



# Semiannual Report to the Congress

Office of Inspector General

U.S. Department of  
Transportation

October 1, 1997–March 31, 1998

# From the Inspector General

Two decades ago, Congress approved the landmark Inspector General Act of 1978. Its goal was to bring independent, objective oversight to the major departments of the Federal Government.

Within the Department of Transportation, the Inspector General's job is to conduct audits and investigations to detect — and prevent — fraud, waste, and abuse and promote efficient and effective government programs. This is a mission very much in the public interest, given that DOT spends more than \$40 billion each year on work in virtually every community in the nation and transportation accounts for about 11 percent of the Gross Domestic Product in the United States. The lessons learned in our reviews, and the examples of “best practices” we identify, not only benefit taxpayers but can be applied throughout the Department to advance the Secretary's priorities: *improving safety, making sound infrastructure investments and contributing to common-sense government*, and DOT's 5 Strategic Goals: Safety, Mobility, Economic Growth and Trade, Human and Natural Environment and National Security.

DOT's Strategic Goals are linked to its Performance Plan, which has been rated as the best in government. The challenge now is to implement the Strategic and Performance Plans and achieve results. Those results will have real effects on real people — such as helping save many of the more than 42,000 lives lost in transportation-related accidents annually. We know infrastructure absorbs a significant share of our public spending and contributes to mobility. And using “common sense” as the criteria for assessing government — or almost any enterprise — is as refreshing as it is effective. OIG's work also supports the Secretary's “One DOT” initiative, which speaks to issues encompassing all modes of transportation, such as human-factor effects on safety.

The Inspector General Act requires publication of our Semiannual Report to the Congress, which recaps OIG's work of the past 6 months. In the interest of making the report more usable to its readers, this Semiannual Report incorporates several new features:

□ It describes — in brief summaries, organized month-by-month — a more complete array of audits, evaluations and investigations conducted by this office than have been presented in the past. Complete versions of the audits summarized in this report are available on the Internet — along with other information about the Office of Inspector General — at <http://www.dot.gov/oig>

□ We have created a “Focus” section, which explores in more depth four issues of major significance to the Department of Transportation. They are the “Year-2000” computer problem, modernization of the Federal Aviation Administration's Air Traffic Control operations, trucking industry safety and the condition of the Department's financial records. Our look at these issues is found on pages 2-9.

□ For a more comprehensive list of our ongoing and planned work, see the graph on pages 42-43. It illustrates the relationship of our efforts now under way with key elements of the Department's Strategic Plan.

The past 6 months have been highly productive in the Inspector General's office. Our work has helped strengthen the Department and its operating agencies by promoting safety, efficiency and integrity in DOT programs. We are working closely, and constructively, with Department officials and the Department of Justice while maintaining the independence legally required of OIG. During the period covered by this report, OIG issued 106 audit reports with total financial recommendations of \$625 million, largely agreed to by the Operating Administrations audited. Investigations led to 45 indictments, 42 convictions and \$9.5 million in monetary recoveries — fines, restitution orders, judgments and recoveries.

To do our job better, we have made major changes in OIG's organization and operations. In addition to deploying a strong team of auditors, evaluators and investigators in new ways, we are adding depth to OIG by hiring new staff with skills in a variety of disciplines — economics, financial services, public policy and computer services.

The statutory Inspectors General of the various Federal departments make up the President's Council on Integrity and Efficiency (PCIE). IGs designated by heads of other agencies form the Executive Council on Integrity and Efficiency (ECIE). The groups are engaged in an important dialogue this year, the 20th anniversary of the law that brought the IGs into existence. It was our privilege to be the lead organization for the PCIE/ECIE annual conference. At the 2-day session, members and guests explored such topics as the relationship among Inspectors General, Congress and the Executive Branch; investigative procedures; "best practices" within our own shops; and the role of Inspectors General in implementing the Government Performance and Results Act. We were honored by the participation of Attorney General Janet Reno, Transportation Secretary Rodney Slater, Health and Human Services Secretary Donna Shalala, Maryland Congresswoman Connie Morella, Chairwoman of the Technology Subcommittee of the House Science Committee, Federal Aviation Administrator Jane Garvey and former Texas Congressman Jack Brooks, Chairman Emeritus of the House Judiciary and Government Operations Committees — not to mention colleagues from 64 offices within the IG community.

The Office of Inspector General is positioned to be a proactive force for constructive change across the Department. But we will only make solid gains in safety and performance by working *with* the people who administer the programs, the lawmakers who write the programs and the people for whose benefit the programs exist. On behalf of my colleagues at DOT's Office of Inspector General, I would like to thank Transportation Secretary Rodney Slater, Deputy Transportation Secretary Mortimer Downey, the Operating Administrators and Members of Congress for their continuing cooperation with, and responsiveness to, our work.

Kenneth M. Mead  
Inspector General



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# Major Audits and Investigations

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The Office of Inspector General includes a staff of auditors and evaluators who review the programs and operations of the Department of Transportation to help its managers improve them. Some audits focus on financial issues; others review the effectiveness of programs. The Inspector General's staff also includes investigators who build criminal cases against those who break transportation-related laws — ranging from trucking firms that force drivers to work too many hours without rest and haulers who illegally transport hazardous materials to vendors who traffic in illegal, unapproved aircraft parts.

Many factors go into determining what to audit. Some audits are required by law. Others are requested by key decisionmakers, such as the Secretary of Transportation, heads of the Operating Administrations within DOT or Members of Congress. The OIG audit agenda is also based on the past experience of an audited entity, the strategic goals of DOT, and priorities established each year by OIG itself. Many times, auditors, evaluators and the Inspector General's investigators work together closely to ensure that a program financed with Federal money is conducted both honestly and efficiently. The IG Act requires the Department to provide the IG with all requested information and for the IG to report any instance where access was denied. No information requested by OIG was withheld by DOT officials during the 6 months covered in this report.

Information for OIG investigations also comes from many areas. DOT's Operating Administrations and State government officials often will refer tips or information about suspicious activity to OIG Special Agents for investigation. Those agents build the cases, executing search warrants as needed and making arrests in the process. The majority of cases are prosecuted by United States attorneys in Federal courts.

Another source of investigative direction is the Office of Inspector General Hotline, an "800" number that lets citizens — including Federal workers — have direct access to OIG staff. The number is **1-(800)-424-9071**. Hotline users are not obliged to disclose their identities and "whistle-blowers" within the Government are protected from reprisal by Federal law.

# Focus:

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## *Objective: Helping the Department of Transportation ensure continuity of operations*

Back in the 1960s and 1970s, when artificial intelligence was just starting to be a household commodity, programming computers to use only the last two digits of a year to stand for that year was an efficient, common-sense thing to do. The designation became an industry standard.

But as the widely computerized world entered the 1990s, it became apparent that standard could set computers up for system failure or data error. Computers so programmed cannot distinguish between the year 2000, designated “00,” and 1900, which would carry the same designation. Executives throughout government and business learned they were dealing with a costly problem coupled with a tight deadline. Even components containing computer chips may be affected.

In U.S. transportation, the potential effects are far-reaching. Computers are at the heart of FAA’s air traffic control system. Computers set timetables for trains and subways, help officials manage highway traffic and help the Coast Guard track boats carrying illegal drugs. Computers process infrastructure project construction grants. Further, the problem reaches beyond national borders. Year-2000 issues have enormous ramifications for international air traffic control, surface transportation and ocean shipping.

### **A sense of urgency**

The work of the Office of Inspector General has played an important role in assessing the scope of DOT’s “Year-2000 Problem.” In testimony by the Inspector General before two House Subcommittees, and in three separate reports by OIG auditors, the Department’s efforts have been reviewed. OIG has been helpful in spurring a sense of urgency within DOT as it faces the pressing issue, formulating concrete plans to fix problems identified.

□ In November, OIG found that FAA had allowed too little cushioning for schedule slippage in its plan to assess and correct any Year-2000 problems. FAA had planned to fix its computers by the end of October 1999. OIG urged that the work be concluded by June 1, 1999 (report FE-1998-027).

□ In December, OIG evaluated the Department’s overall Year-2000 strategy, and the strategies of its component Operating Administrations. OIG found the Department behind schedule in completing its assessments, which must precede any fixes. OIG also found a lack of a formal Department-wide plan, coupled with a lack of staff support in DOT’s office of the Chief Information Officer; omission of more than 300 computer systems from the Department’s Year-2000 inventories; significant overstatement of what had been assessed in DOT’s proposed August

# “Year-2000” computer problems

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November 1997 reports to the Office of Management and Budget; inadequate proof that 43 systems deemed Year-2000-ready were; unreliable, insupportable cost estimates for Year-2000 fixes (of \$92 million in May 1997 and \$266 million in August 1997); and lack of Year-2000 language in five operating administrations’ computer contracts (report FE-1998-053).

□ In February, the Inspector General testified before the Technology Subcommittee of the House Science Committee and the Government Management, Information and Technology Subcommittee of the House Government Reform and Oversight Committee, basing his comments on audit report FE-1998-068. He testified

that the FAA needs to strengthen its strategies to ensure the functioning of a crucial air-traffic-control computer, designate central leadership for Year-2000 work, firm up cost estimates, set more realistic schedules for making fixes, and include Year-2000 considerations in projects under development.



FAA has agreed to move its target date for Year-2000 readiness to June, 1999. The agency has improved planning, tracking, and staffing, including use of an independent contractor. The aviation agency also has named a Year-2000 manager who reports directly to FAA’s administrator, and the agency is developing a Year-2000 master schedule for air traffic control. FAA has decided to begin to replace its HOST air traffic control computer system immediately, at an estimated cost of \$190 million in fiscal years 1998 and 1999. DOT also has agreed to take more rapid inventory of Year-2000-affected equipment in the Maritime Administration’s fleet of ready-reserve ships.

# Focus:

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## ***Objective: Helping the Federal Aviation Administration make more effective acquisitions***

The Federal Aviation Administration is upgrading equipment crucial to modernization of its air traffic control functions. This effort fits squarely into two of the Transportation Secretary's strategic objectives: enhancing safety and ensuring wise infrastructure investment. Since its inception, the modernization program has experienced cost overruns and schedule delays. To mitigate these problems, the FAA Administrator has named a task force, including senior DOT officials and aviation-community executives and experts, aiming for consensus on objectives and priorities.

Three areas — all subjects of ongoing Office of Inspector General review — are central to FAA's modernization efforts: the Standard Terminal Automation Replacement System (STARS), replacement of FAA's HOST computer system, and the Wide Area Augmentation System (WAAS).

### **Making equipment work safely and efficiently**

FAA's \$940 million Standard Terminal Automation Replacement System will replace displays (see photo above), software, and computers in 172 terminal air traffic control facilities. It is first slated to go into service in Boston in December 1998. OIG concluded that FAA is not likely to meet that date; further, development costs are likely to increase (report AV-1998-012). We found that important "human factors," pertaining to the way controllers and maintenance technicians physically use the equipment, were only looked at late in the STARS development process, in part because of an aggressive procurement schedule.

# Air traffic control modernization

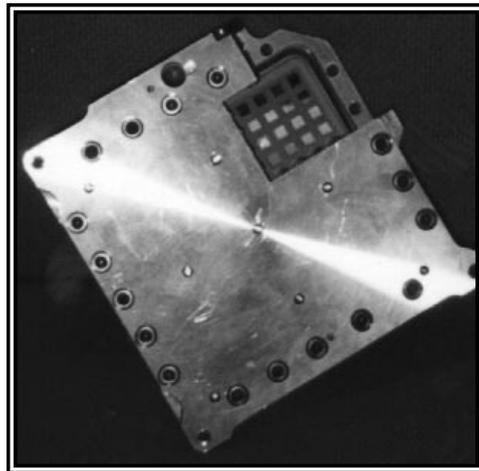
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As one example, the proposed software used “windows” that could obscure images of aircraft on the screen, which controllers need to track continuously. In another, a keyboard configuration was different from that of current equipment. Such factors could reduce controller efficiency. OIG also identified software development, system testing and user training as areas likely to make system delivery late.

Following an October presentation on OIG’s findings before Congress, FAA concurred with our recommendations. In December, FAA evaluated human factors in STARS with air traffic controllers and in January with maintenance technicians. Those teams identified 98 controller issues and 106 maintenance issues; solutions are being implemented.

## **New and improved computers in air traffic control**

FAA uses a computer system known as HOST in 20 control centers that monitor high-altitude air traffic. Though the system’s replacement was not slated to be complete until the year 2004, HOST cannot be certified free of “Year 2000” problems. Of equal importance is the lack of availability of a crucial HOST part known as the thermal conduction module, or TCM (pictured at right). The part, which cools the processor, no longer is being made, and only six spares of the key module are known to exist. Meanwhile, TCMs are failing at an increasing rate. FAA has decided to attempt to replace the HOST system immediately — at an estimated cost of \$190 million in fiscal years 1998 and 1999 — and also make the existing equipment Year-2000 compliant.



## **Navigation by satellite**

The Wide Area Augmentation System, which would use global positioning system satellites for aircraft navigation, is scheduled for initial operation late in 1999. FAA expects WAAS to be fully operational in late 2001. But major questions remain unanswered. FAA is not yet certain how many communications satellites will be needed to make the final system work and how to protect WAAS from accidental or intentional interference. Answers to those questions will affect cost and scheduling. The system’s life-cycle cost, through the year 2016, is more than \$3 billion.

# Focus:

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**In the United States, there are more than 6.7 million single-unit and tractor-trailer trucks. Recent figures show that on average, there are more than 1,000 accidents per day involving such trucks. Interestingly, the majority of truck crashes occur in good weather conditions (82 percent), on dry pavement (78 percent) and during daylight hours (65 percent). Safety is the top priority of the Department of Transportation, the Federal Highway Administration and the Office of Inspector General. All are working to reduce crash rates involving vehicles of all types, and to that end OIG is engaged in significant work this year on trucking safety -- notably pursuit of truckers who falsify their daily trip logs and training Federal and State truck inspectors.**

# Trucking industry safety

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## *Objective: Strengthening motor carrier safety*

### **Fraudulent logs of drivers’ hours on the road**

One of OIG’s investigative priorities is truck driver “log fraud,” in which drivers of large commercial trucks — often at the instigation of company owners or managers — falsify their daily trip logs to misstate their hours behind the wheel. Federal regulations limit the number of hours truckers can drive without rest because fatigue is a significant factor in human errors that cause accidents and fatalities. Current standards call for no more than 10 hours of driving followed by 8 hours of rest. Some of our investigations have found truckers behind the wheel after as much as 34 hours without a break for rest. Currently, OIG has 26 open investigations of trucking-log violations. During the 6 months covered in this report, convictions or guilty pleas in such cases prompted 8 indictments, 1 conviction and \$67,000 in fines or restitution.

Concern about the prevalence of log fraud also prompted OIG’s legal counsel, as part of a new regulatory proposal, to urge the Federal Highway Administration — which now requires trucking firms to keep such logs for six months — not to reduce that time period to 4 months. OIG was concerned that the proposed change could make discovery and prosecution of perpetrators more difficult. OIG asked that the logs remain on file for the longer period, to increase the likelihood of auditors or investigators detecting falsified records and to have them available throughout prosecution. The records retention period has remained at 6 months.

### **Special training in surface transportation investigation**

Office of Inspector General auditors and investigators have conducted 24 courses across the nation since January to inform State and Federal truck inspectors of OIG’s role and special initiatives now under way. Thus far, about 600 officials of State governments and the Federal Office of Motor Carriers have learned of OIG’s authority in the area, its current priority regarding “log fraud” and tracking illegal transportation of hazardous materials by truck, and OIG’s audits of trucking-related activities.

The interagency training courses have been well-received — with spirited discussions at some locations — and five more are planned in the next 2 months. In the courses, OIG staff advise other inspectors of its availability as a separate investigative arm including law enforcement authority to execute search warrants and make arrests. By sharing related agencies’ resources, OIG can add value to other agencies’ efforts.

# Focus:

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## ***Objective: Helping the Department of Transportation present businesslike accounts***

Successful business firms audit their books to make sure their accounting records and inventories are in good order so needless, wasteful spending does not occur. Successful governmental entities do the same — and financial accounting that meets basic standards now is a requirement of the Chief Financial Officers Act, passed in 1990 and amended in 1994 by the adoption of the Government Management Reform Act.

The Office of Inspector General recently audited the financial statements of the Department of Transportation overall and, in separate audits, the Highway Trust Fund and the Federal Aviation Administration. From these audits, the Inspector General drew the following conclusions:

- The Department has made significant progress in detailing what funds it received and how they were disbursed;
- There are inventory problems amounting to \$25 billion within two agencies — the Coast Guard and FAA — involving tracking of physical property and real estate;
- The cost-accounting system recommended by the National Civil Aviation Review Commission for FAA to become a performance-based organization (one that assigns its fees based on costs) now being developed will not function properly until FAA produces accurate data; and
- Accounting problems with the Treasury Department’s stewardship of highway and aviation trust funds need to be addressed before DOT can receive an unqualified (or “clean”) opinion on its financial statements.

In our audit of DOT’s Consolidated Financial Statements, OIG found that DOT made good progress addressing deficiencies in its financial operations, but needs to do more to implement 33 of 77 recommendations we made in our Fiscal Year 1996 audit. DOT still needs to make comprehensive physical inventories of property reported to be valued at more than \$25 billion. Due to a lack of supporting records, proper inventory practices, and unsupported estimates, OIG did not express an opinion on the fairness and reasonableness of DOT’s consolidated statements, referred to as a “disclaimer of opinion” among auditors.

The Coast Guard, however, completed an inventory of equipment valued at \$5.1 billion and the Maritime Administration properly valued the ships in its National Defense Reserve Fleet, at \$932 million. An inventory of spare parts should be done at both FAA and the Coast Guard. The Coast

# Financial statements

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Guard also needs a more reliable estimating method for calculating its annual pension liability. It is noteworthy that some information needed to make a thorough audit of the Department's financial statements is outside DOT's control because it comes from the Treasury Department. That agency keeps track of, and periodically disburses, tax revenues that support DOT programs, particularly the Highway Trust Fund and the Airport and Airway Trust Fund, which helps finance the FAA. We recommended that the Secretaries of Transportation and the Treasury, the General Accounting Office and the Deputy Controller of the Office of Management and Budget require auditing of the accounting, estimation, certification and investment of tax revenues.

In our audit of the Fiscal Year 1997 financial statements of the Highway Trust Fund, we found the operating administrations affected — the Federal Highway Administration, the Federal Transit Administration, the National Highway Traffic Safety Administration and the Federal Railroad Administration — had properly processed, adjusted, and reported Highway Trust Fund transactions they controlled. They also did an excellent job correcting weaknesses identified in our audit report for the previous fiscal year.

In our current report, however, we were unable to issue an unqualified (a so-called "clean") opinion on the trust fund statements, again because of the difficulties at the Department of the Treasury in verifying excise tax revenues that go into the trust fund.

Finally, the Office of Inspector General audited the financial statements of the Federal Aviation Administration for the fiscal year ending September 30, 1997. During Fiscal Year 1997 FAA capitalized \$2.6 billion in equipment purchase costs that had been expensed in error; verified the existence of \$1.2 billion worth of buildings, land and structures; inventoried its Logistics Center; and reconciled budget information reported to the Department of the Treasury. Nonetheless, OIG issued a disclaimer of opinion, because the information available was not sufficient to support the financial data reported.

Though OIG made no new recommendations to FAA following the disclaimer, we did urge FAA to provide our auditors adequate information to assess the fairness and reasonableness of its financial statements. A year ago, in an audit of FAA's Fiscal Year 1996 financial statements, we made 35 recommendations; 21 still need corrective work. FAA currently is developing a cost-accounting system based on National Commission for Civil Aviation Review recommendations, and has recently proposed making FAA a performance-based organization. But that system's information will not be reliable until FAA makes corrections.

FAA also relies on Treasury for accounting information to complete its financial statements. Resolution of the questions about financial information will help FAA, FHWA and DOT reach unqualified ("clean") audit status.



## **Congress hears OIG testimony on new air traffic control equipment**

In testimony that later became an OIG audit report (AV-1998-012), the Inspector General told the House Appropriations Subcommittee on Transportation that there were significant “human factor” problems with the Standard Terminal Automation Replacement System, or STARS, an air traffic control system the FAA plans to bring on line late this year. Air traffic controllers and maintenance technicians identified the problems. Following testimony, Subcommittee Chairman Frank Wolf asked Mitre Corporation to facilitate talks among FAA, the controllers and the technicians. As a result, potential solutions were identified and such issues will be addressed earlier in future acquisitions.

## **Defendants sentenced in fuel tax evasion scheme**

Three Georgia men were handed sentences in U.S. District Court ranging from 4 to 6 months for their involvement in a scheme to evade motor fuel excise taxes used to finance highways. William D. Forrester, Glenn Russel David and Randall C. Eli had received kickbacks totaling more than \$430,000 in the arrangement. In addition to their sentences — to home detention — the defendants, who pleaded guilty to tax evasion, were placed on probation for 30 to 32 months. Forrester and Eli were ordered to pay back taxes. Forrester was fined \$20,000 and David was fined \$10,000. The case was jointly investigated by the Office of Inspector General, the Internal Revenue Service and the Georgia Bureau of Investigation.



## **OIG identifies diverted airport funds; Los Angeles promptly repays**

At the request of the Federal Transit Administration and as required by Congress through appropriations legislation, OIG audited Los Angeles International Airport. We found that between February and mid-September of 1997, nearly \$1.4 million had been diverted from the airport to the city related to police services, rent-free use of airport property, parking citation revenue and support services. Following our report (AV-1998-021), city and airport officials arranged for repayment to the airport and agreed to avoid future diversions.

## **FAA: Prevent sexual harassment, reduce case backlog**

OIG took a look at sexual harassment cases involving Federal Aviation Administration employees (report MA-1998-022). Of 83 cases reviewed, 39 were still open, 36 had been closed and 8 were under appeal. One-third of the closed cases resulted in findings of discrimination, with 10 settled and 2 informally resolved. Of the open cases, 28 of the 39 originated in FAA's Air Traffic Control section. On average, the cases had been open 454 days, though one unresolved case had lasted 1,001 days longer than that. OIG recommended that FAA develop basic sexual harassment training requirements.



## **Embezzler caught, jailed, fined**

An Office of Inspector General investigation led to the apprehension, plea and incarceration of William S. Stewart, who had once worked for the Federal Aviation Administration in Denver as an imprest fund cashier. Stewart pleaded guilty to the embezzlement of more than \$25,000 from FAA through duplication of invoices. He was sentenced by a U.S. District Court judge to 8 months in jail, followed by 3 years' probation.

## **Traffic in substandard aviation parts spurs guilty plea**

An OIG investigation led to a plea of guilty to a single count of mail fraud by principals of Transpec Fasteners, Inc. of Fort Worth, Texas. Transpec, which supplied aircraft fasteners to the Department of Defense and to private firms for commercial use, acknowledged through its guilty plea that it had sold substandard parts. Following a Federal indictment filed in Philadelphia, the U.S. District Court fined Transpec \$120,000. OIG was joined by the FBI and several Defense Department investigative agencies in the probe.



## **Ohio River towboat firm sentenced**

A towboat company that dumped oily bilge slop and other wastes into the Ohio River for 21 years and its former vice president were fined more than \$270,000 by a Federal judge in Cincinnati following a joint investigation by OIG, the FBI, the Coast Guard and the Environmental Protection Agency. M.G. Transport Services was fined \$250,000 and its former vice-president, Harshel J. Thomasse, was fined \$22,500. The firm had operated hundreds of barges and towboats on the Ohio, where dumping of bilge residue, burned wastes and industrial waste took place between 1971 and 1992.

## **Congressional committee hears analysis of runway incursions**

OIG's analysis of FAA's Runway Incursion Program was the focus of Inspector General testimony before the Subcommittee on Aviation of the House Committee on Transportation and Infrastructure. The program's purpose is to reduce near-collisions between planes and other planes, or planes and other vehicles on runways. OIG found the program has not been effective in reducing such incidents. OIG found there were 204 incursions in 1994 and 318 in 1997. The original goal was to reduce incursions to no more than 41 by the year 2001; that has been changed to 270 by the year 1999 and a goal for the year 2000 has not yet been established. The Inspector General said FAA's plan isn't working as intended. OIG recommended that FAA implement portions of the plan not carried out, review it and increase focus on local plans to remove hazards unique to individual airports.



## **Coast Guard: Reduce firearms inventory**

OIG recommended that the U.S. Coast Guard divest itself of numerous small arms and rethink the necessity of converting all its M-16 rifles to a new standard. The review assessed operations at the Coast Guard's Crane, Indiana facility for small-arms repair and storage. In the report (MA-1998-017), we found that the shop held more than one-third of the Coast Guard's 20,000 rifles, machine guns, pistols and shotguns. OIG found that many guns arrived as Coast Guard units were trimmed. One-third of the M-16 rifles the facility planned to adapt for new ammunition use could be withheld from the conversion, saving up to \$487,000. The Coast Guard, under the terms of its contract with the supplier, may instead send M-16 conversion kits to the Department of Defense.

## **FAA: New priorities needed in airport inspections**

An Office of Inspector General review of FAA's airport inspection program (report AV-1998-025) led to a recommendation that personnel be directed to airports with past problems or airports with significant use by the public. We found that the 50 inspectors in the program sometimes checked and rechecked airports used by relatively few travelers or airports where past inspections had resulted in clean reports — while busier facilities, or those with problems in past checks, got less frequent checks. FAA agreed to factor in airport usage and prior inspection results in setting future schedules. FAA checks 575 airports for compliance with standards for facilities, equipment and operating conditions.



## **Trucking firm dissolved in “ghost drivers” case**

A 6-month jail term, 6 more months of home confinement and a \$2,000 fine were not the only penalties levied against the owner of Redi Transportation Inc., an Indianapolis-based interstate trucking firm. A U.S. District Court judge in Indianapolis also ordered Charles Jordan, as part of his plea agreement, to dissolve the firm and stay out of commercial trucking for at least 2 years; he was placed on 3 years' probation. In an investigation conducted by the Office of Inspector General and the Federal Highway Administration's Office of Motor Carriers, Jordan pleaded guilty to conspiracy in causing truck drivers for the firm to falsely list “ghost drivers” in their drivers' logs to conceal the fact they drove hours in violation of DOT limits.

## **Two firms guilty in disadvantaged-business fraud scheme**

Two firms — one based in Ohio, the other in West Virginia — were found guilty by a jury of conspiracy, making false statements and wire fraud in connection with a scheme to misuse the Federal Disadvantaged Business Enterprise program. The case was investigated by OIG following referral by West Virginia State authorities. Brothers Construction Co. of Columbus, Ohio, which had disadvantaged status, entered into a secret agreement to have a non-certified firm do its work in a subcontract for Tri-State Asphalt of Wheeling, West Virginia. Tri-State was aware of the misrepresentation. Brenda Ware, president of Brothers, also was found guilty in the case.

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## **Aircraft parts dealer jailed, barred from business for 3 years**

A Florida man was sentenced to 5 months in jail and 5 months' additional home confinement, and barred from the aircraft parts business during a 3-year supervised release, after he admitted to selling unapproved aircraft parts at a high profit. The case against Ronald H. Drellich was investigated by the Office of Inspector General at the request of the Federal Aviation Administration. Drellich told investigators his firm, Federal Air Accessories of Hollywood, Florida, had machine shops manufacture generator parts for use on commercial aircraft, and sold them as FAA-approved — which they were not — for a markup of more than 1,000 percent.



## **DOT: Tighten controls in photography division**

Pursuing a tip that came in through the Office of Inspector General Hotline, OIG reviewed property records maintained by the photography section of DOT's Transportation Administrative Service Center (TASC). We found that 31 items, valued at \$16,479, were disposed of or traded in and deleted from TASC records without proper approvals. Another 11 items in use, worth more than \$7,000, were not properly entered into property records. Photographers were allowed to remove equipment from a central pool without recordkeeping and equipment trade-in practices were subject to abuse. In our report (MA-1998-028) OIG recommended corrections, and the director of TASC agreed.

## **Texas city required to reimburse diverted airport funds**

Following an OIG audit of spending practices in Big Spring, Texas, at its McMahan-Wrinkle Airpark, the city transferred more than \$1.2 million to the airport after that sum was found inappropriately diverted to non-airport uses. Action on another \$679,000 is pending. The audit (report AV-1998-026), requested by FAA, found that the city had diverted \$1.2 million in airport revenues for construction not related to aviation; had spent more than half a million dollars on firefighter costs when only 13 percent of those employees' fire calls were on airport property; and did not pro-rate the wages of city workers whose airport work was only part-time, at a cost of \$27,000. The city also lacked a fee and rental structure that met FAA guidelines and owes the airport at least \$122,000 for lease of airport property. The city has begun implementing the recommendations.

## **FAA: Revenue diversions, Scholes Field, Galveston, Texas**

The City of Galveston, Texas was not in compliance with FAA grant assurances requiring a fee and rental structure and that airport-generated revenues be used for the operating and capital costs of Galveston's municipal airport, Scholes Field. We found (report AV-1998-011) that city officials had not updated the fee and rental structure since 1983, did not have a basis for lease rates used, and permitted airport property to be used without lease agreements and compensation. Consequently, the city owes the airport \$360,871 for rental fees not charged, lease rates not escalated, and services not provided.

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## **FAA: Eliminate linkage between free training and enforcement actions**

We found FAA's agreements to have the aviation industry test qualifications of pilots and other flight personnel diminished FAA's ability to enforce safety regulations (report AV-1998-042). FAA often delegates authority for tasks it oversees to others — in this case, to regulated carriers to test pilots for qualification. One FAA staffer said such an agreement kept him from seeking an enforcement action when circumstances and prudence would have required one. OIG urged FAA in future training pacts to avoid agreements that preclude FAA from fulfilling its inspection and oversight duties. The FAA Administrator agreed with the findings.



### **Aircraft Parts Traffickers Get 26 Years**

Jose Costales Jr. was sentenced to 12-1/2 years in prison plus 3 years' supervised release and was ordered to make \$1.3 million in restitution, following his conviction on aircraft-endangerment charges. He was convicted in September in U.S. District Court for the armed robbery of an FAA-certified repair station in Miami, Florida; for communicating false information which endangered the safety of an aircraft; for illegally transporting stolen aircraft parts; and for mail and wire fraud. Parts taken in the robberies (such as the fan blade at left) were later sold, sometimes through two Miami parts and repair firms Costales owned. Also sentenced in the case were Luis and Loid Suarez, each sentenced to 7 years and 3 months' imprisonment and 3 years' supervised release. OIG investigated the case with the FBI, the Metro-Dade County Police and the Drug Enforcement Administration.

## **FHWA: Authorize use of idle highway funds quickly**

A review of four states' unspent funds from finished or inactive highway projects suggested more could be done to bring up to half a billion dollars back into the spendable pool. OIG (report TR-1998-045) reviewed unspent funds in California, Georgia, New York and Maine — four states accounting for more than \$1.2 billion of the \$4 billion in unspent highway funds. Based on reviews of 80 randomly selected projects, OIG found that the Federal Highway Administration should prevent large buildups in excess fund accounts and check sooner to see if funds could be redeployed. FHWA officials agreed with the findings.

## **More than \$30,000 bilked in taxi subsidy scheme**

A San Antonio, Texas taxi passenger who had conspired with a Yellow Cab driver in a fund-bilking scheme pleaded guilty in U.S. District Court to one count of fraud. Diana K. Meinen was ordered to make restitution of \$14,800 and placed on probation for 5 years. The case was investigated by OIG and the FBI. Meinen pleaded guilty to allegations she conspired with the driver to submit false vouchers to the San Antonio Transit Authority under a Federally subsidized program to transport the elderly and handicapped. The taxi driver, Stanley Evans, also pleaded guilty and was ordered to repay \$16,500, serve 4 months in home confinement and serve 5 years' probation.



## **Maritime Administration: halt loan guarantee until terms are met**

In an attempt to revitalize a closed shipyard, shipbuilder Massachusetts Heavy Industries had applied for a MARAD Title XI loan guarantee of \$55 million. Because the loan was for renovation of an entire shipyard — with uncertain work and revenues — OIG was asked by the Chairman of a Senate committee to ensure that MARAD held the company to Title XI loan guarantee requirements. After extensive review, OIG recommended that MARAD ensure that the company meet all stipulations in the letter of commitment. MARAD complied and made the guarantee. When anticipated contracts for the shipyard did not materialize, OIG called on MARAD in report MA-1998-048 to reassess the application's risk of default immediately upon the closing of the application.

## **Coast Guard: Collect fees for riverboat casino inspections**

OIG found private operators of riverboat casinos sometimes failed to pay required up-front user fees for U.S. Coast Guard safety inspections of their vessels (report MA-1998-040). The inspections were found to be thorough and timely. Out of 64 riverboat casinos inspected and granted certificates, 10 owners didn't pay inspection fees totaling \$36,675. Coast Guard inspectors said they kept inspecting because they weren't sure payment records were accurate; OIG sampling showed that concern was unwarranted. The Coast Guard was urged to set user fees for all its inspection services and levy civil penalties on inspectees who fail to pay. The Coast Guard stated it would take corrective action.



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## **FAA needs closer regulation of third-party drafts**

OIG looked into FAA's compliance with a 1995 Transportation Department order to close "imprest funds," pools of money for cash advances to employees for such purposes as business travel (report FE-1998-044). Regulated Government credit cards, direct deposit or Treasury checks were to be used instead. While FAA had closed out its 413 imprest funds, totaling about \$1.3 million, the audit found that third-party drafts were excessively used by the agency without adequate controls. A third-party draft is a check-like instrument, drawn against and paid by an outside contractor or financial institution. FAA indicated it will be shifting toward credit-card use and plans to minimize use of third-party drafts.

## **Plea entered in scheme to provide un-airworthy windshields**

Perkins Aircraft Services, Inc., of Fort Worth, Texas, pleaded guilty in Federal court to making false statements in a scheme to supply aircraft windshields falsely represented as airworthy to the U.S. Coast Guard. The windows, which did not meet FAA regulations, were for 14 of the Guard's Falcon 20 aircraft. Sentencing is pending. The case was jointly investigated by OIG, the FBI and the Defense Department.

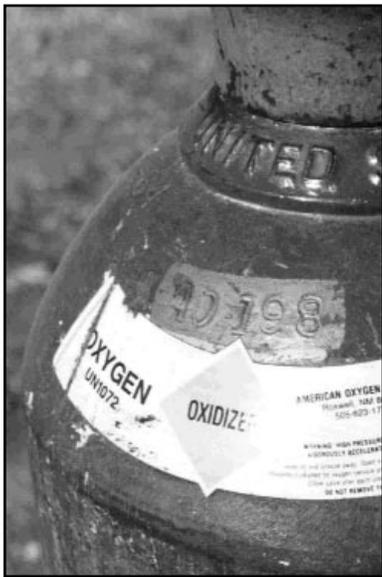


## **Coast Guard: Former cashier loses job in alleged embezzlement**

Following a joint investigation by OIG and Coast Guard investigators in New Orleans, a civilian employee of the Coast Guard entered into a pretrial diversion agreement in connection with the alleged embezzlement of \$12,623 from the Marine Safety Office in New Orleans. Pretrial diversions let alleged offenders avoid prosecution if they comply with terms of an agreement and stay out of trouble in the future. Under supervision of the court, the former cashier accepted termination from her job and agreed to make full restitution within a year.

## **Data processing management reviewed**

Reviewing compliance with the Office of Management and Budget's call for consolidation of data centers, the Office of Inspector General found that DOT complied with Office of Management and Budget requirements in consolidating its data centers. However, DOT needed to improve its information technology plan. Specifically, OIG called on chief information officers throughout DOT to add baseline parameters for cost, schedule and performance goals and build in "problem alerts." In the review (report FE-1998-049), OIG also called for a cleanup of recordkeeping in information technology plans, to end incomplete or redundant entries. OIG also sought better internal communication among information technology personnel. DOT's acting chief information officer concurred with the findings.



## **First prosecution of cylinder-testing violation**

A Roswell, New Mexico oxygen-supply firm, its owner and its manager pleaded guilty in U.S. District Court to violation of the Federal Hazardous Materials Transportation Law. Sentencing is pending. American Oxygen Company, Inc., its owner Chester Smith and manager Keith Smith were the first defendants charged under the cylinder-testing section of the act. The firm was accused of claiming its oxygen cylinders had been tested for metal strength when they were not. Cylinders with flaws pose a safety threat when filled with compressed gas. Customers of the firm included such organizations as fire departments and hospitals. OIG was joined in the investigation by the FBI and the Transportation Department's Research and Special Programs Administration.

## **Air traffic controller workforce labor agreements**

Our audit (report AV-1998-061) found that FAA facility managers were not held accountable for cost or staffing implications of agreements they made with the controllers' union, known as the National Air Traffic Controllers Association or NATCA. Further, managers were not given necessary training or help from labor relations experts when they negotiated complex issues. During our audit, FAA began to address some points we identified including official time granted for union activities, training, access to labor relations expertise, and management oversight. The steps will be important in helping FAA manage its resources while maintaining valuable controller input on such matters as air traffic modernization. The work will also be important should Air Traffic Services be converted to a performance-based organization.



## **Penalty of half a million dollars follows fireworks warehouse fire**

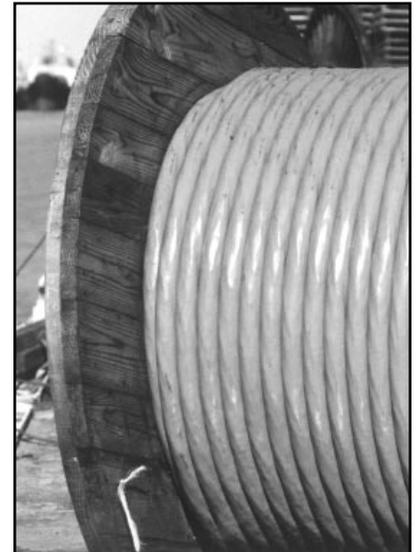
Neptune Fireworks of Dania, Florida paid a fine and restitution totaling \$500,000, while president Itzhak Dickstein and two managers were sentenced for the illegal handling and transportation of fireworks. Neptune had baled fireworks with cardboard, which ignited at a recycling facility. The half-million-dollar levy against the firm included payment to victims of the resulting fire and \$125,000 to 5 fire departments. The firm's warehouse manager, Mark Williams, was jailed 5 months and sentenced to another 5 months' home confinement and 3 years' supervised release. Dickstein and Operations Manager Leslie Grimes each were sentenced to 6 months' home confinement; Dickstein was placed on 3 years' supervised release and Grimes, on 1 year of supervised release. Dickstein also was fined \$20,000.

## **Hotline tip leads to improved working conditions at Union Pacific**

In a tip to the OIG Hotline, a complainant said the Union Pacific Railroad was subjecting engineers to irregular and excessive hours, noises louder than 80 decibels, diesel exhaust fumes, engine vibration and cold. The Federal Railroad Administration responded with an extensive, 24-hour-a-day audit of the Union Pacific system that went on for 16 days. Deficiencies in training and dispatching, and problems with fatigue were discovered. New safety initiatives were undertaken, including adding more dispatchers, providing employees more training on their equipment, and establishing an oversight team charged with reducing the dispatchers' workload.

## **Guilty plea entered in theft from MARAD reserve fleet**

Following an OIG investigation, Dominic L. Fulco of Concord, California pleaded guilty to conspiracy and theft of Government property in Federal Court in Sacramento, California. Investigators believe Fulco was part of an industrial burglary ring, which specialized in stealing copper cable and other metal parts. The ring had targeted the MARAD Suisun Bay Reserve Fleet in a series of thefts over several years. The thefts netted the ring more than \$150,000. As a condition of his plea, Fulco must cooperate with prosecutors and make restitution. Two other men and a woman suspected in related thefts were arrested.



## **Repair station pays \$570,000 settlement in aircraft parts substitution**

Chromizing Southwest of El Centro, California, an FAA-certified repair station, agreed to pay \$570,000 in a civil settlement for misrepresenting aircraft parts sold to its customers. The company led its customers to believe that Pratt & Whitney parts were used for repairs on JT8D jet engine components, an engine frequently used by major airlines. In fact, cheaper parts had been substituted — reaping the firm profits in the millions of dollars.

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## **Air passenger origin and destination data found unreliable**

Data on the “origin and destination” (O&D) cities travelers fly to, and from, is crucial to Transportation Department decisions on airfare analysis, grants of FAA funds and international air route awards. However, our review of O&D data (report AV-1998-086) found the data collected by the Bureau of Transportation Statistics was neither accurate nor complete. A significant problem is an outdated collection system, forcing BTS employees to look through millions of used paper tickets and computer files. Though DOT sets a 95-percent-accurate standard for the data, our sampling of passenger counts in 8,894 city-to-city itineraries found that 69 percent fell outside the accuracy standard. OIG recommends basing future data collection on the computerized reservation systems run by airlines; the Department agrees and is proceeding with implementation.

## **Inventory fails to count nearly half of Federally owned bridges**

Of approximately 580,000 bridges open to the public in the United States, about 10,000 are owned and maintained by 14 Federal agencies. The Federal Highway Administration keeps an inventory of them and reports to Congress every 2 years on their number and condition. Our audit report (TR-1998-079) found that 4,770 Federally owned bridges — more than 47 percent — are not in the inventory, that information on conditions is not reliable and that about one-fourth of all bridges in it are not inspected every 2 years, as required. We recommended that FHWA improve its data analysis and seek authority to compel agencies controlling such bridges to inspect them properly. FHWA agreed it should improve data collection but disagreed on the other findings, offering alternatives.

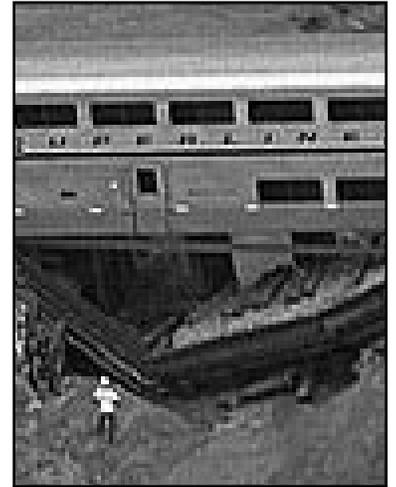


## **Passenger rail safety orders**

Following two crashes involving commuter trains, the Federal Railroad Administration issued Emergency Order 20 to all commuter train operators to prevent future crashes and make sure passengers could exit. Our audit report (TR-1998-078) reviewed compliance with FRA’s order. We found FRA effectively checked compliance with its elements: engineers were to abide by all trackside signals and communicate them to a second crewmember; FRA inspectors were to interview engineers to evaluate their knowledge of new procedures; a sample of passenger cars was to be checked for clear exit markings and working window exits; and safety plans were to be reviewed.

## **Some small railroads unprepared for “El Nino”**

An OIG sampling of 41 railroads — 8 large and 33 small — concluded that many of the smaller lines may need to take further steps to improve rail safety and public safety as the weather pattern known as “El Nino” spurs heavy precipitation in many areas of the United States (report TR-1998-074). Many of the small railroads carry hazardous materials as well as passengers, and cross terrain subject to adverse weather conditions. The Federal Railroad Administration agreed to send the foul-weather safety advisory it had earlier sent large railroads to all small railroads. The advisory outlines safety practices to reduce the risk of casualties from train derailments caused by weather-related phenomena.

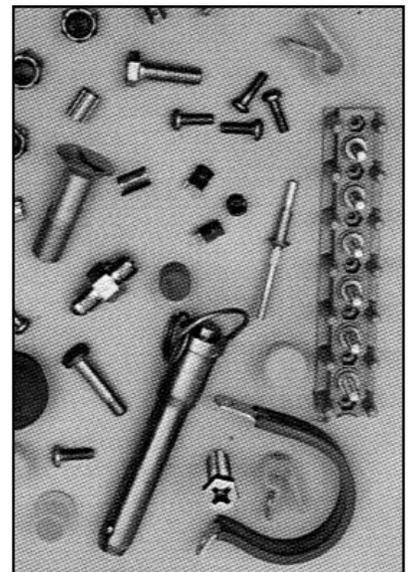


## **Owner of aviation parts firm jailed**

The owner of an aircraft-parts firm that had certified parts as specifically tested, when they were not, was sentenced to 10 months' incarceration. A U.S. District Court Judge in Pennsylvania also ordered Frank Rizzo, owner of Keystone Tool and Machine Co. of Darby, Pennsylvania, to make \$25,000 in restitution. The Office of Inspector General investigated Rizzo's firm as part of a joint effort with four other Federal agencies. In addition to the time and fine, Rizzo's sentence includes 36 months' probation and 75 hours of community service.

## **Guilty plea in substandard parts case brings \$100,000 fine**

A Florida firm that supplied substandard aircraft fasteners to Federal Government contractors including the Transportation Department, the Department of Defense and NASA entered a guilty plea to one count of mail fraud during retrial in U.S. District Court in Maryland. A fine of \$100,000 resulted. An earlier trial of Electronic Fasteners, Inc. of Sanford, Florida, ended with a deadlocked jury. The company was indicted on mail fraud charges in August 1996 following a Maryland-based undercover probe involving OIG. The investigation revealed that Electronic Fasteners Inc. resold commercially available nuts, bolts and screws with reference to a military specification number, when the parts had not been made in conformance with such specifications.



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## **Should JFK International Airport spend passenger fees on light rail?**

In what could be a precedent-setting issue for airports nationwide, OIG's legal counsel was asked to comment on a proposal to raise money for a \$1.6 billion light-rail system to John F. Kennedy International Airport in New York. Use of "passenger facilities charges" could consume all PFC revenue for the three Port Authority airports — JFK, La Guardia and Newark — until at least 2009. OIG asked FAA to determine whether the light-rail system is needed to overcome capacity limitations on other ground-based access to the airport; whether such financing would take an unacceptable "bite" out of funds needed for safety, security or capacity improvements on the airport grounds; and whether some or all of the funds should come from more traditional surface transportation sources. FAA sought, and got, assurance from the Port Authority that such PFC use would not impair safety, security or capacity at the airport. FAA's decision to allow such PFC use is now under appeal.

## **Firm pleads guilty to unauthorized aviation repair charges**

As a result of a joint OIG and FBI investigation, Flight Director, Inc. pleaded guilty in U.S. District Court in Austin, Texas to charges of failing to make a report to the FAA, in connection with unauthorized and illegal repairs to avionics equipment which was sold as serviceable parts. The firm was fined \$30,000. The firm has agreed, as part of its plea, not to seek repair station certification from the FAA for 5 years.

## **Cost-effectiveness questioned**

In an audit (MA-1998-073) of services offered through DOT's Administrative Service Center, known as TASC, OIG found that some of the 15 areas analyzed raised cost-effectiveness questions. However, the majority of areas were cost-effective and gave good value in comparison with private-sector offerings. Questioned were the Computer Center for data processing; the Learning and Development unit, which offers training; and the computer programming and graphics units. Collectively, the areas critiqued in the audit operated at a \$2.9 million loss in Fiscal Year 1997. OIG recommended the areas measure effectiveness and end services that cannot be made cost-effective. TASC offers services in 45 areas deemed to have common utility throughout DOT. The audit was ordered by House-Senate conference report Public Law 105-313. TASC's director has agreed to set milestones for the four areas.

## **Congress hears testimony on OIG activity, Department priorities**

In testimony before the House Appropriations Committee's Subcommittee on Transportation and Related Agencies, the Inspector General outlined the office's structural changes and accomplishments during the previous year. The remarks then focused on a request by House Majority Leader Richard Armey to develop a list of 10 priority management issues within the Department. The IG noted that the issues list reinforced the focus of ongoing and future work and briefly outlined the 10 topic areas, which include: aviation safety, surface transportation safety, Year-2000 computer issues, air traffic control modernization, FAA funding and cost-management systems, infrastructure needs, transportation security, financial accounting and the Chief Financial Officers Act, Amtrak's financial viability, and the Department's compliance with the Government Performance and Results Act. Following the testimony, the Inspector General and accompanying OIG officials answered numerous questions on Department programs closely related to these issues.



## **Congress hears testimony on Amtrak's status**

In testimony before the Senate Appropriations Subcommittee on Transportation, the Inspector General warned that recent passage of an Amtrak reform bill, which freed new funding sources, does not mean the troubled railroad has escaped several looming concerns. Specifically, the IG said Amtrak's financial future must include validation of its revenue, a realistic look at its capital needs and at whether Amtrak can spend capital funds on maintenance. The IG also told the panel that "self-sufficiency," sought for Amtrak by the year 2002, needs to be clearly defined and Amtrak's Northeast Corridor revenue expectations need review.

## **Update: FAA's 90-day safety review task force**

OIG and FAA jointly followed up on recommendations made by FAA's 90-day safety review task force, formed following the tragic 1996 crash of a ValuJet passenger plane in the Florida Everglades, which killed all on board (report AV-1998-090). FAA and the Secretary of Transportation have acted on all 31 resulting recommendations, but only 9 are fully implemented. Further, more than 18 months after the crash, the most significant recommendations are yet to be carried out. As an example, FAA has added 146 safety inspectors and 74 support staffers, but has yet to target its oversight of air carriers to focus on specific risks or develop plans tailored to each carrier's operations. Strong management was urged, to guarantee follow-through. FAA is integrating several task force recommendations into a new approach to aviation safety oversight.



## **Guilty plea entered in Los Angeles Metro insurance kickback scheme**

Gilda DeSmith, an insurance consultant to the Los Angeles Metro Transit Authority, was sentenced to 6 months' incarceration and a \$3,000 fine after pleading guilty to a bribery charge in U.S. District Court. DeSmith paid a \$5,000 bribe to Abdoul Sesay, the former insurance director for the transit agency, in return for business, then failed to report approximately \$116,000 in resulting contract income. DeSmith also will serve 3 years' supervised release. The case was investigated by the Office of Inspector General, the FBI and by the inspector general's office within the transit agency.

## **Funds diverted at Georgia airport; corrections planned**

FAA asked OIG to audit airport revenue at two airports in Georgia: Bush Field and Daniel Field, both controlled by the Augusta-Richmond County Commission. OIG found (report AV-1998-093) that airport revenue from Bush Field was used for prohibited purposes, including a \$2 million loan to the county's general fund, \$175,000 to buy land unusable for airport purposes, \$94,281 for county administrative costs and \$4,592 for auditing costs related to revenue diversion. Further, \$350,000 was moved from a fund used to repay airport bonds to the county general fund. FAA concurred with OIG and asked the county to reimburse the funds found inappropriately diverted.



## **Pesticide spill on jet spurs probe, guilty plea**

The president of a Miami, Florida freight-forwarding firm pleaded guilty to three charges involving illegal transportation of hazardous materials. Angel Dante Fuentes, president of Executive Freight Consolidators Inc., was charged after he attempted to illegally ship a pesticide in bags on a commercial passenger jet; one bag of the substance tore, releasing fumes that sickened people nearby. Fuentes also was alleged to have attempted to illegally ship more of the pesticide by boat. Sentencing is scheduled in May. The case was jointly investigated by OIG, the FBI and the Environmental Protection Agency.



## **Towboat firm pleads guilty in 18-mile Ohio River oil slick**

The president of a Paducah, Kentucky towboat firm pleaded guilty and was fined \$115,000 in connection with an 18-mile-long oil slick on the Ohio River at Cincinnati. The case was jointly investigated by a task force including the Office of Inspector General. Wayne L. Tolen, president of Tolen Marine Inc., pleaded to a violation of the Clean Water Act. Analysis by the U.S. Coast Guard's identification laboratory confirmed that the slick came from a Tolen Marine boat and that oil and other pollutants from the boat could be pumped overboard only by deliberately setting valves in the engine room.

## **Relocation benefits used as job incentives**

OIG investigated the receipt of relocation payments by six Amtrak executives — beyond their actual relocation costs — to determine whether the payments violated the law or Amtrak policy. Amtrak was obliged to advise Congress of compensation of more than \$148,400 a year paid to any Amtrak officer. OIG found that Amtrak had not informed Congress that four officers received annual compensation exceeding that sum between 1995 and 1997, due to receipt of relocation benefits. It was learned that the former president of Amtrak authorized the payments, without the knowledge of Amtrak's Board of Directors, to offer job candidates compensation beyond Amtrak's self-imposed executive salary cap. On March 11, the board agreed to follow OIG's call to file retroactive reports to Congress and review the relocation policy.



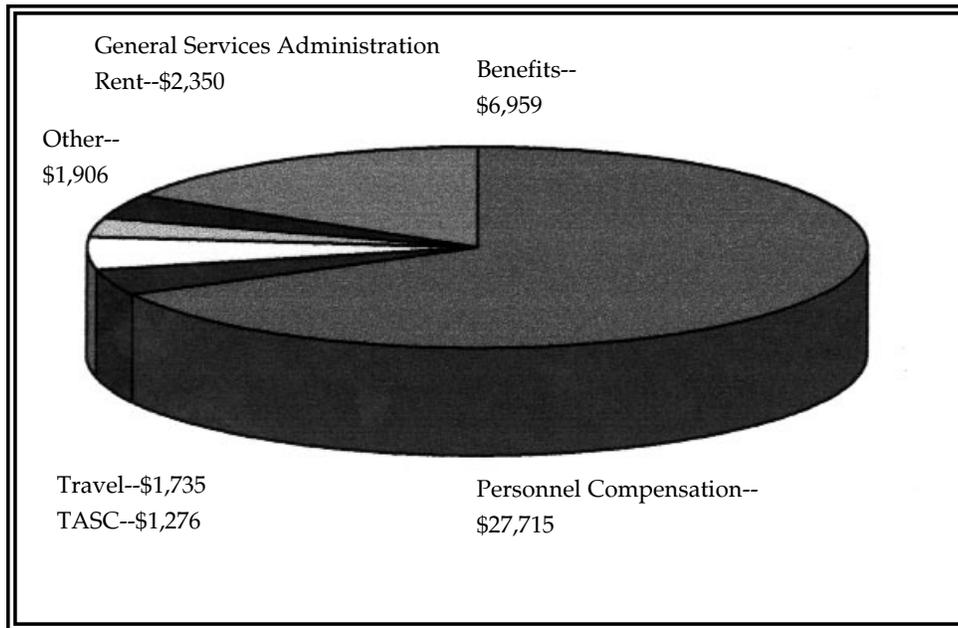
## **Sanitary Food Transportation Act requirements should be transferred**

In response to a request from the Chairman of the Senate Committee on Commerce, Science and Transportation, OIG looked into DOT's fulfillment of the Sanitary Food Transportation Act of 1990. Our report (TR-1998-100) found that DOT has not implemented or enforced all provisions of the Act. The Chairman also asked OIG's opinion of a proposal to shift responsibility for food transportation safety from DOT to the Food and Drug Administration. OIG deemed the transfer in the public interest because FDA has greater expertise than DOT in food-safety issues.



# OIG Fiscal Year 1998 Budget

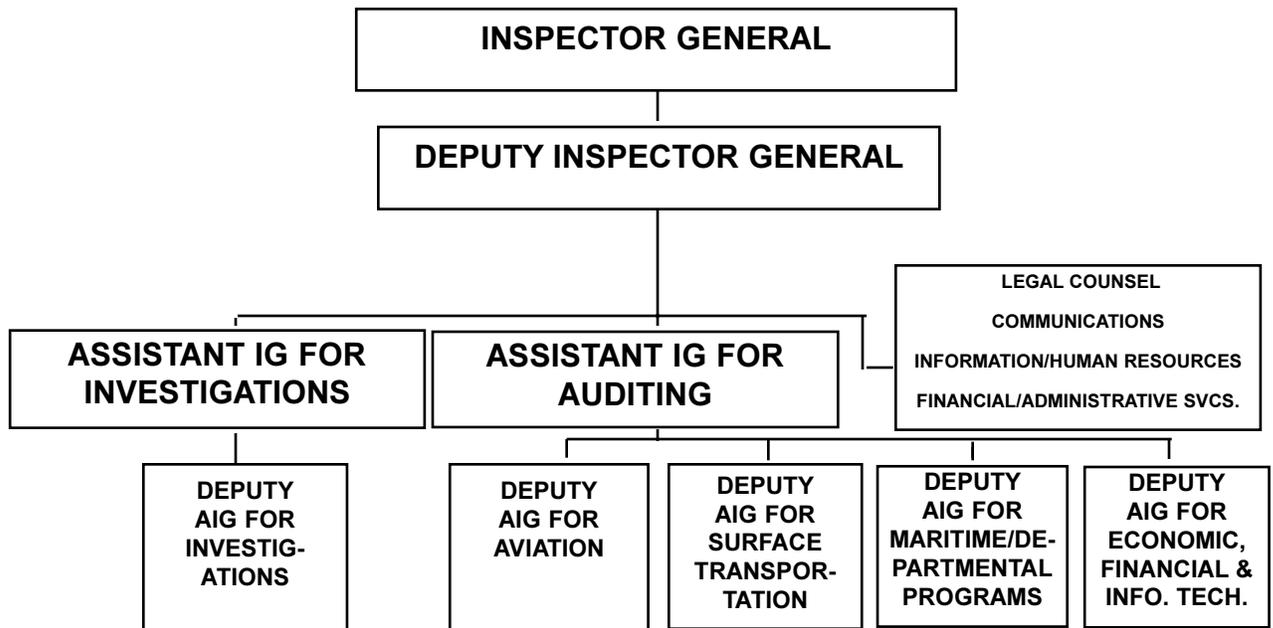
(Dollars in Thousands)



## Office of Inspector General Fiscal Year 1998 Staffing Authorization

Inspector General, Immediate Office	8
Assistant IG for Auditing and Evaluation	303
Assistant IG for Investigations	102
Legal Counsel and Freedom of Information Act	5
Information Resource Management	6
Human Resources and Training	7
Finance and Administration	9
	440

# Organization/Management



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

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

To fulfill these goals, OIG is divided into two major units and five 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 regional staff. The support units are the Office of Legal Counsel, the Communications Office, the Office of Information Resource Management, the Office of Human Resources and Training, and the Office of Financial and Administrative Services.

# Summary of Performance

## October 1, 1997 - March 31, 1998

### Office of Inspector General

Reports Issued	106
Total financial recommendations	\$625,030,000
—That funds be better-used	\$615,334,000
—Questioned costs	\$9,696,000
Referrals: prosecution, litigation or other action	
	133
Cases accepted for prosecution	117
Indictments	
	45
Decisions to seek recoveries	\$600,047,000
Fines, restitutions, recoveries	\$9,535,674
Convictions	
	42
Suspensions/debarments	9
Actions affecting DOT employees	26

## Completed Audits October 1, 1997-March 31, 1998 (Dollars in Thousands)

Type of Review	Estimated Amounts*				
	No. of Reports	No. of Recomm.	Costs Questioned	Costs Un-Supported	Funds to Better Use **
<i>Internal Audits:</i>					
Program/Functional Chief Financial Officer Financial Statements:	43	124	\$4,505	\$83	\$524,858
DOT Consolidated	1	4	\$0	\$0	\$0
Others	3	1	\$0	\$0	\$90,000
<b>Total Internal Audits</b>	<b>47</b>	<b>129</b>	<b>\$4,505</b>	<b>\$83</b>	<b>\$614,858</b>
<i>Grant Audits:</i>					
Audits of Grantees under Single Audit Act	42	6	\$19	\$0	\$0
Other Grant Audits	5	5	\$155	\$0	\$476
<b>Total Grant Audits</b>	<b>47</b>	<b>11</b>	<b>\$174</b>	<b>\$0</b>	<b>\$476</b>
<i>Contract Audits:</i>					
Contracts	12	8	\$4,933	\$0	\$0
<b>Total Contract Audits</b>	<b>12</b>	<b>8</b>	<b>\$4,933</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTALS</b>	<b>106</b>	<b>148</b>	<b>\$9,612</b>	<b>\$83</b>	<b>\$615,334</b>

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

\*\*DOT's Consolidated Financial Statement also showed \$98 billion in adjustments and reclassifications. An adjustment occurs when an amount in an account should be moved to another account in another section of the financial statement. A reclassification occurs where the balance in an account includes amounts that should be in another account.

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 three categories: internal audits of Departmental programs and operations, audits of grant recipients, and reviews of work and spending by contractors. The table above shows OIG's results in the three categories for the 6 months covered by this report.

# Management Decisions Regarding Audit Recommendations

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs*	Funds to be Put to Better Use
Unresolved as of 9/30/97	19	142	\$37,889	(\$4,700)	\$77,836
Audits with Findings During Current Period	51	148	<u>\$9,696</u>	(\$83)	<u>\$615,334</u>
<b>Total to be Resolved</b>	<b><u>70</u></b>	<b><u>290</u></b>	<b><u>\$47,585</u></b>	<b><u>(\$4,783)</u></b>	<b><u>\$693,170</u></b>
Mgt Decisions: A.Audits Prior Period	3	76	\$15,491	(\$0)	\$0
B.Audits Current Period	32	93	<u>\$7,327</u>	(\$0)	\$593,334
<b>Total Resolved Reports/Recommendations</b>	<b>35</b>	<b>169</b>	<u>\$22,818</u>	<u>(\$0)</u>	\$593,334
Unresolved as of 3/31/98**	<u>35</u>	<u>121</u>	<u>\$24,767</u>	<u>(\$4,783)</u>	<u>\$99,836</u>
Aging of Unresolved Audits:					
Less than 6 mos. old	19	55	\$2,369	(\$83)	\$22,000
6 mos. - 1 year	6	13	\$9,267	(\$0)	\$0
1 year - 18 mos.	1	1	\$1,710	(\$0)	\$0
18 mos. - 2 years	2	9	\$3,000	(\$0)	\$36,400
Over 2 years old	7	43	\$8,421	(\$4,700)	\$41,436
<b>TOTALS</b>	<b>35</b>	<b>121</b>	<b>\$24,767</b>	<b>(\$4,783)</b>	<b>\$99,836</b>

\*Unsupported costs included with the figure shown as questioned costs.

\*\* A report is considered unresolved if management decisions have not been made on all report recommendations.

# Audit Reports with Recommendations That Questioned Costs

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported* Costs
A. For which no management decision had been made by start of the reporting period	11	16	\$37,889	(\$4,700)
B. Which were issued during the period	<u>14</u>	<u>20</u>	<u>\$9,696</u>	<u>(\$83)</u>
Totals (A+B)	25	36	\$47,585	(\$4,783)
C. For which a management decision was made during the reporting period	8	12	\$22,818	(\$0)
(i) dollar value of disallowed costs	**6	***9	\$6,963	(\$0)
(ii) dollar value of costs not disallowed	**3	***4	\$15,855	(\$0)
D. For which no management decision has been made by the end of the reporting period	17	24	\$24,767	(\$4,783)

\*Unsupported costs are also included in the figures shown as questioned costs. \*\* Includes reports in which costs were both allowed and disallowed. \*\*\* Includes recommendations in which costs were both allowed and disallowed.

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

# Audit Reports with Recommendations that Funds be Put to Better Use

(Dollars in Thousands)

	Number of Reports	Number of Recommend- ations	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period	3	10	\$77,836
B. Which were issued during the reporting period	8	8	\$615,334
TOTALS (A+B)	<u>11</u>	<u>18</u>	\$693,170
C. For which a management decision was made during the reporting period	6	7	\$593,334
(i) dollar value of recommendations that were agreed to by management: --based on proposed management action	6	7	\$593,084
--based on proposed legislative action	0	0	0
(ii) dollar value of recommendations that were not agreed to by management	* 1	* 1	\$250
D. For which no management decision had been made by the end of the reporting period	5	11	\$99,836

\*Includes reports and recommendations in which some costs were allowed and others were disallowed.

## Audit Reports Recommending Changes for Safety, Economy or Efficiency

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the commencement of the reporting period	14	117
B. Which were issued during the reporting period	37	120
TOTALS: (A + B)	51	237
C. For which a management decision was made during the reporting period	26	151
D. For which no management decision has been made by the end of the reporting period	25	86

## Status of Unresolved Audit Recommendations Over 6 Months Old

### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1993-MARCH 31, 1994

FAA-Monitoring of Airport Revenues at the Phoenix Sky Harbor International Airport	R9-FA-4-001	10/18/93	Referred to the Departmental Resolution Official in June 1994.
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### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1995-SEPTEMBER 30, 1995

FTA-Useful Life of Rail Cars, Washington Metropolitan Area Transit Authority	R4-FT-5-091	06/27/95	Referred to the Departmental Resolution Official in August 1996.
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### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1995-MARCH 31, 1996

FAA-Controls over Access to Aircraft for Free Transportation	AS-FA-6-004	02/20/96	Referred to the Departmental Resolution Official in August 1996
FAA-Use of Airport Revenues, Denver Stapleton Airport	R6-FA-6-006	02/08/96	Referred to the Departmental Resolution Official in August 1996.
FAA-Voluntary Separation Incentive Payments	R6-FA-6-009	02/09/96	Awaiting FAA's investigation and U. S. Attorney action.
FAA-Monitoring Accountability and Use of Airport Revenues Los Angeles	R9-FA-6-001	10/30/95	Referred to the Departmental Resolution Official in August 1996.
FAA-Advisory Memorandum on Santa Ynez Valley Airport Hotline	R9-FA-6-003	12/06/95	Referred to the Departmental Resolution Official in August 1996.

### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1996-SEPTEMBER 30, 1996

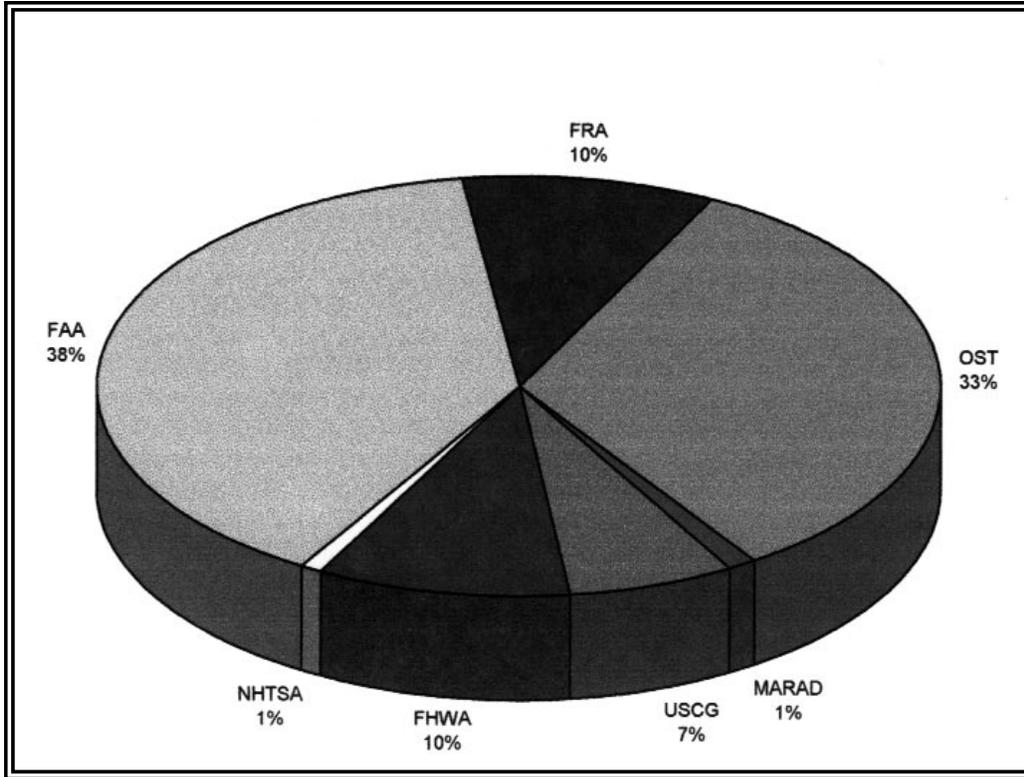
FAA-Airport Improvement Program Grants Provided to Hawaii DOT	R9-FA-6-015	09/20/96	Working with FAA to resolve all open issues.
FHWA-State of Oklahoma	Y4-FH-6-066	08/13/96	Resolution should be completed during the third quarter FY 1998

### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1996-MARCH 31, 1997

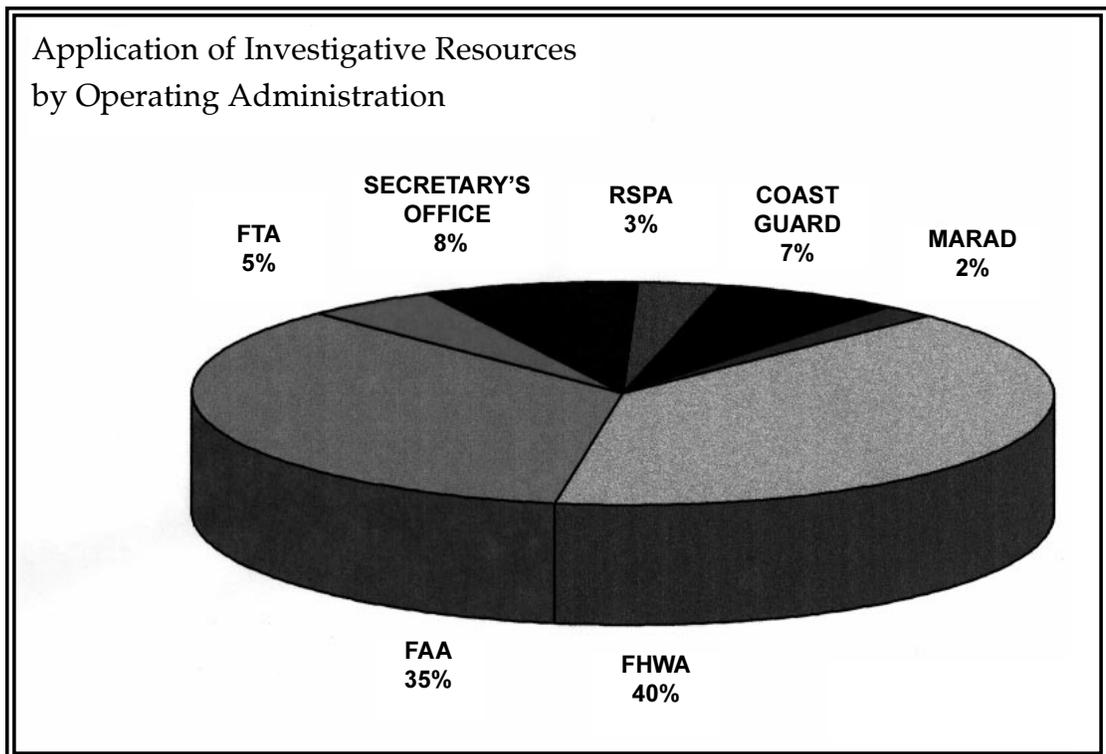
FAA-City of San Antonio	Z4-FA-7-018	01/29/97	Resolution should be completed during the fourth quarter FY 1998.
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### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1997-SEPTEMBER 30, 1997

FHWA-Relocation of Utilities on the Central Artery Third Harbor Tunnel Project	R2-FH-7-025	08/12/97	FHWA March 30, 1998 reponse did not resolve the report. Referral to Official for resolution being prepared.
FAA-Diversion of Airport Revenue, Dade County Aviation Department	R4-FA-7-035	06/25/97	Resolution should be completed during the fourth quarter FY 1998.
FAA-State of Hawaii Department of Transportation, Airports Division	Y4-FA-7-040	04/24/97	Resolution will be completed during the third quarter FY 1998.
FTA-Puerto Rico Department of Transportation and Public Works	Y4-FT-7-067	09/30/97	Resolution will be completed during the third quarter FY 1998.
FTA-Puerto Rico Department of Transportation and Public Works	Y4-FT-7-068	09/30/97	Resolution will be completed during the third quarter FY 1998.
FHWA-State of Ohio	Z4-FH-7-037	04/07/97	Resolution will be completed during the third quarter FY 1998.



\*The 33 percent concentration on Office of the Secretary was largely attributable to auditing done to comply with the Chief Financial Officers Act. Such auditing is on behalf of all Operating Administrations.



## Profile of Pending Investigations

DOT Operating Administration	Number of Cases	Types of Cases			
		Contracts	Employees	Grants	Other*
Federal Aviation Administration	167	26	34	7	100
Federal Highway Administration	114	12	2	23	77
Federal Railroad Administration	1	0	1	0	0
Federal Transit Administration	27	5	0	15	7
Maritime Administration	7	3	2	0	2
National Highway Transportation Safety Admin.	1	0	0	0	1
Office of the Secretary	4	0	1	0	3
Research and Special Programs Administration	13	0	1	1	11
Saint Lawrence Seaway Development Corp.	1	0	1	0	0
Surface Transportation Board	1	0	1	0	0
U.S. Coast Guard	<u>31</u>	<u>11</u>	<u>9</u>	<u>1</u>	<u>10</u>
<b>TOTALS:</b>	<b>366</b>	<b>57</b>	<b>52</b>	<b>47</b>	<b>211</b>
<b>Percent of total:</b>	<b>100</b>	<b>16</b>	<b>14</b>	<b>13</b>	<b>57</b>

\*Includes companies and individuals making false statements to officials of Departmental programs.

**Investigations  
Judicial Actions  
October 1, 1997-March 31, 1998**

Indictments	45
Convictions	42
Years Sentenced	46.5
Years Probation	114
Fines	\$1,504,325
Restitutions/Civil Judgments	\$2,155,832
Federal Recovery	\$5,809,017
State Recovery	\$ 66,500
<b>TOTAL</b>	<b>\$9,535,674</b>

OIG investigations in this reporting period spurred \$9,535,674 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.

The 6 months covered by this report opened with a pending caseload of 408. During the period, 80 cases were opened and 123 were closed, leaving a pending caseload of 365. Our investigators made a concerted effort during the period to clear backlogs.

During the period, 117 cases were accepted for prosecution, while 45 were declined. The number of cases pending before prosecutive authorities as of March 31, 1998 was 86.

**Investigations  
Administrative Actions  
October 1, 1997-March 31, 1998**

Employee Suspensions	5
Employee Reassignment/Transfer	1
Employee Resignation/Retirement	2
Employee Terminated	2
Employee Restitution	2
Employee Reprimand	4
Employee Counseled	10
Debarments/Suspensions	9
Price Adjustment	1
Corrective Action	18
New Procedure Instituted	10
Other Action	10
Contract Terminated	1
<b>TOTAL</b>	<b>75</b>

# Ongoing and Planned Audits and Evaluations

*In the interest of maximizing DOT's value to citizens, the Secretary of Transportation has developed a Strategic Plan setting priorities for the appropriate deployment of Departmental staff and other resources. This table serves as an illustrative listing of major OIG's work planned and in progress in relation to the Secretary's priorities of Safety, Wise Infrastructure Investment, and Common-Sense Government. These priorities are linked to DOT's Strategic Goals: Safety, Mobility, Economic Growth and Trade, Human and Natural Environment and National Security.*

Subject of Audit	Safety	Wise Infrastructure Investment	Common-Sense Government
<b>Department of Transportation</b>			
FY 1998 Financial Statements		x	x
Compliance, Government Performance and Results Act			x
Year-2000 Computer Issues	x	x	x
<b>Federal Aviation Administration</b>			
FAA's Cost-Accounting System		x	x
Year-2000 Computer Issues — Domestic Aviation	x	x	x
Review of FAA's National Aviation Safety Inspection Program	x		
Communications Satellite Plans	x	x	
Air Traffic Controller Training	x	x	
Airport Access Control	x		
Certification of New Avionics	x	x	
International Safety Assessment	x		
Acquisition Management Reform		x	x
Air Cargo Security Oversight	x		
Explosive Detection System	x		
Contract Tower Program	x	x	x
Flight Duty Time/Crew Fatigue	x		
Concurrent Deployment of Modernization Programs		x	
FAA Personnel Reforms			x
Airways Facilities Training Program for Maintenance Technicians	x		x
Airport Revenue and Airport Financial Reporting		x	x
<b>Federal Highway Administration</b>			
Safety Program for Commercial Trucks at U.S. Borders	x		
Transportation of Hazardous Materials on U.S. Roadways	x		

Subject of Audit	Safety	Wise Infrastructure Investment	Common-Sense Government
<b>Federal Highway Administration</b>			
Intelligent Transportation Systems		X	X
Infrastructure "Megaprojects" —		X	X
Amtrak Northeast Corridor;		X	X
California Cypress Freeway;		X	X
Los Angeles Metro Red Line;		X	X
Utah's I-15;		X	X
Corridor H, West Virginia;		X	X
Washington, D.C. Subway		X	X
Transportation Enhancement Funds		X	X
<b>Federal Railroad Administration</b>			
Safety Assurance/Compliance Program	X		
Rail Bridge Safety Programs	X		
Railroad Grade Crossing Program	X		
Surface Transportation Board/ Rail Mergers		X	X
Amtrak's Financial Viability		X	X
<b>Federal Transit Administration</b>			
L.A. Metro Recovery Plan		X	X
Oversight of Light-Rail Safety	X		
Oversight of Transit Bus Safety	X		
Rail Transit Station, San Francisco Airport		X	
FTA Management of Grant Funds		X	X
<b>Maritime Administration</b>			
Security, Vessels and Terminals	X		
Abandoned Vessels and Barges	X		
Maritime Security Program		X	X
<b>U.S. Coast Guard</b>			
Coastal Patrol Boat Acquisitions	X	X	
Acquisition of Family Housing		X	X
Recovery of Medical Costs		X	X

# Office of Inspector General

## Audit Reports

### October 1, 1997-March 31, 1998

#### FEDERAL AVIATION ADMINISTRATION

##### INTERNAL AUDITS - 9 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
FE-1998-098	98/03/25	FAA Fiscal Year 1997 Financial Statements	\$90,000,000 better use
AV-1998-025	97/11/21	Airport Certification Program	Better staff utilization
AV-1998-041	97/12/08	Management Advisory of Deployment Readiness Review	Efficient equipment installation
AV-1998-061	98/01/20	Air Traffic Controller Workforce Labor Agreements	Better management practices
AV-1998-075	98/02/09	Final Report—Runway Incursions	Improved safety
FE-1998-044	97/12/09	Closeout of Imprest Funds FAA Administrationwide	Better operating practices
AV-1998-093	98/03/12	Diversion of Airport Revenue Augusta-Richmond County, Georgia	\$2,143,541 questioned
AV-1998-011	97/11/07	Galveston, Texas Airport Revenue Scholes Field	\$360,871 questioned
AV-1998-026	97/11/21	Airport Revenues, Big Spring, Texas McMahon-Wrinkle Airpark	\$1,964,011 questioned

##### GRANT AUDIT - POSTAWARD - 6 Reports

QC-1998-052	97/12/16	Jacksonville Port Authority	Better grantee oversight
QC-1998-056	98/01/06	City of Austin, Texas	Better grantee oversight
QC-1998-059	98/01/12	Lee County, Florida	Better grantee oversight
QC-1998-069	98/02/03	Metropolitan Washington Airports Authority	Better grantee oversight
QC-1998-097	98/03/25	Rhode Island Airport Corporation	Better grantee oversight
QC-1998-101	98/03/30	Dallas-Fort Worth International Airport	Better grantee oversight

##### OTHER - 11 Reports

FE-1998-027	97/11/26	Management Advisory on Year-2000 Computer Problem at FAA	Continuity of operations
FE-1998-068	98/02/23	Year-2000 Computer Challenges FAA	Continuity of operations

AV-1998-001	97/10/17	Testimony on Observation on FAA Plan to Use Satellite Technology for Air Traffic Management	Better program development
AV-1998-012	97/11/12	Standard Terminal Automation Replacement System	Better program development
AV-1998-015	97/12/08	Federal Aviation Administration's Runway Incursion Program	Improved safety
AV-1998-092	98/03/25	FAA's Research, Engineering, and Development Program	Increased coordination, Departmentwide
AV-1998-090	98/03/03	Status of FAA's 90-Day Safety Review Recommendations	Improved safety oversight
AV-1998-005	97/11/04	Management Advisory on Aviation Inspection Program	Improved safety oversight
AV-1998-042	97/12/09	Free Industry Flight Training for Inspectors	Improved safety oversight
AV-1998-021	97/10/20	Management Advisory Memorandum on Los Angeles World Airports	\$1,371,284 better use
AV-1998-089	98/03/27	Air Traffic Control Modernization	Better program development

## FEDERAL HIGHWAY ADMINISTRATION

### INTERNAL AUDITS - 3 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
TR-1998-079	98/02/11	Inspection of Federally Owned Bridges	Improved safety oversight
TR-1998-045	97/12/11	Management Advisory: FHWA Unexpended Obligations, Complete/Inactive Projects	\$500,000,000 better use
FE-1998-099	98/03/27	Fiscal Year 1997 Financial Statements, Highway Trust Fund	Better fund management

### GRANT AUDIT - POSTAWARD - 13 Reports

TR-1998-009	97/10/17	Arkansas State Highway and Transportation Department	Better grantee oversight
TR-1998-010	97/10/20	State of Georgia	Better grantee oversight
TR-1998-013	97/10/20	State of Hawaii, Department of Transportation, Administration	Better grantee oversight
QC-1998-031	97/12/01	State of Oklahoma	Better grantee oversight
QC-1998-050	97/12/16	State of Georgia	Better grantee oversight
QC-1998-054	98/01/06	State of Alabama	Better grantee oversight
QC-1998-058	98/01/12	South Carolina Department of Transportation	Better grantee oversight
QC-1998-064	98/01/22	State of North Carolina	Better grantee oversight
QC-1998-062	98/01/22	South Carolina Department of Transportation	Better grantee oversight
QC-1998-087	98/02/26	New Mexico State Highway and Transportation Department	\$19,248 questioned

QC-1998-018	97/11/24	Quality Control Review of State of Minnesota for FY Ended June 30, 1995	Better grantee oversight
QC-1998-088	98/03/02	Quality Control Review of State of Indiana for FY Ended June 30, 1996	Better grantee oversight
QC-1998-066	98/01/23	State of Hawaii, Department of Transportation, Highways Division	Better grantee oversight

## FEDERAL RAILROAD ADMINISTRATION

### INTERNAL AUDITS - 1 Report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/RECOMMENDATIONS:</u>
TR-1998-074	98/02/05	Actions Taken In Advance of El Nino's Adverse Weather	Improved safety practices

### OTHER - 2 Reports

TR-1998-095	98/03/24	Assessing Amtrak's Future	Funding/self-sufficiency
TR-1998-078	98/02/10	Passenger Rail Safety Emergency Orders	Increased railroad safety

## MARITIME ADMINISTRATION

### INTERNAL AUDITS - 2 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/RECOMMENDATIONS:</u>
MA-1998-007	97/11/07	Management Advisory on Massachusetts Heavy Industries, Inc. Title XI Loan Guarantee	Protection against default
MA-1998-048	97/12/17	Management Advisory on Massachusetts Heavy Industries, Inc	Protection against default

### GRANT AUDIT - PREAWARD - 1 Report

MA-1998-057	98/01/12	Matson Navigation Company, Inc Construction-Differential Subsidy	\$45,883 better use
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### GRANT AUDIT - POSTAWARD - 4 Reports

MA-1998-036	97/12/03	Lachmar Subsidy Costs for Per Diem Calculations, Maritime Administration	Subsidy audit
MA-1998-046	97/12/12	OMI Maintenance & Repair Costs	\$4,953 questioned
MA-1998-076	98/02/11	Farrell Lines Asbestosis Claims	\$150,052 questioned
MA-1998-047	97/12/15	American President Lines, Ltd Asbestosis Claims, Oakland, California	\$430,225 better use

**CONTRACT AUDITS - 11 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
MA-1998-037	97/12/03	Atlas Marine Company Subsidy Costs, Lake Success, New York	Subsidy audit
MA-1998-038	97/12/04	First American Bulk Carrier Corp., Edison, New Jersey Subsidy Cost Determinations	Subsidy reconciliation
MA-1998-077	98/02/11	Interocean Ugland Management Corp., Voorhees, New Jersey National Shipping Authority Agreement	\$2,140 questioned
MA-1998-008	97/11/06	Ocean Chemical/Transport Carriers, Inc. Operating, Differential Subsidy Claims, Houston, Texas	Subsidy reconciliation
MA-1998-033	97/12/01	Otto Candies and American Gulf, Inc. Preference Cargo, Des Allemands, Louisiana	\$4,541,487 questioned
MA-1998-034	97/12/03	Dixie Carriers, Inc. Operating Differential Subsidy Claims, Belle Chaise, Louisiana	Subsidy reconciliation
MA-1998-035	97/12/03	Canal Barge Company, Inc., Preference Cargo, New Orleans, Louisiana	\$307,479 questioned
MA-1998-083	98/02/23	Pacific Gulf Marine National Shipping Authority Contract, Gretna, Louisiana	Subsidy audit
MA-1998-081	98/02/17	Brookville Shipping Subsidy Cost Determinations, New York, NY	Subsidy audit
MA-1998-082	98/02/17	ML Barge Pool III Partners Review of Financial Documents, New York, NY	Subsidy audit
MA-1998-094	98/03/23	Liberty Maritime Corporation Cargo Preference, New York, NY	\$82,255 questioned

**OFFICE OF THE SECRETARY OF TRANSPORTATION****INTERNAL AUDITS - 7 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
FE-1998-049	97/12/16	Selected Chief Information Officer Functions	Cost, schedule, and performance goals
FE-1998-053	97/12/18	Assessing the Year-2000 Computer Problem	Continuity of operations
MA-1998-004	97/11/04	Government Credit Card Program Departmentwide	More effective acquisitions
AV-1998-086	98/02/24	Passenger Origin-Destination Data Submitted By Air Carriers	New data-collection process
MA-1998-073	98/02/05	Transportation Administrative Service Center	Better administrative support
FE-1998-105	98/03/31	Fiscal Year 1997 Financial Statements, DOT	Better financial management
FE-1998-103	98/03/30	Air Carrier Arrival Data, DOT	

**OTHER - 2 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
MA-1998-022	97/10/21	Management Advisory on Civil Rights Matters (Sexual Harassment) Involving FAA	Better personnel practices
MA-1998-028	97/11/26	Internal Controls Over Personal Property in TASC's Photography Section	Protection of property

**UNITED STATES COAST GUARD**

**INTERNAL AUDITS - 3 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
MA-1998-060	98/01/15	Maintenance Logistics Command Procurement Activities	More effective acquisitions
FE-1998-003	97/10/14	Superfund Activities FYs 1995 and 1996 U.S. Coast Guard	\$83,559 unsupported
MA-1998-040	97/12/08	Inspection of Riverboat Casinos	\$36,675 questioned \$1,000,000 better use

**CONTRACT AUDITS - 1 Report**

MA-1998-032	97/12/01	East Pascagoula River Bridge Alteration Project Cost, Jacksonville, Florida	More effective acquisitions
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**OTHER - 3 Reports**

FE-1998-002	97/10/14	Coast Guard Projects Funded With Operating Expenses	\$22,000,000 better use
MA-1998-006	97/10/15	Management Advisory: USCG Oversight of Private Sector Oil Spill Response Capabilities	Improved environmental safety
MA-1998-017	97/11/19	Management Advisory on Small Arms Repair Facility	\$487,000 better use

**FEDERAL TRANSIT ADMINISTRATION**

**GRANT AUDIT - POSTAWARD - 23 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
QC-1998-020	97/10/16	Quality Control Review City of Boise	Better grantee oversight
QC-1998-111	97/10/09	Quality Control Review-KPMG Peat Marwick LLP Single Audit Massachusetts Bay Transportation Authority	Better grantee oversight

QC-1998-016	97/11/18	Southeastern Regional Transit Authority, Fall River, Massachusetts	Better grantee oversight
TR-1998-014	97/10/20	City of Chicago, Illinois	Better grantee oversight
QC-1998-019	97/11/28	Department of Transportation and Public Works, Santurce, Puerto Rico	Better grantee oversight
QC-1998-029	97/12/01	Hillsborough Transit Authority, Tampa, Florida	Better grantee oversight
QC-1998-030	97/12/01	Department of Transportation and Public Works Santurce, Puerto Rico	Better grantee oversight
QC-1998-043	97/12/08	Municipality of Anchorage, Alaska	Better grantee oversight
QC-1998-051	97/12/16	City of Madison, Wisconsin	Better grantee oversight
QC-1998-055	98/01/06	Tri-County Metropolitan Transportation District of Oregon, Portland	Better grantee oversight
QC-1998-063	98/01/22	City of New York	Better grantee oversight
QC-1998-065	98/01/22	Port Authority of Allegheny County, Pennsylvania	Better grantee oversight
QC-1998-067	98/01/29	Bi-State Development Agency of the Missouri-Illinois Metropolitan District	Better grantee oversight
QC-1998-070	98/02/03	Greater Cleveland Regional Transit Authority	Better grantee oversight
QC-1998-071	98/02/03	Southeastern Pennsylvania Transportation Authority, Philadelphia	Better grantee oversight
QC-1998-072	98/02/03	Metropolitan Dade County, Florida	Better grantee oversight
QC-1998-084	98/02/24	Orange County Transportation Authority, California	Better grantee oversight
QC-1998-085	98/02/24	Tri-County Metropolitan Transportation District of Oregon, Portland	Better grantee oversight
TR-1998-023	97/10/24	Quality Control Review, Regional Transit Authority, New Orleans, LA	Better grantee oversight
TR-1998-024	97/10/24	Quality Control Review Fort Worth Transit Authority	Better grantee oversight
QC-1998-091	98/03/12	Los Angeles County Metropolitan Transit Authority	Better grantee oversight
QC-1998-102	98/03/30	New Jersey Transit Corporation, Newark	Better grantee oversight
QC-1998-096	98/03/25	Metropolitan Atlanta Rapid Transit Corporation, Georgia	Better grantee oversight

**OTHER - 1 Report**

TR-1998-039	97/12/08	Controls Over Project Management Oversight Program	Compliance with legislation
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**SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION**

**OTHER - 1 Report**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/RECOMMENDATIONS:</u>
QC-1998-104	98/03/31	Quality Control Review of Fiscal Year 1997 Audited Financial Statements, Saint Lawrence Seaway Development Corporation	None

# RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

## OTHER - 1 Report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
TR-1998-100	98/03/27	Departmental Actions Concerning the Sanitary Food Transportation Act of 1990	Effective program implementation