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It is my honor and privilege to present the Department of Transportation Office of Inspector General’s Semiannual Report to Congress for the 6-month period ending March 31, 2007. This is my first Semiannual Report since being sworn in as Inspector General on October 27, 2006. The audit and investigative activities described in the pages that follow are a testament to the exceptional caliber and commitment of our highly professional auditors, investigators, analysts and legal staff, as well as all of those OIG employees working behind the scenes.

During this semiannual period, we issued 43 reports with 169 recommendations. Our investigations resulted in 73 convictions. Our work resulted in financial recommendations totaling $864,808,000 and fines, restitutions and recoveries totaling $61,294,216. We testified before Congress on eight occasions, primarily on the safety of our nation’s transportation system, including aviation, motor carrier and railroad safety. We also testified on FAA’s finances, Amtrak, and the top management challenges facing the Department.

I would like to express my gratitude to Secretary Peters, Deputy Secretary Barrett, the Department’s Secretarial officers, the modal administrators, and Members and staff of Congress for their support during the past 6 months. They fully appreciate and support the role played by an independent Inspector General.

Finally, we honor the lives lost and service to our country of two long-time staff members who passed away during this reporting period, Lyn Banagan and John Heires. Together, they gave 33 years to our office and played key roles in our many successes. We are grateful for their service and miss them every day.

Very Respectfully,

Calvin L. Scovel III
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We recently released our eighth annual report on the top management challenges for DOT in FY 2007. In his March 6, 2007, testimony, the Inspector General highlighted the 10 challenges we reported and discussed major issues facing DOT in terms of establishing funding requirements for aviation and intercity passenger rail programs; addressing challenges in the areas of aviation and surface safety; and strengthening contract, grant, and project oversight.

**Establishing Funding Requirements for Aviation and Intercity Passenger Rail**

A major challenge for DOT and Congress is reaching consensus on how to finance the FAA and developing efforts to advance the next generation air traffic management system. This will be critical as both the current excise taxes and the underlying authorization that support aviation programs expire in September 2007. DOT must also work with Congress and others to reauthorize and realign the intercity passenger rail system to match funding to the service to be provided.

**Aviation:** FAA requested $14.1 billion for FY 2008 and is currently funded through a combination of excise taxes (primarily a tax on airline tickets) and the General Fund. In February, DOT released a proposal for reforming how FAA is financed. The proposal includes a shift to cost-based user fees, modifications to the fuel tax, and a continuing General Fund contribution. It also calls for a new user board and adjustments to how airport projects are financed. There is disagreement about the types of fees to be charged, who should pay for what, and how—if at all—congressional oversight of FAA spending should be altered.

Regardless of the financing mechanism ultimately decided upon, there are several issues that FAA will need to address. These include:

1. Providing Congress with reliable cost estimates for the next generation air traffic management system;
2. Developing detailed staffing ranges and cost estimates for executing its Controller Workforce Plan; and
3. Improving the accuracy of financial accounting data that feed the cost accounting system.

**Intercity Passenger Rail:** In the past year, modest progress was made on our recommendations to reduce Amtrak’s costs, but the current system remains unstable. A key challenge this year is achieving needed reforms while improving fiscal discipline. DOT must work with Congress and other stakeholders to break the cycle of appropriations without authorization for Amtrak. Otherwise, it will again fall to Congress to impose fiscal discipline on Amtrak—to that end, Amtrak would need $1.35 billion in FY 2008. Our long-term proposal for financing intercity passenger rail
service focuses on three main goals: (1) continuous improvements in the cost-effectiveness of services provided; (2) devolution of the power to determine those services to the states; and (3) adequate and stable sources of Federal and state funding.

**Transportation Safety**

The safety of the Nation’s transportation system is DOT’s number one goal. DOT must ensure that FAA is performing oversight that effectively utilizes aviation inspector resources and maintains aviation system safety. DOT must also strengthen efforts to save lives by improving surface safety programs.

**Aviation Safety:** Challenges for FAA are performing oversight that effectively utilizes FAA inspection resources and maintaining aviation system safety. Key actions include moving forward with its risk-based oversight systems for air carriers and external repair facilities and reducing the risks of accidents on the ground and in the air.

- FAA is still refining and implementing its risk-based oversight system for air carriers and plans to transition the system to the remaining 71 carriers by December 2007. In response to our recommendations, FAA developed and implemented a risk-based oversight approach to FAA-certificated repair stations. FAA also needs to develop a more effective oversight system process for critical maintenance performed at non-certificated repair facilities because there are significant differences in regulatory requirements for these facilities versus FAA-certificated facilities.

- FAA must closely monitor inspector retirements and take steps to hire and train the next generation of safety inspectors. Since FAA will never have enough inspectors to oversee all aspects of aviation operations, it must develop a reliable staffing model and allocation method to ensure that inspectors are located where they are most needed. A recent National Research Council study validated concerns that we have also reported—that FAA’s current method of allocating inspectors is antiquated and must be redesigned to effectively target inspector resources. The Council also stressed that FAA must ensure that its safety inspectors are sophisticated database users with knowledge of system safety principles and an analytical approach to their work.

  - FAA has taken decisive actions to reduce runway incursions, such as conducting numerous safety evaluations at problem airports. The total number of runway incursions decreased from a high of 407 in FY 2001 to 330 in FY 2006, and the most serious incidents have decreased from a high of 69 in FY 1999 to 31 in FY 2006. Since 2003, the number of runway incursions has leveled off, but serious incursions continue to occur. Recent incidents at several large airports highlight the potential safety risks associated with runway incursions. We plan to issue a report on FAA’s actions to address runway incursions later this year.

**Surface Safety:** Over the last several years, Congress has provided increased funding to enhance surface transportation safety programs—the President’s FY 2008 budget proposed $2.4 billion. To its credit, DOT has taken actions to enhance surface safety. However, more needs to be done to save the lives of highway and railroad travelers. Despite improvements, over 43,000 people lost their lives on the Nation’s highways in 2005, and DOT has set an ambitious goal of reducing the highway fatality rate from 1.45 per 100 million vehicle-miles traveled in 2005, to 1.0 per 100 million vehicle-miles traveled by 2011. Our current work points to several key actions for DOT: (1) improving state accountability to maximize efforts to reduce alcohol and drug
impaired-driving fatalities; (2) building on successful efforts to more effectively enforce motor carrier safety regulations and improve data quality; (3) undertaking more focused and targeted rail safety initiatives to reduce the number of train accidents and fatalities; and (4) ensuring the integrity and future modernization of the Commercial Drivers License (CDL) program.

Contract, Grant, and Project Oversight

Ensuring that acquisition activities and transportation projects are conducted efficiently and effectively and protecting taxpayer dollars from fraud and abuse are top DOT priorities. DOT must improve its acquisition and contract management to reduce costs and eliminate improper payments and emphasize project oversight to ensure that it does not pay more than the value of goods delivered and services performed.

Improving Acquisition and Contract Management: In recent years, DOT has strengthened its oversight of grants, and a similar focus is essential for the contracting activities that it directly carries out. In FY 2006, about $55 billion was obligated for grants and direct procurement. Of that amount, $6 billion was obligated for direct procurement. With an investment of this size, active contract monitoring is essential to ensure that resources are used effectively. Key challenges for DOT include: (1) strengthening financial management oversight of institutions performing research under DOT cooperative agreements and grants; (2) promoting increased vigilance and enhanced oversight of FAA’s acquisition and contract management practices; and (3) ensuring the maintenance of high ethical standards among DOT employees.

Emphasizing Project Oversight To Make the Most of Federal Resources: We see three issues for continued management emphasis regarding DOT’s key infrastructure projects: (1) Federal Highway Administration (FHWA) must ensure that initiatives to strengthen its oversight of Federal highway funds are implemented effectively so that major projects are delivered on time, within budget, and free from fraud; (2) FHWA’s oversight must include actions to ensure that highway tunnels are safe for the driving public; and (3) Federal Transit Administration (FTA) must continue exercising vigilant oversight to ensure that large and complex transit infrastructure projects are completed on time and within budget. Over the next year, we will continue to monitor key projects—the Central Artery/Tunnel project, the Lower Manhattan Recovery Project, and the Dulles Corridor Metro Rail Project—to ensure that they remain on track.
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IN FOCUS: STAFFING CRITICAL FAA WORKFORCES

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incesince 2003, we have issued six audit reports and testified numerous times before Congress on staffing issues within two key FAA workforces—air traffic controllers and aviation safety inspectors. Ensuring that there are enough adequately trained and certified professionals in these two fields is critical to the safety and efficiency of the National Airspace System and will remain a high priority for FAA and the Congress over the next 10 years.

Air Traffic Controllers

FAA is facing the significant challenge of hiring and training over 11,800 new controllers through FY 2015 as controllers hired after the 1981 strike begin retiring. In December 2004, FAA developed a comprehensive workforce plan to address this and issued the first in a series of annual reports to Congress. FAA issued its second report in June 2006. We have conducted two reviews of FAA’s progress in implementing its controller workforce plan.

In May 2005, we reported that FAA’s workforce plan represented a good first step in that it clearly laid out the magnitude of the issue and established planned actions for meeting the challenge. However, we also reported that to ensure Congress, DOT, and OMB have an accurate picture of the 10-year plan and the resources required, future reports to Congress would require greater detail in terms of FAA’s strategy for executing key elements of the plan, the total associated costs, and progress in meeting established milestones.

In February 2007, we reported that FAA continued to make progress in implementing key initiatives of its controller workforce plan. For example, FAA had significantly improved its hiring process by centralizing it and had made progress in reducing the time and costs to train new controllers primarily through greater use of simulator training at the FAA Academy. We also found that FAA was making progress in implementing our 2004 recommendations on placing and training new controllers, such as implementing a new national database of on-the-job training (OJT) statistics. However, we also reported that FAA needs to make further progress in several key areas. Those included:

- **Completing validation of accurate facility-level staffing standards.** Planning by location is critical because FAA has over 300 air traffic control facilities with significant differences in the types of users they serve, the complexity of airspace they manage, and the levels of air traffic they handle. Without accurate facility-level planning, FAA runs the risk of placing too many or too few controllers at key locations and could miss an opportunity to address long-standing concerns about facility staffing imbalances.

- **Continuing efforts to reduce the time and cost associated with OJT.** In 2004, we reported that new controllers were often being used to staff positions once they were checked-out on the sector, which caused lapses in the OJT process. Those gaps increase the time it takes new controllers to become fully certified to control air traffic at their assigned facility and increase the associated costs of OJT. We found those lapses continue to occur.

- **Establishing baseline metrics to measure the effectiveness of controller productivity initiatives.** FAA introduced several initiatives in its 2004 Controller Workforce Plan that were intended to improve workforce efficiency and controller productivity. FAA achieved a 3 percent productivity gain in FY 2005 by decreasing total controller staffing by 3 percent, a goal established in the 2004 Plan. However, it was unclear what, if any, additional impact FAA’s productivity initiatives had on the reduced staffing because FAA did not establish baseline metrics for measuring the effectiveness of those initiatives.

- **Identifying the estimated total cost of the plan.** The cost of hiring and training over 11,800 new controllers will be substantial,

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particularly since it currently takes new controllers 2 to 5 years to become fully certified. During that time, FAA incurs the cost of the trainee’s salary and benefits as well as the cost of the salaries and benefits of the certified controllers who instruct them.

We made a series of recommendations intended to correct the deficiencies we identified. FAA concurred with our recommendations and is taking appropriate actions to address them. We continue to monitor FAA’s ongoing efforts in addressing this challenge and will continue to periodically report on the Agency’s progress.

Aviation Safety Inspectors

On March 29, 2007, the Inspector General testified before the House Transportation and Infrastructure Committee, Subcommittee on Aviation, concerning FAA oversight of aviation safety. A key concern identified during that hearing was ensuring that FAA’s inspection workforce is adequately staffed. As with its controller workforce, FAA faces substantial safety oversight challenges due to the potential attrition in its inspector workforce. FAA currently has 3,865 inspectors to oversee domestic and foreign aspects of the largest, most complex aviation system in the world, and 44 percent of these will be eligible to retire by 2010.

As a result of the extensive changes occurring in the aviation industry, it is imperative that FAA place its inspector resources where they are most needed. FAA has made at least two attempts to develop a staffing model to determine the number of inspectors needed and where they should be located. Neither model, however, provided FAA with an effective approach to allocate inspector resources.

At the request of the House Transportation and Infrastructure Committee, Subcommittee on Aviation, in September 2006, the National Research Council completed a study of FAA’s current methods for allocating inspector resources. This study validated the concern expressed in many of our past reports—that FAA’s current method of allocating inspectors is antiquated and must be redesigned to effectively target inspectors to those areas of higher risk.

During our June 2005 review of FAA oversight of financially distressed and low-cost air carriers, we found inconsistencies in the way inspectors were allocated among field offices. For example, two FAA offices had the same number of inspectors assigned to oversee two air carriers even though one of the carriers had twice as many aircraft and 127 percent more flights than the other. We also found that inspectors were not assigned to the locations where they were needed most and that some FAA inspectors had very substantial workloads.

Until FAA develops a valid staffing model, it will not be able to effectively use its resources.

Audits and Investigations (continued)

AUDITS

Letter to Senator Boxer Regarding Recent Series of Air Traffic Control Outages in Southern California
November 7, 2006

At the request of Senator Barbara Boxer, we examined equipment failures at Los Angeles Center and problems at Los Angeles International Airport (LAX) with both a precision landing system and a safety system for alerting controllers of potential accidents on runways. We found that the FAA is taking short-term corrective actions regarding the July 18 power outage at Los Angeles Center. We also found that: (1) multiple factors contributed to the instrument landing system failures at LAX in July and August; and (2) the radar-based safety alert system (designed to provide air traffic controllers with an automatic alert when the system predicts a runway incursion) was disabled at LAX when incidents occurred on a runway and a taxiway on July 26 and August 14, respectively.

Our work shows that a national program is required to solve the power outage problem that surfaced at Los Angeles Center and prevent reoccurrence at other locations. Given FAA’s problems in identifying the causes of the instrument landing systems failures, it must maintain a proactive monitoring and troubleshooting effort on this system.

Runway safety remains an important issue. Even if the safety alert system had been activated on August 14, it would not have given an alert because it does not monitor taxiway incidents. On September 30, the system was operational and warned of a close call between two aircraft on the same runway. We are including LAX in our ongoing review of FAA’s actions to identify and correct the causes of runway incursions at Boston Logan, Chicago O’Hare, and Philadelphia International airports.

November 21, 2006

We issued our final report, “Follow-Up Review: Performance of U.S. Airlines in Implementing Selected Provisions of the Airline Customer Service Commitment,” which was requested by the Chairman of the House Committee on Transportation and Infrastructure, Subcommittee on Aviation. We found that the airlines need to: (1) resume efforts to self-audit their customer service plans; (2) emphasize to their customer service employees the importance of providing timely and adequate flight information; (3) focus on training for personnel who assist passengers with disabilities; (4) provide straightforward, comprehensive reporting on frequent flyer award redemptions; and (5) improve the handling of “bumped” passengers.
We also found that while the Department enforces air travel consumer protection rules, it needs to improve its oversight of such rules, including its efforts to monitor compliance with the terms of conditions of enforcement actions. We made a series of recommendations to strengthen the Department’s oversight and enforcement of air traveler consumer protection rules. The Department generally agreed with our recommendations.

**Oversight of Airport Improvement Program Hurricane Grants**
*December 13, 2006*

Our review of FAA’s oversight of funds provided to airports to repair damage caused by Hurricanes Katrina and Rita determined that FAA responded quickly and awarded 10 grants totaling nearly $40.5 million to Gulf Coast airports damaged by Hurricanes Katrina and Rita. However, FAA planned no heightened oversight of grant fund expenditures. The scope of the damage caused by the hurricanes and the lack of planning by FAA and the airports before the grants were awarded created an increased potential for fraud, waste, and abuse of grant funds.

As a result of the concerns we identified, FAA issued guidance in March 2006 to enhance its oversight of Airport Improvement Program funding for hurricane repairs. FAA also withdrew 7 of the 10 grants to allow airports time to obtain bids and to permit them to benefit from October 2005 legislation that eliminated requirements for airport matching funds and expanded the type of projects eligible for grant funding. We recommended that FAA develop a plan to verify that its district office personnel are effectively implementing the new guidance requiring that grantees promptly submit more detailed expenditure reports and that FAA airport project managers verify the appropriateness of grant fund expenditures and conduct required site visits to review the progress of airport projects. FAA agreed with our findings and recommendations.

**FAA Continues To Make Progress in Implementing Its Controller Workforce Plan, But Further Efforts Are Needed in Several Key Areas**
*February 9, 2007*

We reviewed FAA’s progress in implementing key initiatives of its Controller Workforce Plan and found that the Agency has made significant improvements by centralizing its hiring process and reducing the time and costs to train new controllers, primarily through greater use of simulator training at the FAA Academy and a new national database to track on-the-job training statistics. However, FAA still needs to: (1) complete its validation of accurate staffing standards for over 300 locations; (2) continue its efforts to reduce the time and costs associated with on-the-job training; (3) refine its methodology for projecting controller retirements; (4) establish baseline metrics to measure the effectiveness of controller productivity initiatives; and (5) identify the estimated total costs of the plan.

Our recommendations focused on the specific actions that FAA needs to take to ensure that its stakeholders have a complete and accurate picture of the ongoing 10-year strategy for the controller workforce and the resources that will be required. FAA generally concurred with our recommendations and is taking appropriate action to address them. Additional information can be found on page 5 of this semiannual report.

**Joint Planning and Development Office: Actions Needed To Reduce Risks With the Next Generation Air Transportation System**
*February 12, 2007*

In response to a request from the Chairman and Ranking Member of the House Transportation and Infrastructure Committee, Subcommittee on Aviation, we reported on FAA’s Joint Planning and Development Office (JPDO) and its progress.
in aligning plans for the Next Generation Air Transportation System to meet the anticipated demand for air travel. We found that the JPDO has established ambitious, much-needed goals to create a system that will handle three times more air traffic. The JPDO’s congressionally-mandated mission to leverage resources at other agencies is critical given that FAA conducts little long-term air traffic management research and the fact that most of the Agency’s current $2.5 billion capital account goes toward keeping things running (i.e., sustainment). FAA agreed to implement our recommendations, which focused on actions FAA and the JPDO need to take to establish cost estimates, quantify benefits, align research among agencies, develop a service roadmap, reduce risk with next generation initiatives, and speed the introduction of new capabilities into the National Airspace System.

**FAA’s FY 2008 Budget Request: Key Issues Facing the Agency**

*February 14, 2007*

In testimony before the House Transportation and Infrastructure Committee, Subcommittee on Aviation, the Inspector General discussed key issues facing FAA as Congress debates the Agency’s reauthorization and its FY 2008 budget request. Regardless of the funding mechanism ultimately decided upon by Congress and the Administration, several issues require Agency attention and will shape FAA’s funding requirements over the next several years. These include: (1) addressing an expected surge in air traffic controller retirements; (2) having sufficient safety inspectors to provide oversight of a dynamic aviation industry; (3) keeping existing modernization efforts on track and reducing risks with the Next Generation
Air Transportation System; and (4) using the cost accounting system to improve operations.

**Review of Operations, Capacity, and Runway Safety Areas at Chicago Midway Airport**
*February 15, 2007*

At the request of Representative Jesse L. Jackson Jr., we reviewed Chicago Midway Airport’s operations, capacity, and runway safety areas. We found that: (1) Midway Airport has sufficient capacity to safely handle its current level of aircraft operations; and (2) the runways at Midway Airport did not have adequate runway safety areas. However, in September 2000, FAA had determined that it was not practicable for Midway to achieve the Agency’s runway safety area standards. Since that time, changes to FAA guidance and recent technological advancements have made it possible for Midway to install alternative runway safety arresting systems that meet FAA’s guidelines. These systems should be complete on all of Midway’s commercial runways by the end of this year.

**Review of Staffing at FAA’s Combined Radar Approach Control and Tower With Radar Facilities**
*March 16, 2007*

At the request of Representative James Oberstar, then Ranking Democratic Member of the House Committee on Transportation and Infrastructure, and Representative Jerry Costello, then Ranking Democratic Member of the House Transportation and Infrastructure Committee, Subcommittee on Aviation, we reviewed staffing at FAA’s combined radar approach control and tower with radar facilities after the fatal Comair accident in Lexington, Kentucky, in August 2006.

We found that FAA issued verbal guidance in August 2005 reiterating that during midnight shifts at facilities with these combined functions, two controllers should be on duty; however, the guidance was misinterpreted and inconsistently applied. Based on the results of our sample of staffing data, we can statistically project (with a 95 percent confidence level) that approximately 2,563, or 11.1 percent of the 23,002 midnight shifts (at the 62 facilities in our universe) were staffed with only one controller between August 28, 2005, and September 2, 2006. We also found that: (1) even though two controllers may have been scheduled on a midnight shift, there were no assurances that they were both on position and (2) prior to the Comair accident, FAA had no controls in place to ensure that facilities had consistently implemented the verbal guidance and were uniformly complying with it.

Since the Comair accident, FAA has formalized the verbal guidance into a written order. We recommended that FAA communicate all future guidance changing existing air traffic policies in writing to ensure uniform implementation and compliance. We also recommended that FAA develop and implement appropriate policies and procedures to ensure that facilities comply with the new order. FAA concurred with our recommendations and is taking appropriate actions to address them.

**Letter to Senator Boxer Regarding Runway Incidents at Los Angeles International Airport**
*March 22, 2007*

At the request of Senator Barbara Boxer, we reviewed runway incidents at LAX. We found that from FY 2003 through FY 2006, 32 runway incursions occurred at LAX; of these, 81 percent were caused by pilot deviations. Most of the pilot deviations occurred because pilots failed to hold short of a runway as instructed by controllers. We also found that runway configuration appears to be a primary factor contributing to runway incursions at LAX and that the airport is in the process of mitigating this through construction of a new taxiway between two existing runways. The results of our review at LAX and three other
large commercial airports reviewed in an audit of runway incursions will be issued later this year.

**Inspector General Testifies Before the House Aviation Subcommittee Regarding FAA’s Oversight of Outsourced Air Carrier Maintenance**

*March 29, 2007*

In testimony before the House Transportation and Infrastructure Committee, Subcommittee on Aviation, the Inspector General discussed areas for strengthening FAA’s oversight of outsourced air carrier maintenance. The Inspector General noted that the United States has maintained a remarkable safety record despite many changes occurring in the aviation industry. For example, as air carriers continue to struggle for profitability, they are aggressively cutting costs by reducing in-house staff, renegotiating labor agreements, and increasing the use of external repair facilities. While air carriers have outsourced maintenance for years to take advantage of lower repair costs and specialized expertise, the practice has become more pronounced in recent years. From 1996 to 2005, the amount that air carriers spent on outsourced maintenance increased from 37 percent to 62 percent, or nearly $3.4 billion of the $5.5 billion spent on maintenance. FAA has faced challenges in effectively shifting its oversight with all the changes that air carriers are making. Although it has taken a number of steps to improve its oversight, FAA must still remain vigilant in: (1) advancing risk-based oversight systems for air carriers and repair stations; (2) determining where the most critical maintenance is performed and how it should be monitored; and (3) ensuring that inspectors are well-positioned and properly trained to adequately oversee maintenance outsourcing.
early 25 years ago, Congress enacted the first Disadvantaged Business Enterprise (DBE) statutory provision requiring that DOT ensure that at least 10 percent of the funds authorized for Federal highway and transit financial assistance programs be expended via DBEs. FAA also maintains a separate DBE program for concessions in airports. OIG has historically placed significant emphasis on DBE fraud nationwide and will continue to do so.

During the past 6 months, OIG special agents worked with the FBI, the Internal Revenue Service, U.S. Attorney’s Office prosecutors, and others to focus their efforts on exposing and shutting down several DBE fraud schemes that adversely affected public trust and the DOT-assisted transit and airport programs in Southeastern Pennsylvania.

DOT policy implemented after Congress passed DBE legislation helps small businesses owned and controlled by socially and economically disadvantaged individuals, including minorities and women, participate in contracting opportunities created by DOT financial assistance programs. Those who receive DOT financial assistance, namely state and local transportation agencies, are required to establish goals for the participation of disadvantaged entrepreneurs and certify that DBE firms meet Federal eligibility standards. Small, disadvantaged firms wanting to participate in the DOT-assisted contracts of state and local transportation agencies must apply for and receive certification as a DBE. To be certified as a DBE, a firm must be a small business owned and controlled by socially and economically disadvantaged individuals.

DBE fraud often involves prime contractors who conspire with “false front” or “pass-through” DBE firms to fraudulently meet required DBE participation criteria to obtain DOT-assisted contracts. In these cases, DBEs typically either do not perform the work or they yield total control of personnel and operations to the prime contractors. This crime defrauds the integrity of the DBE program and harms legitimate, law-abiding prime contractors and DBEs by defeating efforts to ensure a “level playing field” in which DBEs can compete fairly for contracts. The cases highlighted in this article began about 5 years ago with the formation of two Federal law enforcement task forces: one led by OIG that focused on investigating construction fraud and the other led by the FBI that focused on investigating public corruption.

Public Official Accepted Bribes to Falsely Certify DBEs

Task force agents identified a public official who allegedly accepted bribes for falsely certifying that small businesses were owned and controlled by minorities or women, thereby qualifying the businesses for contracting opportunities under the DBE program. During a sting operation, this official was caught “red-handed” accepting cash from an undercover agent in return for favorable action on a DBE application. To mitigate his criminal sentence, the official agreed to cooperate with the Government and identified a false DBE: Philly-Wide Interiors. Based on his assistance to the task force, he was sentenced to serve 3 years probation and $1,500 in fines.

The owner of Philly-Wide Interiors wanted his new business to compete as a DBE, but it did not qualify under Federal regulations because he was a white male. He persuaded his wife, a full-time nurse, to apply for DBE certification as the owner and manager of Philly-Wide Interiors and illegally paid for a favorable DBE certification.
decision by providing cash and other valuables to a DBE certifier. The arrangement initially paid off handsomely with a $228,000 demolition contract on a Southeastern Pennsylvania Transportation Authority (SEPTA) transit project; however, this success was short-lived and stopped abruptly by the investigation. A task force operation recorded the owner making incriminating statements to an informant that provided critical evidence, and in August 2006 the owner and his company were sentenced to pay more than $135,000 in fines and restitution and received 8 years probation for bribery and filing a false tax return. In addition, the FTA debarred both from Government contracting for 3 years.

**DBE False Front Conspiracy Shut Down**

While the Philly-Wide Interiors investigation was underway, task force agents identified another DBE fraud allegation involving excavation contracts on FTA-funded transit projects. Criminal investigators initially discovered that the owner of an excavating and landscaping business near Philadelphia had altered checks to falsely claim that a DBE performed $67,995 in work when, in fact, the work was actually performed by a non-DBE subcontractor. Further investigation identified a much bigger scheme involving two companies paying the same DBE—Pullins Trucking—to use its name to obtain DBE-related transit contracts when work was actually being performed by prime contractor employees. Pullins received only a few thousand dollars for its part in the fraud scheme—providing fake invoices and billing for work that was not done—while the prime contractors profited substantially by winning contracts valued at more than $8 million.

The larger of the two prime contractors—JMG Excavating and Construction—ultimately pleaded guilty to mail fraud and was sentenced to pay $1.27 million in restitution and serve 5 years probation. JMG and its Vice President also agreed to a 5-year debarment period. The owner of the other contractor—Tulio Landscaping Incorporated—was found guilty at trial of conspiracy and mail fraud for his role in the scheme. He was sentenced to 15 months in prison, 24 months of supervised release and was fined $40,000. In addition, he and his company were debarred by FTA from Government contracting for 3 years, and his company was fined $103,000. The owner of Pullins Trucking was not prosecuted because he was terminally ill and subsequently died; however, FTA debarred his company for 3 years.

**Kickbacks Paid for No-Work DBE Subcontract at Airport**

Other fraud schemes involved public corruption, illegal influence peddling, and bribery and kickbacks on DBE-related contracts at the Philadelphia International Airport, including the FAA-regulated airport concessions contracts. These contracts allow companies to provide services and operate food and beverage and retail stores at the airport, usually for a guaranteed amount of revenue for the airport. Using specialized investigative techniques, task force agents obtained information about payoffs that were allegedly part of a “pay-to-play” culture in awarding contracts at the airport.

One such contract was an airport cellular phone tower concession valued at more than $1 million, under which Keystone Information and Financial Services had been awarded a DBE subcontract valued at $102,500 over 5 years. Keystone’s owner ran a racketeering enterprise that defrauded numerous individuals, institutions, and Government entities throughout the Philadelphia area. The prime contractor’s manager made certain that Keystone received the subcontract and agreed that Keystone would not be required to perform any work related to the installation, leasing,
and management of cellular antenna sites at the airport. In return, Keystone’s owner would kick back $500 from each of the $1,700 monthly commissions he received to the manager. The manager pleaded guilty to a racketeering-related felony and was sentenced to serve 3 years probation and pay a $10,000 fine. Keystone’s owner went to trial and was found guilty on numerous racketeering and related charges for illegal money-making schemes, including this one. He was sentenced to more than 7 years in prison and 5 years of supervised release and was ordered to pay more than $650,000 in restitution.

**Corruption and Fraud in the Airport Advertising Concession**

Task force agents also found a second tainted Philadelphia International Airport concessions contract that involved airport advertising. Between 1998 and 2003, the city of Philadelphia issued advertising concessions contracts worth approximately $15 million to Skysites Incorporated to sell and manage all airport advertising. Skysites then hired a consultant to help manage the contract and, because the contract required DBE participation, also subcontracted with a certified DBE. Criminal investigators found that officials from Skysites and the DBE firm conspired to secure future airport advertising contracts by making $40,000 in illegal contributions to political campaigns and action committees supporting local politicians, including the mayor of Philadelphia.

In 2006, the Skysites consultant and the DBE firm were indicted on charges of conspiracy, mail fraud, and wire fraud. The indictment alleged that the DBE company submitted a fake $30,000 invoice to Skysites to fund three separate $10,000 contributions from individuals to a political action committee supporting the Philadelphia mayor. The indictment also alleged that Skysites officials conspired to pay the consultant a $10,000 sham bonus to disguise the use of corporate funds for a contribution to the mayor’s campaign fund. Four defendants pleaded guilty to the corruption scheme and were sentenced to serve a total of 25 months of incarceration and 13 years probation, as well as pay almost $71,200 in fines and restitution. In addition, FAA suspended each individual and company from bidding on further Government contracts; one individual was debarred by FAA in January 2007, and debarment proceedings are pending against all others.

In a separate scheme charged in January 2007, the Skysites consultant allegedly fabricated invoices purporting to charge the Airport Ramada Inn $1,800 per month for advertisements on airport phone boards. For 8 years, he allegedly diverted these funds to his personal bank accounts, thereby depriving both Skysites and the airport of approximately $180,000 in revenue. This case is still pending in the courts.
Audits and Investigations (continued)

INVESTIGATIONS

Illinois Man Fined For Falsifying Airman’s Medical Certificate Application and Operating a Helicopter Without a Required Airman’s Certificate
October 25, 2006

Randy A. Sanders was sentenced in U.S. District Court in Chicago, Illinois, on October 25, 2006, to pay a $5,000 fine and serve 12 months probation for providing false statements on his airman’s medical certificate. Sanders pleaded guilty in July 2006 to felony charges of operating an aircraft without an airman’s certificate and of making false statements to the FAA for an airman’s medical and student pilot certificate. Investigation found that Sanders failed to disclose to FAA his prior felony convictions on drug and weapons charges. In January 2005, Sanders also piloted a helicopter he owned from Kenosha, Wisconsin, to Schaumburg, Illinois, for routine maintenance, even though he did not hold a valid airman’s certificate. FAA assisted in this investigation.

California Man Sentenced for Illegal Fireworks Transportation
December 4, 2006

Eduardo Figueroa, of Lynwood, California, was sentenced to pay $2,000 in fines, serve 5 years probation and complete 1,500 hours of community service on December 4, 2006, by a U.S. District Court judge in Los Angeles, California, after pleading guilty to aiding and abetting in the illegal transportation of fireworks into a prohibited jurisdiction. Figueroa was charged in June 2006 with violating Federal hazardous materials (hazmat) transportation laws for removing warning labels from approximately 500 pounds of fireworks before transporting them. He was arrested by local police shortly after leaving a freight terminal in Compton, California. This investigation was conducted with the FBI and the Compton Fire Department Arson Bureau.

California Man Jailed and Fined for Sale of Illegally Imported Freon
December 7, 2006

Ahed Alghazouli was sentenced on December 7, 2006, to serve 30 months in prison, 3 years supervised release and was ordered to pay a $6,000 fine by a U.S. District Court judge in San Diego, California, on a charge of conspiracy to launder money in connection with the sale of illegally imported R-12 Freon refrigerant. R-12 Freon is used primarily in automobile air conditioning units and is considered by EPA to be a hazardous material because of its ozone-depleting properties. From June 1997 to October 2004, Alghazouli and his brother, Amar Alghazouli, operated United Auto Supply in San Diego, where they sold automotive supplies, including R-12 Freon smuggled into the United States from Mexico. Amar Alghazouli was convicted in March 2006 of similar charges and was sentenced in July 2006 to serve 41 months in prison, pay a $7,500 fine, and forfeit property valued at $135,000 in Chandler, Arizona. This case was investigated with the Bureau of Immigration and Customs Enforcement, the EPA’s Criminal Investigations Division (CID) and the FBI.
**Former Montana Airport Director Sentenced in Bribery Case**  
*December 19, 2006*

Three men, including the former director of Missoula International Airport, were sentenced on December 19, 2006, in U.S. District Court in Missoula, Montana, for their roles in a scheme to sell land to the airport at inflated prices. Former Airport Director, John P. Seymour, was ordered to serve 14 months in jail and 3 years supervised release. William J. Lefler and Roger D. Hall, who sold land to the airport at inflated prices, each received 5 years probation. The men were also ordered to pay $60,000 in restitution.

The investigation disclosed that Seymour, Lefler and Hall conspired to sell property owned by Lefler and Hall to the airport for $603,000, which was $350,000 above the land’s highest appraised value. Seymour received a $60,000 kickback. This case grew out of an investigation by Missoula County law enforcement officials. In July 2005, Seymour was convicted on state embezzlement charges and ordered to serve 10 years in prison. His Federal jail term will run concurrently with his state prison term. This case was investigated with the FBI.

**Two Convicted On Charges of Misrepresenting Maintenance Performed on Aircraft Engines**  
*December 20, 2006*

Allen D. Good and Robert E. Parker were convicted by a Federal jury in Oklahoma City, Oklahoma, on December 20, 2006, on charges of misrepresenting maintenance done on aircraft engines. Parker, of Yukon, Oklahoma, was convicted of one count of conspiracy, three counts of false statements in connection with conducting improper overhauls on aircraft engines, and one count of mail fraud. Good, of Moore, Oklahoma, was convicted of one count of conspiracy and three counts of false statements in connection with conducting improper overhauls on aircraft engines. A third person, Larry Good (father of Allen Good), pleaded guilty to a charge of misprision of a felony prior to the start of the trial. The Goods, both aircraft mechanics, and Parker, a self-employed aircraft parts broker, falsified entries in aircraft logbooks regarding an aircraft engine. The logbook entries indicated that engines had been disassembled, cleaned, and inspected in accordance with applicable overhaul manuals when, in fact, the engines contained parts that were marked “not airworthy.” The mail fraud charge stems from a payment sent via mail to the men by the engine’s owner. Sentencing is pending.

**Former Contract Air Traffic Controller Ordered to Serve 10 Years in Prison in Colorado Firebomb Case**  
*February 2, 2007*

Former contract air traffic controller Robert L. Burke of Grand Junction, Colorado, was sentenced in U.S. District Court in Denver, Colorado, on February 2 to 10 years in prison and ordered to pay $11,865 in restitution for placing improvised explosive/incendiary devices at the homes of five former colleagues who worked with him at the air traffic control tower at Walker Field, an airport in Grand Junction, Colorado. Burke pleaded guilty in October 2006 to placing explosive devises at the residences of his former colleagues, one of whom is employed by FAA. The remainder were former employees of Serco Management Services, an FAA contractor that operates the Walker Field tower. Three of the devices detonated and two were disarmed. No injuries resulted and fire damage was minor. Burke worked for Serco for 10 years before being dismissed in 2004. OIG investigated this case with the Bureau of Alcohol, Tobacco and Firearms, the FBI, FAA, the Bureau of Immigration and Customs Enforcement, the Bureau of Land Management and the U.S. Marshals Service.
Audits and Investigations (continued)

Owners of Florida Aerospace Metals Supplier Fined and Ordered to Jail

February 16, 2007

The owners of a now-defunct Fort Lauderdale, Florida, aerospace industry supplier and several of their former employees were sentenced during the reporting period. M&M Aerospace Metals, Inc. supplied metals to the aerospace community, including NASA, the Department of Defense, and the Department of Energy. The materials were then used by M&M customers in various aerospace-grade aluminum and stainless steel plates, pipes, flat stock, and bars.

Company owners, Timothy and Tina Muldoon, were ordered on February 16 by a U.S. District Court judge in West Palm Beach, Florida, to pay a combined $20,600 in fines for their role in the fraud. Investigation found that the Muldoons engaged in a conspiracy by instructing M&M employees, including former sales manager Russell Cohen, and former administrative assistants, Ella B. Hernandez and Leonor Gonzalez, to alter test certificates from metals-testing laboratories and certificates of compliance from metal distributors when test results and specifications listed on these documents did not conform to the customers’ metal specifications and purchase order requirements.

Timothy Muldoon was ordered to serve 27 months imprisonment as a result of his 2006 guilty plea to a conspiracy charge. Tina Muldoon was ordered to serve 2 years imprisonment as a result of her guilty plea to charges of making false claims and making false statements. The couple had previously paid $396,960 in restitution.

Hernandez was sentenced on December 6, 2006, to 90 days home detention and 2 years probation after pleading guilty to a charge of making false statements on test certification documents. Gonzalez was sentenced to 18 months probation on March 30. Cohen pleaded guilty on January 19 to one count each of conspiracy and making a false statement. Cohen’s sentencing is set for June 19.

FAA issued an unapproved parts notification in December 2005 to aircraft owners, operators, maintenance organizations, manufacturers, parts suppliers, and distributors. This investigation was conducted with the FAA, the Department of Energy OIG, the NASA OIG, and the Defense Criminal Investigative Service (DCIS).

California Aircraft Parts Brokerage Firm Fined $450,000

February 12, 2007

Standby Parts, Inc., an El Segundo, California, aircraft parts brokerage company, was fined $450,000 by a U.S. District Court judge in Los Angeles, California, on February 12 for misrepresenting the quality of aircraft parts. The company was also placed on 2 years probation. Company manager, Henrick Johansen, was ordered to serve 11 months imprisonment. Standby Parts and Johansen were convicted by a Federal jury in July 2006 of felony charges of conspiracy and fraud involving aircraft parts. Investigation found that Johansen obtained FAA airworthiness tags for aircraft engine bolts and other similar parts indicating that the parts were either new or of a higher quality than Johansen knew them to be. Johnson conspired with a former FAA designated airworthiness representative and the owner of Total Airframe and Turbine Company (TATCO), a former FAA-certificated repair station, in obtaining the tags.

FAA issued a safety alert in April 2001 on parts sold by TATCO, which subsequently surrendered its certification. FAA issued a safety alert on parts sold by Standby Parts in November 2006. Daniel L. Booker, a former FAA designated airworthiness representative, is awaiting sentencing for signing FAA airworthiness tags without actually inspecting the parts. George
Thompson, former owner of TATCO, died in January 2006 before he could be sentenced for signing FAA airworthiness tags for parts which his company was not rated to inspect. This case was investigated with the FBI, with assistance from the FAA.

**Review of Apron Construction at Long Island-MacArthur Airport**  
*February 22, 2007*

We issued correspondence to Representative Steve Israel on February 22 regarding our review of matters raised by a constituent related to the safety and risks associated with defects in an apron outside the Southwest Airlines terminal at Long Island-MacArthur Airport in Islip, New York.

According to FAA, aircraft can still operate on the apron as long as the airport continues its efforts to seal the cracks and sweep the pavement to remove foreign objects and debris. We also reviewed the propriety of the use of a contractor and subcontractor that have been the subject of Federal criminal charges to construct the apron.

We found that the apron was built by Southwest Airlines without the use of Federal funds. While Southwest Airlines anticipates reimbursement for the construction through Passenger Facility Charges (PFC) levied by Islip Town to pay for airport improvements, town officials have said they will not release the funds until the outstanding issues are resolved. There currently is no provision in Federal regulations specifically excluding debarred companies from performing PFC-funded work. We conferred with DOT and FAA officials who concluded that the FAA lacks the authority to prevent airports from paying PFC funds to debarred companies. We identified this issue in our February 14 testimony on FAA’s FY 2008 budget before the House Transportation and Infrastructure Committee, Subcommittee on Aviation, as an issue for possible legislative action.

**Miami International Airport Contractor Sentenced to Prison for DBE Fraud**  
*March 5, 2007*

Dewitt Jackson Maxwell was sentenced on March 5 in U.S. District Court in Miami, Florida, to 5 years in prison and ordered to pay $14,800 in fines in connection with fraud involving the DBE program at Miami International Airport. Maxwell, vice president of Fisk Electric, was convicted by a Federal jury on November 17, 2006, on mail fraud, wire fraud, money laundering, and conspiracy charges. According to evidence at trial, Maxwell devised a scheme to enable awards to be made to FLP Enterprises, Inc. for more than $20 million (including $5.8 million in Federal funds) in electrical construction work at the airport between December 2001 and October 2004. The Miami-Dade County Aviation Department was told that FLP, a certified DBE, was to perform the work. The electrical work was actually performed by Fisk Electric, which was not a DBE. For the use of its name, FLP received a fee of between 3 and 5 percent of the value of the work assigned to it on paper.

Maxwell was the last of four people to face charges in this case. Former Fisk executive, Pat Clyne, and FLP vice president, Hector Paulitre, pleaded guilty in 2006 and were each sentenced to 5 years in prison. Also indicted in July 2005 was Arthur Teele, a Fisk consultant and a former Administrator of the U.S. Urban Mass
Transportation Administration (predecessor to the Federal Transit Administration). Teele committed suicide shortly after the indictments. This investigation was conducted by a joint task force which included OIG, the Miami-Dade County Police Department’s Public Corruption Unit, the IRS Criminal Investigations Division (CID), and the FBI.

**Florida Aircraft Parts Supplier Jailed for 78 Months for Lying About Condition of Parts**  
*March 9, 2007*

The owner of a Miami, Florida, aircraft parts supplier was ordered to serve 78 months in prison on March 9 by a Federal judge in Miami as a result of his November 2006 conviction on charges of making materially fraudulent representations concerning the condition of aircraft parts, in violation of the Aircraft Safety Act of 2000. A Federal jury found George Myles, owner of Miles Aviation, Inc., guilty on November 20, 2006, of purchasing used aircraft parts and falsely certifying them as “new” or “new surplus” on a required certification form for Department of Defense contracts. These parts were flight-critical and their failure could be potentially catastrophic and/or cause serious damage to aircraft. Myles also provided numerous aircraft parts to civilian purchasers after fraudulently certifying that the parts were airworthy. Neither Myles nor his company were licensed by FAA to perform inspections, repairs, or overhauls and thus could not certify the airworthiness of aircraft parts. OIG investigated this case with the Air Force Office of Special Investigations, the DCIS, and the NASA OIG.

**Contractors Agree to Pay $11.75 Million in Michigan DBE Fraud Case**  
*March 15, 2007*

Ajax Paving Industries, Inc., and Dan’s Excavating, Inc. (DEI), agreed in U.S. District Court in Detroit, Michigan, on March 15 to pay $11.75 million to resolve False Claims Act and administrative claims that they knowingly violated DBE contracting requirements for federally-funded construction projects at Detroit Metropolitan Wayne County Airport. Operating as a joint venture, Ajax and DEI were the prime contractors for road projects at the airport. The joint venture allegedly misrepresented the amount of DBE contracting work performed by Borbolla Construction & Concrete Supply, Inc. The companies claimed that Borbolla Construction performed substantial work on the contracts when, in fact, Borbolla Construction actually performed little more than minor administrative tasks. The joint venture has entered into a separate administrative agreement with FAA to ensure future compliance with DBE requirements. This case was investigated with the Civil Division of the Justice Department, the U.S. Attorney’s Office for the Eastern District of Michigan, and FAA.

**Former Owner of Iowa Repair Station Sentenced for Forging Maintenance Logs**  
*March 19, 2007*

Clark Calta, former owner of Air America, an FAA-certificated repair station in Mt. Vernon, Iowa, was ordered by a U.S. District Court judge in Des Moines, Iowa, on March 19 to serve 2 years probation for making false statements regarding airplane and engine maintenance records. Investigation found that Calta falsely represented to FAA that the annual inspection of four different privately-owned aircraft had been conducted by a FAA-certificated mechanic/inspector when, in fact, they had not been inspected. The aircraft have since been inspected in accordance with required FAA procedures. Calta, who pleaded guilty in June 2006 to a single count of making false statements, is no longer involved in the aircraft maintenance business.
Former Air Ambulance Pilot Convicted of Falsifying His Medical Certificate Application  
March 19, 2007

A former air ambulance service pilot was found guilty by a Federal jury in Sacramento, California, on March 19 of charges of making false statements on his application for an airman’s medical certificate and failing to report Social Security disability overpayments. Michael Pennington, of Susanville, California, was a former chief pilot and maintenance director for Mountain Life Flight, an air ambulance service based in Susanville.

Testimony during trial disclosed that Pennington falsified his application for his annual airman’s medical certificate between 2001 and 2004 by failing to indicate that he was receiving disability benefits for debilitating medical conditions. Pennington also failed to inform the Social Security Administration (SSA) of his employment. His failure to do so resulted in his receiving $36,000 of excess Social Security disability payments from 2003 to 2005. FAA ordered an emergency revocation of Pennington’s licenses and certifications.

Pennington’s sentencing is scheduled for May 29. It will be the last sentencing in “Operation Safe Pilot,” a review of airmen’s medical certifications in Northern California conducted with the SSA OIG. The investigation resulted in 45 pilots in Northern California being charged with making false statements. One pilot died while under investigation and 43 pleaded guilty.

FAA Safety Manager Fined for Making False Statement on FAA Application  
March 28, 2007

John R. Black, a former aviation safety program manager in FAA’s Spokane, Washington, Flight Standards District Office was fined $1,000 and ordered to serve 3 years probation by a U.S. District Court judge in Spokane on March 28 for failing to report disqualifying prescription medications on his 2004 airman medical application. Black pleaded guilty on November 27, 2006, to a charge of making a false statement on his FAA airman’s medical application. Black’s duties included conducting proving flights for Falcon jet pilots approximately once a month. Black resigned from the FAA after his indictment in June 2006.

Oklahoma Company Pays $850,000 in False Claims Settlement Related to Charges of Illegal Transport and Disposal of Hazmat  
March 28, 2007

On March 28, a Federal judge in Oklahoma City, Oklahoma, approved settlement of a civil action resulting in the payment of $850,000 to the Federal government by a hazardous waste remediation company, Environmental Management, Inc. (EMI), located in Guthrie, Oklahoma. EMI contracted with the Drug Enforcement Administration (DEA) for the cleanup, removal, and storage of hazardous waste seized by law enforcement authorities from illegal drug labs. From October 1997 through September 2002, EMI or its subcontractors responded to more than 13,000 calls for lab cleanups and were paid more than $35 million under the DEA contract. In 2004, a former worker filed a qui tam suit alleging that, among other things, EMI violated the False Claims Act through false billings and erroneously representing that it was in compliance with applicable Federal regulations governing the transportation, storage, and destruction of hazardous materials. The complainant alleged that EMI used drivers that did not have proper training in transporting hazmat. Some EMI drivers allegedly did not have a hazmat endorsement on their commercial drivers licenses. Following an investigation, including assistance provided by OIG, the United States intervened in the action. Both
Audits and Investigations (continued)

EMI and its president have denied any wrongdoing and liability. The settlement agreement included dismissal of the qui tam lawsuit.

New York Repair Station Owner Agrees to Forfeit $1.5 Million
March 30, 2007

Samuel Gross, owner of Gross Instrument Corporation (GIC), of Richmond Hill, New York, a now defunct FAA-certificated repair station, agreed on March 30 to forfeit $1.5 million to the U.S. Government to settle an allegation that from 2000 through 2006 he and GIC unlawfully repaired, tested, and returned to service customers’ aircraft parts that did not comply with Federal Aviation Regulations, and had falsified airworthiness certifications for those parts. The case leading to this result was investigated by the OIG with the NASA OIG and DCIS, with the assistance of the FAA.
In a time when states’ demands for highway funding is increasing at a faster pace than the associated tax revenues, the Department is looking into innovative ways to fund the growing transportation needs of the nation. Our audit of the FHWA’s Value Engineering (VE) program identified ways in which states can better use scarce Trust Fund receipts through increased use of this important program.

Value Engineering is the systematic review and analysis of a project during its concept and design phases. It is performed by a multi-disciplinary team that is established by the state that operates independent of the state’s project team. In accordance with the National Highway System Designation Act of 1995, each state is to perform value engineering for all Federal-aid highway projects on the National Highway System (NHS) with an estimated cost of $25 million or more. It also requires that VE studies be performed on non-NHS projects that have a high potential for cost savings.

Providing states a substantial opportunity to obtain the most value from Federal-aid funds by achieving savings on planned construction projects, the VE process has the potential to serve as a key tool in FHWA’s stewardship of Federal funds. Historically, by performing VE studies and accepting the resulting recommendations, states have saved an average of 5 percent of estimated...
based on information provided by FHWA, we calculated that each dollar spent on VE yielded $128 in project savings.

Missed Opportunities to Increase Savings

We reported that from FY 2001 through FY 2004, states collectively reported $4.2 billion in recommended savings (about $1 billion annually). When viewed alone, the $4.2 billion is impressive, but we determined that had states conducted required VE studies on all eligible projects and accepted the resulting recommendations, an additional $725 million in Federal funds could have been saved. More specifically, our judgmental sample of 10 states showed that only three performed VE studies on every project that met the $25 million threshold.

The seven remaining states did not perform required VE studies on 39 of 289 Federal-aid NHS projects that met the threshold. Had those states performed the required studies on the 39 projects, collectively valued at $2.0 billion, and achieved the 5 percent national average savings, we estimate they could have saved an additional $98.4 million—funds that could have been reprogrammed into other eligible projects. If states had performed VE studies on nine other Federal-aid projects that were not on the NHS, an additional $19 million could have been available for reprogramming. About $94 million (80 percent) of this $117 million total represents the Federal share.

Following Through on VE Studies

For those projects on which VE studies were performed, we reported that states did not approve many of the resulting recommendations. The low acceptance rate was attributed to state officials’ failure to promote the benefits of value engineering, the misperception that VE studies caused unneeded project delays, and the belief that VE studies were performed too late in the design process to approve and implement recommendations. We reported that from FY 2001 through FY 2004, 5 of the 10 states in our sample collectively approved 23 percent of the proposed recommendations, which contrasted with the nationwide approval average of 44.4 percent. Had those five states achieved the 44.4 percent national average and saved the national average of $1.18 million on each accepted recommendation, they could have achieved a savings of $381 million, including the Federal share of approximately $305 million, and reprogrammed those funds into other qualifying projects. In addition, if 23 other states had also achieved the national average, $408 million more (a Federal share of $326 million) could have been made available for reprogramming.

FHWA Must Strengthen Its Oversight of State VE Programs

We reported that to ensure states’ use of VE analysis throughout highway project development, design, and construction, FHWA Division Offices must increase their oversight and strengthen existing policies. Division Offices indicated that their participation in
state VE programs was limited because they viewed VE as a mature program that did not require oversight. We also reported that limited resources to monitor VE programs and the low emphasis FHWA placed on VE contributed to FHWA’s weak oversight.

We recommended that FHWA revise its policy manual to require responsible state management to sign off on the rejection of VE recommendations containing substantial cost savings, to establish requirements for the support of cost estimates, and to require the Division Offices’ VE coordinators to either monitor or participate in all state VE studies for Federal-aid projects.

We also recommended that FHWA develop performance goals for measuring the effectiveness of state VE programs and for evaluating the performance of Division Office personnel. Finally, we recommended that FHWA incorporate VE into its corporate risk assessment process to determine whether all required studies were performed and to assess how the states determine whether or not to accept or reject recommendations.

FHWA concurred with our recommendations and stated its commitment to the promotion of and the need to improve value engineering nationally. It plans to ensure that value engineering is applied to improve the quality, cost-effectiveness, and productivity associated with developing improvement projects on the surface transportation system. We will monitor FHWA’s progress in implementing these corrective actions.

**AUDITS**

**Letter to Representative Nadler on Relocation Assistance Provided to Tenants Affected by the Fulton Street Transit Center Project**

*January 17, 2007*

We issued a letter to Representative Jerrold Nadler regarding whether the Metropolitan Transportation Authority (MTA) provided adequate relocation planning, advisory services, and assistance coordination to individuals and businesses being displaced by the Fulton Street Transit Center Project in New York City, which receives Federal funds. We found that: (1) FTA’s Lower Manhattan Recovery Office and the MTA improved relocation assistance provided to tenants; (2) FTA and MTA gave tenants additional time to move out of their spaces; and (3) all tenants moved without the MTA having to evict anyone.

**Inspector General Testifies on the Reauthorization of the Federal Railroad Safety Program**

*January 30, 2007*

The Inspector General testified before the House Transportation and Infrastructure Committee, Subcommittee on Railroads, Pipelines, and Hazardous Materials, on the reauthorization of the Federal Railroad Safety Program. His testimony focused on the Federal Railroad Administration: (1) improving grade crossing safety by ensuring compliance with its reporting requirements and working with states to address problems, such as sight obstructions at grade crossings, and (2) identifying safety trends through data analysis to better target its inspection resources and oversight activities.
At the request of the House and Senate Committees on Appropriations, we compared the programs and activities in 10 selected states for countering alcohol-impaired driving and explored actions the National Highway Traffic Safety Administration (NHTSA) could take to ensure that funds are targeted towards strategies that will have the most impact on reducing alcohol-impaired driving.

We found that state performance plans generally contain measures on activities, such as the number of sobriety checkpoints conducted or the overall performance goal of reducing the alcohol-impaired fatality rate.

However, better information is needed on the degree to which states are implementing key strategies such as sustained enforcement of laws. The report also included examples of best practices found in the 10 state alcohol-impaired driving programs. NHTSA generally agreed with our recommendations, and, in responding to the final report, the NHTSA Administrator stated that its work on the report had already yielded benefits.

Opportunities To Free Up Unneeded FHWA Funds for Use in Hurricane Recovery Efforts

March 6, 2007

We examined 203 highway projects that received earmarked funds in the five states affected by Hurricanes Katrina and Rita (Alabama, Florida, Louisiana, Mississippi, and Texas) to determine if unneeded funds could be redirected to hurricane recovery efforts. We identified about $10.7 million in unneeded funds that could be redirected to hurricane recovery efforts. In addition, we found that the FHWA could assist Congress in identifying idle earmarked funds that could be used for other purposes by: (1) implementing legislation allowing states to identify pre-1991, unneeded earmarked funds and use them on other transportation projects in the state and (2) providing Congress with a list of all unneeded earmarked funds on a regular basis. FHWA agreed with our recommendations.

Testimony Regarding Cross-Border Trucking Before the Senate Appropriations Transportation Subcommittee and the House Transportation and Infrastructure Subcommittee on Highway and Transit

March 8, 2007 and March 13, 2007

The Inspector General testified before Congress regarding the status of safety requirements for cross-border trucking with Mexico under
the provisions of the North American Free Trade Agreement. The Inspector General testified that: (1) the Federal Motor Carrier Safety Administration (FMCSA) has made continual improvements in its border safety program; (2) FMCSA and the states have made significant progress in resolving problems associated with ensuring that states can take effective enforcement action against Mexican motor carriers; and (3) FMCSA has taken action needed to ensure that weigh stations are fully operational. Despite the progress made, additional improvements are needed. FMCSA needs to: (1) improve the quality of data used to monitor Mexican commercial traffic convictions in the United States; (2) ensure adequate capacity to inspect Mexican buses; (3) fully implement its policy on compliance with Federal motor vehicle manufacturing safety standards; and (4) continue to focus attention on drug and alcohol issues.

**Independence of Central Artery/Tunnel Project Inspection Contractors**  
*March 27, 2007*

We reviewed the actions taken by the Commonwealth of Massachusetts to address the independence concerns posed by contractors performing inspections of repairs on the Boston Central Artery/Tunnel Project (CA/T). This review was requested by Representative Michael Capuano in response to revelations that employees of the CA/T Project’s long-time contractor—a joint venture of Bechtel Corporation and Parsons Brinckerhoff Quade & Douglas, Inc.—were conducting inspections of remediation work, which raised independence concerns.

Based on the results of our review, we are sufficiently assured that contractors with potential independence issues have been removed from CA/T remediation work and that the Commonwealth has sufficiently mitigated any risks. In addition, we concluded that the Commonwealth has taken steps to evaluate whether other contractors, such as Keville Enterprises, lacked independence due to previous involvement in the design or construction of the CA/T Project. FHWA informed us that, in conducting its own assessment, it was also satisfied with the Commonwealth’s efforts to deal with any independence concerns.

**Value Engineering in FHWA’s Federal-Aid Highway Program**  
*March 28, 2007*

We issued our audit of FHWA’s oversight of value engineering (VE) in the Federal-aid highway program and the effectiveness of the states’ respective VE processes. VE is the systematic process of review and analysis of a project during the concept and design phases. It provides a substantial opportunity for states to obtain the most value from Federal-aid funds by achieving savings on planned construction projects with an estimated cost of $25 million or more.

From FY 2001 through FY 2004, states collectively reported $4.2 billion in recommended savings from VE studies. During the same 4-year period, we estimate that if states had conducted required VE studies and accepted more recommendations, an additional $725 million in Federal funds could have been saved and made available for other federally-funded projects.

Based on our review in 10 states, we concluded that FHWA provided limited oversight of state VE programs. Further, FHWA Division Offices could not always demonstrate that they encouraged states to use VE or identified and disseminated states’ best practices. As a result, 7 of 10 states reviewed missed opportunities to achieve significant savings. Further, VE recommendations that were...
Audits and Investigations (continued)

not implemented resulted in additional missed opportunities for significant savings.

We recommended improvements to FHWA’s VE policy, which included requiring its division offices to either monitor or participate in all state VE studies for Federal-aid projects. FHWA concurred with our recommendations and provided planned corrective actions that will begin as early as March 2007. Additional information can be found on page 23 of this semiannual report.

INVESTIGATIONS

North Carolina Highway Contractor Agrees to $2.25 Million Civil Settlement for False Testing of Asphalt on Federally-Funded Highway Projects
October 3, 2006

APAC Atlantic, Inc. (APAC), Greensboro, North Carolina, agreed in U.S. District Court in Greensboro on October 3, 2006, to pay $2.25 million to settle a Federal civil claim involving false asphalt testing. Investigation revealed that six asphalt plant technicians employed by APAC had falsified tests on several federally-funded highway construction projects in the Greensboro area. As a result, substandard asphalt may have been used in several projects. APAC management conducted an internal investigation and fired the six employees. The company, which has made full payment, also agreed to extend its warranty on the affected projects. APAC also agreed to an extensive quality control and compliance program requiring the company to employ an independent monitor for quality control testing. This investigation was conducted with FHWA and the North Carolina Department of Transportation.

Montana Contractor Agrees To Pay $200,000 to Settle False Claims Case
November 14, 2006

A Florence, Montana, highway paint contractor agreed in U.S. District Court in Missoula, Montana, on November 14, 2006, to pay $200,000 to the Federal Government to settle false claims stemming from overstating the quantity of epoxy paint used on federally-funded highway striping projects around the state. An OIG investigation found that the Montana Department of Transportation was overbilled by approximately $697,000. Under the terms of the settlement with FHWA, Promark, Inc., agreed to an annual audit of their contracts and to submit a plan to improve their administrative and auditing functions.

Truck Driver Involved in Fatal Crash Jailed for 4 Years
December 4, 2006

Gulvinder Singh Sandhu, a former driver for Montreal-based Garfield Container Transport, Inc., was sentenced in U.S. District Court in Philadelphia, Pennsylvania, on December 4, 2006, to serve 4 years in prison, 3 years supervised release, and pay $9,200 in fines. OIG’s investigation found that Sandhu falsified his driver’s logbooks, including the night before a September 22, 1999, accident in which his tractor trailer collided with a minivan on Interstate 78 in Greenwich Township, Pennsylvania. Four people died in the crash. Sandhu fled to Canada after his 2002 indictment and returned to the United States in May 2006. This investigation was conducted with assistance from the Canadian Ministry of Justice and FMCSA.
**Former Professor Ordered to Repay $80,440 Embezzled From FHWA-Funded Research Center**
*December 19, 2006*

Paul G. Bedewi, former Deputy Director of the FHWA-funded National Crash Analysis Center in Ashburn, Virginia, and a former adjunct professor at George Washington University (GWU), was sentenced on December 19, 2006, in U.S. District Court in Washington, D.C. to serve 5 months in prison and was ordered to pay $80,440 in restitution to GWU. Bedewi pleaded guilty in October 2005 to a felony count of theft from programs receiving Federal funds. He was charged with embezzling $78,602 in FHWA and GWU research funds between August 2002 and June 2004 through illegal stipends and unallowable purchases. Investigation found that Bedewi caused the Center to issue $36,150 in unauthorized and fraudulent graduate assistant stipends to his wife. Bedewi also used a university purchase card to make $42,452 in unauthorized purchases.

Paul Bedewi is the cousin of Nabih Bedewi, a former GWU engineering professor and former Director of the Center. Nabih Bedewi was sentenced in June 2005 to 38 months in prison and ordered to pay $872,221 in restitution for embezzling nearly $1 million in DOT and GWU research funds. Both men have made full restitution.

**Contractor Fined $143,000 and Ordered Jailed in Philadelphia DBE Fraud Case**
*December 20, 2006*

Michael Tulio, owner and operator of Tulio Landscaping, was ordered by a U.S. District Court judge in Philadelphia, Pennsylvania, on December 20, 2006, to pay a $40,000 fine and to serve 15 months in prison and 24 months supervised release for his role in a DBE fraud scheme related to SEPTA transit contracts. His company was fined $103,000. Tulio and his company were convicted at trial in July 2006 of conspiracy and mail fraud. Tulio paid a DBE-certified hauling firm for the use of its name to secure contracts with SEPTA, an FTA grantee. Investigation determined that Tulio submitted false checks, reports, and correspondence claiming that Tulio used the DBE firm to perform the work stipulated in the contract, when in fact Tulio used his own employees. The Tulio contracts totaled approximately $418,000, with the DBE fraud amount involving approximately $68,000. FTA suspended Tulio and his company from doing business with the Federal Government in October 2006, pending debarment proceedings. Additional information can be found on page 13 of this semiannual report.

**Paving Companies and Owners Forfeit $2.3 Million in Long Island Bid-Rigging Case**
*December 22, 2006*

Three paving contractors and the five companies they operated pleaded guilty in U.S. District Court in Central Islip, New York, on December 22, 2006, to conspiracy charges related to bid-rigging on various roadway projects sponsored by the Suffolk County Department of Public Works and the Town of Brookhaven, New York. Pleading guilty were: Frank G. Schambra, president of Sundial Asphalt; James K. Haney, president of Suffolk Asphalt Supply; and William L. Fehr, Jr., president of All-County Paving and a vice president of Prima Asphalt Concrete, of which Pav-Co Asphalt is a subsidiary. As part of the plea, the defendants agreed to forfeit $2.3 million to the Federal Government and pay $326,000 in restitution to the county and town. Between July 2003 and September 2005, the contractors manipulated the awarding of Suffolk County contracts for road maintenance and repair and Brookhaven contracts for asphalt for road repairs. The contractors artificially inflated the cost of the contracts through a system of bid-rigging. FHWA has suspended three of the companies from doing
business with the Federal Government. Haney, Fehr, Schambra have also been suspended by FHWA. Sentencing is pending for Haney, Fehr, and Schambra.

**Former Louisiana Transportation Employee Ordered to Pay $60,000 in Restitution**

*January 5, 2007*

Former State of Louisiana employee Angie C. Normand was ordered by a state court judge in East Baton Rouge, Louisiana, on January 5 to pay $60,000 in restitution and serve 5 years probation. Normand, a former bookkeeper at the Capital Region Planning Commission (CRPC), pleaded guilty on October 13, 2006, to the theft of FHWA and FTA funds from the Commission, a local transportation planning agency. Normand used CRPC checks and credit cards to issue unauthorized payments to herself, her mother, and various merchants for personal items. She attempted to conceal these payments by falsifying CRPC checks, invoices, and bank and credit card statements. The theft was discovered after a state audit disclosed the possible embezzlement of funds from CRPC. Subsequent investigation by OIG and the East Baton Rouge Parish Sheriff’s Office confirmed the theft. Normand was terminated from her position at the CRPC after the discovery of her activities. She is making restitution.

**Ohio Contractor Pleads Guilty in DBE Fraud Case**

*January 11, 2007*

Central Allied Enterprises, Inc. (CAE) pleaded guilty in U.S. District Court in Columbus, Ohio, on January 11 to charges of knowingly making a false statement regarding a $2.7 million federally-funded highway project in Lorain County, Ohio. To meet the requirement that a percentage of its subcontracts be awarded to disadvantaged businesses under the DBE program, CAE submitted paperwork to the Ohio Department of Transportation (ODOT) stating that it would use a DBE-certified contractor to provide curb and gutter work valued at $275,410 on the bridge project. CAE subsequently utilized employees of a non-DBE contractor to perform the work. The company certified on payroll reports submitted to ODOT that the workers were employees of the DBE when, in fact, they were not.

CAE agreed to pay a $25,000 fine and $275,410 in restitution to FHWA and ODOT. The company also agreed to a 6-month exclusion from ODOT projects and to a 3-year compliance monitoring program. The exclusion was retroactive and expired November 27, 2006. Payment of the fine and restitution will not occur until after sentencing, which is scheduled for April 27.

**Former Maryland Waste Hauler Employee Ordered to Pay $86,524 in Restitution**

*January 17, 2007*

Jennifer Lynn Snell, a former employee of East Coast Resources Group, LLC, Upper Marlboro, Maryland (a waste disposal trucking company), was ordered by a state court judge in Upper Marlboro on January 17 to pay $86,524 in restitution for her role in an embezzlement scheme. Snell was also ordered to serve 44 days in prison and 5 years probation. This case was referred to OIG by the Maryland Department of Transportation after Snell alleged that an FMCSA inspector was accepting bribes from a company official in exchange for a favorable compliance review. OIG determined that Snell lied about the alleged bribery scheme to cover up her manipulation of the company’s payroll system to pay herself at least $86,524 in excess salary. Snell had paid more than $8,000 in restitution as of March 31.
Texas Company Involved in Fatal Bus Fire Fined $100,000
January 10, 2007

Global Limo, the company involved in a fatal bus fire that killed 23 senior citizens evacuated from a Houston-area nursing home in the path of Hurricane Rita in September 2005, was ordered to pay $100,000 by a U.S. District Court judge in McAllen, Texas on January 10 for violating Federal motor carrier safety regulations. The company was also placed on 5 years probation. Company owner James Maples was fined $10,000, ordered to serve 6 months in a halfway house, 6 months home confinement and to seek court approval prior to obtaining future work in the transportation industry. Global Limo and Maples were found guilty following a 7-day trial in October 2006 of failing to inspect their buses to ensure safe operation, and failing to require daily vehicle inspection reports. Global Limo was also convicted of conspiracy to falsify driver logs.

Global Limo was ordered to shut down following a FMCSA compliance review in September 2005. The company has not reopened.

New Jersey Woman Sentenced for Selling Counterfeit CDLs
January 12, 2007

Susana Marta Koorie, of Hackensack, New Jersey, was ordered by a U.S. District Court judge in Alexandria, Virginia, on January 12, to serve 6 months of home detention, 2 years supervised probation, and ordered to pay a $100 fine for her role in a conspiracy to commit identification fraud. Koorie conspired with other employees of
Covitta Trucking Company in 2003 to sell three counterfeit New Jersey commercial drivers licenses to individuals in Virginia and New Jersey at a cost of $2,300 each. Seven other defendants had been sentenced in this case as of March 31. Another three are fugitives and have outstanding arrest warrants.

**California Truck Drivers Sentenced for Keeping False Driver Daily Logs**  
*January 29, 2007*

Five drivers for two California trucking companies were sentenced during the reporting period for violations of Federal regulations limiting the amount of time commercial drivers can work. Kenneth Edward Matthews, of Fresno, California, was sentenced by a U.S. District Court judge in Fresno on January 29 to 9 months imprisonment split between custody and home confinement for making false statements in his drivers logbook regarding the amount of time he worked. Matthews previously pleaded guilty to charges of keeping false driver logs while employed as a driver for NB Trucking, Inc., and its predecessor company, Nijjar Brothers Trucking Inc., both of Madera, California.

Four other former drivers for Nijjar Brothers were sentenced on November 14, 2006, to varying jail terms by a U.S. District Court judge in Fresno, for keeping false drivers’ log books. Greg Allen Mello was sentenced to 15 months in prison. Pedro Farias-Lopez and Muhammad Arshid Chaudhry each received 3 months in jail. Baljinder Singh was sentenced to 135 days imprisonment. Each driver was also ordered to pay a $100 fine and serve 24 months supervised release. Nine other drivers for Nijjar pleaded guilty in 2005 and are scheduled to be sentenced on May 21. OIG investigated this case with assistance from FMCSA and the California Highway Patrol.

**Owner of Chicago Engineering Firm Pleads Guilty to $9.8 Million in Over-Billing on Illinois Transportation Projects**  
*February 1, 2007*

Manu Shah, owner and operator of Shah Engineering, Inc. (SEI), pleaded guilty in U.S. District Court in Springfield, Illinois, on February 1 to two counts of mail fraud and one count of false statements related to the over-billing of state and local transportation agencies for engineering and architectural services. This case was initiated after a 2004 audit by the Illinois Department of Transportation (IDOT) determined that SEI overstated its overhead expenses on contracts with the state, the City of Chicago, and the Illinois State Tollway Authority. Subsequent investigation determined SEI overstated at least $9.8 million in overhead and other costs on various transportation projects, including IDOT contracts receiving FHWA funds. IDOT suspended SEI from doing business with the state in August 2005. Sentencing is set for September 24. FTA has suspended Shah from doing business with the Government. Debarment proceedings are pending. This case was investigated with the FBI.

**Former Licensing Official Sentenced in North Carolina CDL Fraud Case**  
*February 13, 2007*

Jimmy D. Halcomb of Broadway, North Carolina, was ordered by a U.S. District Court judge in Greenville, North Carolina, on February 13 to pay $7,500 in restitution for issuing CDLs to 151 license applicants without proper testing. Halcomb, a former authorized third party CDL examiner for the North Carolina Department of Motor Vehicles (NCDMV), was also placed on 2 years probation as a result of his October 10, 2006, guilty plea to a charge of making false statements. Federal regulations require that commercial drivers be tested on their skills in performing a
pre-trip inspection, basic skills and maneuvers, and a road test. Investigation found that Halcomb failed to give all three parts of the CDL examination to the 151 drivers he tested in 2001. In many cases, Halcomb gave no examination at all. The NCDMV removed Halcomb as an examiner and required the 151 license holders to re-take the tests or have their licenses revoked. The investigation was conducted jointly with FMCSA and NCDMV.

**FTA Debars Pennsylvania Transit Contractor for 5 Years**
*February 22, 2007*

On February 22, FTA debarred JMG Excavating Co. (JMG), Pottstown, Pennsylvania, for 5 years as a result of the company’s May 2006 guilty plea to charges of mail fraud involving the DBE program on federally-funded transit contracts. Between 1997 and 2004, JMG obtained eight contracts from the SEPTA totaling $7.8 million. The contracts required that a portion of the work be done by a DBE-certified subcontractor. JMG paid a certified DBE a 2.5 percent fee in exchange for letting JMG bill SEPTA for $1.27 million for DBE-subcontracted work that was actually performed by JMG. In May 2006, JMG was placed on 5 years probation and was ordered to make restitution of $1.27 million, which is in the process of doing. The investigation was conducted with the FBI and with assistance from SEPTA’s OIG. Additional information can be found on page 13 of this semiannual report.

**Former Pennsylvania Transit Officials Ordered to Pay $425,524 for Theft of Federal Transit Grant Funds**
*February 27, 2007*

Two former employees of the DuFAST Transit Authority were sentenced February 27 by a state court judge in Clearfield, Pennsylvania, to pay a combined $425,524 in restitution to the Authority for the theft of Federal and state transit funds from DuFAST. The Authority, an FTA grantee, provides transportation services to residents of Dubois and Sandy Townships, Pennsylvania. Lauri Ferraro, the Authority’s Executive Director, was sentenced to 3 years in prison and ordered to pay $289,762 in restitution. Elaine Kost, an administrative assistant at the Authority, was sentenced to 18 months in prison and ordered to pay $135,762 in restitution.

Kost and Ferraro pleaded guilty on January 8 to multiple counts of criminal conspiracy, felony theft, and forgery. Between May 2000 and December 2004, Kost and Ferraro falsified board meeting minutes to indicate authorization of bonuses for themselves and reimbursements for various unauthorized expenses. Kost received $128,000 in unauthorized bonuses and expense reimbursements. Ferraro received unauthorized bonuses and expense reimbursements totaling $291,000. FTA identified questionable expenses at the Authority during its annual financial audit of the agency in December 2005 and notified OIG. This case was investigated with the Pennsylvania State Police and the Clearfield County District Attorney’s Office.
Audits and Investigations (continued)

**Virginia Construction Company To Pay $2.5 Million For Making False Statements**
*March 4, 2007*

English Construction Company, of Lynchburg, Virginia, agreed in U.S. District Court in Roanoke, Virginia, on March 4 to pay $2.5 million to the Federal Government as a settlement for making false material statements about work performed by a DBE on a federally-funded road project in Montgomery County, Virginia. According to the information filed in Federal court, English Construction was the low bidder on a contract to construct an interchange and bridge on state Route 460 in Montgomery County. The contract, which was partially federally-funded, required that a portion of the work be performed by a DBE. English Construction certified that the DBE portion of the work was being done independently by Colyer Construction Company, a certified DBE, when in fact it was done with the assistance of English employees. Colyer Construction Company was decertified as a DBE by the Virginia Department of Transportation (VDOT) in 2003. This case was investigated with VDOT.

**New York Construction Company Official Pleads Guilty In Bribery Case**
*March 7, 2007*

Thomas Costa, president of Costa Construction Corp., Deer Park, New York, pleaded guilty on March 7 in U.S. District Court in Central Islip, New York, to a charge of money laundering conspiracy related to a road repaving project in New York City. Between 2002 and 2003, Costa’s company was a subcontractor on a $16 million roadway milling contract for the New York City Department of Transportation. Milling is the process where a contractor grinds off the top layer of asphalt from the existing roadway surface before repaving. Costa participated in a scheme to bribe the inspector overseeing the project. In exchange for accepting these bribes, the inspector submitted false inspection reports resulting in the contractors being overpaid approximately $1 million for truckloads of material that were never removed from the work sites. Sentencing of Costa is scheduled for June 8. FHWA is considering suspension and debarment against Costa and his company. This case was investigated by OIG and other members of the Long Island Construction Fraud Task Force.

**Pennsylvania Truck Driver Ordered Jailed For 2 Years In Vehicular Homicide Case**
*March 7, 2007*

On March 7, a state court judge in Easton, Pennsylvania, sentenced truck driver Carlos Aguirre-Giraldo to 2 years in prison and 2 years supervised release for his role in a truck crash that killed two individuals. Aguirre-Giraldo was convicted in January of vehicular homicide and related charges. According to testimony at trial, Aguirre-Giraldo, a truck driver for Industrias Suarez Sa Incorporated, of Clifton, New Jersey, was driving on Interstate 78 near Allentown, Pennsylvania, on December 27, 2005, when his truck crossed the median, struck a passenger vehicle and killed the two occupants, including a 21-year-old veteran of the Iraq war. Aguirre-Giraldo was also convicted of two counts of involuntary manslaughter and five counts of reckless endangerment. OIG investigated this case with the Pennsylvania State Police and FMSCA.

**Owner of Wisconsin Dump Truck Firm Pleads Guilty to Submitting False Statements on Federal Highway Contracts**
*March 14, 2007*

Darrell Kasner, owner of Kasner’s Transportation, Inc., Aprin, Wisconsin, pleaded guilty in U.S. District Court in Madison, Wisconsin, on March 14 to charges of making false statements on payroll reports submitted for hauling services performed on a federally-funded highway project near Winchester, Wisconsin. Kasner was indicted on October 26, 2006, on charges of failing to pay
two dump truck drivers local prevailing wages in 2002 and 2003 as required under Federal law. Kasner and his company were subsequently suspended by the Wisconsin Department of Transportation (WISDOT). Federal suspension action is pending. Sentencing is set for May 23. This investigation was conducted with the assistance of WISDOT.

**Middleman Pleads Guilty in Michigan Drivers License Fraud Investigation**

Mohamed Abdulla Saleh pleaded guilty on March 15 to a charge of identification document fraud in U.S. District Court in Detroit, Michigan. Saleh was indicted on January 10 on charges related to his role as a middleman in a scheme to assist more than 177 people obtain personal drivers licenses from the state of Michigan. Saleh allegedly collected $300 from customers and paid Michigan Secretary of State employees to issue drivers licenses without requiring the customer to take the required written knowledge test. No sentencing date has been set. As of the end of the reporting period, 55 licenses had expired and another 55 licenses had been surrendered. This case is part of an ongoing investigation led by the FBI.

**Three Former Connecticut DOT Officials Debarred by FTA**

*March 22, 2007*

FTA debarred two former managers at the Connecticut Department of Transportation (ConnDOT), a contractor, and the owner of a Connecticut construction company on March 22 for their roles in fraud involving the renovation of New Haven's Union Station. Raymond Cox, former ConnDOT assistant rail administrator; Saverio Sereno, ConnDOT’s project manager for the Union Station renovation project; contractor Louis Testa, and his company, Merritt Builders, were each debarred for 3 years. Frederick “Fritz” Kelly, who worked for Cox and Sereno as a contractor at ConnDOT, was debarred for 2 years.

In order to circumvent the competitive bidding process and direct the project to Testa's company, Cox and Sereno instructed Kelly to prepare two false bids in excess of Testa's bid. Testa subsequently paid Kelly $3,000 for preparing the false paperwork. Cox and Sereno instructed Testa to purchase household appliances, including big-screen televisions and refrigerators, for ConnDOT employees. All of the items, including the payment to Kelly, were billed to the Union Station renovation. Upon learning of the investigation, Cox attempted to persuade two ConnDOT employees to get rid of the household appliances they received.

Cox resigned from ConnDOT and pleaded guilty to one count of theft involving Federal programs and obstruction of justice. He was
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Audits and Investigations (continued)

ordered by a U.S. District Court judge in New Haven on October 19, 2006, to pay a $3,000 fine, serve 2 months in jail, 7 months home confinement and perform 300 hours of community service. Sereno pleaded guilty in July 2006 to one count of theft involving federal programs and was sentenced in December 2006 to serve 3 years probation and pay $8,404 in fines and restitution. Sereno previously had resigned from ConnDOT.

Kelly pleaded guilty on February 1 to a charge of making false statements. He was ordered to serve 2 years probation and pay a $3,000 fine. Testa pleaded guilty on October 16, 2006, to a charge of failing to declare almost $400,000 in business and personal income on his Federal tax return. Sentencing is pending. OIG investigated this case with the FBI and the IRS CID, with assistance from ConnDOT.
Competition and Economic Analysis

AUDITS

FY 2006 Fourth Quarter Report on Cost-Savings Accrued by Amtrak Operational Reform
October 10, 2006

We issued our FY 2006 Fourth Quarter report to the House and Senate Appropriations Committees as mandated by Congress in the Conference Report accompanying the FY 2006 Appropriations Act for the Department of Transportation. Our report provided an estimate of the savings accrued as a result of operational reforms instituted by Amtrak. Amtrak has achieved operational savings of $5.1 million through July 2006. This compares to the $3.8 million in savings we certified Amtrak had achieved through May 2006 in our July quarterly report. Amtrak has achieved $51.2 million in savings through July 2006 from all its FY 2006 operational reforms. These overall savings from reform contribute to Amtrak’s current better-than-expected financial performance. Through August, Amtrak’s operating loss was $122 million below the year-to-date projected loss in the $586 million subsidy baseline. As such, barring any unexpected losses, Amtrak will achieve the required savings to operate within its FY 2006 appropriation. Amtrak estimates that its financial performance will continue to improve and, as a result, expects to end FY 2006 with a $209 million cash balance.

Looking toward FY 2007 and FY 2008, Amtrak will need to maintain progress in implementing operational reforms to continue to reduce its reliance on Federal operating subsidies. It will be necessary for Amtrak to move beyond the “low-hanging fruit” and begin
to implement more difficult reforms in food and beverage service, sleeper car service, route restructuring, state payments, and labor contracts.

Critical to Amtrak’s ability to increase its efficiency and reduce unit costs will be the development of a managerial accounting system. Amtrak is developing a system that will replace its legacy activity-based Route Profitability System with one that will support both avoidable and full-cost methodologies and provide business-line and route level activity-based analysis. We are monitoring Amtrak’s development of this system to help ensure that it is well designed and to respond to congressional direction to report on the strengths and weaknesses of the system after it is implemented.

**FY 2007 First Quarter Report on Cost-Savings Accrued by Amtrak Operational Reform**  
*January 18, 2007*

We issued our quarterly report to the House and Senate Appropriations Committees as mandated by Congress in the Conference Report accompanying the FY 2006 Appropriations Act for the Department of Transportation. We provided the baseline from which we will measure Amtrak’s FY 2007 operational reform savings and our assessment of the savings Amtrak achieved from operational reforms in FY 2006. We have set the FY 2007 operational reform savings baseline at $550 million. Amtrak proposes to achieve $61 million of this amount from FY 2007 operational reforms and $19 million from other savings. The remaining $470 million will need to come from a combination of the Federal appropriation for operating subsidies and further
savings. Amtrak’s $61.3 million in savings from operational reforms in FY 2006 contributed to its better-than-expected financial performance. Amtrak’s $433 million operating loss in FY 2006 was $52 million below its FY 2006 operating grant appropriation of $485 million and $153 million below its own FY 2006 projection of a $586 million operating loss.

**Testimony Before the Senate Appropriations Transportation Subcommittee Regarding Amtrak’s FY 2008 Budget Needs**
*February 28, 2007*

The Assistant Inspector General for Competition and Economic Analysis testified before the Senate Appropriations Committee, Subcommittee on Transportation, regarding Amtrak’s FY 2008 budget needs, the railroad’s recent efforts to improve its financial condition, and alternatives for financing intercity passenger rail. The Assistant Inspector General testified that Amtrak would need $465 million in FY 2008 for cash operating losses, $600 million for capital spending, and $285 million for debt service to operate its nationwide system while staying focused on needed reforms. As Amtrak revises its revenue and expense estimates during the year, our estimate may also change. Increased investment in intercity passenger rail must go hand-in-hand with improved operating efficiencies, the Assistant Inspector General stated. Additionally, Amtrak needs to finalize and implement route restructuring, cost recovery, and labor reforms.

**Inspector General Testifies on FAA Financing Proposals**
*March 21, 2007*

The Inspector General testified before the House Transportation and Infrastructure Committee, Subcommittee on Aviation, regarding FAA financing proposals. The Inspector General stated that there are important reasons to consider alternative mechanisms to finance FAA that have been well documented in previous reports and commissions on reforming FAA. He also stated that: (1) FAA’s current financing mechanism could support both its ongoing efforts and the potential cost of developing the next generation air traffic control system (NextGen) if FAA’s projected revenues materialize; (2) FAA’s method for allocating costs among user groups is reasonable but reflects trade-offs that primarily result in fewer costs being allocated to general aviation operators; and (3) the cost recovery proposal does not completely link costs and fees and therefore is not fully consistent with FAA’s rationale for moving to user fees. While the decision of how best to finance FAA is a policy call for the Congress, FAA needs to continue to take steps to control costs regardless of whether it is funded in the future by excise taxes or user fees. Greater clarity is needed with respect to how FAA will manage and execute NextGen initiatives, particularly given past experiences with cost growth and schedule slips. In addition, FAA’s proposed borrowing authority presents serious risks unless it is accompanied by strong controls. Finally, FAA’s timetable for development of a fee proposal, including the billing system, is ambitious.
Audits and Investigations (continued)

INVESTIGATIONS

Former Boston Maine Airways Corporation Official Indicted On Charges of Falsifying Financial Documents in 2005 Filings to DOT
January 17, 2007

John Nadolny, of Rye, New Hampshire, the former general counsel and Senior Vice President of Boston Maine Airways Corporation, Portsmouth, New Hampshire, was indicted on January 17 by a Federal grand jury on charges of falsifying documents to the Department’s Office of Aviation and International Affairs in support of the airline’s application for amended certification in May 2005. Air carriers seeking to acquire additional aircraft must certify that they have sufficient cash assets to make the purchase and continue operating. Nadolny allegedly falsely represented on documents submitted to the Department that the airline possessed sufficient cash assets. The investigation was initiated in August 2005 based upon a referral by the Office of Aviation and International Affairs.

Note: The details contained in this indictment are allegations. The defendant is presumed to be innocent until proven guilty beyond a reasonable doubt in a court of law.
FY 2007 will be a particularly challenging year for the Department in managing its IT security and investments. It has to recertify more than half of all its information systems, upgrade systems security to meet new Government standards, relocate its headquarters (including more than 75 information systems), and take aggressive action to strengthen air traffic control systems security protection. In addition, the Department needs to develop a better methodology to validate the security configurations of commercial software products installed in DOT systems and continue enhancing oversight of IT investments.

We made a series of recommendations to help the Department strengthen oversight of its information security program, security protection of the critical air traffic control...
systems infrastructure, and oversight of its multibillion-dollar annual IT investments. The CIO agreed with our findings and recommendations.

**Saint Lawrence Seaway Development Corporation FY 2006 and FY 2005 Financial Statements**

*November 9, 2006*

We issued a quality control review report on the audited financial statements. Dembo, Jones, Healy, Pennington & Marshall, P.C. performed the audit and rendered an unqualified (clean) opinion on the financial statements. The audit did not identify any internal control weaknesses or material non-compliances with laws or regulations.

**FAA FY 2006 Administrative Services Franchise Fund Financial Statements**

*November 13, 2006*

We issued a quality control review report on the audited financial statements. KPMG LLP of Oklahoma City, Oklahoma, performed the audit and rendered an unqualified (clean) opinion. KPMG reported four internal control reportable conditions and two instances of noncompliance with applicable laws and regulations.

**Highway Trust Fund FY 2006 Financial Statements**

*November 14, 2006*

We issued a quality control review report on the audited financial statements. KPMG LLP of Washington, DC, performed the audit and rendered an unqualified (clean) opinion on the financial statements. KPMG reported one material internal control weakness, three reportable conditions, and one instance of noncompliance with applicable laws and regulations. DOT did not prepare FY 2005 and FY 2006 comparative financial statements for the Highway Trust Fund because the Office of Management and Budget granted a waiver to the Department as a result of legislative changes made by the SAFETEA-LU highway reauthorization act.

**FAA FY 2006 and FY 2005 Consolidated Financial Statements**

*November 14, 2006*

We issued a quality control review report on the audited financial statements. KPMG LLP of Washington, DC, performed the audit and rendered a qualified opinion on the financial statements because FAA was unable to provide sufficient evidence to support the accuracy and completeness of the Construction in Progress (CIP) account balances. These CIPs, with a reported value of $4.7 billion, are a component of Property, Plant, and Equipment in the footnote disclosure to the FAA Balance Sheet. KPMG also reported one material internal control weakness, three reportable conditions, and two instances of noncompliance with applicable laws and regulations.
DOT FY 2006 and FY 2005 Consolidated Financial Statements  
November 15, 2006

As required by the Chief Financial Officer Act, we issued our audit of DOT’s consolidated financial statements for fiscal years 2006 and 2005. We concluded that DOT’s consolidated financial statements are fairly presented and, in all material respects, in conformity with generally accepted accounting principles with one exception. That exception concerns the FY 2006 CIP account balance.

KPMG LLP, under contract to us and under our supervision, audited FAA’s financial statements and rendered a qualified opinion because FAA was unable to provide sufficient evidence to support the accuracy and completeness of the CIP account balances.

Because FAA’s property, including CIP, represents about 95 percent of the Property, Plant and Equipment line item on the Department’s consolidated balance sheet, the Department’s consolidated financial statements must be similarly qualified. In addition, we identified seven reportable conditions, three instances of noncompliance with applicable laws and regulations, and two material internal control weaknesses: (1) FAA’s CIP processing and (2) the Highway Trust Fund agencies’ financial management, reporting, and oversight.

Review of FY 2006 Drug Control Funds  
February 1, 2007

We performed an attestation review for the Office of National Drug Control Policy concerning NHTSA’s reporting of the use of drug control funds. We concluded that NHTSA’s reporting is presented in conformity with the Office of National Drug Control Policy Circular: Drug Control Accounting, dated April 18, 2003.

Emergency Transportation Services Contract: Lessons Learned From the 2005 Gulf Coast Hurricanes  
February 5, 2007

We found that having an emergency transportation services contract in place allowed the Department and its contractor to carry out a strong and rapid response to Hurricane Katrina and other hurricanes that occurred in 2005. The disasters also provided lessons about how contracting practices can be improved. We recommended that the Department ensure that administrative fee rates for future emergency contracts are structured appropriately to avoid overpaying when services dramatically increase. Additionally, we recommended that the Department negotiate profit rates appropriate for the types of contracts awarded. The Department agreed with the recommendations.

NTSB

Audit of NTSB’s Information Security Program  
October 13, 2006

In FY 2006, the National Transportation Safety Board (NTSB) made a concerted effort to correct security weaknesses identified in prior years. However, continued management attention is needed in several areas: (1) assessing systems risk and assigning a priority to reviewing and testing security protection of systems with a higher-risk impact on NTSB operations; (2) enforcing and following through on the newly established network security requirements; and (3) identifying systems containing sensitive
personally identifiable information for proper protection. Because of these concerns, NTSB’s information security program in our opinion still has a significant deficiency that should be reported as a material internal control weakness on the annual Federal Managers’ Financial Integrity Act Report to the Office of Management and Budget and Congress.

**NTSB Travel Card Program**  
*November 1, 2006*

We found that NTSB’s internal controls over its travel card program are generally adequate to safeguard against unauthorized use of Government travel cards and to prevent delinquencies. However, we identified opportunities to strengthen controls in several areas. These include: (1) ensuring that NTSB maintains an accurate roster of travel cardholders; (2) closing separated employees’ accounts in a timely manner; (3) reducing travel card dollar limits for staff who rarely travel; (4) documenting management overrides of system controls designed to prevent the use of travel cards for certain activities; (5) tracking cardholders’ acknowledgment of responsibility for proper use of Government-issued cards; and (6) ensuring accurate reporting of Board members’ annual travel costs to Congress.

**NTSB FY 2006 and FY 2005 Financial Statements**  
*November 13, 2006*

We issued a quality control review report on the audited financial statements. Leon Snead & Company of Rockville, Maryland, performed the audit and rendered an unqualified (clean) opinion on the financial statements. Leon Snead & Company reported two material internal control weaknesses related to implementation of an Agency-wide information security program and internal controls over financial reporting.

**INVESTIGATIONS**

**FWHA Receives $3.4 Million Repayment From New Mexico DOT**  
*November 1, 2006*

FHWA accepted a $3.4 million repayment from the New Mexico Department of Transportation (NMDOT) on November 1, 2006, for work on a federally-funded highway construction project in Santa Rosa, New Mexico, that did not meet Federal standards. Investigation found that NMDOT approved work where soil was not properly compacted on the project and permitted the use of pipe that had not been fully certified. The money was reprogrammed for other Federal-aid highway projects in New Mexico. OIG conducted this investigation with the NMDOT OIG.

**Colombian National Pleads Guilty and Is Sentenced for Theft of Government Laptop Computer**  
*December 4, 2006*

Juan Calle, a Colombian national, pleaded guilty and was subsequently sentenced in U.S. District Court in Miami, Florida, on December 4, 2006, to a felony charge of theft of government property. Calle was sentenced to time served and 3 years of supervised release, which was suspended because of his illegal immigration status in the United States. Calle was subsequently deported to Colombia. This arrest resulted from OIG’s response to the theft of an OIG special agent’s laptop computer from a Government vehicle near Miami in July 2006. Subsequent investigative activity identified an organized effort by a small
ring of thieves to steal laptops from vehicles in the same area where the OIG agent’s laptop was stolen. Calle had been observed stealing another Government laptop from a decoy vehicle parked in the same area. This case was investigated with the FBI and the Miami-Dade Police Department.

**Guilty Plea in Trucking Company Billing Fraud Case**  
*December 8, 2006*

Gary Newlun, former comptroller for Airtrans, Inc. (a trucking company headquartered in Dyersburg, Tennessee), pleaded guilty on December 8, 2006, in U.S. District Court in Memphis, Tennessee, to charges of conspiracy to commit mail fraud in connection with a fraudulent billing scheme. Newlun and two other former company officials were charged in 2004 with conspiring to create false and fictitious account receivables which they sold at a discount to an unsuspecting third party. Newlun sent and received fraudulent accounts receivables and was involved with the transfer of funds associated with the scheme. Sentencing for Newlun is pending. No trial date has been set for former Airtrans owner Freddie Ford and general manager David Hernandez. This case was investigated with the Postal Inspection Service and the FBI.

**Florida Design and Engineering Firm Pays $6.4 Million to Settle False Claims Act Claims**  
*January 24, 2007*

PBS&J, a Florida-based design and engineering firm, paid $6.4 million on January 24 to resolve claims that it violated the False Claims Act by submitting false and fraudulent claims to the Federal Government. FHWA and FAA were among 12 Federal agencies affected by the false claims. The settlement arises from a $36 million embezzlement scheme occurring between 1992 and 2005 that was perpetrated by the company’s chief financial officer and two accounting department employees. The scheme involved shifting funds and fabricating entries in the company’s books and records to conceal the fraud. The fraudulent entries resulted in an overstated audited rate.

The settlement also resolved PBS&J’s treatment of certain unallowable indirect costs that also contributed to the company’s overstated audited rate. The civil investigation was conducted by OIG, the Civil Division of the Justice Department, and the Defense Contract Audit Agency. In September 2005, three former PBS&J employees pleaded guilty to wire fraud charges in U.S. District Court in Miami, Florida. Sentencing is pending. The FBI and the U.S. Attorney’s Office for the Southern District of Florida investigated the criminal case.

**Former Fuel Delivery Company Employee Ordered to Pay $1.1 Million in Restitution in Fuel Theft Case**  
*March 16, 2007*

On March 16, Martin Lynn Guitard, of Olympia, Washington, was ordered by a U.S. District Court judge in Seattle, Washington, to pay $1.1 million in restitution for his role in a scheme to steal more than 1.49 million gallons of fuel from a Seattle fuel depot. Guitard was also ordered to serve 3 years and 10 months in prison and 2 years of supervised release. Guitard helped steal 2.9 million gallons of fuel from the 13th Avenue Harbor Island Fuel Depot between January 1999 and September 2004. During the period that the thefts occurred, Guitard was the terminal supervisor and had access to a computer code that allowed his co-conspirators to steal fuel for subsequent resale to fuel service stations operating in Washington,
Idaho, and Oregon. Guitard and four others received $3.9 million in sales from the stolen fuel before Kinder Morgan Energy Partners (KMP), the terminal operator, detected fuel discrepancies during an internal audit. An estimated $750,000 in motor fuel excise taxes were evaded as a result of the scheme.

In March 2006, a Federal grand jury indicted Guitard, two other KMP employees, and two employees of General Transport Company, a fuel delivery firm in Seattle. Two defendants pleaded guilty in April 2006 to conspiracy charges and were each sentenced in July 2006 to 18 months in jail and to pay $235,360 apiece in restitution. The remaining defendants, James Raymond Ito, of Bellevue, Washington, and Neil Burt Kikuchi, of Kent, Washington, pleaded guilty in July 2006 to conspiracy to steal interstate shipments, theft of interstate shipments, and money laundering. They are scheduled to be sentenced on June 15. OIG investigated this case with the Port of Seattle Police Department and the IRS Criminal Investigation Division.
AUDITS

**DOT’s FY 2007 Top Management Challenges**  
*November 15, 2006*

We released our annual report on the Top Management Challenges facing the Department in FY 2007. In considering the items for this year’s list, we continued to focus on the Department’s key strategic goals to improve transportation safety, capacity, and efficiency. The report was included in the Department’s FY 2006 Performance and Accountability Report.

**DOT’s FY 2007 Top Management Challenges Testimony**  
*March 6, 2007*

The Inspector General testified before Congress on the major issues facing DOT in terms of linking program requirements and budgetary resources for the short and long term, challenges in the areas of aviation and surface safety, and getting the most from our Federal transportation infrastructure dollars. The Inspector General identified three cross-cutting areas: (1) funding requirements for FY 2008 and beyond for aviation and intercity passenger rail, (2) transportation safety, and (3) contract, grant, and project oversight. Additional information can be found on page 1 of this semiannual report.
Audits and Investigations (continued)

INVESTIGATIONS

Former FHWA Employee Ordered To Repay $25,949 in Personal Charges on Government Credit Card  
November 9, 2006

Former FHWA Human Resources Assistant, Nickeisha C. Hamilton, pleaded guilty to a felony theft charge in Maryland Circuit Court in Upper Marlboro, Maryland, on November 9, 2006, and was sentenced to 5 years probation and ordered to repay $25,949 in personal purchases charged to her Government travel card. While employed at FHWA in Washington, D.C., between January 2000 and November 2001, Hamilton used her travel card for a variety of personal purchases, including nail salon visits, cellular telephone services, cable television for her residence, and cash advances. The fraud was identified during a 2003 OIG audit of DOT employee travel cards. Hamilton resigned from FHWA in January 2002 and is making restitution.

Former Saint Lawrence Seaway Employee Ordered to Pay $55,725 for False Workers’ Compensation Claims  
January 5, 2007

Allen L. Dumas of Massena, New York, a former line handler for the SLSDC, was sentenced on January 5 in U.S. District Court in Syracuse, New York, to 5 years probation and ordered to repay $55,725 in workers’ compensation benefits he illegally received from the SLSDC. Dumas was also disqualified for life from receiving workers’ compensation benefits. Dumas pleaded guilty in September 2006 to a charge of theft of public money. Between December 2003 and November 2005, Dumas received $53,271 in workers’ compensation payments and reimbursement for $2,454 in medical expenses for a lower back injury he sustained while working at the SLSDC in 2002.

Dumas falsely certified on workers compensation forms that he was not able to work when, in fact, he began working as a truck driver in December 2003. This investigation was conducted with the U.S. Department of Labor, with assistance from the SLSDC.

Former FTA Official Sentenced on Wire Fraud Charges  
March 13, 2007

Former FTA official Shang Hsiung was sentenced on March 13 by a U.S. District Court judge in Washington, D.C., to 6 months home confinement, 3 years probation and to pay a $2,000 fine for using counterfeit checks and credit cards to obtain escort services while on official travel. Hsiung pleaded guilty on October 26, 2006, to one count of wire fraud. Between January 2001 and March 2006, Hsiung used his Government-issued computer during work hours to search the Internet and locate escorts in areas where he was expected to travel while on official Government business. He also used his Government telephone to contact escort services in various states. Hsiung would pay the escorts with counterfeit checks he fabricated or credit card numbers he stole from colleagues at the Department of Transportation and various other parties. Hsiung resigned from FTA in September 2006. OIG conducted this investigation with the U.S. Secret Service.
This section highlights other accomplishments and contributions by Office of Inspector General staff that extend beyond the legal reporting requirements of the Inspector General Act. These accomplishments are part of our statutory responsibilities to review existing and proposed legislation and regulations; respond to congressional and departmental requests for information; and review policies for ways to promote effectiveness and efficiency and detect and prevent fraud, waste, and abuse. Accomplishments not directly related to audit and investigative reports during this semiannual reporting period are also highlighted below.

**Conducted Peer Review of USDA OIG**

In December 2006, our Office of Quality Assurance Reviews and Internal Affairs issued a peer review report on the audit function of the U.S. Department of Agriculture’s (USDA) OIG for the fiscal year ended March 31, 2006. We determined that the internal quality control system of the USDA OIG was adequate as designed and that applicable auditing standards, policies, and procedures were met. We also suggested several improvements, and the USDA OIG agreed to implement our proposed recommendations.

**Helped the Malawian Government to Improve Its Computer Crime Fighting Capability**

At the request of the U.S. Department of the Treasury, we provided training to financial crimes law enforcement investigators in Malawi assigned to the Malawi Revenue Authority (similar to the U.S. Internal Revenue Service), the Organized Crime Bureau, and the Fiscal Police.

Our training focused on helping them recognize how computers and electronic devices can be used as instruments of crime or as a storage device for evidence in a host of crimes. It also provided the investigators with insight on how to properly secure various types of computers and storage media and other items (such as personal digital assistants, cell phones, and digital cameras) to preserve evidence for digital evidence forensic examiners.

As a result of this training, these investigators are now better able to combat the transnational crimes of money laundering and terrorist financing, which can have devastating effects such as loss of life and severe economic consequences to our Nation and others.

**Heightened Fraud Awareness of Federal Grant Recipients and Others**

We provided fraud awareness briefings to nearly 300 grantees and other stakeholders concerned about the impact of procurement contract and grant fraud in their transportation programs at the local, state, and Federal levels. Audiences included airport officials, highway oversight and construction personnel, and consultants attending FHWA and FAA conferences in Albuquerque, New Mexico; Rosemont, Illinois; and other locations. Our presentations described common types of fraud schemes that we see today within DOT,
including false claims, product substitution, bid-rigging, DBE fraud, and corruption of public officials. We also outlined the OIG’s mission and structure and ways to report fraud indicators to our Hotline Complaint Center.

These presentations helped strengthen important working relationships and facilitate effective fraud prevention and detection and, ultimately, the prosecution of those who cheat American taxpayers and harm transportation-related projects.

Provided Suggestions to Congress for Enhancing Oversight of Emergency Response Expenditures

At the request of the House Committee on Transportation and Infrastructure, we provided technical legislative drafting assistance to improve the oversight and accountability of Federal Emergency Management Agency (FEMA) funds for agencies’ disaster response needs (for situations such as Hurricanes Katrina and Rita). Based on our experience in reviewing DOT support provided under the National Response Plan, we identified best practices and mechanisms that could help all Government agencies to more effectively oversee monies provided to them through FEMA mission assignments.

We suggested that agency management oversight activities be designed to: (1) ensure that Federal funds are appropriately spent for their intended purposes, and (2) fully protect taxpayers’ interests. Congress incorporated these suggestions in the FY 2007 Department of Homeland Security Appropriations Act (PL 109-295), which was signed into law on October 4, 2006.
This section describes significant work projects currently underway or planned by the Office of Inspector General that focus on the Department’s Strategic Plan and its core missions of transportation safety and mobility. We take into account the need to support DOT’s most critical programs and to assure that departmental resources are protected from fraud and waste. In addition, many of our projects arise from requests by Administration officials and members of Congress.

The OIG has developed the following work plan for the period of April 1, 2007, through September 30, 2007.

### Aviation and Special Programs

- **FAA Oversight of Aircraft Manufacturers’ Quality Assurance Systems for Suppliers**
  Evaluate FAA’s oversight of aircraft manufacturers’ quality assurance systems for domestic and foreign suppliers.

- **Air Carriers’ Outsourcing of Aircraft Maintenance**
  Determine the type and quantity of maintenance performed by outside repair stations, and whether FAA is effectively monitoring air carriers’ oversight of the work performed by outside repair stations and verifying whether safety requirements are met.

- **FAA’s Airport Surface Detection Equipment-Model X (ASDE-X) Program**
  Determine whether FAA’s strategy for deploying ASDE-X for operational use is cost effective, given the changes in the program’s deployment strategy. Determine to what extent the ASDE-X program will reduce the risk of ground collisions or accidents caused by runway incursions.

- **Controls Over FAA’s Conversion of Flight Service Stations to Contract Operations**
  Assess whether FAA has implemented effective plans and controls to: (1) transition flight service stations to contract operations; (2) achieve anticipated savings; and (3) ensure that the operational needs of users continue to be met.
Work Planned and in Progress (continued)

I FAA’s Actions to Address Runway Incursions at Boston Logan, Chicago O’Hare, and Philadelphia International Airports

Assess the actions taken by FAA to: (1) identify and correct the causes of recent runway incursions experienced at Boston Logan, Chicago O’Hare, and Philadelphia International Airports; and (2) address those issues that could affect safety system-wide.

I Federal Telecommunication Infrastructure (FTI) Transition Risks and Its Impact on Air Traffic Control Operations

Assess FAA’s progress in developing an effective transition plan and realistic master schedule, and determine if FAA is mitigating risks to air traffic control operations by coordinating activities and validating site-specific requirements before activating FTI service and disconnecting existing telecommunications service.

I Air Traffic Control Modernization

Examine: (1) recent changes in the cost and schedule baselines of FAA’s major acquisition programs and expected benefits to FAA’s key projects; (2) overall trends affecting FAA’s $205 billion capital account; and (3) how existing projects are being impacted by plans for the next generation air traffic system.

I Air Carrier’s Aviation Safety Action Programs (ASAP)

Evaluate allegations regarding FAA’s use of ASAP and determine how reports submitted for inclusion into ASAP are evaluated and subsequently investigated by air carriers and FAA.

I Congressional Earmarks Within DOT Programs

At the request of the Chairman, now the Ranking Member, of the Homeland Security and Governmental Affairs Committee, Subcommittee on Federal Financial Management, we will determine: (1) the total number and cost of congressional earmarks within DOT programs; (2) whether oversight is conducted on earmarks and how this compares to the oversight conducted on other expenditures, such as grants and contracts; and (3) the overall impact of earmarks on advancing DOT’s primary mission and goals.

I Airline Customer Service Commitments for Extended Ground Delays

At the request of the Secretary, we will examine the airlines’ customer service commitments, contracts of carriage, and policies dealing with extended ground delays aboard aircraft; look into the specific situations involving American Airlines and JetBlue, in light of whatever specific commitment these carriers made concerning policies and practices for meeting customers’ essential needs during long on-board delays; and provide recommendations as to what, if anything, the airlines, airports, or the government, including the Department, might do to prevent a recurrence of such events, highlighting any “best practices” discovered by the industry in dealing with such situations.

I FAA Short-Term Capacity Initiatives

Identify the initiatives, both technological and procedural, that will provide the most capacity benefits in the next 5 years and examine FAA’s implementation process for capacity initiatives and how the interrelationship among the various efforts are managed.
Surface and Maritime Programs

- **NHTSA’s Oversight of State Highway Safety Programs**
  Evaluate NHTSA’s management reviews and program reviews of state highway safety programs and identify best practices.

- **Springfield, Massachusetts Union Station Rehabilitation Project**
  Determine whether the FTA’s oversight of the project was adequate.

- **Review of Pioneer Valley Transit Authority Electric Bus Cooperative Agreement**
  Determine whether: (1) FTA’s oversight was adequate and appropriate; (2) indirect expenses charged to FTA were in accordance with FTA regulations; (3) direct expenses charged to FTA were in accordance with FTA regulations; and (4) required matching funds were secured.

- **FRA’s Enforcement of Rail Safety Laws**
  Determine whether FRA’s assessment and collection of civil penalties is an effective tool in ensuring compliance with Federal safety laws.

- **Baseline Report on Lower Manhattan Recovery Projects**
  Assess: (1) the status of each of five high-priority projects that are being funded out of $4.55 billion, including costs, funding, schedules, and management; and (2) any risks that may adversely affect its completion.

- **Central Artery/Tunnel Project Monitoring – Tunnel Safety**
  At the request of the Acting Secretary of Transportation and the Massachusetts congressional delegation, exercise independent oversight of activities performed by the Commonwealth of Massachusetts and the FHWA, including reopening activities on closed sections of the Central Artery/Tunnel and the ongoing phases of the comprehensive stem to stern review.

- **Commercial Driver’s License Information System (CDLIS) Modernization Program**
  Determine: (1) the total amount of revenue derived by the current operator of the CDLIS from the fees charged for use of the system and the CDLIS-related expenses incurred by the
current operator of the system; (2) compare the total expenses to revenue received; and (3) determine how revenues and fees should be addressed under the new modernization plan.

Central Artery/Tunnel Project Finance Plan – 2007

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

Baseline Report on Dulles Corridor Metrorail Project

Monitor: (1) the status of the project in the Metropolitan Washington, DC area, including costs, funding, schedules, and management; and (2) any risks that may adversely affect its completion.

FHWA Research, Development, and Technology Projects at the Turner Fairbank Highway Research Center

Determine whether the Government's interests are effectively protected when the Center’s research, development, and technology activities are executed using contracts, assistance agreements, and reimbursable agreements.

Mexico-Domiciled Trucks Access to U.S. Roads

Conduct audit work in response to a request from the House Committee on Transportation and Infrastructure. The committee requested that we review several topics related to a 1-year pilot program announced by the Department on February 23, 2007. According to the request, the pilot program would grant 100 Mexico-domiciled trucking companies unrestricted access to U.S. roads.

Federal Motor Vehicle Safety Standards

Provide comments and observations on the scope and methodology of FMCSA’s review of Canadian and Mexican commercial motor vehicles for compliance with Federal safety standards. SAFETEA-LU requires that FMCSA determine the degree to which Canadian and Mexican motor vehicles, including motor carriers of passengers, currently operating or expected to operate in the United States, comply with the Federal standards.
Competition and Economic Analysis

- **Benefits of True High-Speed Rail on the Northeast Corridor**
  
  Determine the benefits of true high-speed rail in the Northeast Corridor.

- **Increases in Highway Construction Costs**
  
  Determine whether current trends in construction costs represent structural changes, differ regionally, and are being adequately taken into account in state planning processes.

- **Users of Air Traffic Control Services**
  
  Determine who are the users of the components of the National Aviation System, their characteristics, and how usage of the system contributes to congestion.

- **Amtrak Quarterly Reports on Operational Savings**
  
  As mandated by Congress, we will issue quarterly reports to the House and Senate Committees on Appropriations on our estimates of the savings accrued as a result of operational reforms instituted by Amtrak.

- **Amtrak Board of Directors**
  
  Determine the efficacy of Amtrak’s Board of Directors’ roles, responsibilities, processes, and relationship to senior management.

- **Small Communities Air Service Development Program**
  
  Determine which strategies are most successful in enhancing air service to small communities.

- **Public-Private Partnerships—Innovative Financing**
  
  Investigate the conditions under which public-private partnerships prove to be beneficial to the development of transportation infrastructure.
Financial and Information Technology

Use of Contract Audit Services, DOT Operating Administrations

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

Contractor Overhead and Compensation Under Grants

Review the effectiveness and implementation of audit provisions in Section 307 of the National Highway System Designation Act addressing audits of contracts awarded by states to engineering and design firms. Procedures include testing the allowability of compensation and other high overhead cost elements billed by these firms.

Status Assessment of FAA’s Cost Accounting System

As required by FAA’s Reauthorization Act (AIR-21), perform a review of the status of FAA’s Cost Accounting System and assess eight specific areas covering FAA’s methods for calculating and assigning costs to users and whether those methods are reasonable.

Spending Priorities for the Office of the Assistant Secretary for Administration

Determine if the Office of the Assistant Secretary for Administration: (1) has adequate support for budget requests, including funds to operate the Working Capital Fund; (2) supports DOT operations commensurate with the office’s mission; and (3) properly accounts for Working Capital Fund resources.

Computer Security and Controls over the National Driver Registry (NDR)

Determine whether: (1) personal identification information stored in the NDR can be accessed for unapproved use; (2) traffic violations are promptly and accurately processed for NDR reporting; (3) an adequate contingency plan exists to ensure business continuity; and (4) risks associated with NDR system operations are properly assessed, tested, and mitigated to meet minimum Government security standards.

Volpe Center IT Security and Resource Management Activities

Determine if: (1) Volpe information systems are properly accredited to support business operations; (2) Volpe’s network infrastructure and connection entry points are adequately secured to protect the critical information assets; and (3) Volpe is leveraging departmental information technology resources to maximize cost savings.
**I. DOT FY 2007 and FY 2006 Financial Statements**

Render an opinion on the financial statements and issue reports on internal controls and compliance with financial-related laws and regulations.

**II. Quality Control Review of FY 2007 Highway Trust Fund Financial Statements**

Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.

**II. Quality Control Review of FY 2007 FAA Financial Statements**

Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.

**II. Quality Control Review of FY 2007 FAA Franchise Fund Financial Statements**

Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.
Work Planned and in Progress (continued)

- **Quality Control Review of FY 2007 NTSB Financial Statements**
  Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.

- **FY 2007 Federal Information Security Management Act Review**
  Determine the effectiveness of DOT’s information security program. Specifically, we will review the DOT’s progress in: (1) correcting security weaknesses identified previously in the air traffic control system; (2) establishing a secure IT operating environment at DOT’s new Headquarters building; (3) meeting the minimum Government security standards to protect sensitive information systems and data; and (4) implementing Earned Value Management to better monitor major IT investment projects.

- **Air Traffic Control (ATC) Systems Security and Contingency Planning**
  Evaluate FAA’s methodology for identifying the differences between the baseline systems tested in the computer lab and the operational systems in the field and ensuring the differences did not introduce vulnerabilities to live ATC operations. We will also follow up on other concerns identified in previous audits including: (1) user authentication in air traffic control systems; (2) physical and network security at en-route centers; (3) fire protection at ATC network switching centers; (4) remote access to field equipment; and (5) FAA’s solution for developing a business continuity plan for en-route centers and the progress they have made on equipping the backup facility.

- **Oversight of Independent Public Accountant’s (IPA) Review of FAA’s Enterprise Service Center As It Relates to the Delphi Financial Management System**
  Contract with an IPA to conduct a review of the DOT Enterprise Service Center as it relates to the Delphi Financial System, as well as perform follow-up work.

- **Implementation of the New DOT Suspension and Debarment Order**
  Evaluate the effectiveness of the implementation of the new suspension and debarment order and related policies and procedures to ensure that only responsible persons participate in DOT programs.

- **Use of Award Fees Contracts Within DOT**
  Verify whether award fees are effectively designed and administered. Determine whether: (1) award fees are reasonable; (2) appropriate metrics are established to assess performance; and (3) payments are based on assessments consistent with those metrics.

- **Quality Control Review of FY 2007 SLSDC Financial Statements**
  Perform a quality control review of the audit by an independent public accounting firm and determine if the audit was performed in accordance with applicable auditing standards.
Statistical Performance Data

Summary of Performance
Office of Inspector General
October 1, 2006 – March 31, 2007
(Dollars in Thousands)

Reports Issued 43
Recommendations Issued 169
Congressional Testimonies 8
Total Financial Recommendations $864,808
   — that funds be better used $854,237
   — that questioned costs $10,571
Indictments 58
Convictions 73
Fines, Restitutions, and Recoveries $61,294,216
# Audits

## Completed OIG Reports

**October 1, 2006 – March 31, 2007**

*(Dollars in Thousands) *

<table>
<thead>
<tr>
<th>Type of Review</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Questioned Costs **</th>
<th>Funds to be Put to Better Use</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Audits</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Performance/Attestation Audits</td>
<td>14</td>
<td>71</td>
<td>$0</td>
<td>$735,684</td>
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<tr>
<td>Financial Audits</td>
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<td>75</td>
<td>$0</td>
<td>$118,553</td>
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<td><strong>Other OIG Internal Reports</strong></td>
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<td>0</td>
<td>$0</td>
<td>$0</td>
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<td><strong>Total Internal Audit Reports</strong></td>
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<td><strong>146</strong></td>
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<tr>
<td><strong>Grant Audits</strong></td>
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<td></td>
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<tr>
<td>Audits of Grantee Under Single Audit Act</td>
<td><strong>21</strong></td>
<td><strong>23</strong></td>
<td><strong>$10,571</strong></td>
<td><strong>$0</strong></td>
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<td><strong>TOTALS</strong></td>
<td><strong>43</strong></td>
<td><strong>169</strong></td>
<td><strong>$10,571</strong></td>
<td><strong>$854,237</strong></td>
</tr>
</tbody>
</table>

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

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

Department of Transportation programs and operations are primarily carried out by the Department’s own personnel and recipients of Federal grants. Audits by DOT’s Office of Inspector General, as a result, generally fall into three categories: internal audits of Departmental programs and operations; audits of grant recipients; and other OIG reports. In addition, these statistics include audit work on National Transportation Safety Board programs. The table above shows OIG’s results for the 6 months covered by this report.
## OIG Reports with Recommendations that Questioned Costs
**October 1, 2006 – March 31, 2007**
*(Dollars in Thousands)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Questioned Costs *</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. For which no management decision had been made by the start of the reporting period</td>
<td>25</td>
<td>40</td>
<td>$62,335</td>
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<tr>
<td>B. Which were issued during the reporting period</td>
<td>11</td>
<td>15</td>
<td>$10,571</td>
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<tr>
<td><strong>Totals (A+B)</strong></td>
<td><strong>36</strong></td>
<td><strong>55</strong></td>
<td><strong>$72,906</strong></td>
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<tr>
<td>C. For which a management decision was made during the reporting period</td>
<td>17</td>
<td>27</td>
<td>$9,952</td>
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<tr>
<td>(i) dollar value of disallowed costs**</td>
<td>8</td>
<td>13</td>
<td>$2,741</td>
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<tr>
<td>(ii) dollar value of costs not disallowed **</td>
<td>12</td>
<td>18</td>
<td>$7,216</td>
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<tr>
<td>D. For which no management decision had been made by the end of the reporting period</td>
<td>21</td>
<td>28</td>
<td>$62,953</td>
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</table>

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

** Includes reports and recommendations where costs were both allowed and disallowed.
OIG Reports with Recommendations that Funds Be Put to Better Use
October 1, 2006 – March 31, 2007
(Dollars in Thousands)

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Funds to be Put to Better Use</th>
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</thead>
<tbody>
<tr>
<td>A. For which no management decision had been made by the start of the reporting period</td>
<td>4</td>
<td>6</td>
<td>$1,732,700</td>
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<td>B. Which were issued during the reporting period</td>
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<td>6</td>
<td>$854,237</td>
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<tr>
<td><strong>Totals (A+B)</strong></td>
<td><strong>7</strong></td>
<td><strong>12</strong></td>
<td><strong>$2,586,937</strong></td>
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<td>C. For which a management decision was made during the reporting period</td>
<td>2</td>
<td>7</td>
<td>$653,553</td>
</tr>
<tr>
<td>(i) dollar value of recommendations that were agreed to by management</td>
<td>2*</td>
<td>5*</td>
<td>$402,553</td>
</tr>
<tr>
<td>(ii) dollar value of recommendations that were not agreed to by management</td>
<td>1*</td>
<td>2*</td>
<td>$251,000</td>
</tr>
<tr>
<td>D. For which no management decision had been made by the end of the reporting period</td>
<td>5</td>
<td>5</td>
<td>$1,933,384</td>
</tr>
</tbody>
</table>

* Includes reports and recommendations where costs were both allowed and disallowed.
# OIG Reports Recommending Changes for Safety, Economy, or Efficiency

**October 1, 2006 – March 31, 2007**

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. For which no management decision had been made by the start of the reporting period</td>
<td>30</td>
<td>109</td>
</tr>
<tr>
<td>B. Which were issued during the reporting period</td>
<td>23</td>
<td>148</td>
</tr>
<tr>
<td><strong>Totals: (A+B)</strong></td>
<td><strong>53</strong></td>
<td><strong>257</strong></td>
</tr>
<tr>
<td>C. For which a management decision was made during the reporting period *</td>
<td>19</td>
<td>151</td>
</tr>
<tr>
<td>D. For which no management decision had been made by the end of the reporting period *</td>
<td>36</td>
<td>106</td>
</tr>
</tbody>
</table>

* Includes reports where management both made and did not make a decision on recommendations.
## Management Decisions Regarding OIG Recommendations

### October 1, 2006 – March 31, 2007

*(Dollars in Thousands)*

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Questioned Costs *</th>
<th>Funds to be Put to Better Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unresolved as of 10/01/2006</td>
<td>52</td>
<td>155</td>
<td>$62,335 ***</td>
<td>$1,732,700</td>
</tr>
<tr>
<td>Audits with Findings During Current Period</td>
<td>34</td>
<td>169</td>
<td>$10,571 ***</td>
<td>$854,237</td>
</tr>
<tr>
<td>Total to be Resolved</td>
<td>86</td>
<td>324</td>
<td>$72,906 ***</td>
<td>$2,586,937</td>
</tr>
</tbody>
</table>

**Management Decisions:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Number of Reports</th>
<th>Number of Recommendations</th>
<th>Questioned Costs *</th>
<th>Funds to be Put to Better Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audits Prior Period ‡</td>
<td>18</td>
<td>61</td>
<td>$9,764</td>
<td>$535,000</td>
</tr>
<tr>
<td>Audits Current Period ‡</td>
<td>17</td>
<td>124</td>
<td>$188</td>
<td>$118,553</td>
</tr>
<tr>
<td>Total Resolved</td>
<td>35</td>
<td>185</td>
<td>$9,952</td>
<td>$653,553</td>
</tr>
</tbody>
</table>

**Aging of Unresolved Audits:** **

| Less than 6 months old                          | 19                | 45                        | $10,383 ***        | $735,684                     |
| 6 months – 1 year                               | 8                 | 18                        | $50,397 ***        | $1,700                       |
| 1 year – 18 months                              | 9                 | 22                        | $431              | $0                           |
| 18 months – 2 years                             | 6                 | 17                        | $21               | $975,000                     |
| Over 2 years old                                | 13                | 37                        | $1,722             | $221,000                     |
| Total Unresolved as of 03/31/07                 | 55                | 139                       | $62,953 ***        | $1,933,384                   |

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

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

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

*** Rounding of dollars may affect total.
## OIG Published Reports

**October 1, 2006 – March 31, 2007**

### FEDERAL AVIATION ADMINISTRATION

#### Internal Audits: Performance/Attestation – 4 reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
<th>Title</th>
<th>Focus of Report/Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>AV-2007-014</td>
<td>12/13/06</td>
<td>Oversight of Airport Improvement Program Hurricane Grants</td>
<td>Heightened oversight of grant expenditures needed</td>
</tr>
<tr>
<td>AV-2007-032</td>
<td>02/09/07</td>
<td>FAA Continues to Make Progress in Implementing Its Controller Workforce Plan, but Further Efforts are Needed in Several Key Areas</td>
<td>Progress needed in accurate facility-level planning and method for projecting retirements</td>
</tr>
<tr>
<td>AV-2007-031</td>
<td>02/12/07</td>
<td>Joint Planning and Development Office: Actions Needed to Reduce Risks With the Next Generation Air Transportation System</td>
<td>Issues identified to enhance coordination between participants and reduce risk with development and transition to the next system</td>
</tr>
<tr>
<td>AV-2007-038</td>
<td>03/16/07</td>
<td>Review of Staffing at FAA’s Combined Radar Approach Control and Tower with Radar Facilities</td>
<td>Improved communication and implementation of policies and procedures needed</td>
</tr>
</tbody>
</table>

#### Internal Audits: Financial – 2 reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
<th>Title</th>
<th>Focus of Report/Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>QC-2007-006</td>
<td>11/13/06</td>
<td>Quality Control Review of the Audited Financial Statements for FY 2006–Administrative Services Franchise Fund</td>
<td>Unqualified opinion on financial statements</td>
</tr>
<tr>
<td>QC-2007-009</td>
<td>11/14/06</td>
<td>Quality Control Review of Audited Financial Statements for FY 2006 and FY 2005</td>
<td>Qualified opinion on financial statements</td>
</tr>
</tbody>
</table>
Grant Audits: Audits of Grantee Under Single Audit Act – 6 reports

Qc-2007-015 12/18/06 City of Syracuse, New York $124,549 questioned
Qc-2007-021 01/18/07 Republic of Palau National Government $236,007 questioned
Qc-2007-023 01/25/07 County of Broome, New York Improve grantee oversight
Qc-2007-024 01/25/07 Dallas/Fort Worth International Airport, Texas Improve grantee oversight
Qc-2007-042 03/29/07 Cincinnati/Northern Kentucky International Airport Improve grantee oversight
Qc-2007-043 03/29/07 City of Manchester, New Hampshire Improve grantee oversight

FEDERAL HIGHWAY ADMINISTRATION
Internal Audits: Performance/Attestation – 3 reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
<th>Title</th>
<th>Focus of Report/Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>MH-2007-037</td>
<td>03/06/07</td>
<td>Opportunities to Free Up Unneeded FHWA Funds for Use in Hurricane Recovery Efforts</td>
<td>Put $10,684,135 to better use</td>
</tr>
<tr>
<td>MH-2007-039</td>
<td>03/27/07</td>
<td>Independence of Central Artery/ Tunnel Project Inspection Contractors</td>
<td>Actions taken to remove contractors with independence issues</td>
</tr>
<tr>
<td>MH-2007-040</td>
<td>03/28/07</td>
<td>Value engineering in the Federal-Aid Highway Program</td>
<td>Put $725,000,000 to better use</td>
</tr>
</tbody>
</table>

Internal Audits: Financial – 1 report

Qc-2007-008 11/14/06 Quality Control Review of Audited Financial Statements for FY 2006 – Highway Trust Fund Unqualified opinion on financial statement
Grant Audits: Audits of Grantee Under Single Audit Act – 3 reports

QC-2007-013 12/07/06 Washington Metropolitan Area Transit Authority, Washington, DC (also listed under Federal Transit Administration)
Improve grantee oversight

QC-2007-019 12/18/06 State of Connecticut
$6,500,000 questioned

QC-2007-025 01/25/07 Athens-Clarke County, Georgia
$293,171 questioned

FEDERAL TRANSIT ADMINISTRATION
Grant Audits: Audits of Grantee Under Single Audit Act – 12 reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
<th>Title</th>
<th>Focus of Report/Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>QC-2007-013</td>
<td>12/07/06</td>
<td>Washington Metropolitan Area Transit Authority, Washington, DC (also listed under Federal Highway Administration)</td>
<td>Improve grantee oversight</td>
</tr>
<tr>
<td>QC-2007-016</td>
<td>12/18/06</td>
<td>Massachusetts Bay Transportation Authority</td>
<td>Improve grantee oversight</td>
</tr>
<tr>
<td>QC-2007-017</td>
<td>12/18/06</td>
<td>Santa Clara Valley Transportation Authority, California</td>
<td>$2,365,103 questioned</td>
</tr>
<tr>
<td>QC-2007-018</td>
<td>12/18/06</td>
<td>Southeastern Pennsylvania Transportation Authority</td>
<td>Improve grantee oversight</td>
</tr>
<tr>
<td>QC-2007-020</td>
<td>01/18/07</td>
<td>South Florida Regional Transportation Authority</td>
<td>Improve grantee oversight</td>
</tr>
<tr>
<td>QC-2007-022</td>
<td>01/25/07</td>
<td>County of Lackawanna Transit System Authority, Pennsylvania</td>
<td>$47,922 questioned</td>
</tr>
<tr>
<td>QC-2007-026</td>
<td>02/01/07</td>
<td>Northeast Illinois Regional Commuter Railroad Corporation</td>
<td>Improve grantee oversight</td>
</tr>
<tr>
<td>Report</td>
<td>Date</td>
<td>Title</td>
<td>Focus of Report/Recommendations</td>
</tr>
<tr>
<td>--------------</td>
<td>----------</td>
<td>--------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>QC-2007-028</td>
<td>02/01/07</td>
<td>Orange County Transportation Authority,</td>
<td>Improve grantee oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>California</td>
<td></td>
</tr>
<tr>
<td>QC-2007-033</td>
<td>02/21/07</td>
<td>Capital Area Transit System, Louisiana</td>
<td>$250,903 questioned</td>
</tr>
<tr>
<td>QC-2007-034</td>
<td>02/21/07</td>
<td>City of Everett, Washington</td>
<td>$77,325 questioned</td>
</tr>
<tr>
<td>QC-2007-035</td>
<td>02/21/07</td>
<td>Antelope Valley Transit Authority, California</td>
<td>$261,587 questioned</td>
</tr>
<tr>
<td>QC-2007-041</td>
<td>03/29/07</td>
<td>Lakeland Area Mass Transit District, Florida</td>
<td>$350,924 questioned</td>
</tr>
</tbody>
</table>

**NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION**  
Internal Audits: Performance/Attestation – 2 reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
<th>Title</th>
<th>Focus of Report/Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI-2007-029</td>
<td>02/01/07</td>
<td>Inspector General Review of FY 2006 Drug Control Funds</td>
<td>Conforms with the Office of National Drug Control Policy Circular</td>
</tr>
<tr>
<td>MH-2007-036</td>
<td>03/05/07</td>
<td>National Highway Traffic Safety</td>
<td>Better implementation of strategies</td>
</tr>
</tbody>
</table>

**NATIONAL TRANSPORTATION SAFETY BOARD**  
Internal Audits: Performance/Attestation – 2 reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
<th>Title</th>
<th>Focus of Report/Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI-2007-001</td>
<td>10/13/06</td>
<td>Information Security Program</td>
<td>Continued management needed to correct weaknesses</td>
</tr>
<tr>
<td>FI-2007-003</td>
<td>11/01/06</td>
<td>Travel Card Program</td>
<td>Internal controls need to be strengthened</td>
</tr>
</tbody>
</table>
Internal Audits: Financial – 1 report

QC-2007-007 11/13/06 Quality Control Review of the Audited Financial Statements for FY 2006 and FY 2005 Unqualified opinion on financial statements

OFFICE OF THE SECRETARY OF TRANSPORTATION
Internal Audits: Performance/Attestation – 3 reports

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
<th>Title</th>
<th>Focus of Report/Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>FI-2007-002</td>
<td>10/23/06</td>
<td>Information Security Program</td>
<td>Controls need to be strengthened over air traffic control infrastructure and annual IT investments</td>
</tr>
<tr>
<td>FI-2007-030</td>
<td>02/05/07</td>
<td>Emergency Transportation Services Contract: Lessons Learned from the 2005 Gulf Coast Hurricanes</td>
<td>Contracting practices must be improved</td>
</tr>
</tbody>
</table>

Internal Audits: Financial – 2 reports

FI-2007-010 11/15/06 Consolidated Financial Statements for Fiscal Years 2006 and 2005 Qualified opinion on financial statements; put $118,553,000 to better use

FI-2007-011 11/17/06 Special-Purpose Financial Statements for Fiscal Years 2006 and 2005 Qualified opinion on financial statements

Other OIG Reports – 1 report

PT-2007-004 11/15/06 Top Management Challenges Ten challenges identified
## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

### Internal Audits: Financial – 1 report

<table>
<thead>
<tr>
<th>Report</th>
<th>Date</th>
<th>Title</th>
<th>Focus of Report/ Recommendations</th>
</tr>
</thead>
</table>
Other Audit Work Products
October 1, 2006 – March 31, 2007

In addition to providing a listing of each audit report issued to the Department and statistical tables on the number of reports and recommendations issued, OIG completes other types of work products during the semiannual period that contribute to the effective and efficient operations of the Department.

<table>
<thead>
<tr>
<th>Type of Product</th>
<th>Number of Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Briefings and Presentations</td>
<td>12</td>
</tr>
<tr>
<td>Formal Correspondence</td>
<td>3</td>
</tr>
<tr>
<td>Speaking Engagements/Speeches</td>
<td>1</td>
</tr>
</tbody>
</table>

Examples of Other Work Products completed during this reporting period include:

- A briefing by staff of the Office of Surface and Maritime Programs for staff of the House Transportation and Infrastructure Committee on the OIG’s oversight role on the Central Artery/Tunnel issues, including oversight of the tunnel reopening and the Stem to Stern Review. This review is an independent and comprehensive review of the soundness and near and long-term safety of the Central Artery/Tunnel Project.
- A briefing by staff of the Office of Surface and Maritime Programs for staff of the Senate Appropriations Committee, Subcommittee on Transportation, regarding cross-border trucking issues.
- A briefing by staff of the Office of Aviation and Special Programs for staff of the House Financial Services Committee on the circumstances surrounding the failure of air traffic control equipment in Southern California.
- A speech for the Air Traffic Control Association Annual Conference by the Deputy Inspector General discussing current and future challenges facing FAA in modernizing the National Airspace System.
## Office of Inspector General Congressional Testimonies
### October 1, 2006 – March 31, 2007

<table>
<thead>
<tr>
<th>Control No.</th>
<th>Date</th>
<th>Subject</th>
<th>Before</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC-2007-018</td>
<td>01/30/07</td>
<td>Reauthorization of the Federal Railroad Safety Program</td>
<td>Committee on Transportation and Infrastructure, Subcommittee on Railroads, Pipelines, and Hazardous Materials U.S. House of Representatives</td>
</tr>
<tr>
<td>CC-2007-019</td>
<td>02/14/07</td>
<td>FAA’s FY 2008 Budget Request: Key Issues Facing the Agency</td>
<td>Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives</td>
</tr>
<tr>
<td>CC-2007-025</td>
<td>02/28/07</td>
<td>Amtrak’s FY 2008 Budget Needs</td>
<td>Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies United States Senate</td>
</tr>
<tr>
<td>CC-2007-021</td>
<td>03/06/07</td>
<td>Top Management Challenges Facing the Department of Transportation</td>
<td>Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies U.S. House of Representatives</td>
</tr>
<tr>
<td>CC-2007-026</td>
<td>03/08/07</td>
<td>Status of Safety Requirements for Cross-Border Trucking with Mexico Under NAFTA</td>
<td>Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies United States Senate</td>
</tr>
<tr>
<td>CC-2007-029</td>
<td>03/13/07</td>
<td>Status of Safety Requirements for Cross-Border Trucking with Mexico Under NAFTA</td>
<td>Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit U.S. House of Representatives</td>
</tr>
<tr>
<td>CC-2007-034</td>
<td>03/21/07</td>
<td>FAA’s Financing Proposal</td>
<td>Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives</td>
</tr>
<tr>
<td>CC-2007-035</td>
<td>03/29/07</td>
<td>Aviation Safety: FAA’s Oversight of Outsourced Maintenance Facilities</td>
<td>Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives</td>
</tr>
</tbody>
</table>
### Status of Unresolved Recommendations Over 6 Months Old

#### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2000 – SEPTEMBER 30, 2000

<table>
<thead>
<tr>
<th>Description</th>
<th>Report Number</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Towers: Observations on FAA’s Study of Expanding the Program</td>
<td>AV-2000-079</td>
<td>04/12/00</td>
<td>Awaiting additional information from FAA</td>
</tr>
</tbody>
</table>

#### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2001 – MARCH 31, 2002

<table>
<thead>
<tr>
<th>Description</th>
<th>Report Number</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of the Weather and Radar Processor</td>
<td>AV-2002-084</td>
<td>02/28/02</td>
<td>FAA is working to resolve open issues</td>
</tr>
</tbody>
</table>

#### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2003 – SEPTEMBER 30, 2003

<table>
<thead>
<tr>
<th>Description</th>
<th>Report Number</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status Report on FAA’s Operation Evolution Plan</td>
<td>AV-2003-048</td>
<td>07/23/03</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>FAA Needs to Reevaluate STARS Costs and Consider Other Alternatives</td>
<td>AV-2003-058</td>
<td>09/09/03</td>
<td>FAA is working to resolve open issues</td>
</tr>
</tbody>
</table>

#### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2004 – SEPTEMBER 30, 2004

<table>
<thead>
<tr>
<th>Description</th>
<th>Report Number</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway-Rail Grade Crossing Safety Program</td>
<td>MH-2004-065</td>
<td>06/16/04</td>
<td>FHWA, FRA, and FTA are working to resolve open issues</td>
</tr>
</tbody>
</table>

#### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2004 – MARCH 31, 2005

<table>
<thead>
<tr>
<th>Description</th>
<th>Report Number</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 Status Assessment of Cost Accounting System and Practices</td>
<td>FI-2005-010</td>
<td>11/17/04</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>Managing Risk in the Federal-Aid Highway Program</td>
<td>MH-2005-012</td>
<td>11/19/04</td>
<td>FHWA is working to resolve open issues</td>
</tr>
<tr>
<td>Terminal Modernization: FAA Needs to Address its Small, Medium, and Large Sites Based on Cost, Time, and Capability</td>
<td>AV-2005-016</td>
<td>11/23/04</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>Government of the United States Virgin Islands</td>
<td>QC-2005-020</td>
<td>12/14/04</td>
<td>FHWA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Authority</td>
<td>QC or FI Number</td>
<td>Date</td>
<td>Notes</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>-----------------</td>
<td>------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>Puerto Rico Highway Transportation Authority</td>
<td>QC-2005-039</td>
<td>01/04/05</td>
<td>FHWA and FTA are working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Inactive Obligations</td>
<td>FI-2005-044</td>
<td>01/31/05</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>IFHWA Needs to Capture Basic Aggregate Cost and Schedule Data To Improve its Oversight of Federal-Aid Funds</td>
<td>MH-2005-046</td>
<td>02/15/05</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>Greater Cleveland Regional Transit</td>
<td>QC-2005-053</td>
<td>03/15/05</td>
<td>FTA is working with Grantee to resolve open issues</td>
</tr>
</tbody>
</table>

**CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2005 – SEPTEMBER 30, 2005**

<table>
<thead>
<tr>
<th>Authority</th>
<th>QC or FI Number</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walker River Paiute Tribe</td>
<td>QC-2005-056</td>
<td>05/12/05</td>
<td>FHWA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Status of FAA’s Major Acquisitions: Cost Growth and Schedule Delays Continue to Stall Air Traffic Modernization</td>
<td>AV-2005-061</td>
<td>05/26/05</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>Safety Oversight of an Air Carrier Industry in Transition</td>
<td>AV-2005-062</td>
<td>06/03/05</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>FAA’s En Route Modernization Program is on Schedule But Steps Can Be Taken to Reduce Future Risks</td>
<td>AV-2005-066</td>
<td>06/29/05</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>Chicago’s O’Hare Modernization Plan</td>
<td>AV-2005-067</td>
<td>07/21/05</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>Analysis of Cost Savings on Amtrak’s Long-Distance Services</td>
<td>CR-2005-068</td>
<td>07/22/05</td>
<td>FRA is working to resolve open issues</td>
</tr>
<tr>
<td>Agency/Project</td>
<td>Citation</td>
<td>Date</td>
<td>Status</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>------------</td>
<td>--------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>Central Puget Sound Regional Transit Authority</td>
<td>QC-2006-004</td>
<td>11/02/05</td>
<td>FTA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Highway-Rail Grade Crossing Inspections, Accident Reporting, and Investigations</td>
<td>MH-2006-016</td>
<td>11/28/05</td>
<td>FRA is working to resolve open issues</td>
</tr>
<tr>
<td>Central Puget Regional Transit Authority</td>
<td>QC-2006-020</td>
<td>12/07/05</td>
<td>FTA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Followup Audit Review of Air Traffic Controller Training</td>
<td>AV-2006-021</td>
<td>12/07/05</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>Sunset Empire Transportation District</td>
<td>QC-2006-023</td>
<td>12/07/05</td>
<td>FTA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Chicago Transit Authority</td>
<td>QC-2006-026</td>
<td>12/07/05</td>
<td>FTA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Air Carriers Use of Non-Certificated Repair Facilities</td>
<td>AV-2006-031</td>
<td>12/15/05</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>Greenville Transit Authority</td>
<td>QC-2006-034</td>
<td>02/02/06</td>
<td>FTA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Safety of Highway Bridges</td>
<td>MH-2006-043</td>
<td>03/21/06</td>
<td>FHWA is working to resolve open issues</td>
</tr>
</tbody>
</table>
CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2006 – SEPTEMBER 30, 2006

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Project Code</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of Airport Revenues by the Greater Orlando Aviation Authority</td>
<td>AV-2006-056</td>
<td>08/03/06</td>
<td>FAA is working to resolve open issues</td>
</tr>
<tr>
<td>State of Mississippi</td>
<td>QC-2006-058</td>
<td>08/29/06</td>
<td>NHTSA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>State of Minnesota</td>
<td>QC-2006-059</td>
<td>08/29/06</td>
<td>FHWA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>State of Montana</td>
<td>QC-2006-064</td>
<td>08/29/06</td>
<td>NHTSA and FHWA are working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Mississippi DOT Katrina Emergency Repair Contracts</td>
<td>MH-2006-065</td>
<td>09/06/06</td>
<td>FHWA is working to resolve open issues</td>
</tr>
<tr>
<td>City of El Paso, Texas</td>
<td>QC-2006-066</td>
<td>09/07/06</td>
<td>FTA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>Republic of Palau National Government</td>
<td>QC-2006-069</td>
<td>09/14/06</td>
<td>FAA is working with Grantee to resolve open issues</td>
</tr>
<tr>
<td>State of Hawaii, Department of Transportation, Highways Division</td>
<td>QC-2006-075</td>
<td>09/28/06</td>
<td>FHWA is working with Grantee to resolve open issues</td>
</tr>
</tbody>
</table>
Application of Audit Project Hours by Operating Administration
October 1, 2006 – March 31, 2007

NOTES:

- Resources shown for OST include time spent performing audits of the DOT Consolidated Financial Statements (which includes all Operating Administrations), Follow-up on Airline Customer Service Commitment, and DOT’s Information Security Program.
- Resources shown for FRA include time spent performing audits of the National Railroad Passenger Corporation.
- There were no resources expended on the Maritime Administration and Surface Transportation Board during the reporting period.
- Resources shown as “Other” were expended on the National Transportation Safety Board, Pipeline and Hazardous Materials Safety Administration, and St. Lawrence Seaway Development Corporation and totaled less than 1 percent each.

Required Statements for Semiannual Report

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

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

Judicial and Administrative Actions
October 1, 2006 – March 31, 2007

Employee Terminations 3
Employee Suspensions 2
Employee Reprimands 4
Employee Resignations/Retirements 4
Employee Counseling 7
Debarments/Suspensions 30
Decertified - State 15

Indictments 58
Convictions 73
Years Sentenced 62
Years Probation 103
Years Supervised Release 67
Hours of Community Service 5575

FINANCIAL IMPACT

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fines:</td>
<td>$1,813,850</td>
</tr>
<tr>
<td>Restitution/Civil Judgments:</td>
<td>$20,518,970</td>
</tr>
<tr>
<td>Federal Recoveries:</td>
<td>$9,565,266</td>
</tr>
<tr>
<td>Administrative Recoveries:</td>
<td>$29,336,130</td>
</tr>
<tr>
<td>State Recoveries</td>
<td>$60,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$61,294,216</strong></td>
</tr>
</tbody>
</table>
Profile of All Pending Investigations as of March 31, 2007

Types of Cases

<table>
<thead>
<tr>
<th>Types of Cases</th>
<th>Number of Cases</th>
<th>Contract/Grant Fraud</th>
<th>Employee Integrity</th>
<th>Aviation Safety</th>
<th>Motor Carrier Safety</th>
<th>HazMat</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Aviation Administration</td>
<td>165</td>
<td>40</td>
<td>30</td>
<td>80</td>
<td>0</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Federal Highway Administration</td>
<td>151</td>
<td>136</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td></td>
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<tr>
<td>Federal Railroad Administration</td>
<td>11</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Federal Transit Administration</td>
<td>29</td>
<td>29</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Maritime Administration</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
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<tr>
<td>Federal Motor Carrier Safety Administration</td>
<td>71</td>
<td>3</td>
<td>9</td>
<td>0</td>
<td>36</td>
<td>17</td>
<td>6</td>
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<tr>
<td>Office of the Secretary</td>
<td>14</td>
<td>3</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Pipeline and Hazardous Materials Safety Administration</td>
<td>19</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>0</td>
</tr>
<tr>
<td>Research and Innovative Technologies Administration</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>National Highway Traffic Safety Administration</td>
<td>7</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>472</strong></td>
<td><strong>218</strong></td>
<td><strong>58</strong></td>
<td><strong>80</strong></td>
<td><strong>37</strong></td>
<td><strong>47</strong></td>
<td><strong>32</strong></td>
</tr>
<tr>
<td><strong>Percent of Total:</strong></td>
<td><strong>100%</strong></td>
<td><strong>46%</strong></td>
<td><strong>12%</strong></td>
<td><strong>17%</strong></td>
<td><strong>8%</strong></td>
<td><strong>10%</strong></td>
<td><strong>7%</strong></td>
</tr>
</tbody>
</table>

Application of Investigative Project Hours by Priority Area
October 1, 2006 – March 31, 2007

Charts & Tables  79
During the 6-month period covered by this report, 69 cases were opened and 172 were closed, leaving a pending caseload of 473. In addition, 105 cases were referred for prosecution, 79 were accepted for prosecution, and 34 were declined. As of March 31, 2007, 30 cases were pending before prosecutors.
On November 29, 2006, a ceremony was held in Washington, DC to recognize Office of Inspector General employees for their contributions over the preceding year. Transportation Secretary Mary E. Peters and Inspector General Calvin L. Scovel III announced the names of OIG employees who were being honored by the Secretary at a separate ceremony. The Inspector General also recognized OIG employees receiving awards for their accomplishments during the preceding year, as well as those employees who were honored by the President’s Council on Integrity and Efficiency.
Secretarial Awards and Recognition

Award for Meritorious Achievement

This award is given by the Secretary in recognition of meritorious service to DOT and the Federal Government, and for exceptional achievement which substantially contributed to the accomplishment of DOT’s mission or major programs.

Theodore L. Doherty III
Special Agent-In-Charge
JR-1, Cambridge, MA

Kevin Dorsey
Program Director
JA-10, Washington, D.C.

Award for Excellence

This award is granted to employees who have achieved outstanding performance in all aspects of their work, warranting special commendation.

Nancy J. Martemucci
Staff Assistant
J-2, Washington, D.C.

Constance C. Wiley
Staff Assistant
JA-10, Washington, D.C.

Global Limo Bus Fire Investigative Team

This team demonstrated outstanding performance in their investigation of the Hurricane Rita bus fire.

OIG
Ann M. Kessel, Senior Special Agent
Charles V. Miller, Senior Special Agent
Peggy Moskaluk, Senior Special Agent
Floyd D. Sherman, Senior Special Agent

Ronald Havelaar
Jose Vela
Jose Villarreal
Eduardo Moreno
Oscar J. Garza
Juan Jimenez
Gustavo Marroquin
Miguel Martinez
Arturo Prado
Rigoberto Salinas

U.S. Attorney’s Office, Southern District of Texas
John B. Kinchen
Juan F. Alanis

FMCSA
Duane C. Baker
Edwin Demming
Patrick Gorena

82 Semiannual Report to Congress
Inspector General Special Honors

U.S. Active Duty Military

OIG employees called to active military duty during the past 12 months.

Scott L. Williams
Peggy Moskaluk
Ramon Sanchez, Jr.
Max D. Smith
Scott B. Stokes
William L. Swallow

Career Service Recognition

OIG employees who will have attained 30 or more years of Federal service as of the end of FY 2006.

Carlton D. Richmond
Greggory S. Bond
Deborah J. Bryant
Joyce K. Mayeda
Harry Schaefer
Inspector General Awards

Team Awards

This award is granted to an OIG office, team, or workgroup whose performance exemplifies teamwork and whose efforts contribute greatly toward the mission, goals, and operations of the Office of Inspector General.

Joint Planning and Development Office (JPDO) Team

This team made significant contributions in addressing complex policy issues and cutting edge technologies associated with the Next Generation Air Traffic Management System.

Matthew E. Hampton, Program Director
Fidel Cornell, Jr., Program Manager
Arthur A. Shantz, Sr., Technical Advisor
Coletta A. Treakle, Senior Analyst
Arnett Sanders, Senior Auditor
Joseph J. Hance, Analyst
Kathleen A. Huycke, Writer-Editor
Victoria J. Smith, Analyst

Pipeline Safety Team

This team performed outstanding work in support of two congressional hearings on pipeline safety and an audit report on integrity threats to hazardous liquid pipelines.

Scott K. Macey, Program Director
Darren L. Murphy, Program Director
Petra Swartzlander, Senior Statistician
Jerrold R. Savage, Project Manager
Greggory S. Bond, Senior Analyst
Kathleen A. Huycke, Writer-Editor
Kim P. Tieu, Senior Auditor
Michael P. Dunn, Auditor
Deborah A. Kloppenburg, Senior Auditor
Earl G. Kindley, Auditor
Susan M. Zimmerman, Auditor
Curtis M. Dow, Analyst
Security of the FRA’s Computer Systems Network Team
This team performed in an outstanding manner in conducting the audit of FRA’s computer network security.

Dr. Ping Zhong Sun, Program Manager
Aaron B. Nguyen, Computer Scientist
Michael P. Fruitman, Writer-Editor

George Washington University National Crash Analysis Center Audit Team
This team analyzed internal control weaknesses that resulted in over $1.6 million in embezzlement and overcharging on federally-funded cooperative agreements at George Washington University’s National Crash Analysis Center.

Terrence J. Letko, Program Director
Kenneth G. Prather, Project Manager
Michael P. Fruitman, Writer-Editor
Robert G. Anderson, Senior Auditor
Kathleen A. Huycke, Writer-Editor
Thomas C. Wiener, Senior Analyst
Jill L. Cottonaro, Analyst
Jelilat A. Ojodu, Auditor
Allison M. Horkan, Auditor
Thomas K. Lehrich, Chief Counsel
David J. Barnes, Communications Director
Omer G. Poirier, Counsel

Mississippi Hurricane Katrina Emergency Repair Contracts Team
The team consistently exceeded performance expectations by identifying and supporting findings that led to recommendations for improving the FHWA’s oversight of scarce Federal-aid highway funds when states need to award emergency repair contracts.

Brenda R. James, Program Director
Peter F. Babachicos, Project Manager
William R. Lovett, Jr., Senior Auditor
Marvin E. Tuxhorn, Senior Auditor
Brett M. Kramer, Analyst
Seth B. Kaufman, Associate Counsel
Amy J. Berks, Associate Counsel
Harriet E. Lambert, Writer-Editor
Clayton W. Boyce, Writer-Editor
Audit of Motor Carrier Safety Improvement Act Team

This team demonstrated superior performance in its assessment of millions of records on safety inspections and compliance reviews performed by the FMCSA and assessed whether the agency was fulfilling its mandate, as set forth by Congress in 1999.

Joseph W. Come, Program Director
Kerry R. Barras, Project Manager
William E. Savage, Senior IT Specialist
Christopher T. Brothers, Senior Analyst
David W. Brown, Senior Analyst
John M. Hannon, Senior Analyst
Harriet E. Lambert, Writer-Editor
Amitra J. Mamdouhi, Analyst
Calvin L. Moore II, Analyst
Katherine G. Ovalle, Associate Counsel
Farrin Tamaddon, Analyst
Thomas K. Lehrich, Chief Counsel

Airline Industry Performance Team

This team performed in an outstanding manner in reporting on the challenges experienced by the industry and their impact on airlines, consumers, the National Aerospace System, and other stakeholders.

Leila D. Kahn, Program Director
Ralph W. Morris, Senior Economist
Stephen G. Smith, Project Manager
Petra Swartzlander, Senior Statistician
Gina C. Ronzello, Analyst
Meredith C. McDaniel, Analyst
Award for Superior Achievement

This is the highest award granted by the Inspector General. It recognizes performance of assigned duties in such an exemplary manner as to inspire others, demonstration of unusual initiative or skill in the development of new or improved work methods and procedures, and notable authorship.

Ned E. Schwartz
Special Agent-In-Charge
JRI-2, New York

Terrence J. Letko
Program Director
JA-20, Washington, D.C.

Exceptional Civilian Service Award

This is the second-highest award granted by the Inspector General, recognizing performance that is exceptional among peers, extraordinary results, and other exemplary performance as deemed by the Inspector General.

Jim H. Crumpacker
Program Director
JA-10, Washington, D.C.

Daniel R. Raville
Project Director
JA-10, Washington, D.C.

Erika S. Vincent
Senior Investigator
JA-20, Washington, D.C.

Dr. Ping Zhong Sun
Project Manager
JA-20, Washington, D.C.

Leigh R. Hinson
Criminal Investigator
JI-1, Cambridge
Marguerite Christensen Award for Excellence in Administration

This is the third-highest award in the OIG. It recognizes professionalism, technical excellence, and dedication in providing administrative support to the Office of Inspector General.

Sharon N. Caboga
Procurement Specialist
JM-10

Manager of the Year Award

This award is granted to managers who demonstrate exemplary contributions toward achieving the mission and goals of the OIG, and management of personnel and resources.

Richard A. Kaplan
Program Director
J-2, Washington, D.C.

Brenda R. James
Program Director
JA-40, Washington, D.C.

John W. Long
Special Agent-In-Charge
JRI-4, Atlanta
Supervisor of the Year Award

This award is granted to supervisors who demonstrate exemplary contributions toward achieving the mission and goals of the OIG, and management of personnel and resources.

Tina B. Nysted
Project Manager
JA-10, Atlanta

Charles A. Ward
Project Manager
JA-10, Washington, D.C.

Nathan J. Custer
Project Manager
JA-20, Washington, D.C.

Leonard F. Meade
Project Manager
JA-20, Washington, D.C.

Joseph M. Zschiesche
Assistant Special Agent-In-Charge
JR1-6, Ft. Worth

Joan M. Becker
Project Manager
JA-40, Washington, D.C.

Joseph B. McGovern
Assistant Special Agent-In-Charge
JRI-1, Cambridge
Employee of the Year Award

This award is granted to employees who demonstrate dedication and special effort that exceed performance expectations and contribute significantly to the mission and goals of the Office of Inspector General.

Amanda D. Barton  
Senior Analyst  
JA-2, Washington, D.C.

Aron O. Wedekind  
Engineer  
JA-40, Washington, D.C.

Joseph J. Hance  
Analyst  
JA-10, Washington, D.C.

Frank G. Italia  
Senior Special Agent  
JRI-1, Cambridge

Kevin F. George  
Senior Analyst  
JA-10, Atlanta

David S. Brooks  
Attorney-Advisor  
JRI-3, Washington, D.C.

Sharon J. Ayers  
Senior Auditor  
JA-20, Washington, D.C.

Daniel M. Helzner  
Senior Special Agent  
JRI-2, New York

Michael P. Fruitman  
Writer-Editor  
JA-20, Washington, D.C.

David J. Hoefler  
Senior Special Agent  
JRI-5, Chicago

Marvin E. Tuxhorn  
Senior Analyst  
JA-40, Ft. Worth

Efferem I. Poynter  
Senior Special Agent  
JRI-9, San Francisco

William R. Lovett  
Senior Auditor  
JA-40, Cambridge

Steven A. DeFazio  
Senior Special Agent  
JRI-4, Miami

Gina C. Ronzello  
Analyst  
JA-50, Washington, D.C.

Steven N. Albino  
Senior Special Agent  
JRI-9, San Francisco
Paul W. Kimbrough, Sr. Award for Public and Community Service

This award is granted to an OIG employee who exhibits exceptional dedication to public/community service, either associated with a DOT or other Federally-sponsored program or initiative, or privately within his or her community.

Clayton W. Boyce
Writer-Editor
JA-40, Washington, D.C.

Administrative Professional of the Year Award

This award is granted to administrative or clerical employees who provide outstanding support to the success of the organization or office.

Joyce K. Mayeda
Administrative Assistant
JA-10, San Francisco

LaRue Burks
Secretary
JA-40, Ft. Worth

Florence H. Scheiner
Secretary
JA-20, Baltimore

Fannie C. Robinson
Investigative Program Technician
JRI-9, Cerritos
New Employee Award

This award is granted to new Federal employees who excel in performance of assignments and demonstrate significant initiative in developing and furthering their skills.

Susan Glenn  
Senior Analyst  
JA-10, Washington, D.C.

Atul D. Darooka  
Information Technology Specialist  
JA-20, Washington, D.C.

Ebonique L. Poteat  
Analyst  
JA-10, Washington, D.C.

Leslie G. Mitchell  
Auditor  
JA-20, Washington, D.C.

Arthur B. Jacobs  
Analyst  
JA-10, San Francisco

Michael Masoudian  
Analyst  
JA-40, Washington, D.C.

Nica Raingsey  
Auditor  
JA-10, Seattle

Floyd D. Sherman  
Senior Special Agent  
JRI-6, Ft. Worth

Travis R. Wiley  
Analyst  
JA-10, Atlanta

Daniel C. Arce  
Information Technology Specialist  
JM-10, Washington, D.C.

Christopher M. Cullerot  
Information Technology Specialist  
JA-20, Washington, D.C.
President’s Council on Integrity and Efficiency Awards

June Gibbs Brown Career Achievement Award

Kenneth M. Mead

The President’s Council on Integrity and Efficiency (PCIE) honored former DOT Inspector General Kenneth M. Mead at its annual awards ceremony in October 2006. Mr. Mead devoted over 30 years of Federal service toward improving program management, delivery, and results, both at the Government Accountability Office and the OIG, where he served as Inspector General from June 1997 until his retirement in February 2006.

Award for Excellence–Audit

Controls Over Emergency Disaster Relief
Transportation Services Team

This team demonstrated exceptional efforts in identifying weaknesses and recommending improvements to the internal controls over the DOT’s emergency disaster relief transportation services contract, which resulted in one of the largest recoveries of Federal funds in the aftermath of Hurricane Katrina.

Jim H. Crumpacker, Program Director
Daniel R. Raville, Project Director
Susan L. Bader, Project Manager
Angela D. McCallister, Project Manager
Francis E. Danielski, Senior Auditor
Kimberly A. Leading, Senior Analyst
Kiesha M. Butler, Auditor

Non-Certificated Repair Facilities Oversight Team

This team displayed outstanding performance and tenacious efforts in disclosing a significant area of aircraft maintenance where both oversight and training were lacking.

David A. Dobbs, AIG for Aviation & Special Programs
Lou E. Dixon, Program Director
Tina B. Nysted, Project Manager
Kathleen A. Yutzey, Senior Analyst
Curt L. Boettcher, Analyst
Curtis E. Gelber, Analyst
Federal Aviation Administration Telecommunications Infrastructure Program Team

This team demonstrated superior efforts in identifying significant risks early in the deployment of the FAA’s Telecommunications Infrastructure Program.

Kevin Dorsey, Program Director
Charles A. Ward, Project Manager
Katrina F. Knight, Senior Auditor
Holly A. Engebretsen, Auditor
Won K. Jim, Auditor
Ebonique L. Poteat, Analyst
Eileen F. Lynch, Analyst
Kathleen A. Huycke, Writer-Editor
Erik A. Phillips, Analyst

RESULTS Procurement Program Team

This team exemplified outstanding work in demonstrating how FAA could save tens of millions of dollars and improve its approach to procuring support services.

Terrence J. Letko, Program Director
Leonard F. Meade, Project Manager
Joann K. Adam, Project Manager
Heidi E. Leinneweber, Senior Analyst
Lawrence N. Heller, Senior Auditor
Michael P. Fruitman, Writer-Editor
Timothy D. Roberts, Senior Auditor
Keyanna L. Frazier, Auditor
Stacie A. Seaborne, Analyst
Narja T. Hylton, Auditor
**Bridge Safety Team**

This team performed outstanding work auditing the FHWA’s oversight of structurally deficient bridges on the National Highway System.

Michael E. Goldstein, Program Director  
Jeffrey Ong, Project Manager  
Stephen Gruner, Senior Analyst  
Carl Christian, Senior Analyst  
Joseph Tschurilow, Auditor  
Farrin Tamaddon, Analyst  
Rodolfo E. Perez, Engineer  
Clayton W. Boyce, Writer-Editor  
Harriet E. Lambert, Writer-Editor  
Petra Swartzlander, Statistician  
Aron O. Wedekind, Engineer

**Award for Excellence—Information Technology**

**Air Traffic Control System Security Team**

This team performed in-depth reviews of systems used to direct air traffic, manage traffic flow, and maintain field surveillance and communications equipment.

Edward A. Densmore, Program Director  
Nathan J. Custer, Project Manager  
Dr. Ping Z. Sun, Project Manager  
James F. Mallow, Senior Auditor  
Henry S. Lee, Senior Computer Scientist  
Mitchell N. Balakit, Senior IT Specialist
Award for Excellence–Multiple Disciplines

Household Goods Team

This team exemplified great professionalism and expertise when OIG was asked to respond to inquiries from the Senate Commerce, Science, and Transportation Committee regarding new consumer protections from rogue household goods movers.

Richard C. Beitel, Jr., Deputy AIG for Investigations
Joseph W. Come, Program Director
Gerard J. Sheeran, Project Manager
Christopher T. Brothers, Senior Analyst
David W. Brown, Senior Analyst
Constance B. Hardy, Analyst
Farrin Tamaddon, Analyst
Carlton H. Hamilton, Auditor
Clayton W. Boyce, Writer-Editor
Gary Walker, Program Director
Steven A. DeFazio, Senior Special Agent
Peter Y. Kim, Senior Special Agent
Omer G. Poirier, Attorney
Regan K. Maund, Analyst
Award for Excellence—Administrative Support

*OIG Recruitment Video Team*

This team was instrumental in creating, coordinating, and developing a recruitment video to showcase the broad range of employment opportunities offered at the OIG.

**James C. Vincent**, Training Administrator  
**Dr. Ping Z. Sun**, Project Manager  
**Angela M. Thorpe**, Training Specialist  
**Dennis M. Ocampo**, Special Agent  
**Velma Crawford**, Training Specialist  
**Ernest Eigenbrode**, Project Manager  
**Lou E. Dixon**, Program Director  
**Arnie Holscher**, Senior Auditor  
**Earl C. Hedges**, Program Director  
**Andrea J. Singletary**, Writer-Editor  
**Akilah A. Boston**, Analyst  
**Monica L. Zink**, Special Agent  
**Aron O. Wedekind**, Engineer  
**Lisa T. Mackall**, Auditor  
**Brenda R. James**, Program Director  
**Laverne Stubbs**, Secretary  
**Wendy M. Harris**, Senior Auditor  
**Joseph T. O’Neill**, IT Specialist  
**Vonya C. Matthews**, Investigative Program Technician  
**Christopher M. Cullerot**, IT Specialist  
**Rosemarie T. Tolson**, Senior Analyst  
**Betty A. Krier**, Economist  
**Jean Duval**, Writer-Editor  
**Vasily G. Gerasimov**, IT Specialist  
**Marisol Vasquez**, IT Specialist  
**Aaron B. Nguyen**, Computer Scientist  
**Eileen Vidal-Codispot**, Senior Special Agent  
**Martha A. Morrobel**, IT Specialist

Award for Excellence—Investigation

*Global Limo Bus Fire Team*

This team demonstrated superior investigative talent following the September 25, 2005, bus fire that resulted in the death of 23 nursing home residents.

**Ann M. Kessel**, Senior Special Agent  
**Charles V. Miller**, Senior Special Agent  
**Peggy Moskaluk**, Senior Special Agent  
**Floyd D. Sherman**, Senior Special Agent  
**Duane C. Baker**, FMCSA  
**Edwin W. Demming**, FMCSA  
**Eduardo Moreno**, FMCSA  
**Oscar J. Garza**, FMCSA  
**Juan F. Alanis**, Assistant U.S. Attorney  
**John B. Kinchen**, Assistant U.S. Attorney
Award for Excellence—Investigations

Operation Safe Road Team

This team demonstrated superior legal and investigative expertise in the investigation of former Illinois Governor George Ryan, Sr., and his long-time personal associate, Lawrence Warner, who on April 17, 2006, were found guilty in U.S. District Court in Chicago on charges of racketeering conspiracy, mail and tax fraud, and false statements.

Ned E. Schwartz, Special Agent-In-Charge
Gary Walker, Senior Special Agent
Thomas K. Lehrich, Chief Counsel
Omer G. Poirier, Counsel
Kerry R. Barras, Project Manager
Gerard J. Sheeran, Project Manager
David J. Hoefler, Senior Special Agent
Christopher T. Brothers, Senior Analyst
Kevin C. Shirley, Senior Special Agent
Maurice Toval, Senior Auditor

Award for Excellence—Special Act

The Transportation Oversight Providers Network: www.TOPnet.gov

In late 2004, the OIG brought together a diverse group of state, local, and Federal oversight principals to solicit feedback on a prototype website and generate ideas for its development. A consensus emerged for development and implementation of the web-based system appropriately named the Transportation Oversight Providers network (TOPnet).

Charles H. Lee, Jr., AIG for Investigations
Richard C. Beitel, Jr., Deputy AIG for Investigations
Jim H. Crumpacker, Deputy AIG for Hurricane Relief
Michael S. Ralph, Program Director
Barbara L. Barnet, Special Agent-In-Charge
Peter Y. Kim, Senior Investigator
Rosemarie T. Tolson, Senior IT Specialist
Carlos A. Vazquez, Senior Investigator
Eileen Vidal-Codispot, Senior Investigator
Scott A. Florcisk, Senior IT Specialist
Daniel C. Arce, IT Specialist
David R. Uhl, Auditor
Ashley B. Strickland, Investigator
Michael Masoudian, Analyst
Jason B. McDuffee, Analyst
Other Recognition

Thomas K. Lehrich
Special Recognition Award
U.S. Department of Transportation

Edwin J. Wynn
Atlanta IG Council Agent of the Year
Atlanta Inspector General’s Council

Daniel M. Helzner
Letter of Appreciation
U.S. Department of Labor

Rebecca C. Leng
Achievement Award
Federal Aviation Administration

Richard M. McGrade
Letter of Appreciation
U.S. Department of Labor

Letter of Appreciation
U.S. Department of Justice

Michael J. Purcell
Certificate of Appreciation
U.S. Attorney’s Office

William L. Owens
Letter of Appreciation
U.S. Department of Labor

Douglas Shoemaker
Letter of Congratulations
Deputy Secretary of Transportation

Letter of Appreciation
U.S. Department of Labor

Letter of Appreciation
St. Lawrence Seaway Development Corporation

Robert J. Stanek
Letter of Congratulations
Deputy Secretary of Transportation

FISMA Audit Team, JA-20
Cyber Security Excellence Award
Secretary of Transportation
In Memoriam . . .

This semiannual period was marked by the deaths of two OIG employees who made a significant impact on the organization. Human Resources Specialist Debra Lyn Banagan and Hotline Complaint Center Investigator John Heires each touched the hearts of the people they worked with and will be deeply missed.

Debra Lyn Banagan

Lyn was a part of the OIG even before the agency opened its doors. As a human resources professional at the U.S. Department of Housing and Urban Development, Lyn was asked to help organize the DOT OIG. She subsequently joined the OIG on March 23, 1980, and served under each of the six Inspectors General appointed since the establishment of the office.

Her colleagues remember her as a “go-to person” who knew the ins and outs of the Office of Personnel Management (OPM) regulations. On the rare occasion that Lyn did not know the answer to a personnel-related question, she would know exactly who to call to get the needed information. She was referred to as the “HR historian” because of the depth of her knowledge of both the regulations and the OIG.

Lyn was the consummate HR professional and always had a way of putting people at ease with a smile and a joke. She had a caring personality, a sense of empathy for employees, and an ability to bring people together.

While Lyn provided human resources services to multiple offices in the OIG, she had a special place in her heart for the Office of Investigations. Lyn’s devotion to “her agents” gained her appreciation and special recognition from the Office of Investigations.

Lyn is also fondly remembered by audit staff, especially members of the Office of Aviation and Special Programs Audits (JA-10). After 9/11, Lyn shepherded the San Francisco staff as they were reassigned to a separate audit office concentrating on security issues (JA-60). After OIG’s oversight of transportation security was passed to the new Department of Homeland Security OIG, Lyn helped with the transition of JA-60 back into JA-10.

As a testament to the respect OIG management had for Lyn’s abilities, she managed the Senior Executive Program, which included helping the selected candidates through the OPM’s certification process.

Lyn’s impact on OIG was recognized in 2005, when the Inspector General presented her with the Marguerite Christensen Award for Excellence in Administration. That accolade doesn’t begin to describe the loss felt by the entire DOT OIG community. Lyn’s professionalism, her institutional knowledge, and her sense of humor made her a joy to work with.
John Heires

John joined OIG as an investigator in 2001 and was assigned to the Hotline Complaint Center. In this important capacity, John logged, researched, and helped investigate numerous Hotline concerns reported by public citizens on wide-ranging matters, such as potential vulnerabilities in transportation security systems, alleged violations of highway, aviation and rail safety standards, and suspected fraud involving the Department’s multi-billion dollar spending programs for transportation infrastructure.

John’s background as a U.S. Army officer in the transportation field and as an evaluator with the GAO made him a good fit for the position, which required both sensitivity to callers’ concerns and the ability to distill information and determine an appropriate level of agency response.

John strongly believed in making a positive difference in the lives of the traveling and taxpaying public. During his tenure, John developed a strong passion for handling Hotline complaints concerning potential compromises in transportation safety, especially those involving truck and bus safety.

He addressed dozens of such complaints, interfacing with safety regulators in the Department on appropriate compliance and enforcement remedies, leading to the successful resolution of numerous citizen concerns.

John’s intellect earned him a reputation within the OIG for providing superior information and data analysis. He had many friends and colleagues in the OIG and we all miss him greatly.
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 the Department’s programs and operations;
- To promote economy, effectiveness, and efficiency within the Department;
- To prevent and detect fraud, waste, and abuse in the Department’s programs;
- To review existing and proposed laws or regulations affecting the Department and make recommendations about them;
- To keep the Secretary of Transportation and Congress fully informed about problems in departmental programs and operations.

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

**OIG FY 2007 PROGRAM-LEVEL RESOURCES**

**TOTAL: $71,617,000**

- Personnel Compensation and Benefits: $53,265,000
- Rent: $4,800,000
- Working Capital Fund: $2,597,991
- Travel: $2,753,000
- Advisory and Assistance Contracts: $800,000
- Other: $7,401,009
CONTACTS

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Todd J. Zinser ................................................................. (202) 366-6767

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Brian A. Dettelbach .............................................................. (202) 366-8751

Principal Assistant Inspector General for Auditing and Evaluation
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Assistant Inspector General for Investigations

Executive Director for Washington Investigative Operations
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Assistant Inspector General for Surface and Maritime Programs
Kurt Hyde ........................................................................... (202) 366-5630

Deputy Assistant Inspector General for Surface and Maritime Programs
Rebecca Batts ................................................................. (202) 493-0331

Assistant Inspector General for Competition and Economic Analysis
David Tornquist ................................................................. (202) 366-9970
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AF-OSI</td>
<td>Air Force Office of Special Investigations</td>
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<tr>
<td>AICPA</td>
<td>American Institute of Certified Public Accountants</td>
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<tr>
<td>AIP</td>
<td>Airport Improvement Program</td>
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<tr>
<td>AIR-21</td>
<td>Aviation Investment and Reform Act for the 21st Century</td>
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<tr>
<td>AAAE</td>
<td>American Association of Airport Executives</td>
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<td>ASAP</td>
<td>Aviation Safety Action Programs</td>
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<td>ASDE-X</td>
<td>Airport Surface Detection Equipment-Model X</td>
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<td>ATC</td>
<td>Air Traffic Control</td>
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<td>ATO</td>
<td>Air Traffic Organization</td>
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<td>ATOS</td>
<td>Air Transportation Oversight System</td>
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<td>BTS</td>
<td>Bureau of Transportation Statistics</td>
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<td>CDLIS</td>
<td>Commercial Drivers License Information System</td>
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<td>CDL</td>
<td>Commercial Drivers License</td>
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<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>CID</td>
<td>Criminal Investigations Division</td>
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<td>CIO</td>
<td>Chief Information Officer</td>
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<td>DBE</td>
<td>Disadvantaged Business Enterprise</td>
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<td>DCAA</td>
<td>Defense Contract Audit Agency</td>
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<td>DCIS</td>
<td>Defense Criminal Investigative Service</td>
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<td>DHS</td>
<td>Department of Homeland Security</td>
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<td>Environmental Protection Agency</td>
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<td>Federal Railroad Administration</td>
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<td>Federal Transit Administration</td>
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<td>FTI</td>
<td>FAA Telecommunications Infrastructure</td>
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<td>Government Accountability Office</td>
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<td>Hazardous Material</td>
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<td>Highway Trust Fund</td>
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<td>Inspector General</td>
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<td>IRB</td>
<td>Investment Review Board</td>
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IRS Internal Revenue Service
IT Information Technology
JPDO Joint Planning and Development Office
MARAD Maritime Administration
MCSIA Motor Carrier Safety Improvement Act
MOU Memorandum of Understanding
MTA Metropolitan Transportation Authority
NAFTA North American Free Trade Agreement
NATCA National Air Traffic Controllers Association
NAS National Airspace System
NCIS Naval Criminal Investigative Service
NDR National Driver Register
NHTSA National Highway Traffic Safety Administration
NTSB National Transportation Safety Board
OA Operating Administration
OCIO Office of Chief Information Office
OIG Office of Inspector General
OMB Office of Management and Budget
OPM Office of Personnel Management
OSI Office of Special Investigations
OST Office of the Secretary of Transportation
PCIE President’s Council on Integrity and Efficiency
PHMSA Pipeline and Hazardous Materials Safety Administration
QCR Quality Control Review
RITA Research and Innovative Technology Administration
RSPA Research and Special Programs Administration
SAFETEA-LU Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAS-70 Statement on Auditing Standards Number 70
SafeStat Safety Status Measurement System
SLSDC St. Lawrence Seaway Development Corporation
TEA-21 Transportation Equity Act for the 21st Century