquois Pipeline Operating Company, was fined \$7,500 by a U.S. District Court judge in Syracuse, NY, for Clean Water Act violations stemming from the company's construction of the Iroquois Pipeline, a gas pipeline running

approximately 370 miles across New York State. Iroquois pleaded guilty in 1996 to related charges and was ordered to pay \$22 million in fines, restitution, and civil recoveries. Saley was the last of four former company officials to be sentenced in this case. OIG investigated the cases as part of a multi-agency task force with the U.S. Attorney's Office for the Northern District of New York.

Risks to Deploying STARS

While FAA has nearly completed software development for the Standard Terminal Automation Replacement System (STARS), Alexis M. Stefani, Assistant Inspector General for Auditing, expressed concern to Congressional committee members over the agency's ability to deploy the system within the current cost and schedule. On June 13, in the second of an ongoing series of hearings on the status of STARS before the House Transportation and Infrastructure Subcommittee on Aviation, Stefani cited specific areas of concern, including FAA's compressed software testing schedule, the significant number of problems noted during software testing, and delays in the development of a digital radar system needed to support STARS.

Because FAA has established cost projections and a deployment schedule only through 2004, neither the agency nor OIG can determine whether full deployment can be achieved by 2008, as planned. In addition, FAA has not evaluated whether an interim solution to STARS—known as Common ARTS (Automated Radar Terminal Systems)—would be needed to support FAA's terminal automation needs, should STARS be further delayed.

We recommended that FAA (1) complete a refined cost and schedule plan for the entire STARS program through 2008; (2) have the Mitre Corporation, (FAA's Federally funded research and development center) revalidate the conclusions of its earlier evaluation after STARS software is retested in July 2001; and (3) develop a viable contingency plan in case of more delays. FAA agreed to have Mitre revalidate its conclusions after the July testing, and to complete by the end of FY 2002 a cost and schedule plan through 2008. FAA stated it has a contingency plan to address further delays but has not provided any documentation to support it.

On September 13, in the third of the STARS hearings before the Subcommittee, Stefani testified that the risks to deploying STARS on schedule continue to increase. Even though FAA uncovered more problems during software retesting, it does not plan to adjust the STARS development schedule to allow for additional testing time. Instead, it developed a riskier plan to test all versions of STARS simultaneously. Second, the ASR-11 digital radar program continues to pose a major risk to STARS. Finally, if STARS is not fully operational at Philadelphia International Airport by February 2003, airspace across the East Coast could be seriously affected.

Former FAA Employee Sentenced for Government Credit Card Fraud

June 11

FORMER FAA MECHANIC RONALD DEAN FRANK was sentenced to 10 months' confinement—5 months at a halfway house and 5 months at home—by a U.S. District Court judge in Anchorage, AK, for illegally making \$58,338 in unauthorized charges on his office's government credit card, including purchases for personal use from a custom auto body shop. Frank, who was working in the FAA's Las Vegas Field Maintenance Unit at the time of the unauthorized purchases, was ordered to repay the entire amount.

Former FAA Employee Sentenced to Prison in Software Theft

June 12

FORMER FAA SOFTWARE DEVELOPER Thomas A. Varlotta was sentenced by a U.S. District Court



judge in Chicago, IL, to a year in prison for the theft of an air traffic control software source code the agency had spent \$1 million to develop. Varlotta led a four-person team that worked for 5 years to develop an air traffic control navigation program which relayed critical flight data between Chicago O'Hare Airport and the Elgin, IL, Terminal Radar Approach Control facility. Varlotta resigned his FAA position in June 1998, telling his supervisor he had accidentally destroyed the original source code for the program. OIG investigators searched Varlotta's home and discovered a floppy disk containing an encrypted version of the code.

IG Examines Coast Guard Funding and Safety Issues

June 13

IN TESTIMONY BEFORE THE SENATE Appropriations Subcommittee on Transportation, the IG stated that the Coast Guard will need at least \$15 billion in capital spending over the next 20 years to modernize assets critical to the agency's safety and other missions. The two largest capital projects are the National Distress and Response System Modernization Project and the Deepwater Capability Replacement Project. To accommodate these projects, the Coast Guard's capital acquisition budget will need to more than double, from \$400 million annually to at least \$1 billion annually on a sustained basis.

The IG warned that the Coast Guard would be vying in future years with other programs—such as transportation security, FAA operations, and Amtrak—that are also seeking budget increases and competing for limited transportation funding. Since the testimony, the catastrophic events of September 11 have forced the Coast Guard to devote the majority of its resources to port security functions at the expense of other missions. This expansion of the homeland security mission will likely increase the Coast Guard's acquisition needs.

Pay Inequities in FAA Air Traffic Line of Business

June 15

OUR REVIEW OF PAY PARITY WITHIN THE FAA'S air traffic line of business found that the agency's decision to limit the pay system of managers, supervisors, and specialists (MSS) to field facilities has resulted in pay inequities within the line of business. We found numerous instances of employees assigned to similar positions but receiving significantly different pay. For example, base salaries for staff specialists in field facilities ranged from \$103,000 to \$121,000, while those in regional facilities ranged from \$79,000 to \$105,000. The inequities have been compounded by FAA policies allowing employees to retain their higher salaries when they transfer from field facilities to headquarters or regional positions.



We recommended that FAA evaluate all MSS positions and ensure that pay bands are aligned to reflect the position's duties, responsibilities, and importance to FAA's missions. FAA is reviewing nonsupervisory MSS positions in headquarters and regional offices to ensure they are appropriately aligned with the correct pay band. FAA is also reviewing vacant controller positions and converting them to a different job series when appropriate.

Airline Customer Service Update

June 20

IN TESTIMONY BEFORE THE HOUSE TRANSPORTATION SUBCOMMITTEE on Aviation, the Inspector General discussed the airlines' progress in improving customer service since release of our February 13, 2001, report on customer service. The IG testified that the nation's major airlines had announced additional customer service initiatives in response to our audit, including (1) incorporating the 12-provision commitment to upgrade customer service into their contracts of carriage, (2) establishing systems for measuring performance, and (3) petitioning the Department to re-examine regulations for reporting mishandled baggage and compensating passengers who are involuntarily bumped from flights.

The major airlines also formed a task force to coordinate efforts to deal with lengthy delays, help passengers forced to stay overnight because of delays, cancellations, and diversions, and make plans to help ensure the accuracy of airport flight display monitors. Notwithstanding this progress, the IG expressed concern that the airlines were unwilling to voluntarily notify customers at booking about flights which were consistently delayed (30 minutes or more) or canceled (40 percent or more) during the previous month.



Guilty Plea in Illegal Sale of Unapproved Aircraft Parts Case

June 21

[ROSE FLORES PLEADED GUILTY](#) in U.S. District Court in Houston, TX, to tax evasion charges for failing to report income from the sale of scrapped aircraft parts to an aircraft repair station and an aircraft broker. In April, Roger T. Sickler, co-owner of RTS Rework, Inc., an FAA-approved aircraft repair station, and RTS Services, Inc., an aircraft broker, were indicted on charges of money laundering, wire fraud, and conspiracy for their role in the scheme to sell the scrapped parts for use as FAA-approved parts in commercial and military aircraft. No sentencing date has been set. This case was investigated by OIG and the Defense Criminal Investigative Service.

Trucking Firm Pleads Guilty to Falsifying Service and Employee Records

June 25

[ROBERT DEROSE, OWNER OF DEROSE TRUCKING \(DT\)](#), his son Christopher, also employed by DT, and a DT driver, Robert Ruise, all pleaded guilty in U.S. District Court in San Jose, CA, to falsifying records of drivers' compliance with hours-of-service regulations and drug and alcohol abuse records. The men altered records to indicate that drivers were off duty when in fact they were working in violation of Federal hours-of-service limits. Company officials also failed to enforce the carrier's drug testing policy as required by Federal regulations and allowed its drivers to continue driving after testing positive for drug use. Sentencing has not been set.

Reducing Runway Incursions

June 26

THE IG TESTIFIED BEFORE AND RELEASED A REPORT to the House Transportation and Infrastructure’s Aviation Subcommittee regarding runway incursions—incidents that create a collision hazard. While FAA has placed substantial management focus on reducing incursions in recent years, the number of potentially hazardous incidents continues to increase. There were 431 runway incursions in calendar year 2000, an average of more than one a day. Two significant factors have constrained FAA’s progress. First, FAA has not done enough to provide technologies to airports with continued runway incursion problems. Second, the Runway Safety Program Director has little authority to ensure the completion of initiatives undertaken by employees responsible for runway safety. FAA agreed to review the need for technology at airports with continued runway incursion problems, reevaluate the deployment schedule of the Airport Movement Area Safety System, decide on the feasibility of implementing new technologies to assist pilots in reducing runway incursions, and improve the accountability for runway safety initiatives.



Amtrak Financial Issues Spur Debate Over Its Future

In a June 21 report to the Secretary and subsequent testimony before the House Transportation & Infrastructure Railroad Subcommittee on July 25, the IG stated that Amtrak’s financial performance was not meeting expectations. Both Amtrak’s revenue and ridership have grown, but growth in expenses has kept pace, resulting in large operating losses.

In June, we expressed concern over Amtrak’s cash flow shortfalls, which were exacerbated by further delays in the delivery of Acela trainsets, from September to December 2001. Amtrak’s solution to this shortfall, mortgaging Penn Station-New York, will allow the railroad to remain solvent in the short-term, but will add at least \$27 million each year to its already significant interest expense.



During our July testimony, we also expressed concern about Amtrak’s long-term capital funding needs. Amtrak would still need substantial Federal capital appropriations—about \$750 million each year—even if it should achieve self-sufficiency. The proposed \$12 billion high-speed rail investment bond bill would neither offset Amtrak’s need for annual Federal capital funding nor meet the full costs for developing each of the 10 designated high-speed corridors.

Florida Freight Company Fined in Hazmat Pollution Case

July 5

LILIANA GUZMAN-HAYNES, PRESIDENT, Olympic International Freight Forwarders, Inc. (OIFF), was fined \$29,095 by a U.S. District Court judge in Miami, FL, after being convicted on April 12 of illegally storing hazardous wastes that were later illegally dumped. As a freight forwarder, OIFF often handled the transportation of hazardous materials. An investigation of the dumping of extensive amounts of toxic chemicals—such as acids, carcinogens, and poisons—in western Dade County, FL, traced the chemicals to OIFF. OIG investigated the case with the U.S. Environmental Protection Agency Criminal Investigation Division, the Miami-Dade Police Department, the Dade County Environmental Resources Management Department, and the Florida Department of Environmental Protection.



Dumped hazardous wastes. (Photo courtesy of Environmental Resources Management, Miami-Dade County, FL.)

Private Pilot Fined for Flying Unauthorized Aircraft

July 6

WILLIAM E. SPAFFORD, A PRIVATE PILOT in Cortland, NY, agreed to pay a \$20,000 fine as part of a civil settlement with FAA, following an OIG investigation, for illegally displaying registration and serial numbers on an aircraft. Spafford displayed a U.S. registration number and serial number from two aircraft on a third plane, originally registered as Mexican, in order to continue to fly it. He pleaded guilty in U.S. District Court in Syracuse, NY, in January 2000 to a charge of providing false statements to the FAA.

Two Men Ordered Jailed for Making Faulty Helicopter Rotor Blades

July 6

FRANK CURTIS CHERRY, JR., AND HIS SON Frank Curtis Cherry III were ordered jailed for their role in making defective rotor blades, which caused a helicopter crash in October 1995 that resulted in the deaths of the pilot and sole passenger. The two men pleaded guilty October 18, 2000, to charges that

they falsified the airworthiness certificate of two helicopters and rotor blades to conceal their poor condition. Cherry Jr., was ordered by a U.S. District Court judge in Los Angeles, CA, to serve 18 months in prison, and his son received a 14-month jail term.

Moving Company Owner and Foreman Jailed for Defrauding 259 People

July 13

YARON TISHBY, FORMER PRESIDENT AND OWNER of All American Van Lines of Pembroke Park, FL, was fined \$2.5 million and ordered jailed for 40 months by a U.S. District Court judge in Miami, FL, for his role in defrauding 259 victims in a household goods moving scam in south Florida. Tishby and four other defendants induced victims to contract for household goods moving and shipping services, while fraudulently forcing them to pay significantly higher, bogus hidden costs. The defendants then held the goods as ransom and, in some cases, never returned the victims' belongings. Tishby pleaded guilty to conspiracy to commit wire and mail fraud and violating Federal transportation tariffs. Tishby, an Israeli citizen, will be deported following completion of his prison sentence. Ramon DelValle, former All American Van Lines foreman, was sentenced May 11 to 20 months in prison and ordered to pay \$780,543 in restitution. The other three defendants are awaiting sentencing. OIG investigated this case with the Florida Department of Law Enforcement and the FBI, with assistance from FMCSA.

Motor Carrier Safety at the U.S.-Mexico Border

July 18

THE INSPECTOR GENERAL TESTIFIED in separate hearings before the Senate Committee on Commerce, Science, and Transportation and the House Transportation and Infrastructure Highways and Transit Subcommittee regarding motor carrier safety at the U.S.-Mexico border. He stated that the United States has improved its inspection presence and controls and Mexico has progressed in establishing safety oversight requirements. We recommended that FMCSA (1) use additional motor carrier inspectors during all border crossing operating hours; (2) complete safety reviews before granting Mexican motor carriers' conditional



Mexican trucks being inspected at the southern border. (Photo by Barbara Cobble.)

operating authority and inspect all long-haul commercial vehicles and drivers before or as they enter the United States; (3) act against those carriers which do not comply with safety regulations; (4) obtain land at border crossings to conduct inspections and place vehicles out of service; (5) revise proposed rule-makings on application procedures and a monitoring system; and (6) conduct workshops and outreach sessions to provide guidance and facilitate application processing.

California Man Bribes MARAD Employee; USCG Halts Ship Transfer

July 20

STEVEN DESSIN OF BENICIA, CA, WAS ORDERED jailed for 4 months by a U.S. District Court judge in Sacramento, CA, for charges of bribing a MARAD employee. Dessin offered the MARAD worker free automobile repair services and parts in exchange for generators, steam valves, pumps, and other equipment used on retired government-owned vessels. The MARAD employee notified OIG, and OIG special agents learned that Dessin established a nonprofit organization for the purpose of obtaining the decommissioned Coast Guard cutter *Fir* through the U.S. Coast Guard's direct donation program. OIG determined the organization was fictitious, and the Coast Guard subsequently halted transfer of the vessel, valued at over \$2 million. The FBI assisted OIG in the investigation.

Truck Driving School Instructor Jailed for Bribing Examiners

July 20

ALEX MCLECYNSKY, A TRUCK DRIVING-SCHOOL INSTRUCTOR was sentenced to 30 months in prison by a U.S. District Court judge in Chicago for receiving bribes of up to \$1,000 from unqualified CDL applicants in Illinois in order to pass the Federally mandated written portion of the CDL examination. McLeczynsky would then bribe CDL examiners to ensure the applicants would get passing grades.

Florida Man Jailed in Traffic Signal Scam

July 26

JOHNNIE C. GREENE WAS SENTENCED to 13 months' incarceration by a U.S. District Court judge in Miami, FL, after pleading guilty on June 18 to mail fraud charges for selling a "go-box" device that purportedly changed red traffic signals to green. He was prohibited from engaging in telemarketing, self-employment, and access to the Internet without permission of the U.S. Probation Office. Greene's company, CFG, Inc., advertised the device over the Internet, but failed to provide the device to customers. Tests of the "go-box" found it did not affect traffic signals as advertised. The case was investigated by OIG, the Florida Department of Law Enforcement, the Miami-Dade Police Department, and the U.S. Postal Inspection Service.



Disassembled go-box. (Photo by Barbara Barnett.)

NHTSA Clerk Pleads Guilty to Theft of Public Money

July 26

MARY L. GUTHRIE, A DATA CONTROL CLERK with the National Highway Traffic Safety Administration, pleaded guilty in U.S. District Court in Washington, D.C., to a misdemeanor count of theft of public money. An investigation found that Guthrie forged U.S. Treasury payments totaling more than \$5,000 for direct deposit into a friend's account, to which she had access, for a year following his death. Sentencing is scheduled for October 5.

Upgrades to Automated Surface Observing System Recommended

July 26

AT THE REQUEST OF SENATOR OLYMPIA SNOWE, we reviewed FAA's Automated Surface Observing System (ASOS). That system provides pilots with weather information and has replaced human weather observers at many small rural airports, at a cost of more than \$230 million. Studies show that ASOS generally performs as well as human weather observers. However, we found that performance suffers when weather conditions change rapidly and unexpectedly. Specific concerns include ASOS visibility and ceiling observations; time allotted to make repairs; and the need to replace system hardware and soft-

ware to coordinate improvements among Federal agencies. We recommended that FAA revisit and finalize plans for upgrading ASOS to improve ceiling and visibility observations, set realistic milestones for improvements, and provide the needed resources. These improvements must be coordinated with the National Weather Service and the Department of Defense.

Illinois Road Test Examiner Jailed For Bribery

August 3

JOHN CONTI, A STATE OF ILLINOIS ROAD TEST EXAMINER, was sentenced in U.S. District Court in Chicago to 11 months in jail and fined \$4,000 for accepting \$90,000 in bribes from driving school owners to pass hundreds of unqualified motorists on road exams. Conti's cooperation in the investigation resulted in the indictment and conviction of four driving school owners and seven other State of Illinois examiners for taking bribes. This was part of the ongoing Operation Safe Road joint investigation.

Deficiencies Found in New DOT Financial Management System

August 7

THIS REPORT PRESENTED OUR INITIAL ASSESSMENT of the Department's implementation of a new financial management system known as "Delphi." We identified significant deficiencies with Delphi's capability to function as the Department's core financial management system. For example, Delphi did not appropriately or automatically account for prior-year funds, nor did it have adequate internal controls in place to prevent DOT agencies from changing each other's financial data. Delphi also did not generate financial statements and other required financial reports.

We recommended that DOT (1) discontinue implementation of Delphi in other agencies until the contractor can provide a compliant, fully functioning system for the Federal Railroad Administration; (2) establish a corrective action plan to resolve the major outstanding deficiencies; (3) implement



and test Delphi's disaster recovery and business continuity plan; (4) develop a comprehensive risk-management strategy for FAA; and (5) prepare a revised remediation plan for Delphi. DOT halted implementation of Delphi and currently plans to have it fully implemented by December 31, 2002, at an estimated implementation cost of about \$80 million.

Trucker Involved in Fatal Crash Pleads Guilty to Falsifying Logbook

August 8

TRUCK DRIVER KENNETH BUTLER PLEADED GUILTY in U.S. District Court in Philadelphia, PA, to charges of violating Federal hours-of-service regulations that resulted in the 1999 death of an automobile driver in Lower Makefield Township, PA. Butler falsified his driver's logbook to indicate that he was off duty on October 14, 1999, when in fact he was driving his truck and was involved in a crash with an automobile. A 38-year-old woman was killed in the crash. Sentencing is set for December 12, 2001.

Motor Carrier Applicant Jailed for Wire and Mail Fraud

August 9

SEAN BRINKLEY, OWNER OF NOW-DEFUNCT Friendly Transportation, of Richmond, VA, was sentenced in U.S. District Court in Norfolk, VA, to 37 months in jail for misrepresenting himself as a commercial passenger bus driver to R&J McMynn (a Canadian company). Brinkley pleaded guilty on July 2 to mail fraud charges. He pleaded guilty on April 30 to wire fraud in the same case. Brinkley used a fax machine to submit false documents to R&J in order to lease and operate two high-end commercial buses for hire in the United States. Brinkley was also ordered to pay \$112,583 in restitution. OIG investigated this case with the FBI.

Shortcomings Identified in Woodrow Wilson Bridge Project

August 10

IN A JUNE 8, 2001, DRAFT REPORT to the Secretary, we identified significant shortcomings that had to be corrected before the Department could approve the finance plan for the Woodrow Wilson Bridge Corridor Reconstruction Project, outside Washington, D.C. Specifically, the cost estimates for the proj-

ect were inadequate, full funding for the project had not been identified, Maryland and Virginia were proposing to delay critical work, and Congressional direction on the use of Federal funds was not being followed. In response to our draft report, FHWA and the two states agreed to revise the finance plan. We concluded in a status report, released August 10, that if the states meet their commitment, the Secretary will have an adequate basis to approve the plan. On September 5, 2001, the states submitted a revised finance plan, which the Secretary approved on September 7.



Wilson Bridge pile-driving operation on the Potomac River.

Jail Ordered for Hauling Hazardous Materials

August 13

[GARY RASMUSSEN WAS SENTENCED](#) in U.S. District Court in San Diego, CA, to 5 months in jail for hauling and dumping hazardous materials without permits. Rasmussen was convicted of hauling crystallized picric acid, which is explosive and shock sensitive, and dumping it at an unpermitted site in Chula Vista, CA. Rasmussen was also fined \$3,000 and ordered to pay \$50,689 to the EPA for clean-up costs. OIG investigated this case with EPA's Criminal Investigations Division, the FBI, the San Diego County Environmental Health Services Department, and the San Diego District Attorney's Office.

Mechanic Pleads Guilty to Lying About Aircraft Inspection

August 13

[MELVIN KERNICK OF OAKLAND, CA](#), pleaded guilty in U.S. District Court in Oakland to charges of falsely certifying that maintenance he had done on a private plane was reviewed by a certified inspector. Kernick performed work on a privately owned AeroCommander aircraft at an airport in Danbury, CT, and signed the name of an FAA-certified inspector in the plane's logbooks. A sentencing date has not been set.

Mechanic Jailed for Misuse of Aircraft Mechanic Certificate

August 13

MICHAEL SANDIC PLEADED GUILTY in U.S. District Court in Phoenix, AZ, to charges of possessing and using a false aircraft maintenance certificate after it was revoked by the FAA. Sandic continued to represent that he was a fully certified mechanic, presenting a falsified aircraft mechanic certificate to four separate companies in Arizona and falsely stating that he had an airframe and power plant mechanic rating when he applied for employment at British Aerospace Systems in Lancaster, CA, and at Lockheed Martin in Springfield, MA. He was sentenced to 2 years' imprisonment and \$4,653 in fines, and permanently barred from working as a mechanic in the aviation industry. OIG was assisted by the U.S. Marshals Service in locating and arresting Sandic.

Paving Contractor Pleads Guilty to Bribery of Public Officials

August 14

JAMES R. SABATINE PLEADED GUILTY in U.S. District Court in Cleveland, OH, to racketeering charges stemming from his bribing Mahoning County, OH, officials in order to continue receiving county asphalt contracts. Sabatine, owner of Hardrives Paving & Construction, Inc., Youngstown, OH, also admitted that he submitted fraudulent invoices for asphalt that was never applied. OIG investigated this case with the FBI, the IRS Criminal Investigation Division, and the Department of Labor OIG. Sentencing has not been scheduled.

Pilot Pleads Guilty to Falsifying FAA Documents

August 15

BRIAN G. VATER PLEADED GUILTY in U.S. District Court in Arlington, TX, to charges of making false entries on FAA documents. Vater, a pilot and part owner of Alamo Aviation, Inc., of Arlington, signed off on FAA maintenance records even though he is not a certified aviation mechanic. He also entered false information on his FAA airman's certificate and his medical certificate, both of which are prerequisites to legally flying. A sentencing date has not yet been scheduled. This investigation was conducted by OIG, with assistance from FAA.

Former Fugitive Bus Driver Jailed for Lying to Get CDL August 20

REUBIN ROOSEVELT PETE WAS SENTENCED in U.S. District Court in Greensboro, NC, to 36 months in prison and fined \$1,000 for using a false name to obtain a commercial driver's license and to apply for a job at a motor coach company after his driver's license had been revoked. Pete pleaded guilty to charges of providing false information on a Federal Drug Testing Custody and Control Form on June 12, 2000, and subsequently fled to avoid imprisonment. He was arrested on a fugitive warrant in Ohio and extradited to North Carolina for sentencing.

FAA Telecommunications Replacement Poses Risks August 21

OUR INITIAL ASSESSMENT OF FAA'S PLAN to replace its telecommunications systems—the FAA Telecommunication Infrastructure Project (FTI)—concluded the agency faces significant challenges and risks with the proposed project. The major risk is that air traffic control systems, which now operate on dedicated networks, would share the same network with administrative systems that have direct connections to the Internet, thereby making air traffic control systems more vulnerable to unauthorized intrusion. We also found that the initially approved \$1.9 billion cost baseline over 10 years lacked support and the technical and financial requirements for supporting future air-to-ground communication needs were not addressed. FAA concurred with our recommendations by revising FTI requirements to keep air traffic control systems on a dedicated network and including higher technical requirements to support future communication needs.

Conspirator Sentenced in \$140 Million Motor Fuel Tax Case August 24

ALEX KRECHMAR OF BROOKLYN, NY, was fined \$6,000 and placed on probation by a U.S. District Court judge in Camden, NJ, for his part in a scheme with over 20 people to evade payment of motor fuel taxes totaling \$140 million. The prosecution was the result of an undercover investigation by a multi-agency task force that included agents from OIG, the IRS, and the FBI.

DBE Fraud Investigation Yields Guilty Verdicts

August 29

TARAND TRANSPORT, INC., OF LAND O'LAKES, FL, was convicted by a Federal jury in Tampa, FL, and fined \$268,878 for conspiring to circumvent Federal and state disadvantaged business enterprise (DBE) requirements for highway construction projects. Company owners Randy W. and Tammy J. Blankenship, and Howard L. Glover, doing business as H.J. Trucking, were also found guilty of the same charges and are scheduled for sentencing in mid-November. Two other defendants, J.D. Miller and J.D. Miller & Sons Trucking, Inc., had already pleaded guilty and were sentenced on September 20. The company was fined \$30,000, and Miller received a \$3,000 fine; both received 5 years' probation. The defendants were barred from future Federal Government contract work. OIG investigated this case with the State of Florida DOT OIG and the Florida Department of Law Enforcement.

Guilty Pleas in Avionics Equipment Repair Kickback Case

August 29

TIMOTHY COUCH PLEADED GUILTY in U.S. District Court in Ft. Worth, TX, to overcharging the Government and receiving kickbacks for repairs of Coast Guard and FAA avionics equipment. Couch, the vice president of RTS Services, Inc. (RTS), located in Hurst, TX, and two co-defendants were previously charged by a Federal grand jury for engaging in a fraudulent scheme in which RTS paid an authorized repair station for performing services on Kollsman, Inc., avionics equipment but then overbilled Kollsman. Couch would authorize these overcharges and receive half of the overpayment. Couch pleaded guilty to wire fraud for involvement in the scheme to defraud Kollsman, of New Hampshire. Couch has been suspended from Federal contracting as a result of the charges, and his co-defendants are awaiting trial. OIG investigated this case with the FBI and the Defense Criminal Investigative Service.

L.A. MTA Subway Project: Welding Inspection Service Company Makes Plea Agreement

August 30

TWINING LABORATORIES OF SOUTHERN CALIFORNIA agreed to pay \$525,000 to settle a whistleblower complaint that it made false claims about the qualifications of weld inspectors working on the Los Angeles Metropolitan Transportation Authority (MTA) Red Line subway project. The suit was filed

under the Federal False Claims Act. William H. Benson, Twining's former manager of inspection services, pleaded guilty to Federal charges last year. No sentencing date has been set. OIG investigated the case with the FBI and the Los Angeles MTA.



DOT Computer Security Program

DOT has about 1,200 computer systems, including safety-sensitive air traffic control systems, Coast Guard search and rescue systems, and financial systems that support the accounting and distribution of billions of dollars in Federal funds. The success of DOT programs depends on the integrity, confidentiality, and availability of information systems. Over the last 3 years, we made numerous recommendations to correct deficiencies and reduce vulnerabilities in DOT systems. DOT has taken or plans to take corrective actions, but much remains to be done, as evidenced by our work during the reporting period.

The ongoing vulnerability of DOT's computer systems was demonstrated by the case of a 15-year-old Connecticut boy who gained unauthorized access into a computer system at the Department's Volpe Center in Cambridge, MA, in order to hack into the Air Mobility Command computer system at Scott Air Force Base. The youth was sentenced on June 8 to 2 years' probation, forfeiture of his computer, and ordered to pay \$2,000 in restitution.

With more than 150,000 publicly available web pages, maintaining web security and protecting privacy are ongoing challenges for the Department. "Code Red Worm" attacks, for example, caused service disruptions to DOT web sites earlier this year. In response to that and other hacking attacks on government computers, we issued a report on May 23 identifying 86 of 142 Department web servers as being vulnerable to hackers.

On September 7, we issued an evaluation of the Department's information security controls and procedures as part of the Department's first-ever computer security report to the Office of Management and Budget, as required by the Government Information Security Reform Act (GISRA), passed in 2000. Our ongoing concerns included network connection points that were not secured and security incidents that were not adequately reported. We found that systems were not protected against unauthorized access or abuses by insiders. In fact, only about 10 percent of DOT mission-critical systems were certified for adequate security. Critical infrastructure systems were not properly identified or protected, and background checks were not completed on contractor employees working on critical systems. Finally, we found that web sites remained vulnerable to attacks due to constant changes in technology and web development. The Department is working to correct these problems.

We also audited computer security of the Coast Guard's operations systems center and finance center, as part of our GISRA review. We concluded that computer security at the finance center is effective to ensure secure operations of its financial systems. At the operations systems center, however, we identified computer security weaknesses in personnel, physical, and technical security, including inadequate personnel background checks, lack of system access controls, unprotected password files, and unauthorized remote access to two critical systems. The Coast Guard has taken action to address identified problems.

In addition, FAA has proposed to replace its aging analog networks with an integrated digital network for both air traffic control and administrative systems (see FAA Telecommunications Replacement Poses Risks, page 39). However, we found that FAA did not adequately evaluate the security impact for the proposed network integration. We believe the solution is to combine all air traffic control networks into one network but leave FAA's administrative systems on separate networks. FAA concurred with our recommendation.

CDL Examiner Pleads Guilty to Falsifying 248 Licenses

August 30

NEAL CONAWAY, AN INDEPENDENT THIRD-PARTY CDL EXAMINER, pleaded guilty in U.S. District Court in Cincinnati, OH, to fraudulently representing to the State of Ohio that he had properly tested 248 CDL applicants. Conaway gave the applicants an abbreviated test consisting of a group pretrip inspection of the truck and a short road test. A normal pretrip inspection and road test take nearly an hour to complete; Conaway's applicants completed their test in about 10 minutes. The drivers have been notified that they will need to take a new CDL examination. OIG investigated this case with the Ohio State Police. No sentencing date has been set.

Trucking Firm Placed in Pretrial Diversion Program

September 5

POBOY SERVICES, INC., A COMMERCIAL TOW-TRUCK COMPANY in Mobile, AL, was placed in a pretrial diversion program by a U.S. District Court judge in Biloxi, MS, for conspiracy and falsification of Commercial Drivers License examinations. PoBoy, four of its employees and a CDL examiner for Mississippi's Department of Public Safety were indicted in January 2001. CDL examiner Michael T. Schonewitz pleaded guilty June 4, along with his codefendants, to charges of giving the four PoBoy employees—Arthur A. Millar, Jr., Ronald W. Smiedala, Frederick F. Hooks, and Timothy W. Bolton—passing scores on the Federally required CDL examination. Bolton was also charged with fraudulently taking a vision test for Hooks, who had a visual impairment preventing him from legally obtaining a CDL. Under the agreement with the U.S. Attorney's Office for the Southern District of Mississippi, the charges against PoBoy will be dropped if the company does not violate any local, state, or Federal laws during its 24-month probationary period and pays \$14,000 to the Alabama Chapter of the National Safety Council. The other defendants were each fined \$1,000 and sentenced to 2 years of probation on August 31. OIG investigated this case with the FBI, Mississippi State authorities, and the Alabama Highway Patrol. FMCSA provided technical assistance.

Former Engineer Fined for Obstructing Criminal Investigation

September 12

LOUIS J. LONGO, FORMER RESIDENT ENGINEER of the Massachusetts Highway Department, was fined \$3,000 and placed on 18 months' probation in U.S. District Court in Boston after pleading guilty to obstructing a 1998 criminal investigation. As the state official responsible for approving asphalt deliveries to construction sites, Longo hindered a joint OIG-FBI investigation of Brox Industries, Inc., an asphalt paving company suspected of falsely billing the government for "phantom" loads of asphalt. The obstruction involved Longo's presenting Brox with a false invoice for his services in an attempt to have the company pay his legal fees associated with the inquiry. Brox officials thought they were being pressured to pay Longo for his continued silence about the phantom loads of asphalt. Brox agreed in March 2001 to pay a \$200,000 fine.

Company Indicted for 1999 Washington State Pipeline Rupture

September 13

OLYMPIC PIPE LINE COMPANY, INC., Renton, WA, was indicted in U.S. District Court in Seattle, WA, on charges of violating the Hazardous Liquid Pipeline Safety Act and the Federal Water Pollution Control Act. This is the first time individuals or corporations have been charged criminally for violations of the Hazardous Liquid Pipeline Safety Act. The charges stemmed from the June 10, 1999, rupture of the pipeline that resulted in three deaths. Olympic operates a 400-mile petroleum pipeline that transports gasoline, diesel, and jet fuel from refineries to distribution facilities throughout western Washington and Portland, OR. As a result of the rupture, 236,000 gallons of unleaded gasoline were released into Hannah Creek and Whatcom Creek, tributaries to Bellingham Bay and Puget Sound. Two 10-year-old boys and a young man died as a result of the release of gasoline and subsequent fire. Also named in the indictment were Equilon Pipeline Company, LLC, which was responsible for the day-to-day operation of the pipeline, and three current or former Olympic employees.

Twelve Charged in Miami Airport Security Fraud Case

September 14

TWELVE AIRPORT EMPLOYEES WERE CHARGED with providing false information in order to obtain security badges at Miami International Airport, in Florida. The 12, all illegal aliens, face charges of using false Social Security cards and Alien Registration cards to obtain airport security identification badges necessary for admittance to secure areas, including the airport tarmac ramp and baggage areas. After pleading guilty to the charges, Eliana E. Minetti and Natalia E. Pereira were ordered deported on September 24 by a U.S. District Court judge in Miami. U.S. Customs Service officials detected the alleged falsifications when the aliens applied for badges to gain access to Customs secure areas. The women had been previously granted airport security identification badges. As of September 30, 11 people had been arrested. The Customs Service is assisting OIG in the investigation, which is ongoing.

Readiness Issues for USCG Small Boat Search and Rescue

September 14

AS DIRECTED BY THE CONFERENCE REPORT on the Department's FY 2001 appropriations law, we reviewed the readiness of the Coast Guard's Small Boat Search and Rescue (SAR) Program. We found the readiness of small boat SAR stations was affected by (1) staff shortages which require that boat crews work an average of 84 hours per week; (2) a significant decline in the number of experienced personnel; (3) the lack of a formal training program for boatswain's mates, who make up the majority of SAR boat crews; (4) a high percentage of rescue boats found "Not Ready for Sea" during inspections; (5) the lack of a plan to replace the Coast Guard's aging fleet of 41-foot SAR utility boats; and (6) the use of nonstandard boats, which are not required to undergo regularly scheduled, formal readiness inspections. The Coast Guard concurred with our recommendation to develop and implement a strategic plan for improving SAR program readiness.



44-foot Coast Guard surf boat.

Trucking Company Owner Sentenced for Hours-of-Service Fraud

September 17

ROY E. CLENNIN, OWNER OF CLENNIN RANCH TRUCKING (CRT) was sentenced by a U.S. District Court judge in Pueblo, CO, to 4 months' home confinement and 48 months' supervised release for unlawful possession of firearms and falsifying driver logbooks. Clennin pleaded guilty in May 2001 to felony charges of making false statements about driver's logs and being a felon in possession of firearms. A search of CRT's offices by FBI and OIG special agents uncovered 15 firearms in Clennin's possession. Since Clennin is a convicted felon, he cannot legally possess firearms. OIG investigated this case with the FBI, with assistance from FMCSA.

Contractor Fined in Texas Mass Transit Contract Fraud Case

September 18

JAMES VICKERS, SENIOR VICE PRESIDENT of Purcon Unlimited, was sentenced by a U.S. District Court judge in Austin, TX, to 1 month in jail and payment of \$32,000 in restitution following his June 2001 guilty plea on charges of conspiracy to illegally win a contract. Vickers conspired with an employee of the Capital Metropolitan Transit Authority (CMTA) of Austin, TX, to obtain a \$13,000 contract for developing a policies and procedures manual for CMTA. Vickers paid the CMTA employee to ensure that he was the only bidder and then provided CMTA with a finished product that was a plagiarized copy of the Dallas Rapid Transit Authority Manual. OIG investigated this case with the FBI.

Trucking Company Fined in Interstate-4 DBE Fraud Case

September 20

J.D. MILLER & SONS, INC., and company vice president John Miller, of Thonotosassa, FL, were fined by a U.S. District Court judge in Tampa, FL, for conspiring to violate Federal and state affirmative action laws designed to promote disadvantaged business enterprises (DBEs). John Miller and J.D. Miller & Sons pleaded guilty in May 2001 to charges of conspiring to defraud the United States by using false documents and committing mail fraud to make it appear the company was a certified DBE when it was not. As a result of the fraud, the company received \$254,000 in FHWA-funded contracts to transport

construction materials for the I-4 project in Hillsborough County, FL, between 1996 and 1998. The company was fined \$30,000 and placed on 5 years' probation. John Miller was sentenced to 60 months' probation and a \$3,000 fine. Both defendants were barred from future Federal contract work. OIG investigated this case with the Florida OIG and the Florida Department of Law Enforcement.

IG Testifies on Aviation Security

September 20

FOLLOWING THE TRAGIC EVENTS OF SEPTEMBER 11, the Inspector General testified three times on Capitol Hill regarding the governance, organization, and delivery of aviation security—on September 20 before a joint House-Senate Transportation Appropriations Subcommittee hearing; on September 21 before a House Transportation and Infrastructure Aviation Subcommittee hearing; and on September 25 before a joint hearing of the Senate Committee on Governmental Affairs and the Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia.

Given the scope and complexity of the security challenge, coupled with a longstanding history of problems associated with the aviation security program, the Inspector General recommended that consideration be given to vesting this responsibility in one central Federal organization or not-for-profit Federal corporation. Based on OIG's recent reports in this area, the Inspector General also identified changes needed to supplement and enhance current security programs, especially in the areas of security of checked baggage, screening checkpoints, cargo security, airport access controls, and airport identification media.



Baggage-screening machine.

DOT Use of Government Credit Cards

September 24

OUR REVIEW OF 785 TRANSACTIONS totaling \$1.2 million found that purchases made using DOT credit cards and convenience checks were, in general, reasonable, valid, and received by the Department. However, internal controls were weak for verifying purchases, identifying purchases that were split to avoid credit card limits, and performing reviews of card use within FAA. There were three instances of

fraud (one because the card number was stolen) and violations of DOT policy and internal control procedures. DOT and FAA agreed with our recommendations to issue (1) memos to cardholders and officials regarding credit card policy, prohibitions against split purchases, and periodic follow-up reviews of purchases; and (2) guidance about possible disciplinary actions for card policy violations.

Status of FHWA Inactive Obligations

September 24

[OUR AUDIT OF FHWA'S RECORDED OBLIGATIONS](#) identified about 25,000 obligations, totaling about \$2.6 billion, that had been inactive for 18 months. As a result of our audit, FHWA and the states are closing \$238 million in obligations that no longer represent valid financial liabilities and either using the funds for other valid transportation projects or returning them to the U.S. Treasury General Fund.

Church Pastor Indicted as Part of Public Corruption Case

September 25

[LAWRENCE W. WRIGHT, PASTOR](#) of New Mount Olive Baptist Church, in Wilmington, DE, was indicted in U.S. District Court in Wilmington on multiple counts of interstate transportation of stolen property, bribery, and other charges related to the misuse of Federal funds. Wright allegedly took \$150,000 of Delaware Department of Transportation suburban street funds authorized for distribution to his church. According to the indictment, he used \$60,000 as bribes to a State of Delaware Representative, who has since died, \$80,000 for personal purposes, and \$10,000 for the church. OIG investigated this case with the FBI.

Further Delays Likely in OSHA Standards for Flight Attendants

September 26

[FAA HAS HAD AUTHORITY SINCE 1975](#) for occupational safety and health standards for crew aboard aircraft but has not issued any standards to address workplace hazards. Since nothing has been done for 26 years, we have no confidence that industry standards will be issued in the near future to address occupational hazards. Therefore we recommended that FAA and the U.S. Department of Labor's

Occupational Safety and Health Administration (OSHA) work together to establish milestones for addressing occupational health concerns identified in a December 2000 joint report. In addition, FAA should resume its proposed rulemaking on an injury and illness recordkeeping and reporting standard. In response to our recommendations, FAA has requested OSHA to reconvene the joint team to address workplace hazards aboard aircraft.

Trucking Owners Sentenced in Hours-of-Service Case

September 26

DAVID DELONG, FORMER PRESIDENT, Faye DeLong, vice president, and David Kistler and Grandson, Inc., a commercial trucking company, were sentenced in U.S. District Court in Philadelphia, PA, for directing their drivers to falsify their logbooks to hide the fact they were driving in violation of Federal hours-of-service regulations. David DeLong was fined \$6,000 and ordered to serve 6 months in jail. Faye DeLong was fined \$5,000 and sentenced to 6 months' home confinement. As a condition of supervised release, both DeLongs were prohibited from working in the trucking industry for 3 years. David Kistler and Grandson, Inc., was fined \$40,000.

Development of National Advanced Driving Simulator Resulted in Cost Increases, Schedule Delays

September 28

NHTSA DID NOT EFFECTIVELY CONTROL the costs of the driving simulator, which grew to \$80.8 million, more than twice the original estimate of \$36.5 million. NHTSA also did not follow Congressional directives for obtaining one-third of the simulator's cost from non-DOT sources and establishing the Federal Government's fee for using the simulator. We recommended that NHTSA (1) obtain clarification from the House and Senate Committees on Appropriations about the Government's fee for using the simulator; (2) include in its annual budget request the potential costs and benefits of simulator research, actual costs and benefits of the prior year's research, and price structure for determining the simulator fee paid by DOT and non-DOT simulator customers; and (3) work with the University of Iowa to ensure that the simulator's quality assurance standards are certified or based on universally recognized international standards. NHTSA has not responded to the first two recommendations above, but agreed with our recommendation for certifying quality standards.

COMPLETED OIG REPORTS, APRIL 1, 2001 – SEPTEMBER 30, 2001
(Dollars in Thousands)

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	11	57	\$ 0	\$ 0
Chief Financial Officer Financial Statements	1	3	\$ 0	\$238,000
<i>Other OIG Internal Reports</i>	13	41	\$ 0	\$409,000
TOTAL INTERNAL AUDITS AND REPORTS	25	101	\$ 0	\$647,000
<i>Grant Audits</i>				
Audits of Grantee Under Single Audit Act	29	55	\$7,893	\$ 0
TOTAL	54	156	\$7,893	\$647,000

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

† There were no recommendations with unsupported costs.

Note: 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, fall into 3 categories: (1) internal audits of Departmental programs and operations; (2) internal reviews of Departmental programs and operations; and (3) audits of grant recipients. The table shows OIG's results in the three categories for the 6 months covered by this report.

MANAGEMENT DECISIONS REGARDING OIG RECOMMENDATIONS
(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned and Unsupported Costs*	Funds to Be Put to Better Use
Unresolved as of April 1, 2001	33	80	\$2,078	\$ 49,702
Audits with findings during current period	42	156	\$7,893	\$647,000
Total to Be Resolved	75	236	\$9,971	\$696,702
Management Decisions				
Audits Prior Period†	19	44	\$1,582	\$ 0
Audits Current Period†	13	47	\$ 310	\$647,000
Total Resolved	32	91	\$1,892	\$647,000
Unresolved as of September 30, 2001‡	45	145	\$8,078	\$ 49,702
Aging of Unresolved Audits				
Less than 6 mos. old	30	109	\$7,583	\$ 0
6 mos. – 1 year	8	23	\$ 495	\$ 48,000
1 year – 18 mos.	3	5	\$ 0	\$ 0
18 mos. – 2 years	2	2	\$ 0	\$ 0
Over 2 years old	2	6	\$ 0	\$ 1,702
TOTAL	45	145	\$8,078	\$ 49,702

* Rounding of dollars may affect totals.

† Includes some reports and recommendations where costs were both allowed and disallowed.

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

OIG REPORTS WITH RECOMMENDATIONS THAT QUESTIONED COSTS

(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	14	15	\$2,078
B. Which were issued during the reporting period	8	14	\$7,893
TOTAL A+B	22	29	\$9,971
C. For which a management decision was made during the reporting period	12	13	\$1,892
(i) dollar value of disallowed costs	11†	12‡	\$2,008
(ii) dollar value of costs not disallowed	2†	2‡	\$ 12
D. For which no management decision had been made by the end of the reporting period	10	16	\$8,078

* There were no recommendations with unsupported costs.

† Includes reports where costs were both allowed and disallowed.

‡ Includes recommendations where costs were both allowed and disallowed.

OIG REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

(Dollars in Thousands)

Reports	Number of Reports	Number of Recommendations	Dollar Value
A. For which no management decision had been made by the start of the reporting period	2	2	\$ 49,702
B. Which were issued during the reporting period	2	2	\$647,000
TOTAL A+B	4	4	\$696,702
C. For which a management decision was made during the reporting period	2	2	\$647,000
(i) dollar value of recommendations that were agreed to by management	2	2	\$647,000
(ii) 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	2	2	\$ 49,702

OIG REPORTS RECOMMENDING CHANGES FOR SAFETY, ECONOMY, OR EFFICIENCY

Reports	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	26	63
B. Which were issued during the reporting period	41	140
TOTAL A+B	67	203
C. For which a management decision was made during the reporting period	25*	62
D. For which no management decision had been made by the end of the reporting period	44*	141

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

STATUS OF UNRESOLVED RECOMMENDATIONS OVER 6 MONTHS OLD

CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1998 – MARCH 31, 1999

Deployment of Explosives Detection Systems	AV-1999-001	10/05/98	Working with FAA to resolve all open issues
--	-------------	----------	---

CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1999 – SEPTEMBER 30, 1999

Motor Carrier Safety Program	TR-1999-091	04/26/99	Working with FMCSA to resolve all open issues
------------------------------	-------------	----------	---

CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1999 – MARCH 31, 2000

Cost Allocations by the Transportation Administrative Service Center	MA-2000-015	11/05/99	Working with TASC to resolve all open issues
Airport Access Control	AV-2000-017	11/18/99	Working with FAA to resolve all open issues

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
Survey of the Federal Aviation Administration's Integrated Product Development System	AV-2000-110	08/29/00	Working with FAA to resolve all open issues
2000 Assessment of Amtrak's Financial Performance and Requirements	CR-2000-121	09/19/00	Working with Amtrak to resolve all open issues related to capital spending

CITED IN SEMI-ANNUAL REPORT FOR OCTOBER 1, 2000 – MARCH 31, 2001

October 2000 Finance Plan for the Central Artery/Tunnel Project, Boston, MA	IN-2001-009	11/29/00	Working with FHWA to resolve all open issues
Airport Noise Compatibility Program	AV-2001-012	12/14/00	Awaiting additional information from FAA
Castle Joint Powers Authority, CA	QC-2001-022	02/14/01	Working with grantee to resolve issues
City of Galveston, TX	QC-2001-028	02/16/01	Working with grantee to resolve issues
Gary Public Transportation Corporation, IN	QC-2001-027	02/16/01	Working with grantee to resolve issues
Miami-Dade County Aviation Department, FL	QC-2001-031	02/22/01	Working with grantee to resolve issues
Beaverhead County, MT	QC-2001-042	03/08/01	Working with grantee to resolve issues
Efforts to Develop and Deploy the Standard Terminal Automation Replacement System	AV-2001-048	03/30/01	Working with FAA to resolve all open issues

OFFICE OF INSPECTOR GENERAL REPORTS

April 1, 2001 - September 30, 2001

**FEDERAL AVIATION ADMINISTRATION
Internal Audits: Program/Functional (4 reports)**

Report	Date	Title	Focus of Report/ Recommendations
AV-2001-064	06/15/2001	Compensation Issues Concerning Air Traffic Managers, Supervisors, and Specialists	Evaluate employee compensation
AV-2001-066	06/26/2001	Despite Significant Management Focus, Further Actions Are Needed to Reduce Runway Incursions	Technology issues and management factors constrain progress
FI-2001-076	08/21/2001	Replacement of FAA Telecommunications Systems	Network sharing poses risk to air traffic control systems
AV-2001-102	09/26/2001	Further Delays in Implementing Occupational Safety and Health Standards for Flight Attendants Are Likely	Address occupational health hazards faced by flight attendants and crew

Other OIG Internal Reports (5 reports)

CR-2001-050	04/03/2001	Flight Delays and Cancellations	Remedies needed to address flight delays and cancellations
CR-2001-060	06/11/2001	Actions to Improve the Performance of the National Aviation System	Status of DOT and OIG commitments
AV-2001-067	07/03/2001	Status Report on the Standard Terminal Automation Replacement System	Concerns continue over deployment of STARS
AV-2001-073	07/26/2001	Observations on the Automated Surface Observing Systems (ASOS)	Upgrades needed in ASOS
CR-2001-075	08/17/2001	Actions to Enhance Capacity and Reduce Delays and Cancellations	Although progress has been made, various actions still needed

OFFICE OF INSPECTOR GENERAL REPORTS

April 1, 2001 - September 30, 2001

Grant Audits: Audits of Grantee Under Single Audit Act (9 reports)

Report	Date	Title	Focus of Report/ Recommendations
QC-2001-056	04/26/2001	Port of Seattle, WA	Improve grantee oversight
QC-2001-068	07/05/2001	Clark County Department of Aviation, NV	Improve grantee oversight
QC-2001-077	08/23/2001	City of Roswell, NM	Improve grantee oversight
QC-2001-079	08/23/2001	City of Des Moines, IA	\$423,084 questioned
QC-2001-078	08/23/2001	City of Fargo, ND	\$57,752 questioned
QC-2001-082	08/27/2001	Memphis Shelby County Airport Authority, TN	Improve grantee oversight
QC-2001-085	08/28/2001	Monterey Peninsula Airport District, CA	Improve grantee oversight
QC-2001-086	08/28/2001	Lancaster Airport Authority, PA	Improve grantee oversight
QC-2001-092	09/13/2001	City of Fallon, NV	Improve grantee oversight

FEDERAL RAILROAD ADMINISTRATION Other OIG Internal Reports (2 reports)

FI-2001-057	05/03/2001	E-Mail System Replacement Contracts	Flawed criterion used on noncompetitive contracts
CR-2001-065	06/21/2001	Amtrak's Financial Performance and Requirements	Operating self-sufficiency in jeopardy

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION Internal Audits: Program/Functional (1 report)

IN-2001-104	09/27/2001	Development of the National Advanced Driving Simulator Resulted in Substantial Cost Increase and Schedule Delays	Control costs and clarify Congressional directives
-------------	------------	--	--

UNITED STATES COAST GUARD Internal Audits: Program/Functional (3 reports)

FI-2001-088	09/06/2001	Finance Center—Computer Security and Controls	Improve computer security and controls
FI-2001-089	09/07/2001	Operations Systems Center—Computer Security and Controls	Enhanced intrusion detection needed
MH-2001-094	09/14/2001	Small Boat Station Search and Rescue Program	Implement strategies to improve program readiness

OFFICE OF INSPECTOR GENERAL REPORTS

April 1, 2001 - September 30, 2001

FEDERAL HIGHWAY ADMINISTRATION

Internal Audits: Chief Financial Officer Financial Statement (1 report)

Report	Date	Title	Focus of Report/ Recommendations
FI-2001-097	09/24/2001	Inactive Obligations	Put \$238,000,000 to better use

Other OIG Internal Reports (1 report)

IN-2001-058	08/10/2001	Status of Issues Related to the Woodrow Wilson Bridge Corridor Reconstruction Project	Revise the final Finance Plan to update cost estimates, identify funding, eliminate phasing, and comply with Congressional direction
-------------	------------	---	--

Grant Audits: Audits of Grantee Under Single Audit Act (5 reports)

QC-2001-049	04/02/2001	State of Louisiana	\$1,696,940 questioned
QC-2001-052	04/11/2001	State of Indiana	Improve grantee oversight
QC-2001-053	04/17/2001	Government of the United States Virgin Islands	\$4,140,627 questioned
QC-2001-054	04/23/2001	Commonwealth of Massachusetts	\$1,086,982 questioned
QC-2001-099	09/26/2001	Wyoming Department of Transportation, Cheyenne	Improve grantee oversight

FEDERAL TRANSIT ADMINISTRATION

Other OIG Internal Reports (1 report)

IN-2001-051	04/04/2001	Seattle Central Link Light Rail Project	Put \$409,000,000 to better use
-------------	------------	---	---------------------------------

Grant Audits: Audits of Grantee Under Single Audit Act (15 reports)

QC-2001-055	04/23/2001	Greater Cleveland Regional Transit Authority, OH	\$309,971 questioned
QC-2001-063	06/05/2001	Tri-County Metropolitan Transportation, OR	Improve grantee oversight
QC-2001-070	07/19/2001	Regional Transit Authority, New Orleans, LA	\$65,056 questioned
QC-2001-071	07/19/2001	Fort Worth Transportation Authority, TX	Improve grantee oversight
QC-2001-072	07/20/2001	VIA Metropolitan Transit, San Antonio, TX	Improve grantee oversight
QC-2001-080	08/23/2001	New York City Transit Authority, NY	Improve grantee oversight
QC-2001-081	08/27/2001	City of Rutland, VT	Improve grantee oversight
QC-2001-083	08/27/2001	Miami Valley Regional Transit Authority, Dayton, OH	Improve grantee oversight
QC-2001-084	08/27/2001	Central Ohio Transit Authority	Improve grantee oversight

OFFICE OF INSPECTOR GENERAL REPORTS

April 1, 2001 - September 30, 2001

Report	Date	Title	Focus of Report/ Recommendations
QC-2001-087	08/30/2001	Greenville Transit Authority, SC	Improve grantee oversight
QC-2001-091	09/13/2001	City of Detroit Transportation Fund, MI	Improve grantee oversight
QC-2001-093	09/13/2001	Portage Area Regional Transportation Authority, OH	Improve grantee oversight
QC-2001-098	09/26/2001	Dallas Area Rapid Transit, TX	\$112,500 questioned
QC-2001-100	09/26/2001	City of El Paso, TX	Improve grantee oversight
QC-2001-101	09/26/2001	Jacksonville Transportation Authority, FL	Improve grantee oversight

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION Other OIG Internal Reports (2 reports)

MH-2001-059	05/08/2001	Interim Report on Status of Implementing the North American Free Trade Agreement's Cross-Border Trucking Provisions	Status of commercial vehicle inspections at southern border
MH-2001-096	09/21/2001	Motor Carrier Safety at the U.S.-Mexico Border	Implement motor carrier safety improvements

OFFICE OF THE SECRETARY OF TRANSPORTATION Internal Audits: Program/Functional (3 reports)

FI-2001-074	08/07/2001	Implementing a New Financial Management System	Deficiencies interrupt implementation schedule
FI-2001-090	09/07/2001	Information Security Program	Actions needed to correct deficiencies and reduce vulnerabilities
FI-2001-095	09/24/2001	Use of Government Credit Cards	Need for better controls

Other OIG Internal Reports (2 reports)

FI-2001-061	05/23/2001	Computer Security Over Web Sites	Ensure web servers are secure
PT-2001-062	06/01/2001	The Department's 2000 Performance Report/ 2002 Performance Plan	Progress and plans reasonably presented

**OFFICE OF INSPECTOR GENERAL
CONGRESSIONAL TESTIMONIES**

April 1, 2001–September 30, 2001

Federal Aviation Administration

Control No.	Date	Subject	Before
CC-2001-171	05/03/2001	Actions to Improve the Performance of the National Aviation System	Committee on Appropriations, Subcommittee on Transportation, U.S. House of Representatives
CC-2001-211	06/13/2001	Status Report on the Standard Terminal Automation Replacement System	Committee on Transportation and Infrastructure, Subcommittee on Aviation, U.S. House of Representatives
CC-2001-217	06/20/2001	Status Report on Airline Customer Service	Committee on Transportation and Infrastructure, Subcommittee on Aviation, U.S. House of Representatives
CC-2001-224	06/26/2001	Further Actions Are Needed to Reduce Runway Incursions	Committee on Transportation and Infrastructure, Subcommittee on Aviation, U.S. House of Representatives
CC-2001-260	08/02/2001	Update II: Actions to Enhance Capacity and Reduce Delays and Cancellations	Committee on Appropriations, Subcommittee on Transportation, U.S. House of Representatives
CC-2001-300	09/13/2001	Status Report on the Standard Terminal Automation Replacement System	Committee on Transportation and Infrastructure, Subcommittee on Aviation, U.S. House of Representatives
CC-2001-308	09/20/2001	Aviation Security in the United States—Testimony Before the Joint House-Senate Transportation Appropriations Subcommittee	Joint House-Senate Committee on Appropriations, Subcommittee on Transportation
CC-2001-306	09/21/2001	Aviation Security in the United States	Committee on Transportation and Infrastructure, Subcommittee on Aviation, U.S. House of Representatives
CC-2001-313	09/25/2001	Actions Needed to Improve Aviation Security	Committee on Governmental Affairs, Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, U.S. Senate

Amtrak

CC-2001-252	07/25/2001	Amtrak's Financial Performance and Requirements	Committee on Transportation and Infrastructure, Subcommittee on Railroads, U.S. House of Representatives
-------------	------------	---	--

U.S. Coast Guard

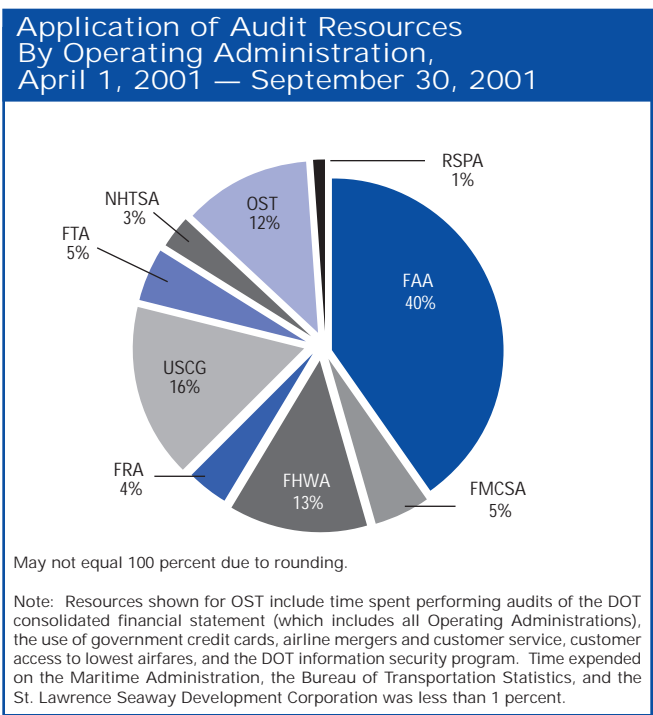
CC-2001-184	06/13/2001	U.S. Coast Guard Fiscal Year 2002 Budget Request for Modernization	Committee on Appropriations, Subcommittee on Transportation, U.S. Senate
-------------	------------	--	--

**OFFICE OF INSPECTOR GENERAL
CONGRESSIONAL TESTIMONIES**

April 1, 2001–September 30, 2001

Federal Motor Carrier Safety Administration

CC-2001-244	07/18/2001	Motor Carrier Safety at the U.S.-Mexico Border	Committee on Commerce, Science, and Transportation, U.S. Senate
CC-2001-244	07/18/2001	Motor Carrier Safety at the U.S.-Mexico Border	Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, U.S. House of Representatives



The Inspector General Act requires explanations of reasons for significant revisions to management decisions made during the reporting period. OIG follows up on audits reported in earlier semiannual reports. During this reporting period, there were no significant revisions of Departmental management decisions reported to OIG.

The Inspector General Act requires this report to describe any significant management decisions with which the OIG disagrees. At the close of this reporting period, there were no significant management decisions with which OIG disagreed.

Section 803 (c) (3) of the Federal Financial Management Improvement Act of 1996 (Act) requires that if the head of an agency determines the agency's financial management systems do not substantially comply with the Act, a remediation plan must be developed, in consultation with the Office of Management and Budget (OMB), that describes the resources, remedies, and milestones for achieving substantial compliance. For the past 2 years, DOT reported it would be in substantial compliance with the Act by June 30, 2001, when DOT's new financial management system (Delphi) was planned to be fully operational and implemented throughout DOT.

On August 7, 2001, OIG reported that Delphi was not compliant with the Act and contained material internal control weaknesses. Specifically, Delphi did not account appropriately for prior-year funds automatically; prevent agencies from changing each other's financial data; generate reliable financial statements and other financial reports; adjust obligations electronically recorded from other financial systems; meet managerial cost-accounting standards; interface electronically with other internal and external systems; and use a Federal-approved data encryption. The primary causes for these failures to comply were poor transitioning procedures and software deficiencies with the commercial off-the-shelf software product.

As of September 30, 2001, DOT's major agencies had not yet implemented Delphi. As required by the Act, we recommended that the DOT Chief Financial Officer prepare a revised remediation plan that describes the resources, remedies, and milestones for achieving substantial compliance. DOT agreed to submit a revised plan to OMB and currently estimates that Delphi will be substantially compliant with the Act by December 2002.

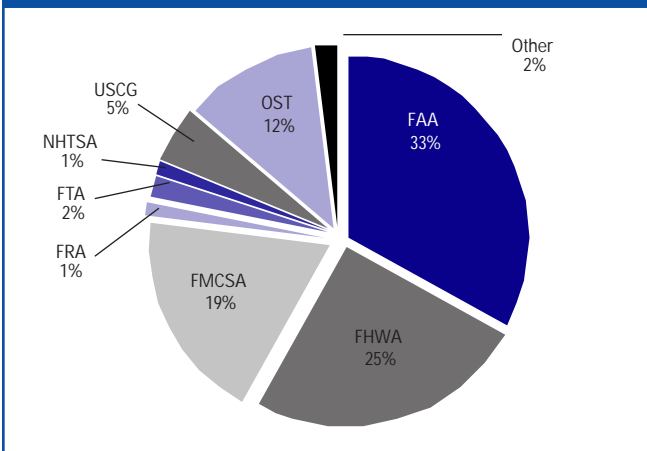
PROFILE OF PENDING INVESTIGATIONS

April 1, 2001 – September 30, 2001

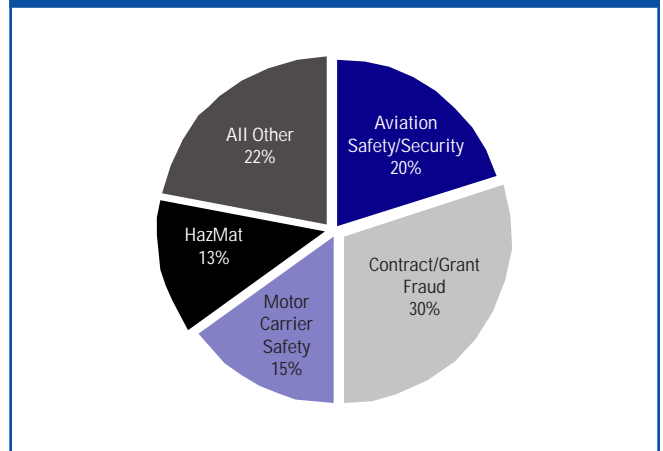
Operating Administration	Number of Cases	Types of Cases					
		Contract/ Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	HazMat	Other
U.S. Coast Guard	47	10	13	5	0	12	7
Federal Aviation Administration	214	24	38	121	0	12	19
Federal Highway Administration	101	79	5	0	0	0	9
Federal Railroad Administration	8	3	0	0	0	5	0
Federal Transit Administration	20	20	0	0	0	0	0
Maritime Administration	5	3	1	0	0	0	1
Federal Motor Carrier Safety Administration	86	0	0	0	67	19	8
Office of the Secretary	6	2	1	0	0	0	3
Research and Special Programs Administration	28	2	0	0	0	24	2
National Highway Traffic Safety Administration	12	0	5	0	0	0	7
Other Agencies	2	0	1	0	0	0	1
TOTALS	529	143	64	126	67	72	57
Percent of Total*	100%	27%	12%	24%	13%	14%	11%

*Percentages total more than 100 due to rounding.

Application of Investigative Resources By Operating Administration, April 1, 2001 — September 30, 2001



Investigative Resource Allocation by Priority Area, April 1, 2001 — September 30, 2001



THE SIX MONTHS COVERED BY THIS REPORT OPENED WITH A PENDING CASELOAD OF 505. From April 1 through September 30, 2001, 137 cases were opened and 109 were closed, leaving a pending caseload of 533. During the period, 135 cases were referred for prosecution, 143 cases were accepted for prosecution, and 18 cases were declined. As of September 30, 47 cases were pending before prosecutors.

Administrative Actions Taken
April 1, 2001 - September 30, 2001

Employee suspensions	2
Employee terminations	2
Resignations/retirements	2
Debarments/suspensions	13
Other corrective action	13



OIG investigations in this reporting period spurred \$15,158,526 in recoveries, including fines, restitution, civil judgments or settlements, and Federal and state recoveries. Federal recoveries go to the U.S. Treasury. State recoveries are retained by the states.

Judicial Actions Taken
April 1, 2001 - September 30, 2001

Indictments	122
Convictions	101
Years sentenced	33
Years probation	143
Years supervised release	49
Hours of community service	1,254
Fines	\$ 1,125,675
Restitutions/civil judgments	\$ 3,223,699
Federal recoveries	\$10,658,757
State recoveries	\$ 150,395
TOTAL	\$15,158,526

THE PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) was established by executive order in 1981 as a body to oversee the Inspector Generals' responses to government-wide issues of concern to the IG community. The PCIE addresses issues of integrity, economy, and effectiveness that transcend individual Government agencies; increases the professionalism and effectiveness of IG personnel throughout the Government; and coordinates IG responses to Congressional requests.

The PCIE comprises all Presidentially appointed Inspectors General, as well as officials from the Office of Management and Budget, Federal Bureau of Investigation, Office of Personnel Management, Office of Government Ethics, and Office of Special Counsel.

On October 17, members of the DOT OIG team were honored by their peers at an awards ceremony in Washington, D.C. Their names and accomplishments follow.

AWARD FOR EXCELLENCE — AUDIT

AIR TRAFFIC CONTROL COMPENSATION ISSUES TEAM

Daniel R. Raville, Robert A. Romich, Francis E. Danielski

Citation: For work in leading to a more equitable pay system
for air traffic controllers.

AWARD FOR EXCELLENCE — AUDIT

AIRLINE CUSTOMER SERVICE COMMITMENT TEAM

Robin K. Hunt, Lester D. Girdlestone, David W. Brown, Donald E. Emery,
Todd O. Kath, Thomas K. Lehrich, Shirley H. Murphy, James M. Nelson,
Nelda Z. Smith, Paul M. Streit, Scott K. Macey, Anne V. Longtin,
Gloria J. Echols, Carlton H. Hamilton, Deborah A. Kloppenburg,
Jeffrey Mortensen, Pavel P. Nagulko, Petra Rose, Lisa H. Stone,
Sharon R. Trodden, Susan Zimmerman

Citation: For outstanding dedication and contributions
to improve airline customer service.

AWARD FOR EXCELLENCE — AUDIT

NORTH AMERICAN FREE TRADE AGREEMENT'S
CROSS-BORDER TRUCKING TEAM

Barbara M. Cobble, Gary L. Alvino, James W. Bess, Shirley H. Murphy,
Charmaine E. Newman, William M. Obinger, Sara H. VanOsdol,
Christopher R. Smith, William E. Savage, Jeffrey S. Wilson

Citation: For outstanding work in reviewing implementation of the
North American Free Trade Agreement's trucking provisions.

AWARD FOR EXCELLENCE — EMPLOYEE PROTECTION

COAST GUARD WHISTLEBLOWER REPRISAL INVESTIGATION TEAM

David H. Gamble, Rick Beitel, John Davenport, Jim Muhlenkamp

Citation: For excellence in conducting a priority, time-sensitive investigation of
whistleblower reprisal taken against a Coast Guard officer.

AWARD FOR EXCELLENCE — EVALUATION

AIRLINE FLIGHT DELAYS AND CANCELLATIONS TEAM

Mark R. Dayton, Darren L. Murphy, Jeffrey Mortensen, Earl G. Kindley,
Michele O. Paratte, Petra Rose, Randy D. Rohwer, Michael P. Dunn,
Deborah A. Kloppenburg, Susan M. Zimmerman, Sandra M. DeLost

Citation: For groundbreaking work on flight delays,
flight cancellations, and their causes.

AWARD FOR EXCELLENCE — EVALUATION

SEATTLE CENTRAL LINK LIGHT RAIL PROJECT TEAM

Leslie A. Smith, Raymond A. Larpenteur, Kyle V. Miller, Sarah E. Batipps,
Diane R. Brattain, Oleg Michalowskij

Citation: For efforts leading to improved oversight of the
Seattle Central Link Light Rail Project.

AWARD FOR EXCELLENCE — MANAGEMENT
AND ADMINISTRATIVE SERVICE

CONTRACT AND GRANT FRAUD TRAINING TEAM

Harry Schaefer, LaVan Griffith, Howard W. Cox (Postal Service OIG)

Citation: For excellence in managing U.S. DOT OIG's
Contract and Grant Fraud Initiative and developing and delivering
a customized Contract and Procurement Fraud Training Course and
innovative CD-ROM in furtherance of the initiative.

AWARD FOR EXCELLENCE — MULTIDISCIPLINE

COMPUTER SECURITY EVALUATION TEAM

Rebecca C. Leng, Nathan J. Custer, Ping Zhong Sun,
Bronwyn Gallagher, Cynthia F. Tims, William C. Coker, Mitchell N. Balakit

Citation: For superior performance in reviewing the Department of
Transportation's network computer security.

 **C o n t a c t s****INSPECTOR GENERAL****Kenneth M. Mead**(202) 366-1959**DEPUTY INSPECTOR GENERAL****Todd J. Zinser**(202) 366-6767**ASSISTANT INSPECTOR GENERAL FOR AUDITING****Alexis M. Stefani**(202) 366-1992**ACTING ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS****David H. Gamble**(202) 366-1967**SENIOR COUNSEL****Roger P. Williams**(202) 366-8751**SENIOR COUNSEL FOR LEGISLATIVE AND EXTERNAL AFFAIRS****Brian A. Dettelbach**(202) 366-2083**PUBLIC AFFAIRS OFFICER****David Barnes**(202) 366-6312**DEPUTY ASSISTANT INSPECTOR GENERAL FOR AVIATION****David A. Dobbs**(202) 366-0500**DEPUTY ASSISTANT INSPECTOR GENERAL FOR FINANCIAL,
INFORMATION TECHNOLOGY, AND DEPARTMENT-WIDE PROGRAMS****John L. Meche**(202) 366-1496**DEPUTY ASSISTANT INSPECTOR GENERAL FOR NATIONAL
TRANSPORTATION INFRASTRUCTURE****Theodore P. Alves**(202) 366-0687**DEPUTY ASSISTANT INSPECTOR GENERAL FOR MARITIME
AND HIGHWAY SAFETY****Thomas J. Howard**(202) 366-5630**DEPUTY ASSISTANT INSPECTOR GENERAL FOR COMPETITION,
ECONOMIC, RAIL, AND SPECIAL PROGRAMS****Mark R. Dayton**(202) 366-9970

U.S. Department of Transportation

**Office of Inspector General
400 Seventh Street, S.W.
Washington, D.C. 20590**