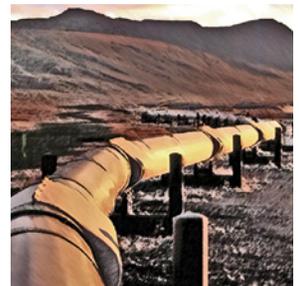




# U.S. DEPARTMENT OF TRANSPORTATION OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

*OCTOBER 1, 2011 – MARCH 31, 2012*





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# From the Inspector General

I am pleased to present the Department of Transportation (DOT), Office of Inspector General's Semiannual Report to Congress for the first half of fiscal year 2012. Our audit and investigative work supports the Department's strategic goals of safety, livable communities, economic competitiveness, environmental sustainability, state of good repair, and organizational excellence. Over the past 6 months, we issued 83 reports with a total of 234 recommendations, including financial recommendations totaling over \$1.4 billion. Our investigative work resulted in 86 indictments, 33 convictions, and a total of more than \$19 million in fines, restitutions, and recoveries.

Our aviation work continued to identify opportunities to improve safety and achieve savings in large programs. For example, the Federal Aviation Administration (FAA) has not yet implemented key provisions of the Airline Safety Act for increasing pilot proficiency, ensuring sufficient safety inspectors, and identifying the greatest safety risks. Further, our investigations exposed fraudulent activity with the potential to also compromise the integrity of our Nation's aviation system, including the use of unapproved parts in aircraft repairs, illegal charter operations, bogus safety inspections, and the illegal transportation of hazardous materials. Cost, schedule, and performance risks in implementing Next Generation Air Transportation System (NextGen) transformational programs also continue to be a concern. Notably, ongoing problems with the En Route Automation Modernization program have caused significant delays that impact the cost and pace of NextGen.

Our special programs work highlighted significant deficiencies in the Pipeline and Hazardous Materials Safety Administration's Hazardous Materials Emergency Preparedness Grant Program. Weaknesses in grant allocation, grantee coordination, and program oversight have resulted in more than \$1 million in improperly distributed grant funds—funds that could have been fully used or optimized to ensure local emergency personnel are prepared to quickly and effectively respond to hazardous materials incidents.

Our highway and transit work also identified areas where DOT could improve safety and achieve significant cost savings. Our audits determined that the National Highway Traffic Safety Administration needed to enhance its processes for identifying and addressing vehicle safety defects. We also reported on the challenges the Federal Transit Authority would likely face in establishing national rail transit safety standards if Congress expands the Agency's safety oversight role. Our investigations uncovered numerous fraud schemes with safety as well as financial implications. Corruption among aviation and motor carrier safety inspectors, improperly issued commercial drivers' licenses, and police officers tampering with traffic enforcement records degrade the integrity of the Department's safety programs, while embezzlement, substandard materials, price fixing, and disadvantaged business enterprise fraud divert millions of Federal dollars from legitimate firms, degrade the quality of taxpayers' investments, and increase the costs of infrastructure projects.

We continued to focus our rail work on the Federal Railroad Administration's efforts to meet its responsibilities under the Passenger Rail Investment and Improvement Act, improve and expand intercity passenger rail, and ensure that the Government's investments in the \$10 billion grant program for high-speed intercity passenger rail achieve their intended benefits. We also continued our oversight of Amtrak's operational reforms and financial performance, as well as DOT's management of the Highway Trust Fund's solvency.

Our audits of the Department's information technology portfolio—one of the largest among Federal civilian agencies—continue to identify significant vulnerabilities in the area of cyber security. We also recommended ways in which the Department can improve the accuracy of its quarterly reporting on improper payments, and reported that agencies can improve their use of single audit findings to protect DOT's grant funding.

Finally, we continued to pursue opportunities to ensure accountability, efficiency, and transparency over DOT's acquisitions and procurements, including those funded under the American Recovery and Reinvestment Act. Strategically managing acquisitions is critical to maximize the Department's limited resources and achieve better mission results. Yet doing so remains a top management challenge for the Department.

Our work continues to reflect our commitment to provide relevant and timely information to Congress, the Department, and the public with in-depth analyses of important transportation issues. I commend and thank our hard-working staff for their outstanding efforts and dedication to our critical mission. I would also like to thank Secretary LaHood for his strong leadership in these challenging times. I look forward to our continuing work with the Secretary, his team, and the modal administrators to provide Americans with a safe transportation system that meets the national objectives of general welfare, economic growth and stability, and security.



Calvin L. Scovel III



## Aviation and Special Programs

### Audits

October 5, 2011

#### *Federal Aviation Administration's Progress and Challenges in Developing and Transitioning to the Next Generation Air Transportation System*

*Testimony before the House Subcommittee on Aviation*

The Inspector General testified on the Federal Aviation Administration's (FAA) progress and several challenges in developing and transitioning to the Next Generation Air Transportation System (NextGen). The Inspector General noted that delays in addressing key

recommendations made by a government-industry task force could discourage industry investment in NextGen. In addition, ongoing problems with implementing the En Route Automation Modernization (ERAM) program have caused significant delays that impact the cost and pace of NextGen; and total costs, schedules, and benefits remain uncertain for NextGen's transformational programs. The Inspector General highlighted three management areas that FAA must focus on now to advance NextGen and protect taxpayers' interests: (1) NextGen budget priorities, detailed milestones, and performance goals and metrics; (2) problems with ERAM; and (3) an integrated master schedule for all NextGen programs. OIG's Office of Acquisition and Procurement provided support on the contract-related sections of the testimony.

December 20, 2011

## ***New Approaches Are Needed To Strengthen FAA Oversight of Air Carrier Training Programs and Pilot Performance***

*Requested by the Senate Committee on Commerce, Science, and Transportation; the House Committee on Transportation and Infrastructure; and Representatives Louise Slaughter and Brian Higgins*

We reported that FAA's oversight of air carriers' pilot training and proficiency programs lacks the rigor needed to identify and track poor performing pilots and address potential program risks. FAA has not sufficiently trained inspectors on how to evaluate air carriers' basic training assessments. In addition, FAA does not provide sufficient oversight of check airmen—who perform the majority of proficiency checks on air carrier pilots. We also found that while FAA maintains extensive pilot information that air carriers can use to evaluate the competence and qualifications of pilots, its current request process hinders air carriers' ability to easily obtain all relevant data. We made seven recommendations to FAA to improve its oversight. FAA concurred or partially concurred with each of our recommendations. However, FAA's responses did not meet the intent of four of our recommendations, and we requested additional information before resolving them. In particular, we requested further justification regarding FAA's response on the adequacy of inspector oversight of check airmen.

January 12, 2012

## ***Enhanced Oversight of Staffing and Training at FAA's Critical Facilities Is Needed To Maintain Continuity of Operations***

*Requested by the Chairman and Ranking Member of the Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies*

Based on our assessment of 21 critical air traffic control facilities, we reported that insufficient oversight of staffing and training at FAA's critical facilities could disrupt continuity of air traffic operations. Critical facilities face a potential shortage of certified professional controllers, as they have higher rates of retirement eligibility, controllers-in-training, and trainee attrition than other facilities nationwide. In addition, as FAA begins deploying NextGen technologies, critical facilities will require even more training resources for both veteran and new controllers. We made five recommendations to assist FAA in ensuring the continuity of operations at its most critical facilities, and FAA concurred or partially concurred with all five. Based on FAA's response, we are closing three recommendations, and consider the remaining two resolved but open pending completion of planned actions.

January 12, 2012

## ***PHMSA's Inadequate Management and Oversight of Hazardous Materials Emergency Preparedness Grants Limited the Program's Effectiveness***

*Requested by the former Chairman of the House Committee on Transportation and Infrastructure*

Over the last decade, nearly 165,000 incidents involving hazardous materials occurred in the United States, resulting in more than 2,800 injuries, several fatalities, and about \$640 million in damages. To help ensure local emergency personnel are prepared to quickly and effectively respond to hazardous materials incidents, the Pipeline and Hazardous Materials Safety Administration (PHMSA) issues funding grants for emergency response planning and training activities through the Hazardous Materials Emergency Preparedness Grant Program. We reported on several program weaknesses that resulted in waste—including an outdated methodology for allocating grant funds, poor coordination with grantees, and ineffective oversight to ensure funds are maximized and used appropriately. We identified more than \$1 million in improperly distributed grant funds. Further, because PHMSA does not require grantees to submit supporting documentation as part of the reimbursement process, it cannot ensure that it is reimbursing grantees for only eligible expenditures. We made 10 recommendations to PHMSA to improve its management and oversight of the program. Based on PHMSA's

response, we consider two closed and seven addressed but open pending completion of planned actions. We are requesting that PHMSA reconsider its position on our remaining recommendation—to develop and implement an updated and flexible process to allocate and reallocate grant funds.

February 10, 2012

## ***ARRA Job Data Reporting for FAA Programs—Lessons Learned for Improving Accuracy and Transparency for Future Job Reporting***

*Requested by the Chairman of the House Committee on Transportation and Infrastructure*

We reported that FAA met the requirement of the American Recovery and Reinvestment Act of 2009 (ARRA) to provide reports on job data, and noted improvements in overall reporting of job data over time. However, we identified a number of areas for improvement that can serve as lessons learned for the ARRA reports still remaining and for future job creation efforts. We also found that while it is clear that ARRA-funded FAA projects have created or sustained jobs, the full extent of this accomplishment is unclear because of errors and inconsistencies in the collection and reporting of job information. Finally, we identified areas where DOT can clarify aspects of its departmentwide job data reports to better meet ARRA's transparency and accountability requirements. We made five recommendations to FAA and DOT to improve job reporting and to increase data accuracy and transparency. FAA's planned actions for two

recommendations and DOT's planned actions for its single recommendation are responsive, and we consider these recommendations resolved but open pending completion of the planned actions. For the remaining two recommendations, we are requesting that FAA reconsider its position regarding further evaluation of submitted job data.

March 20, 2012

## *Progress and Challenges in Responding to Key Provisions of the Airline Safety Act*

*Testimony before the Senate Subcommittee on Aviation Operations, Safety, and Security*

The Inspector General testified on FAA's progress in responding to provisions of the 2010 Airline Safety and FAA Extension Act. The Inspector General noted that while FAA has made important progress related to key Act requirements—such as strengthening pilot rest requirements and advancing programs for managing safety risks—it has yet to implement Act provisions related to pilot training, professional development, and qualifications, due in large part to industry concerns.

The Inspector General also discussed the challenges FAA faces in establishing a pilot records database for carriers to use when screening applicants. Finally, the Inspector General pointed out that FAA needs to assist smaller carriers in developing and managing the safety programs called for in the Act to fully realize the benefits of increased safety reporting and trend analyses.

## **Investigations**

October 3, 2011

### *Pilot Pleads Guilty to False Statement After Conducting an Illegal Charter Flight to North Carolina*

In District Court, Raleigh, NC, Jose C. Joga, an FAA-licensed airline transport pilot, pleaded guilty to one count of false statements in connection with his role in an unlicensed charter airline operation in south Florida.

Joga was the captain and pilot of a Caribair, Inc.-chartered commercial flight booked through an aircraft charter broker to fly a family from the Dominican Republic to New York. On January 3, 2009, Joga departed Santo Domingo with five passengers on board and instructed them that upon arriving in Wilmington, NC, they should falsely tell U.S. Customs and Border Protection (CBP) authorities that they were friends of the plane's owner—not that they had paid for the flight. Approximately 30 minutes into the flight, Joga threatened to return to Santo Domingo if the passengers did not do as he had instructed.

During a forced landing in Wilmington, the aircraft impacted the runway with the landing gear retracted. While the aircraft sustained damage, there were no serious injuries. A post-accident investigation conducted by FAA determined that neither Caribair nor the flight was certificated under Title 14, Code of Federal Regulations, Part 135 (Charter Operations). As part of the investigation, FAA interviewed Joga, who stated

that the flight was conducted under Part 91, and that all five passengers on the aircraft were friends of the owner.

This investigation was conducted jointly with the Department of Homeland Security, Immigration and Customs Enforcement (ICE), with technical assistance from FAA.

October 25, 2011

### *Florida Woman Sentenced for Trafficking Counterfeit High Tech Devices*

Stephanie McCloskey was sentenced in U.S. District Court, Washington, DC, for her role in a scheme in which she and others imported counterfeit integrated circuits from China and Hong Kong and sold hundreds of thousands of them to the military and transportation contractors. McCloskey, former Administrative Manager of VisionTech Components, located in Clearwater, FL, was sentenced to 38 months incarceration and 3 years of supervised release, and ordered to forfeit \$166,141.23, which represents the income she earned at VisionTech. Additionally, a restitution order that could be as much as \$578,062.23 will follow within 90 days.

In September 2010, McCloskey and Shannon L. Wren, owner of VisionTech Components, were arrested on charges in connection with the sale of counterfeit integrated circuits. On the day of their arrest, search warrants were executed on the business and their residences that resulted in the seizure of proceeds from their criminal activity. Following their arrest, McCloskey and Wren were

indicted on conspiracy, trafficking in counterfeit goods, and mail fraud. McCloskey pleaded guilty in November 2010 for her role in the conspiracy. Wren died pending trial.

This investigation is being conducted jointly with ICE, Naval Criminal Investigative Service, U.S. Postal Inspection Service, Internal Revenue Service (IRS) Criminal Investigations (CI), and the General Services Administration Office of Inspector General.

October 27, 2011

### *FAA Employee Pleads Guilty to Accepting Bribes*

In U.S. District Court, Camden, NJ, Harrington Bishop—a former FAA Aviation Safety Inspector assigned to the Teterboro Flight Standards District Office in Saddle Brook, NJ—pleaded guilty to one criminal count of accepting illegal gratuities as a public official.

Bishop admitted to accepting tens of thousands of dollars for hundreds of unauthorized pilot check rides he personally performed between May 2004 and February 2011. Bishop spent weekends, holidays, and other days of approved leave to conduct flight checks, including private pilot and airline pilot certificate tests. In exchange for these check flights, he routinely accepted \$300 tips from the pilots, fully aware that he was not allowed to accept payment from pilots in exchange for performing official duties. Bishop admitted that nearly all the check flights resulted in the pilot passing the tests.

On October 21, 2011, Bishop retired from Federal service after being served with a Notice of Proposed Removal in connection with the investigation.

November 4, 2011

### *Former Commercial Airline Pilot Sentenced for Operating a Common Carrier Under the Influence of Alcohol*

Aaron J. Cope of Norfolk, VA, was sentenced in U.S. District Court, Denver, CO, for operating a common carrier under the influence of alcohol. On December 8, 2009, Cope copiloted a United Express flight from Austin, TX, to Denver, CO, with 48 passengers and four crew members. Upon arrival in Denver, it was reported to officials of the operating carrier, Shuttle America, that Cope smelled of alcohol and appeared to be under the influence of alcohol. Arrangements were made to obtain a breath alcohol specimen from Cope at the Denver airport.

Cope was presumed to be under the influence of alcohol while operating the commercial aircraft based on a subsequent analysis of his blood alcohol content. Cope was terminated by Shuttle America on December 9, 2010. In January 2010, FAA issued an emergency order of revocation of Cope's pilot license and medical certificate.

Cope was sentenced to serve 6 months imprisonment, 6 months home detention, and 2 years of supervised release. In lieu of a

fine, he was ordered to complete 120 hours of community service and pay a \$100 special assessment. FAA assisted in this investigation.

November 22, 2011

### *Co-Founder of a Luxury Charter Jet Company Sentenced*

Andre Budhan—cofounder and manager of Platinum Jet Management (PJM), a luxury charter jet company—was sentenced in U.S. District Court, District of Newark, NJ, as a result of his conviction for illegally operating an air charter service.

In June 2009, Budhan had pleaded guilty to a conspiracy to defraud charter customers and brokers, and to impede and obstruct FAA. Budhan admitted that from November 2002 through November 2003, PJM did not have an FAA-issued Part 135 certificate, permitting it to fly on-demand commercial flights. He also admitted that he and his co-conspirators misrepresented that PJM operated in compliance with FAA rules and regulations. During the 1-year period when PJM did not have a Part 135 certificate, the charter jet company flew nearly 100 commercial charter flights for more than \$1 million in compensation.

Budhan was sentenced to 2 years probation, and ordered to pay \$1 million in restitution and a \$100 special court assessment. Restitution will be made payable to those customers who paid for the Part 135 service.

November 29, 2011

## ***Owner of San Francisco Export Company Charged With Illegal Transportation of Hazardous Materials***

Medchem Corporation (Medchem) and Hasan Ibrahim were indicted in U.S. District Court, San Francisco, CA, on charges of illegally transporting hazardous materials, attempted placement of destructive substances on aircraft, attempted smuggling of goods, and failure to file export information. Ibrahim—president and owner of Medchem, an exporter based in South San Francisco—is being charged for the illegal shipment of chemicals, medical equipment, and diagnostics to Saudi Arabia. Medchem was required to properly identify the materials to be shipped and ensure the correct labels were affixed to the packages and containers.

According to the indictment, Ibrahim caused 64 boxes of goods to be delivered to a freight forwarder for export to Saudi Arabia. The shipment contained over 30 separate chemicals designated as hazardous material under DOT hazardous materials regulations. Items shipped included Sulfuryl Chloride and Chloroacetonitrile, materials that are prohibited under Federal law from being transported by aircraft. None of the labels on the boxes indicated the contents as containing hazardous materials.

This investigation is being conducted jointly with the FBI, U.S. Department of Commerce, IRS, and FAA.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

November 29, 2011

## ***Pittsburgh Company and Two Officials Charged With Illegal Hazmat Shipments***

Field Environmental Instruments, Inc. (FEI), Walter Caldwell, and Anthony Morgavo were indicted in U.S. District Court, Pittsburgh, PA, for willfully causing Federal Express to illicitly transport pressurized gas cylinders by air.

The investigation determined that FEI used Federal Express and United Parcel Service to ship regulated gas cylinders - ranging from 17 to 68 liters, with pressure ratings of 1,800 psi - to customers throughout the country. FEI regularly shipped compressed hydrogen, isobutene, methane, and other gases for use in environmental testing and construction practices. More than 2,500 alleged illegal shipments were identified. Morgavo and Caldwell served as FEI shipping officials and allegedly failed to declare the shipment as hazardous materials as required by DOT regulations.

PHMSA assisted with this investigation.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

December 20, 2011

## *Georgia Aviation Consultant Indicted for Producing Fraudulent FAA Supplemental Type Certificates*

In U.S. District Court, Atlanta, GA, Andrew K. Anderson was indicted on charges of conspiracy and wire fraud in connection with his role in preparing and transmitting fraudulent FAA Supplemental Type Certificates (STC) electronically to contractors employed by the Dubai Air Wing, which oversees aircraft operated for the Prime Minister of the United Arab Emirates.

Initially, FAA charged Anderson, President of Anderson Aviation Consultants, for creating a fraudulent STC and four fraudulent Airplane Flight Manual Supplements. As a result, FAA issued a Civil Penalty to Anderson based on his conduct and revoked his FAA Designated Engineering Representative authority. However, Anderson refused to pay the Civil Penalty and created at least four additional fraudulent STCs. Anderson obtained in excess of \$630,000 as a result of his conduct. On December 14, 2011, Tod Anderson, a business associate of Andrew Anderson, pleaded guilty to a one count information charging him with conspiracy to commit wire fraud in connection with his role in the scheme.

FAA provided technical assistance in this investigation.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

January 11, 2012

## *FAA-Designated Airworthiness Representative and Aviation Mechanic Indicted for Conspiring to Falsify an Aircraft Inspection*

Franklin Williams and Stacy Willis were indicted by a Federal grand jury in U.S. District Court, Jacksonville, FL, on charges of fraud involving aircraft and space vehicle parts in interstate commerce and smuggling goods from the United States.

The investigation revealed in 2008 that Williams, a certified FAA airframe and power plant mechanic (A&P) with inspection authorization, and an FAA-designated airworthiness representative conspired with Willis, also an FAA A&P mechanic, to falsify annual inspection and maintenance record entries for the engine and propellers for a Piper PA-32R 301T, so Williams could issue an FAA Export Certificate of Airworthiness.

The Piper was damaged by Hurricane Katrina in 2005 and deemed beyond economical repair. In 2008, the aircraft was purchased from a salvage company by a Brazilian who arranged for the aircraft to be deregistered and exported to Brazil by Williams. Before the aircraft reached Brazil, FAA coordinated with CBP and requested to inspect the aircraft. Although already exported, CBP was able to return the container to the Port of Jacksonville where the aircraft was inspected by FAA and deemed un-airworthy.

This investigation was conducted jointly with the Department of Homeland Security's Homeland

Security Investigations office with assistance from FAA and CBP.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

January 13, 2012

## **Former Air Traffic Controller Convicted of Workers' Compensation Fraud**

Raymond Elmo Deskins, III, of Potomac Falls, VA, was convicted by a Federal jury on mail fraud and false statements in U.S. District Court, Alexandria, VA. Deskins failed to disclose work activities in the construction industry to the Department of Labor's Office of Workers' Compensation Programs.

Deskins was indicted in August 2011 on charges of mail fraud and making false statements in connection with the receipt of Federal workers' compensation benefits. According to court records and evidence at trial, Deskins—a former air traffic control specialist at the Washington Air Route Traffic Control Center in Leesburg, VA—received nearly \$700,000 in benefits from the Federal workers' compensation program since 2004.

From 2005 to 2008, while receiving disability benefits based on his inability to perform work of any kind, Deskins worked as a construction foreman for a Sterling, VA, based general contractor. To continue to receive his monthly

benefits, Deskins falsely certified to the Department of Labor on annual forms that he had been engaged in no work activities during the reporting periods.

This investigation is being conducted jointly with the FBI and the Department of Labor, Office of Inspector General.

January 26, 2012

## **South Florida Men Convicted in Connection With Aircraft Parts Fraud**

In U.S. District Court, Miami, FL, Henry McFlicker and Ayodha Persaud—owners of Daytona Aerospace, a South Florida aircraft parts broker and licensed Department of Defense (DOD) contractor—each pleaded guilty to one count of conspiracy to commit aircraft parts fraud.

The investigation was based on allegations that a conspiracy existed in which companies who were not approved by FAA or DOD had manufactured aircraft parts for military and civilian aircraft. As part of the plea agreement, McFlicker and Persaud admitted to conspiring with others to knowingly, and with intent to defraud, make a materially fraudulent representation concerning aircraft parts. In addition, McFlicker and Persaud admitted to directing another Daytona employee to use a traceability documentation spreadsheet, entitled "Trace for All," that was used to generate fraudulent inventory lists, certification forms, and letters bearing various airline corporate logos that were in turn attached to the shipment of various aircraft parts disguising their true origin.

This investigation is being conducted jointly with the Defense Criminal Investigative Service, U.S. Air Force Office of Special Investigations, the FBI, and ICE, with FAA providing technical assistance.

January 27, 2012

### *Colton Harris-Moore, the “Barefoot Bandit,” Sentenced*

Colton Harris-Moore, 20, of Camano Island, WA, was sentenced in U.S. District Court, Seattle, WA. In June 2011, Harris-Moore—also known as the Barefoot Bandit—pleaded guilty to bank burglary, interstate transportation of a stolen aircraft, interstate and foreign transportation of a stolen firearm, being a fugitive in possession of a firearm, and piloting an aircraft without a valid airman’s certificate. Harris-Moore’s lengthy crime spree began in the Pacific Northwest and across the United States to Indiana, ending with a crash landing in the Bahamas. Harris-Moore was sentenced to 78 months in prison for the first four charges, 36 months in prison for flying without a valid pilot’s license, and 3 years of supervised release.

The investigation revealed that Harris-Moore illegally flew stolen aircraft approximately six times in and around Washington State. At sentencing, U.S. District Judge Richard A. Jones noted that Harris-Moore had endangered others with his “reckless conduct ... and a host and variety of poor choices.” The Judge told him it was time for a “new life flight plan.” Judge Jones ordered that Harris-Moore’s Federal sentence be served concurrent with an 87-month sentence imposed in Island County Superior Court on

December 16, 2011, and ordered that the Federal sentence be served consecutive to the juvenile sentence that Harris-Moore escaped from in 2008.

Under the terms of the plea agreement, Harris-Moore forfeits any financial gain from telling his story and the proceeds are to be used to compensate the victims of his crimes. Harris-Moore acknowledged that the amount of loss caused to victims of his crimes is at least \$1.4 million. On March 15, 2012, a Schedule of Restitution Order was filed in District Court ordering Harris-Moore to pay his victims \$1,336,429.

This investigation was conducted jointly with the FBI and numerous State and local law enforcement agencies from across the county.

February 16, 2012

### *Florida Pilot Indicted for Falsification of His FAA Airman Medical and Student Pilot Certificate*

Kelvin Changur of Miami, FL, was indicted in U.S. District Court, Fort Lauderdale, FL, for falsifying his FAA application for an airman medical and student pilot certificate. Changur was also indicted for attempting to use a U.S. passport containing the same false information provided on his FAA application form.

The investigation revealed that on several occasions Changur provided a false date of birth to FAA and the Department of Homeland Security, Homeland Security Investigations on

FAA documents, as well as a U.S. passport, in an attempt to obtain an FAA airman medical certificate. Additionally, Changur sought employment with a commercial air carrier using the fraudulent documentation, which was caught through verification checks by the potential employer.

The investigation is being conducted jointly with Homeland Security Investigations and FAA Security.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

February 24, 2012

### ***Virginia Pilot Sentenced for Flying With a Revoked Pilot Certificate***

Andrew Ryan Johnson of Virginia Beach, VA, pleaded guilty in U.S. District Court, Norfolk, VA, to one count of knowingly operating an aircraft subsequent to his Commercial Pilot Certificate having been revoked by FAA. Johnson was sentenced to 20 days in jail, assessed a \$100 fine, and placed on probation for 1 year. While on probation, Johnson is not allowed to pilot an aircraft or conduct flight instruction.

Our investigation revealed that in 2009, Johnson's Commercial Pilot Certificate was suspended for 120 days for giving flight instruction in an aircraft that he knew was not airworthy. While under the 120-day suspension, Johnson flew as

pilot-in-command on nine occasions. In June 2011, FAA revoked Johnson's pilot certificate. While Johnson's Commercial Pilot Certificate was revoked and his Flight Instructor Certificate was expired, he flew as the pilot-in-command and as a flight instructor on September 23 and September 27, 2011. During the flight instruction on September 27, the aircraft's propeller struck the runway.

March 5, 2012

### ***Former FAA Employee Sentenced for Theft of Unearned U.S. Military Pay***

Carl Marquis, former FAA Safety Engineer, was sentenced in U.S. District Court, Greenbelt, MD, for false statements in connection with his unauthorized receipt of military pay. Marquis was ordered to serve 4 months incarceration followed by 3 years supervised release, including 6 months of home detention. Restitution was also ordered in the amount of \$159,712.

Marquis was a Commander in the U.S. Navy and was on active duty from June 3 through August 31, 2009, at Patuxent River Naval Air Station in Maryland. Despite returning to reserve status, Marquis continued to receive full pay and benefits from the Navy from September 2009 to November 2010, totaling \$159,712. During the investigation, Marquis admitted he was aware he was receiving active duty pay from the Navy, even though he was no longer on active duty and while working at his full-time position with FAA.

This investigation was conducted jointly with the Defense Criminal Investigative Service and the Naval Criminal Investigative Service.

March 9, 2012

### *Former Cargolux Airlines Executives Sentenced for Price Fixing*

On March 9, 2012, Ulrich Ogiermann and Robert Van de Weg, former Senior Vice Presidents for Sales and Marketing, Cargolux Airlines International S.A., were sentenced in U.S. District Court in West Palm Beach, FL. In December 2011, Ogiermann and Van de Weg pleaded guilty to conspiracy to fix the cargo rates charged to customers for international air shipments to and from the United States. From October 2001 through at least February 2006, Ogiermann and Van de Weg conspired with others to suppress and eliminate competition on cargo rates by fixing and coordinating charges, including security and fuel surcharges, charged to customers for air cargo services to and from the United States. Ogiermann and Van de Weg and their co-conspirators participated in meetings to fix and coordinate these charges imposed by their airlines.

Ogiermann and Van de Weg were each sentenced to 13 months incarceration, fined \$20,000, and assessed \$100.

March 22, 2012

### *South Florida Aircraft Company Employees Charged With Conspiracy to Commit Aircraft Parts Fraud*

In U.S. District Court, Miami, FL, a multi-count indictment was filed against Rangel Fernandez (president), Ivan Fernandez (vice-president), Jerry Frystak (general manager), Dennis Romero (quality inspector), Lisbet Gonzalez (office manager), Luis Balarezo, Saul Hernandez, Hermes Reyes, Pedro Leon, Aileen Bermudez, Geovanni Hernandez, Francisca Diaz, Chabela Aneiros, Myrian Cobo, Ivonne Portales, and Diego Garcia, employees of Aircraft Transparencies Repair, Inc. (ATR) and Transparencies Engineering Group, Inc. (TEG). They were charged with conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows using FAA Authorized Release Certificates (FAA Form 8130-3s), work orders, and traceability documentation knowing that they were not authorized by FAA to certify the airworthiness of these windows.

The investigation revealed that from approximately August 2009 to August 2010, ATR employees continued repairing aircraft cockpit windows despite having its repair station certificate revoked in July 2009. As part of the scheme, Rangel Fernandez purchased “as removed” aircraft cockpit windows in the open market and backdated numerous FAA Form 8130-3s, work orders, and traceability

documentation, to make it appear to the customer that the windows had been retrieved from ATR or TEG's inventory prior to ATR's repair station certificate revocation. Additionally, serial numbers on the windows that had been sent to ATR by its customers were changed to disguise the source of the windows and to further make it appear that all work had been performed prior to the repair station revocation.

This investigation is being conducted jointly with the Department of Labor, Office of Inspector General; the FBI; and ICE, with substantial assistance from FAA.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*





## *In-Focus: Enhancing Oversight of Staffing and Training at FAA's Critical Facilities*

With more than 28,000 U.S. commercial flights each day, ensuring FAA's most critical facilities are fully staffed with qualified air traffic controllers is vital to maintain the safety of the National Airspace System. Since 2005, FAA has hired and begun to train over 12,000 new controllers to offset the impending retirements of those hired after the air traffic controllers' strike of 1981. With so many veteran controllers leaving the workforce or becoming eligible for retirement, FAA faces the risk of not having enough certified professional controllers to effectively operate its busiest and most complex air traffic control facilities, including Southern California, Atlanta, Chicago, and New York.

To become certified, new air traffic controllers must complete an arduous training program that includes learning basic air traffic control concepts at the FAA Academy, followed by

extensive facility training at their assigned location. Those who are unable to pass the training process are (1) transferred within their assigned facilities to a new area of operation, (2) transferred to a less complex air traffic control facility to begin the training process again, or (3) terminated from employment with FAA. While the time it takes for individual controllers to certify may vary, FAA's goal is to have candidates complete the training process in 2 to 3 years. Critical facilities face a potential shortage of certified professional controllers as they have higher rates of retirement eligibility, controllers in training, and trainee attrition than the national average. For example, 15 of the 21 critical facilities we recently visited had a higher percentage of their controllers in training than the national average of 25 percent. Between fiscal years 2008 and 2010, critical facilities also lost 40 percent of their trainees to attrition, compared to the national average of 24 percent.

A contributing factor is that the complexity of these locations makes it more difficult for inexperienced new hires to certify.

While FAA has begun working to better allocate staffing, it has not provided the training support these complex facilities need to slow attrition and ensure the success of new hires to address staffing shortfalls. As FAA begins deploying NextGen technologies, critical facilities will require even more training resources for both veteran and new controllers. Without a consistent, national approach to address critical facilities' staffing and training needs now, it will be difficult in the short term for FAA to ensure continuity of operations and, in the long term, effectively transition them to NextGen.



## Audits

October 6, 2011

### *Process Improvements Are Needed for Identifying and Addressing Vehicle Safety Defects*

*Self-initiated*

From 2002 through 2009, the National Highway Traffic Safety Administration's (NHTSA) Office of Defects Investigation (ODI) received nearly 14,000 complaints related to unintended acceleration (UA). ODI reviewed about 4 percent of these complaints across multiple vehicle manufacturers. While NHTSA followed its established procedures for investigating UA issues—and the National Aeronautics and Space Administration validated ODI's investigative results for Toyota UA-related

cases—improvements are needed in ODI's processes for identifying and addressing vehicle safety defects. Specifically, we found that ODI did not adequately track or document pre-investigation activities, establish a systematic process for determining when to involve third-party or Vehicle Research and Test Center assistance, follow timeliness goals for completing investigations, fully implement its redaction policy to ensure consumers' privacy, establish a record system with documented support for decisions that significantly affect its investigations, or develop a formal training program for ODI staff. Further, while ODI's processes are well respected internationally, its limited information sharing and coordination with foreign countries reduced opportunities to identify safety defects or recalls in an increasingly global automobile industry. We made 10 recommendations to enhance ODI's processes and increase coordination

with foreign countries. NHTSA's planned actions to address eight are sufficient, but the recommendations remain open pending completion of the planned action. We requested that NHTSA provide additional information on the remaining two recommendations.

January 31, 2012

## *Challenges to Improving Oversight of Rail Transit Safety and Implementing an Enhanced Federal Role*

*Self-initiated*

Rail transit incidents since 2009 have raised significant concerns about safety oversight of the Nation's transit systems. We reported on the challenges the Federal Transit Administration (FTA) may face if Congress passes legislation expanding its oversight role of rail transit safety. Although the National Transit Database captures basic safety incident data—such as fatalities, injuries, and property damage—the data are insufficient for FTA to effectively oversee transit safety at the national level.

FTA has not established goals, performance measures, and targets that are specific to its current rail transit safety activities. If Congress expands FTA's oversight role, establishing minimum national rail transit safety standards would present a number of challenges to FTA. Additionally, an expanded oversight role would significantly increase FTA's oversight and enforcement activities to ensure that State and local agencies implement any new national standards and regulations. We made four recommendations aimed at strengthening FTA's position to take on an expanded role. FTA fully

concluded with two recommendations, and we consider FTA's actions to be sufficient. We requested that FTA reconsider its position in regards to the remaining recommendations.

## **Investigations**

October 3, 2011

### *Philadelphia Trucker in Deadly Crash Pleads Guilty in Federal Court*

Valerjis Belovs, a truck driver responsible for a crash that killed one and injured several others, pleaded guilty to 15 false statement counts in Philadelphia, PA. Belovs admitted to falsifying his Federal Motor Carrier Safety Administration (FMCSA) regulated logbooks to conceal the fact that he drove in excess of the allowable driving hours without the required period of rest. The Federal charges are related to an accident on US 76 in Philadelphia in which one person died and five others were seriously injured when Belov's truck plowed into stopped traffic.

Belovs previously pleaded guilty to various State charges related to the same incident, including one count of vehicular homicide. An analysis of Belovs' regulated driver logbooks revealed that at the time of the accident, he was driving in excess of FMCSA maximum hours of operating a commercial vehicle. The truck's owner, Victor Kalinitchll, was previously sentenced on State charges; as was Joseph Jadcak, who admitted to selling inspection stickers to Kalinitchll without inspecting the truck that plunged into stopped traffic

The investigation was conducted jointly with the Montgomery County District Attorney's Office and the Pennsylvania State Police. FMCSA assisted with the investigation.

October 6, 2011

### *President and Owner of New York-based DBE Contractor Indicted for Role in DBE Scheme*

In U.S. District Court, New York, NY, Yona Jimenez, president and owner of Global Marine Construction Supply (GMCS), a certified Disadvantaged Business Enterprise (DBE), was indicted on a mail fraud charge for her role as a pass through DBE purporting to provide structural steel on the Federal Highway Administration (FHWA)-funded Cross Westchester Expressway Project.

The general contractor of the project claimed that GMCS had been awarded a subcontract of over \$6 million to supply structural steel to reconstruct bridges on the project although another company (a non-DBE) actually supplied the steel. The general contractor then claimed credit for the "services" provided by GMCS toward meeting the DBE goal. GMCS was paid approximately 1 percent of the subcontract value as a commission for its DBE "services." The indictment also seeks forfeiture in the amount of legal proceeds gained by Jimenez.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

October 19, 2011

### *New York Truck Broker Sentenced to Jail and Ordered To Pay \$97,321 for DBE Fraud Scheme*

Brian Hotton, Owner of BCM Industries, Inc. (BCM), was sentenced in U.S. District Court, Central Islip, NY, for his role in a \$3.1 million DBE fraud scheme. Hotton was sentenced to serve 6 months in jail, followed by 3 years of supervised release, and ordered to pay a \$200 special assessment and restitution to the IRS in the amount of \$97,321 for unpaid taxes, interest, and penalties.

Hotton previously admitted that between 1998 and 2001, BCM obtained a DBE trucking subcontract with a value of \$3,150,000, while posing as a DBE known as VVSS Co. Inc. This occurred on a FHWA-funded project on the Westside Highway in New York City. Hotton conspired with Vijay Havaladar, the owner of VVSS, to create fraudulent documents to generate the appearance that VVSS was performing DBE subcontract work, when in fact BCM performed the work.

The investigation was conducted by the Federal Construction Fraud Task Force for the Eastern District of New York, whose members include DOT OIG; IRS CI; the U.S. Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations; and the New York City Department of Investigation.

November 3, 2011

### *FMCSA Motor Carrier Safety Specialist Sentenced for Accepting Bribes*

Eric Hernandez, a former FMCSA Motor Carrier Safety Specialist, was sentenced in U.S. District Court, Laredo, TX, for accepting a bribe. Hernandez was sentenced to serve 6 months imprisonment, 6 months home confinement, and 3 years supervised release. He was also ordered to complete 120 hours of community service and pay a \$100 special assessment.

Hernandez, a border inspector, sold a Level I Commercial Vehicle Safety Alliance (CVSA) decal to the driver of a commercial motor vehicle knowing that the vehicle had not been inspected. A CVSA decal is issued to commercial motor vehicles passing roadside or periodic inspections performed under the authority of any State government or FMCSA. The activity was reported to the Texas Department of Public Safety (Texas DPS), who initiated an investigation and obtained video footage capturing the incident. Hernandez was subsequently arrested.

Hernandez was removed from Federal service by FMCSA. This investigation was conducted with assistance from Texas DPS and FMCSA.

November 28, 2011

### *Co-Owner of New York Construction Firm Sentenced for Role in a \$5.2 Million DBE Fraud Scheme*

Balu Kamat, President of Environmental Associates (EEA), was sentenced in U.S. District Court in Manhattan, NY, to 6 months home confinement, 2 years probation, a \$50,000 fine, and a \$100 special court assessment. Kamat also paid a \$188,000 criminal forfeiture (payable jointly with co-defendant Carmine Desio).

In June 2011, Kamat had pleaded guilty to mail fraud charges regarding the use of a “front” DBE on projects receiving DOT grant funds. Beginning in approximately 1997, Kamat, along with co-defendant Desio, caused EEA to enter into public contracts to perform an array of subcontracting work, knowing that EEA lacked the labor, equipment, and financial capability to perform the work. As part of the scheme, they agreed to put employees of a specific general contractor (unnamed in the indictment) on EEA certified payrolls. This scheme occurred on the New York City Transit Authority’s Fulton Street Transit Center-Dey Street Concourse, part of the FTA-funded Metropolitan Transportation Authority (MTA). The concourse has a total DBE subcontracted value of \$5.2 million.

The investigation is being conducted jointly with the MTA, Office of Inspector General; the Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations; and the Port Authority of New York and New Jersey Office of Inspector General.

November 30, 2011

## *Former Vice President of Massachusetts Business Is Sentenced*

Christopher Wilson, senior vice president of EV Worldwide LLC (EVW), was sentenced in U.S. District Court, Boston, MA, to a prison term of a year and 1 day followed by 6 months supervised release. He was also ordered to pay \$100,000 in restitution to FTA, and a special assessment of \$1,100.

EVW and its wholly owned subsidiary, Electrastator LLC, received funding from FTA through the Pioneer Valley Transit Authority (PVRTA) to develop a nickel-hydride battery to power a bus. EVW received approximately \$4.2 million in FTA funds via congressional earmarks between 2000 and 2006.

The investigation disclosed that between November 2004 and July 2006, former EVW CEO Michael Armitage and Wilson conspired to defraud FTA by submitting fraudulent invoices to FTA through PVRTA that claimed that the FTA share of project cost did not exceed the 50 percent level required under the terms of the funding and sought reimbursement for fictitious, inflated, or ineligible expenses. Through proceeds from the invoices, Armitage and Wilson received wire transfers of approximately \$703,000, which they used for their own benefit, as well as for the benefit of HSM Systems, Inc., a Canadian company they had founded.

The investigation was conducted jointly with IRS CI and assisted by the Defense Contract Audit Agency.

December 8, 2011

## *Connecticut Bus Company and Its Office Manager Charged With Falsification of Drivers Records*

Wisla Express, LLC, of New Britain, CT, and its office manager, Dariusz Stzeborowski, of Rocky Hill, CT, were indicted by a Federal grand jury with conspiring to obstruct a FMCSA audit by falsifying driver records required to be maintained under Federal regulations for inspection. Wisla Express, LLC, was a commercial passenger carrier operating vans, mini-buses, and tour buses.

The indictment alleges that between January 2010 and September 2010, Stzeborowski, as manager of Wisla Express, LLC, scheduled drivers to trips knowing that the drivers would be exceeding the maximum number of daily and weekly hours as stipulated under the law. Stzeborowski also allegedly falsified driving records to show that drivers did not drive over the amount of daily and weekly hours as required under the law and destroyed and covered up other driving records that showed that drivers had in fact driven over the maximum amount of daily and weekly hours on a regular and continuing basis.

The falsified records were provided to FMCSA. The indictment also alleges that Stzeborowski instructed the drivers to falsify their driving logs, in which they were to record their total numbers of driving hours so that the logs would not reflect that the drivers had exceeded the hourly safety limits. The drivers were also

directed to report their excess driving hours separately, and after those drivers were paid, those separate reports would be discarded or destroyed.

The investigation was conducted with assistance from FMCSA.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty*

December 19, 2011

## ***Director of Quality Control Sentenced in Highway Fraud Scheme***

Santos Eliazar Rivas was sentenced in U.S. District Court, Baltimore, MD, to 12 months of home detention and 24 months of probation, following his September 2011 guilty plea to three counts of making false statements involving highway projects funded in part by FHWA. Rivas, former Director of Quality Control for Frederick Precast Concrete, Inc. (FPC), was also ordered to pay restitution in the amount of \$131,410.

Rivas became the Director of Quality Control for FPC, a company that produced precast concrete structures, including structures for drainage, used in construction projects involving the Woodrow Wilson Bridge and the I-70/

Baltimore National Pike Project. Rivas' duties included overseeing the manufacturing of the company's precast products and ensuring the company's compliance with State regulations.

The investigation disclosed that FPC's products delivered to federally funded project sites failed to conform to State-approved specifications. Certain structures contained the wrong number and/or type of steel rebar pieces in their frames; others contained unapproved substitutions of wire mesh in place of steel rebar. Accordingly, none of these structures conformed to State-approved specifications, and all of them were materially weaker than if they had been produced according to design. The investigation further disclosed that on numerous occasions, Rivas signed off on shipping tickets listing precast structures whose concrete mix either had not been tested at all, or had been tested and failed to reach the requirement to withstand at least 4,500 pounds per square inch. Based on the shipping tickets that Rivas falsely certified on behalf of FPC, the Maryland State Highway Administration paid three prime contractors \$131,410 for the deficient materials, who in turn paid FPC.

Rivas is an illegal alien and is expected to be deported by ICE at the conclusion of his sentence. FHWA and ICE provided assistance to OIG during this investigation.

December 21, 2011

## ***Trucking Company and Owner Charged With Making a False Statement and Continuing Operation After Imposition of an Out-of-Service Order***

Devasko Dewayne Lewis of Cordele, GA, was taken into Federal custody and appeared before a United States Magistrate Judge in Columbus, GA, for an initial appearance and bond proceedings. Lewis and his trucking company, DDL Transport, LLC, were indicted by a Federal grand jury in November 2011 on one count of making a false statement and seven counts of continuing operation after imposition of an out-of-service order.

The indictment alleges that Lewis made a false statement in an application for motor carrier authority (Form OP-1)—filed on July 12, 2011, with FMCSA—when he stated that he did not have a relationship with another motor carrier within the last 3 years, despite having operated Lewis Trucking Company, which had been ordered out of service based on safety violations. The remaining seven counts allege that Lewis and DDL Transport, LLC, knowingly and willfully operated commercial motor vehicles in Georgia on seven occasions although they were precluded from operations based on the imminent hazard out-of-service order.

*Note: Indictments, informations, and criminal complaints are only accusations by the*

*Government. All defendants are presumed innocent unless and until proven guilty.*

December 21, 2011

## ***Owners of a New Jersey Trucking Company Indicted for False Statements, Union Fund Embezzlement, and Tax Fraud on a \$2.2 Billion FTA-Funded Project***

Gerardo and Vincent Fusella, brothers, were indicted in U.S. District Court, Brooklyn, NY. The 31-count indictment charges Vincent and Gerardo Fusella with multiple counts of conspiracy, mail and wire fraud, filing false tax returns, embezzlement of union benefit funds, and false statements on projects receiving FTA grant funds. Vincent and Gerardo Fusella are co-owners and operators of Fusella Group LLC, a New Jersey-based trucking company.

It is alleged that between 2007 and 2009, the Fusella brothers engaged in a series of fraud schemes in connection with its subcontract work on the Port Authority New York New Jersey (PANYNJ) World Trade Center (WTC) Transportation Hub project. Fusella Group is alleged to have underreported the number of hours their employees trucked, operated a “double-breasted” company—Alpine Investment Group—to hide drivers’ hours from the union, and to have failed to collect and pay to the IRS certain payroll taxes. Fusella Group is also alleged to have submitted false certified payrolls to the PANYNJ stating that they were paying the prevailing wage and fringe benefits to its

employees as required by the Davis Bacon Act. FTA has committed in excess of \$2.2 billion on the WTC Hub project.

The investigation is being conducted jointly with the U.S. Department of Labor's Office of Labor Racketeering and Fraud Investigations, the PANYNJ Office of Inspector General, and IRS CI.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

December 28, 2011

## ***Pennsylvania Truck Driving School Employees Sentenced***

In December 2011, Irina Peterson, Khrystyna Davyda, Iryna Starovoyt, Tair Rustamov, Leonid Vilchik, Mikhail Aminov, Irina Rakhman, Tatyana Kroshnev, and Vitaliy Kroshnev were sentenced in U.S. District Court, Philadelphia, PA, on various charges, including conspiracy, making false statements, and aiding and abetting. The named defendants were conspirators who operated International Training Academy (ITA), which purported to be both a truck-driving school and tractor-trailer rental business. ITA rented tractor-trailers for the FMCSA-regulated commercial driver's license (CDL) Skills Test.

The named conspirators allegedly bypassed FMCSA regulations by providing customers with false Pennsylvania residency documents used to satisfy Pennsylvania Department of Transportation requirements and to open illicit

bank accounts to facilitate the scheme. After ITA established the false Pennsylvania residency of the unqualified applicants, corrupt interpreters provided answers to the customers while taking the FMCSA regulated CDL Knowledge Test. The conspirators aided approximately 400 unqualified applicants to falsely obtain a Pennsylvania CDL.

Irina Peterson and Khrystyna Davyda were sentenced to 60 months probation and ordered to forfeit \$24,350 and \$14,500, respectively. Iryna Starovoyt was sentenced to 36 months probation and 100 hours community service, and ordered to forfeit \$10,000. Tair Rustamov was sentenced to 6 months incarceration to be served at a halfway house and 36 months supervised release, and ordered to forfeit \$2,300. Vilchik was sentenced to 6 months home confinement and 60 months supervised release, and ordered to forfeit \$3,000. Aminov was sentenced to 6 months imprisonment and 36 months supervised release, and ordered to forfeit \$7,800. Rakhman was sentenced to 6 months incarceration to be served at a halfway house and 60 months supervised release, and ordered to forfeit \$1,600. Tatyana Kroshnev was sentenced to 24 months imprisonment and 36 months supervised release, and ordered to forfeit \$445,450 jointly with defendant Vitaliy Kroshnev. Vitaliy Kroshnev was sentenced to 30 months imprisonment, 36 months supervised release, and the joint forfeiture with Tatyana Kroshnev.

December 29, 2011

### *Former New York Federal Motor Carrier Safety Administration Supervisor Sentenced to Jail for Soliciting Bribes*

James H. Wood, former Supervisory Highway Safety Specialist, FMCSA, Buffalo, NY, was sentenced to serve 18 months in Federal prison in U.S. District Court, Buffalo, NY, for soliciting bribes from Canadian trucking companies. In addition, following his period of incarceration, Wood will serve 24 months of supervised release and was also ordered to pay a \$41,300 forfeiture and a special assessment of \$100 to the Government.

In June 2011, Wood previously pleaded guilty to bribery charges and admitted that from 2008 through 2011, he requested and accepted bribes from consultants working for Canadian trucking companies. In exchange, Wood postponed safety inspections and ensured those companies would receive satisfactory ratings. In addition, Wood provided the consultants with internal FMCSA information, including lists of other trucking companies scheduled to be audited.

Subsequent to his arrest, FMCSA terminated Wood's employment. This investigation was conducted jointly with the FBI.

January 9, 2012

### *Owners and Two Employees of Moving Company Indicted in Hostage Freight Scheme*

Yaron Levin; Liat Lee Levin; Francisco Guevara; John Allen Darby; Golden Hand Moving, LLC; and Movers USA, LLC, were indicted in U.S. District Court, Denver, CO, on charges of conspiracy, wire fraud, extortion, making a false bill of lading, and theft from interstate shipment. The Levins owned and operated Golden Hand Moving, LLC, subsequently Movers USA, LLC.

The charges are based on allegations that Golden Hand Moving/Movers USA engaged in a hostage household goods scheme. The scheme entailed luring customers into doing business with Golden Hand Moving/Movers USA by offering extremely low estimates, taking possession of customers' household goods, then significantly increasing the price and withholding delivery of the goods until the customers paid the inflated price. Customers were told that if they refused to pay the increased price, their goods would be auctioned off.

This investigation is being conducted jointly with the FBI, with assistance from FMCSA.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

January 10, 2012

## ***North Carolina Trucking Company President Pleads Guilty to False Statements***

In U.S. District Court, Greensboro, NC, Roger D. “Butch” Mabe, Jr., president and owner of Mabe Trucking Company, Inc., Eden, NC, pleaded guilty for himself and his company to a charge related to falsification of driver’s logs.

The investigation revealed that Mabe and his company falsified driver’s duty status logs for the purpose of concealing from FMCSA the hours driven, as required by Federal Motor Carrier Safety Regulations. These regulations limit the number of hours a truck driver can operate a vehicle to reduce the risk of accidents caused by driver fatigue. Truck drivers are required to record their duty status on logs to ensure they do not exceed the maximum number of allowable driving hours, and that they receive sufficient rest before driving again. Mabe and his company allegedly falsified such logs to avoid detection from law enforcement, creating a threat to public safety.

This investigation was conducted with assistance from FMCSA.

January 12, 2012, to March 29, 2012

## ***Former El Paso Police Officers Indicted in Traffic Ticket Scheme Involving NHTSA Grant Money***

Former detective Ana Reza and a retired patrol officer, Raul Ramirez, as well as Luis Acosta,

Joshua Paulson, Jose Luis Ruiz, Jorge Arellano, Charles Romo, Frank Enriquez, and Scott McFarland were indicted by an El Paso County grand jury in El Paso, TX, on State charges of falsifying Government records with the intent to defraud.

The former El Paso Police Department officers are accused of submitting overtime reimbursement requests containing false information as to the times worked and the number of traffic citations issued in 2009 while working overtime under the Selective Traffic Enforcement Program, which is funded through a NHTSA grant.

This investigation is being conducted jointly with the El Paso Police Department, with assistance from NHTSA and the Texas Department of Transportation.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

January 17, 2012

## ***Vermont Drug Testing Company Owner Pleads Guilty to Making False Statements***

Mouinir R. Khouri pleaded guilty in U.S. District Court in Brattleboro, VT, to making a false statement on a matter within the jurisdiction of DOT in relation to a scheme to defraud transportation companies employing drivers subject to random drug testing.

Khouri, who did business as Mobile Testing Services, Inc. (MTSI), represented himself as a Third Party Administrator, capable of assisting transportation companies in complying with DOT regulations requiring that urine samples be obtained by trained collectors and shipped to licensed labs with a completed Control and Custody Form (CCF) for drug testing. Test results must then be reviewed by a Medical Review Officer (MRO), a licensed physician trained in substance abuse.

In 2009, Khouri subverted the role of the MRO by completing the CCFs with MTSI's address, receiving test results that were not reviewed by an MRO and falsely indicating that they had received an MRO review. In cases of positive results, Khouri purported to act as the MRO though not qualified to do so. After Khouri's contracted drug testing lab stopped testing due to nonpayment from Khouri, he prepared false CCFs for untested specimens, misrepresenting that the specimens had tested negative and billing his clients for services not provided.

This investigation was conducted with assistance from FMCSA.

January 17, 2012

### *Virginia Woman Pleads Guilty to Embezzling DOT Funds*

Diane Holdren, of Roanoke, VA, pleaded guilty in U.S. District Court, Roanoke, VA, to one count of willfully and knowingly embezzling money from DOT. In 2006, Valley Metro, the business entity that manages the Roanoke City bus service, was awarded over \$80,000 in grant funds from FTA

to replace furniture at the company's downtown Roanoke administration building. Valley Metro hired Holdren to complete the project.

In her plea, Holdren admitted she fabricated and submitted multiple bids of furniture vendors to Valley Metro in relation to the project. She admitted to fabricating and inflating all vendor bids, thus guaranteeing that Valley Metro would have to pay more than the true cost associated with the project. Following Valley Metro's acceptance of the bids, Holdren submitted inflated invoices related to the bids that included inflated and nonexistent shipping costs.

Subsequently, Valley Metro paid the furniture vendors directly based on the inflated bills it had received from Holdren. The vendors then issued checks to Holdren for the difference between the true costs and the costs paid by Valley Metro that were based on the defendant's deceptions. The total loss caused by the defendant's actions is between \$80,000 and \$120,000.

This investigation was conducted jointly with the U.S. Postal Inspection Service.

February 2, 2012

### *Concrete Companies Sentenced for Conspiring To Manipulate the Ready-Mix Concrete Market*

GCC Alliance Concrete (GCC), Great Lakes Concrete, and Tri-State Ready Mix were sentenced in U.S. District Court, Sioux Falls, IA, for Sherman Antitrust Act violations involving a scheme to manipulate the ready-mix concrete

market via rigged bids and territorial allocations for ready-mix concrete sold in Iowa. On February 3, VS Holdings Company was also sentenced for its involvement in this scheme.

GCC received 18 months probation; a \$1,200 special assessment; and community service as defined by supplying \$100,000 in concrete to non-profit organizations in the affected areas of the fraud. In addition, GCC has to include \$10,000 in advertising to solicit non-profits to define desired projects and to announce that this advertising is in response to the 18-month probation. GCC's probation will end upon completion of any work, or after 18 months.

Great Lakes Concrete received no probation due to the fact that Kent Stewart, President, was fined \$400,000, paid a special assessment of \$400, and is currently on supervised release. Tri-State Ready Mix received 5 years probation, a \$500,000 fine, and a special assessment of \$40. VS Holdings Company was ordered to pay a \$300,000 fine and a \$400 special assessment.

The affected volume of commerce in this case was \$14.7 million. This case was successfully prosecuted with the assistance of the FBI and the Department of Justice's Antitrust Division.

February 2, 2012

### *South Carolina Department of Motor Vehicles Employee Pleads Guilty to Issuing Fraudulent Commercial Driver's Licenses*

In U.S District Court, Columbia, SC, Brenda Kay Poston, a former South Carolina Department of Motor Vehicles (SCDMV) Customer Service Representative, pleaded guilty to charges of making false statements related to a scheme that resulted in the issuance of CDLs to unqualified applicants.

The investigation was initiated as a result of a request for assistance from SCDMV following its discovery that Poston aided several individuals in the creation of false CDL test scores; knowledge and road test scores and operational enhancements, such as hazardous materials; and passenger endorsements by entering false information into SCDMV databases. OIG and SCDMV conducted a historical review of the Driver History Records System, which identified 19 drivers with suspicious or unverifiable credentials dating back to 2004. Poston confessed to her role in the issuance of 19 CDLs, and 13 drivers admitted to obtaining their CDLs or endorsements fraudulently. SCDMV officials instituted administrative revocations of those drivers' credentials and offered re-examinations of all drivers believed to be the recipient of fraudulent CDLs.

Poston was terminated from her position and she later fled the jurisdiction of the U.S. District Court in South Carolina. Several months later, with the assistance of the U.S. Marshals service, Poston was returned to Columbia, SC, for arraignment.

This investigation was conducted jointly with the South Carolina Department of Law Enforcement Division.

February 14, 2012

## ***Owner of Illinois Construction Company Charged in DBE Fraud Scheme***

Anthony Capello owner of Diamond Coring, in Chicago, IL, was charged in U.S. District Court in Illinois with one count of mail fraud in a scheme to use a front DBE on Government contracts.

From 1999 to May 2006, Capello operated and controlled the operations of The Stealth Group Inc., (SGI), a false front DBE allegedly owned by his wife. As a result, Capello used SGI to wrongly obtain more than \$2.3 million in Government contracts where a woman-owned business Enterprise/DBE was required.

This investigation was worked with the cooperation of the FBI; Department of Labor, Office of Inspector General; City of Chicago Office of Inspector General; and the U.S. Attorney's Office.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

February 14, 2012

## ***Former Tennessee Guardrail Contractor Convicted of Obstruction of Justice Following Destruction of Documents Requested by a Federal Grand Jury***

Allen Defoe, former owner of Tennessee Guardrail, Inc. (TNG), pleaded guilty in U.S. District Court, Nashville, TN, to one count of obstruction of justice for his role in the destruction of documents that were requested by the Federal grand jury in 2006. The Federal grand jury was in the midst of an investigation focusing on antitrust violations on State transportation contracts.

A Federal task force consisting of State and Federal agencies, including DOT OIG, was formed to determine if highway contractors were engaging in antitrust violations during the bid process for contracts advertised by the Tennessee Department of Transportation (TDOT). During the investigation, agents reviewed the circumstances surrounding multiple contracts awarded to TNG as well as the conduct of a former TDOT employee whose duties included oversight of the TDOT and TNG contracts.

As part of the investigation, Defoe was ordered to produce multiple documents relating to his business records, including records relating to the purchase of gifts or anything of value, or relating to current or former employees of TDOT. During the subsequent investigation, agents

learned that between May 2006 and August 2006, Defoe, in concert with others, conspired to shred various documents that he was previously ordered to produce to the grand jury with the assistance of a commercial document shredding company. Defoe's actions were viewed as an effort to substantially impede and obstruct the ongoing investigation, and as a result, he was charged with obstruction of justice.

This investigation was conducted jointly with the Department of Justice, Office of the Attorney General of Tennessee, and the Tennessee Bureau of Investigation.

February 16, 2012

### ***Dallas County Deputy Sheriffs Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Money***

Dallas County Deputy Sheriffs Johnny Quarles Jr., Derce Kirby, and Sherman McIntyre were indicted by a Dallas County Grand Jury, Dallas, TX, on multiple State charges of tampering with a Government record with the intent to defraud.

The subjects are accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued in 2009, 2010, and 2011 while working overtime under the Selective Traffic Enforcement Program, which is funded through a NHTSA grant.

This investigation is being conducted jointly with the Dallas County Sheriff's Office, with assistance from NHTSA and the Texas Department of Transportation.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

March 5, 2012

### ***Owner of Staten Island-Based Construction Company Pleads Guilty***

Madeline Pepe, owner of Staten Island-based MS Construction Corporation (MSC), pleaded guilty in U.S. District Court, New York City, NY, to charges of conspiracy to commit mail and wire fraud. Pepe admitted that between 1994 and March 2011, she participated in a conspiracy to use MSC as a front DBE for non-minority firms Crossboro Contracting Co.; RMD Holdings (doing business as Nationwide Construction Group); and A.B. Recycling, LLC, in order to give the appearance MSC was using DBE contractors.

The fraudulent use of the front DBE company involved participation on various FHWA-funded projects and an FAA-funded project. In reality, MSC did not perform a commercially useful function and the work was performed by non-minority firms. The amount of the MSC subcontracts involved approximately \$2 million. As part of her guilty plea, Pepe agreed to a monetary forfeiture provision, the amount to be determined at a later date.

This case is being conducted jointly with the Department of Labor, Office of Labor Racketeering and Fraud Investigations; the Port Authority of New York and New Jersey, Office of Inspector General; and the New York City Department of Investigation.

March 14, 2012

## **Georgia Woman Indicted in Fraudulent Double Brokering Scheme**

Tina Blyth, Bainbridge, GA, was indicted by a Federal grand jury in U.S. District Court, Macon, GA, on 10 counts of fraud by private interstate carrier for her role in a consumer fraud scheme involving illicit double brokering of motor carrier loads.

The investigation revealed Blyth used the Internet to access web sites where senders advertised loads of commercial freight that were available for transport. Allegedly, she bid on loads of freight using the names of her various companies, which are listed as having broker authority with FMCSA, awarded the bids, and led the sender to believe her trucking business would deliver the freight for the contracted price. The sender of the freight would send Blyth payment for the agreed upon price. However, after accepting the bid to deliver the load of freight, she would immediately re-advertise the job on the internet, using a different company name. She accepted bids from legitimate trucking companies to ship the freight from the sender to the intended destination, never disclosing that she had already arranged for the sender to deliver payment to her.

This investigation was conducted jointly with the Decatur County Sheriff's Office, Decatur, GA.

*Note: Indictments, informations, and criminal*

*complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

March 16, 2012

## **North Carolina Transportation Consultant Pleads Guilty to Falsifying Driver's Logs**

In U.S. District Court, Greensboro, NC, James J. Brylski, owner of motor carrier consulting firm DOT Advisor, Incorporated, in Raleigh, North Carolina, pleaded guilty to a one count information charging false statements related to falsification of driver's logs.

The information alleges Brylski falsified driver's duty status logs for the purpose of concealing from FMCSA, the number of hours driven as required by Federal Motor Carrier Safety Regulations. These regulations limit the number of hours a truck driver can operate a vehicle in order to prevent motor vehicle accidents caused by driver fatigue. Accordingly, truck drivers are required to record their duty status on logs to ensure they do not exceed the maximum number of allowable driving hours, and that they receive sufficient rest before driving again. The investigation disclosed Brylski falsified such logs as a safety consultant to Mabe Trucking Company, Inc., (Mabe) located in Eden, NC, to assist Mabe in passing a Federal inspection by FMCSA.

This investigation was conducted jointly with assistance from FMCSA.

March 16, 2012

## *Owner of Pennsylvania Trucking Firm Pleads Guilty to Criminal Conspiracy and False Statement Charges*

On March 16, 2012, Dean Landis, owner and operator of D.A. Landis Trucking, Inc., a Lancaster, PA, company, pleaded guilty in U.S. District Court, Philadelphia, PA, to criminal conspiracy and false statement charges relating to the firm's systematic falsification of FMCSA-regulated truck drivers' daily logbooks. Landis admitted that between January 2007 and November 2009 he directed at least 10 company commercially licensed truck drivers to prepare and maintain false logbooks.

Landis further admitted that he and his company routinely disregarded FMCSA regulations by allowing, encouraging, and causing commercial truck drivers employed by D.A. Landis Trucking to operate in violation of FMCSA hours of service safety regulations. Landis instructed employees to prepare two sets of driver's logs, one of which was false and intended for FMCSA inspectors to conceal violations of safety regulations. The company also dispatched drivers on trips that required excessive hours of driving time and excessive hours of on-duty time, without allowing the required hours of rest or regulated off-duty time. During the execution of a search warrant of the company, Federal agents seized numerous logbooks and documents marked "Not for DOT."

The investigation revealed that Landis also participated in a scheme in which DA Landis Trucking, Inc., transported adulterated milk not fit for human consumption to a New Jersey cheese manufacturer. On March 12, the U.S. Attorney's Office filed a one count information charging the Lebanon Cheese Company and owner Joseph Lotito with using milk that tested positive for unacceptable levels of bacteria and antibiotics in the production of consumer food products. Landis knowingly sold and transported the tainted milk to Lebanon Cheese who in turn, knowingly used the milk in the production of cheese products. Landis illicitly sold the milk at a discounted rate and profited nearly \$30,000.

This investigation was conducted jointly with the Food and Drug Administration's Office of Criminal Investigation, with assistance from FMCSA.

March 19, 2012

## *New York Man Sentenced on Tax Charge in Illegal Vehicle Importation Scheme*

Gar Loon Lee, was sentenced in U.S. District Court, Burlington, VT, to 30 months probation, payment of a \$25,000 fine, and payment of taxes and penalties in the amount of \$13,879 for failing to report the receipt of significant taxable gross income from the illegal importation of four passenger vehicles from Canada to Vermont in 2009.

Vehicles imported into the United States must comply with NHTSA's Federal Motor Vehicle Safety Standards (FMVSS) prior to being offered for sale and must be imported by or through a registered importer recognized by NHTSA. Lee, who was neither a registered importer nor worked through a registered importer, purchased four Nissan automobiles in Canada and illegally entered Vermont at various ports of entry during 2009, using borrowed New York dealer plates. Lee failed to declare the vehicles as imports and did not complete the required importation documents with CBP. None of the four vehicles complied with FMVSS or emissions standards imposed by Environmental Protection Agency regulations.

This investigation was conducted jointly with ICE's Burlington, VT, office.

March 27, 2012

### *Sacramento Man Sentenced for Defrauding Truckers in Motor Carrier Broker Scheme*

Kulwant Singh Gill was sentenced in U.S. District Court in Sacramento, CA, for devising a scheme to defraud unsuspecting motor carriers who shipped goods across State lines and were not subsequently paid for transporting the loads. The Court sentenced Gill to 10 years, 8 months in prison, and ordered him to pay \$376,765 in restitution to his victims. Gill was also ordered to enter a 500-hour Bureau of Prisons substance abuse treatment program. At the conclusion of his prison sentence, Gill will be placed on probation for 36 months.

The investigation disclosed that during 2004 and 2005, Gill submitted applications for motor carrier broker licenses to FMCSA using false names, Social Security numbers, and driver's license numbers. Additionally, between 2002 and 2005, Gill used Internet-based "loadposting" boards to find freight loads that were available for transport and would offer to transport the loads for a fixed price. He would then re-post the loads on the same or different web sites, acting as a broker, to find another trucking company willing to transport the freight. In over 100 instances, Gill found trucking companies to deliver the freight, allowed them to make the deliveries, then received payment from the original brokers who believed Gill had completed the deliveries himself. Gill refused to pay the trucking companies who actually transported the freight, keeping the money for himself. In 2006, OIG agents executed a search warrant at an interstate broker business and interstate motor carrier owned and operated by Gill. During the search, Gill was arrested on charges related to his defrauding motor carriers, and he was subsequently indicted on five counts of wire fraud. In 2007, OIG determined that Gill continued his scheme in the exact same manner, even after having been indicted. Additional charges against Gill were subsequently added in a superseding indictment.

OIG conducted this investigation with FMCSA assistance.

March 29, 2012

## ***Minnesota Trucking Company Owner Charged in a Criminal Complaint***

Gary Bauerly, owner and operator of WATAB Hauling, was charged in a criminal complaint by the Hennepin County Attorney's Office, Minneapolis, MN, with theft by swindle for willfully circumventing prevailing wage rates.

Bauerly allegedly submitted fraudulent documents to obtain payments as a subcontractor and employed a series of schemes to avoid paying prevailing wages owed to WATAB employees, totaling approximately \$52,000. Bauerly provided fraudulent information to general contractors

and contract administrators for federally funded municipal, county, and State contracts. The contracts specified employees must be paid according to the prevailing wage rate in the area. Bauerly implemented various schemes to avoid paying the prevailing wage rate, including providing false payroll reports to the contractors and Government contract administrators.

This investigation was conducted jointly with the Minnesota Department of Transportation and the Hennepin County Attorney's Office.

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*



## ***In-Focus: Identifying and Correcting Vehicle Safety Defects***

From 2002 through 2009, NHTSA's Office of Defects Investigation (ODI) received nearly 14,000 consumer complaints related to unintended acceleration (UA), about 4 percent of all consumer complaints ODI received and reviewed. A fatal crash in 2009 involving a Toyota Motor Company vehicle that accelerated out of control raised significant concerns about ODI's performance, as well as NHTSA's compliance with Government ethics rules to better ensure the integrity of ODI decisions.

Based on the evidence we reviewed, we found that ODI employees who had worked in the auto industry and former NHTSA employees

who subsequently worked for automakers did not unduly influence ODI's decisions. However, we identified opportunities for ODI to enhance the effectiveness of its processes for reviewing complaints and investigating alleged defects.

ODI identified potential UA-related risks and followed its established processes in investigating Toyota<sup>1</sup> and monitoring recalls. As Toyota UA-related consumer complaints increased, ODI initiated six investigations that identified safety defects that led to six recalls, including a recall in 2007 of floor mats that could trap the accelerator pedal.

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<sup>1</sup> Toyota had the second highest, accounting for 17 percent of all UA-related complaints.

Despite these actions, process improvements are needed to identify and address vehicle safety defects. Specifically, ODI needs to:

- adequately track and document pre-investigation activities, primarily consumer complaints;
- establish a systematic process for determining when to involve third-party or Vehicle Research and Test Center (VRTC)<sup>2</sup> assistance;
- follow timeliness goals for completing investigations;
- fully implement its redaction policy to ensure consumers' privacy;
- establish a complete and transparent record system with documented support for decisions that significantly affect its investigations; and
- develop a formal training program to ensure staff has the necessary skills and expertise.

ODI's limited information sharing and coordination with foreign countries have further reduced opportunities to identify safety defects or recalls in a global automobile industry. NHTSA has agreements with Canada, Japan, and the United Kingdom that include provisions on sharing safety defect information, but these agreements have yielded limited informal discussions on defects and recalls. Certain best practices of ODI's foreign counterparts for conducting vehicle and equipment tests, validating data, and hiring investigators merit ODI's consideration.

ODI has begun to implement recommendations that we and others have made to improve its processes for identifying and addressing potential safety defects. We will continue to monitor ODI's progress in strengthening its processes and its workforce.

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<sup>2</sup> VRTC is a Federal research facility that conducts research and vehicle testing in support of NHTSA's mission.



## Rail and Maritime Programs and Economic Analysis

### Audits

December 21, 2011

#### *Semiannual Report on Amtrak's Financial and Operating Performance and Savings From Reform*

*Mandated by the Fiscal Year 2010 Consolidated  
Appropriations Act*

Our semiannual report to the House and Senate Appropriations Committees provides an assessment of Amtrak's projected savings from operational reforms and year-to-date financial performance. The report also includes an update on Amtrak's use of Key Performance Indicators (KPI) to improve company performance and assess progress of improvement initiatives. Despite records in both revenue and ridership,

Amtrak's operating loss for fiscal year 2011 was \$37.6 million (9 percent) greater than its operating loss for fiscal year 2010. However, Amtrak anticipated the greater loss in its fiscal year 2011 budget projections, and the actual operating loss that resulted was \$104.4 million (18.6 percent) less than what the company projected. The year-over-year increase in operating loss was due primarily to increased expenditures on salaries, wages, and benefits, while the less-than-budgeted operating loss was due mostly to greater-than-expected ticket revenue. Amtrak had partial success generating new revenue from its fiscal year 2011 improvement initiatives. KPIs show that core expenditures increased as much as core revenue growth on a per-mile basis; the company projects that its improvement initiatives will have high upfront costs but long-term benefits.

March 6, 2012

## ***Refinements to DOT's Management of the Highway Trust Fund's Solvency Could Improve the Understanding and Accuracy of Shortfall Projections***

*Requested by the former Ranking Member of the Senate Budget Committee*

Following the fiscal year 2008 shortfall in the Highway Trust Fund's (HTF) Highway Account, FHWA and FTA instituted procedures to forecast shortfalls and communicate with Congress regarding HTF's balance and possible shortfalls. FHWA has developed additional procedures that allow it to adjust the amount and timing of Highway Account outlays to States if a shortfall appears imminent. While FHWA's and FTA's shortfall projections are reasonable, improvements to their projection methodology could enhance the accuracy of their shortfall estimates and enable them to implement, at the earliest possible date, shortfall management and communication procedures.

March 6, 2012

## ***FRA Has Made Progress in Implementing PRIIA Responsibilities but Challenges for Long-Term HSIPR Remain***

*Mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA)*

In the first 3 years of PRIIA, the Federal Railroad Administration (FRA) implemented

25 of its 29 PRIIA responsibilities. However, FRA has yet to complete several key PRIIA responsibilities, including completing the National Rail Plan and promulgating grant rules that could significantly impact efforts to improve and expand intercity passenger rail and develop High-Speed Intercity Passenger Rail (HSIPR). We made recommendations to assist FRA in fully implementing PRIIA provisions and strengthening intercity passenger rail. FRA concurred with our recommendations, and has completed actions to address one recommendation and proposed actions to address the other recommendations.

March 28, 2012

## ***FRA Needs To Expand Its Guidance on High-Speed Rail Project Viability Assessments***

*Self-initiated*

FRA needs to focus on three key areas to develop sound project viability assessments: (1) the elements with the greatest impact on the components of the analysis (revenue forecasts, public benefits valuations, and operations and maintenance cost estimates), which include current trip tracking, projections of future travel, and annual train-miles and train-hours operated; (2) the level of analytical detail required for these components at the preliminary, intermediate, and final phases in the development of a HSIPR proposal; and (3) issues central to methodological soundness. In addition, FRA's guidance and requirements for HSIPR grant applicants is inadequate to ensure all applicants submit sound, comparable

project benefit assessments. We made recommendations to assist FRA in developing specific, detailed guidance for preparing HSIPR ridership and revenue forecasts, public benefits valuations, and operating cost estimates that reflect the key considerations identified in this report. FRA fully concurred with our recommendations and indicated that it will produce guidance to vet through stakeholders and appropriate technical experts by March 2013.

March 28, 2012

## ***PRIIA-Mandated Review of Amtrak's Annual Budget and 5-Year Financial Plan***

*Mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA)*

Our annual report on Amtrak's 5-year financial plan for fiscal years 2012 through 2016 and its revised annual budget for fiscal year 2012

was sent to the House Transportation and Infrastructure Committee; Senate Commerce, Science, and Transportation Committee; and House and Senate Appropriation Committees.

Overall, we found that Amtrak's 5-year financial plan addresses most of the requirements outlined in PRIIA but lacks some required information—most notably regarding the company's financial stability and past performance. Our previous assessments also found these deficiencies in the plans, but according to Amtrak officials, the company is currently addressing them. In accordance with the company's strategic plan, issued in 2011, Amtrak organized the financial plan around new strategic goals and revised its annual budget for fiscal year 2012 to align with the plan.





## *Financial and Information Technology*

### **Audits**

November 2, 2011

#### *Quality Control Review of the Saint Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2011 and 2010*

*Self-initiated*

We conducted a quality control review of the audit of the Saint Lawrence Seaway Development Corporation's (SLSDC) financial statements for fiscal years 2011 and 2010. Chiampou Travis Besaw & Kershner LLP, under contract to SLSDC, issued a clean (unqualified) audit opinion on SLSDC's financial statements. Chiampou Travis Besaw & Kershner LLP's

report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested. Complete financial statements will be included in SLSDC's Annual Report, which will also contain a copy of our quality control report and Chiampou Travis Besaw & Kershner's report.

November 4, 2011

#### *Quality Control Review of Controls Over DOT's Enterprise Services Center*

*Self-initiated*

DOT's Enterprise Services Center (ESC) provides financial management services to DOT and several Federal agencies, and operates under the direction of DOT's Chief Financial Officer. Clifton Gunderson LLP, under contract to OIG, examined ESC's description of its financial management system, and the

suitability and effectiveness of its internal controls' design and operation. For the period of October 1, 2010, to June 30, 2011, Clifton Gunderson found that (1) in all material respects ESC's description of its internal controls fairly presents the system that was designed and implemented throughout the period; (2) the internal controls were suitably designed to provide reasonable assurance that their objectives would be achieved if the controls operated effectively throughout the period and users applied the complementary controls contemplated in ESC's design of its controls throughout the period; and (3) the controls tested, which together with the complementary user entities' controls, if operating effectively, were those necessary to provide reasonable assurance that the control objectives were achieved, and operated effectively throughout the period. Our quality control review disclosed no instances in which Clifton Gunderson did not comply in all material respects with generally accepted Government auditing standards.

November 7, 2011

## *Quality Control Review of the National Transportation Safety Board's Audited Financial Statements for Fiscal Years 2011 and 2010*

*Self-initiated*

We issued an audit report on our quality control review of the audit of the National Transportation Safety Board's (NTSB) financial statements for fiscal years 2011 and 2010. Leon Snead & Company, P.C., under contract to

OIG, issued a clean (unqualified) audit opinion on NTSB's financial statements. Leon Snead & Company, P.C.'s report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested. Complete financial statements will be included in NTSB's Annual Report, which will also contain a copy of our quality control report and Leon Snead & Company, P.C.'s report.

November 7, 2011

## *Actions Needed To Ensure Accurate Executive Order 13520 Reporting*

*Self-initiated*

Executive Order 13520, "Reducing Improper Payments," requires each Department to submit a one-time report on its high-priority programs, and quarterly reports on individual high-dollar improper payments. The order also requires Inspectors General to review their agencies' reports and provide recommendations to agency heads for improvements to the programs and their internal controls. We reported that DOT's September 2010 report to OIG did not accurately account for high-dollar overpayments and recoveries or meet reporting requirements for high-priority programs and high-dollar overpayments. DOT's quarterly report, issued in January 2011, also did not meet reporting requirements for high-dollar improper payments. Both reports included improper payment amounts that should not have been reported and understatements of payment recoveries. While we recognize DOT's conservative approach and its efforts

to increase transparency, it is incumbent upon DOT to accurately estimate improper payments in its programs in order to better evaluate the effectiveness of its improper payment remediation efforts. We made a recommendation to assist the Department in its preparation of quarterly reports on high-dollar improper payments. DOT concurred with our recommendation and provided appropriate planned actions and timeframes.

November 14, 2011

## *FISMA 2011: Persistent Weaknesses in DOT's Controls Challenge the Protection and Security of Its Information Systems*

*Required by the Federal Information Security Management Act of 2002 (FISMA)*

DOT's operations rely on more than 400 systems, which represent an annual investment of approximately \$3 billion—one of the largest information technology investments among Federal civilian agencies. The Department's financial systems manage and disburse approximately \$90 billion in Federal funds annually. To protect the information systems that support Federal operations from cyber

threats, FISMA requires agencies to develop, document, and implement agencywide information security programs. FISMA also requires agency program officials, chief information officers, and Inspectors General to conduct annual reviews of their agencies' information security programs and report the results to the Office of Management and Budget (OMB). As part of this review, OMB requires Inspectors General to use 127 security metrics to assess their agency's performance.

Our annual audit of DOT's information security program and practices identified several key cyber security improvements that DOT made since our November 15, 2010, FISMA-required report. For example, DOT developed a comprehensive cyber security policy for the entire Department, except for the Office of the Secretary, and reported all major security incidents to the Department of Homeland Security. However, the Department has not yet corrected weaknesses in its information security procedures, enterprise-level and system-level controls, and management of corrective actions. We made five new recommendations to address these vulnerabilities. DOT's Chief Information Officer will provide a description, along with milestone dates, of the specific actions to implement these recommendations.

November 14, 2011

## ***Quality Control Review of the Federal Aviation Administration's Audited Financial Statements for Fiscal Years 2011 and 2010***

*Self-initiated*

Clifton Gunderson, LLP, under contract to OIG, issued a clean (unqualified) audit opinion on FAA's financial statements for fiscal years 2011 and 2010. Clifton Gunderson's report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested. Complete financial statements will be included in FAA's Annual Report, which will also contain a copy of our quality control report and Clifton Gunderson's report.

November 15, 2011

## ***Quality Control Review of the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2011 and 2010***

*Self-initiated*

Clifton Gunderson, LLP, under contract to OIG, issued a clean (unqualified) audit opinion on DOT's financial statements for fiscal years 2011 and 2010, but reported three significant deficiencies in internal control and seven actual or potential instances of reportable noncompliance with laws and regulations.

Complete financial statements will be included in DOT's Agency Financial Report, which will also contain a copy of Clifton Gunderson's report.

December 28, 2011

## ***DOT Needs To Improve Its Tracking and Monitoring of All Single Audit Findings in Order To Effectively Manage Grants***

*Self-initiated*

To help ensure the proper use of grant awards, the Single Audit Act of 1984, as amended, requires grantees that expend \$500,000 or more in Federal funds in a fiscal year to obtain an annual single audit, which includes an audit of financial statements and schedule of Federal award expenditures, as well as reviews of internal controls and compliance with laws and regulations. Grantees are required to develop corrective action plans to address single audit findings. In turn, the Department and its Operating Administrations (OA) are responsible for ensuring that grantees complete the necessary actions in a timely manner. We reported that for single audit findings classified as high priority, the five DOT OAs that we reviewed (FHWA, FTA, FAA, FRA, and NHTSA) issued decisions on grantees' planned corrective actions within OMB's prescribed deadline. However, for lower priority findings, OAs' decisions on grantees' planned corrective actions were untimely and incomplete. Further, the OAs did not ensure that grantees fully implemented planned corrective actions in a timely manner, including resolution of questioned

costs. Finally, the OAs did not take sufficient actions to identify and address grantees with numerous or repeated single audit findings. We made recommendations to DOT to update its procedures to ensure prompt resolution of all single audit findings. The Department concurred with one of our five recommendations, and partially concurred with the other four. We consider OST's planned actions sufficient, but open pending completion of the planned actions.

January 4, 2012

### *Quality Control Review of Single Audit on the Metropolitan Atlanta Rapid Transit Authority*

*Self-initiated*

During fiscal year ending June 30, 2010, the Metropolitan Atlanta Rapid Transit Authority (MARTA) expended approximately \$131 million from DOT grant programs. Cherry, Bekaert & Holland, LLP, performed a single audit on MARTA's use of these grants for the period. The major programs tested by Cherry, Bekaert & Holland included the Federal Transit Cluster and Clean Fuel Bus Project Grants. Our quality control review found Cherry, Bekaert & Holland's single audit to be acceptable with deficiencies; therefore, it generally met the requirements of generally accepted Government auditing standards; the Single Audit Act of 1984, as amended; and OMB Circular A-133. We found nothing to indicate that Cherry, Bekaert & Holland's opinion of MARTA's financial statements

or reports on MARTA's internal controls and compliance were inappropriate or unreliable.

January 30, 2012

### *Quality Control Review of New Mexico DOT Fiscal Year 2009 Single Audit*

*Self-initiated*

During fiscal year ending June 30, 2009, the New Mexico Department of Transportation expended approximately \$351 million from DOT grant programs. Meyners & Company, LLC, performed a single audit on New Mexico DOT's use of DOT grants for this period. Major programs tested by Meyners & Company included (1) the Highway Planning and Construction Program, (2) the Federal Transit Cluster, (3) the Non-urbanized Area Formula Program, (4) the Highway Safety Cluster, and (5) the Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program. Our initial quality control review (performed in August 2010) determined the work of Meyners & Company to be technically deficient. However, we performed a follow-up review in July 2011 and determined the work of Meyners & Company to be acceptable with a deficiency; therefore, it generally met the requirements of generally accepted Government auditing standards; the Single Audit Act of 1984, as amended; and OMB Circular A-133. We found nothing to indicate that Meyners & Company's opinion on New Mexico DOT's financial statements or reports on internal controls and compliance were inappropriate or unreliable.

January 31, 2012

## ***Office of Inspector General's Review of Fiscal Year 2011 Drug Control Funds and Performance Summary Reporting***

*Self-initiated*

Our review of NHTSA's fiscal year 2011 Drug Control Obligation Summary and Performance Summary reports found no information that would reverse NHTSA's assertions that the reports complied, in all material respects, with the requirements of the Office of National Drug Control Policy Circular, Drug Control Accounting.

March 1, 2010

## ***Quality Control Review of Single Audit on the Metropolitan Council of the Twin Cities Area***

*Self-initiated*

The Minnesota State Auditor on the Metropolitan Council performed a single audit of the Twin Cities Area's (Metropolitan Council) use of DOT grants for the fiscal year ending June 30, 2010. During this period, the Metropolitan Council expended approximately \$129 million from DOT grant programs. The State Auditor tested the DOT Federal Transit Cluster as a major program. Our initial review performed in August 2011 determined that

the State Auditor's work was technically deficient. Our follow-up review (performed in January 2012) determined the audit work was acceptable with a deficiency, and therefore generally met the necessary requirements. We found nothing to indicate that the State Auditor's report on the Metropolitan Council's internal controls and compliance were inappropriate or unreliable.

March 15, 2012

## ***DOT's Improper Payment Reporting Generally Complies With IPERA***

*Self-initiated*

The Improper Payments Elimination and Recovery Act (IPERA) requires Federal agencies to eliminate payment errors in their programs. In its fiscal year 2011 Annual Financial Report, DOT accurately reported improper payment information and complied with IPERA, with some exceptions—three of which were significant. First, the Department did not report planned or actual completion dates for corrective actions taken for improper payments in FHWA and FAA programs. Second, FAA did not achieve its 2011 improper payment target rate for its Airport Improvement Program. Finally, DOT's reporting on its payment recapture program was incomplete. We made two recommendations to assist the Department in its preparation for IPERA reporting, which DOT generally concurred with.



## Acquisition and Procurement

In addition to directing its own audits, OIG's Office of Acquisition and Procurement partners with other OIG offices to provide acquisition expertise and audit work on a broad and cross-cutting range of reports related to our aviation, highway and transit, rail and maritime, and information technology work. Leveraging OIG's acquisition expertise across all audit groups ensures consistent and thorough reviews of acquisition matters throughout the Department and with its grantees. This comprehensive approach to acquisition matters focuses on the strategic significance of promoting effective oversight of the Department's acquisitions, contracts, and financial assistance arrangements.

### Audits

March 23, 2012

#### *FAA's Contracting Practices Are Insufficient To Effectively Manage Its Systems Engineering 2020 Contracts*

*Requested by the Chairmen of the House Committee on Transportation and Infrastructure and its Aviation Subcommittee*

In 2010, FAA awarded its seven SE-2020 base contracts to provide up to 10 years of technical and professional support services for its NextGen systems, programs, and functions. We assessed whether FAA (1) manages its SE-2020 contract costs effectively, and (2) uses sound contracting practices to select contractors and oversee their performance. Our findings included that unclear FAA Acquisition Management System requirements resulted in unreliable cost baselines and overstated contract values, which impedes FAA's ability to manage total contract costs.

These weaknesses are compounded by errors in FAA's acquisition databases and in the cost monitoring spreadsheets that FAA uses to detect cost overruns. FAA's practices to select contractors and oversee their performance are not sufficient. For example, FAA used limited past performance evaluations to select SE-2020 contractors and contract oversight employees were not properly trained or used oversight plans. FAA concurred or partially concurred with 10 of our 12 recommendations, and recognized the need to continually seek ways to further strengthen SE-2020 contract oversight and program management.



## Departmentwide Issues

### Audits

November 15, 2011

#### *Top Management Challenges for Fiscal Year 2012*

*Self-initiated*

The top management challenges facing the Department in fiscal year 2012 are (1) enhancing the Department's oversight of highway, bridge, and transit safety; (2) ensuring effective oversight on key initiatives that can improve aviation safety; (3) ensuring effective

oversight of hazardous liquid and natural gas pipeline safety; (4) ensuring effective oversight of ARRA projects and applying related lessons learned to improve DOT's infrastructure programs; (5) managing NextGen advancement while controlling costs; (6) managing DOT acquisitions in a more strategic manner to maximize limited resources and achieve better mission results; (7) improving the Department's cyber security; (8) defining clear goals to guide FRA in its transformation; and (9) utilizing Department credit programs to leverage limited Federal transportation infrastructure resources. This report was included in the Department's Annual Financial Report, as required by law.

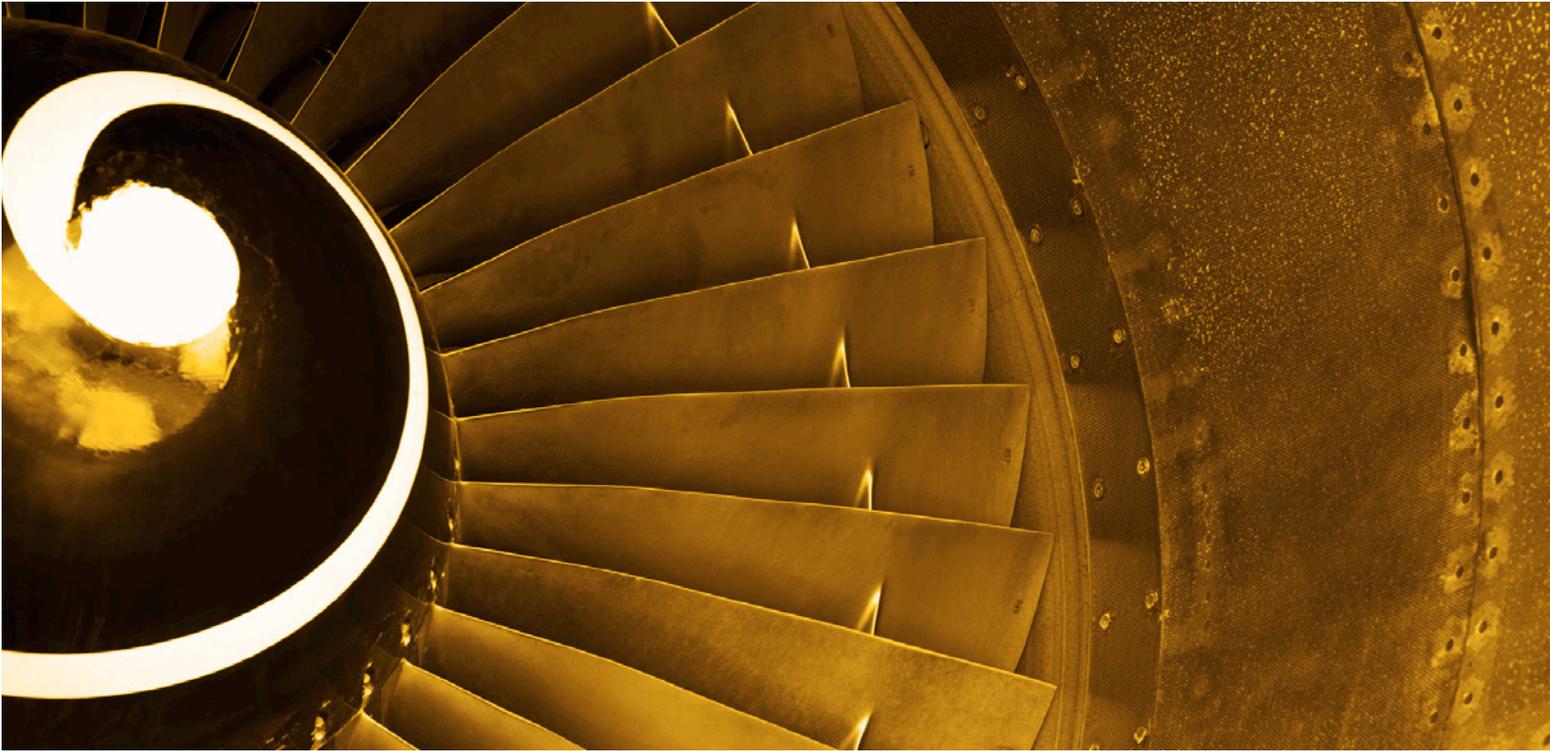
March 29, 2012

## *Top Management Challenges Facing the Department of Transportation*

*Testimony before the House Subcommittee  
on Transportation, Housing and Urban  
Development, and Related Agencies*

The Inspector General focused on short- and long-term actions that DOT should take to ensure transportation safety and maximize investments in transportation by highlighting three cross-cutting areas: (1) enhancing aviation, surface, and pipeline safety; (2) ensuring effective stewardship of the Department's resources; and (3) effectively implementing transportation infrastructure programs.

# Other Accomplishments



OIG's other accomplishments and contributions are those that extend beyond the legal reporting requirements of the Inspector General Act.

October 3, 2011

## *Presentation on NextGen Challenges*

The Deputy Assistant Inspector General for Aviation and Special Programs spoke at the Air Traffic Control Association annual symposium on the challenges in delivering the promised benefits of FAA's multi-billion dollar NextGen initiative in today's fiscally constrained environment. The Deputy Assistant Inspector General highlighted past and ongoing OIG work and the critical factors for successfully managing NextGen and delivering much

needed benefits to airspace users and airline passengers. A key theme of the presentation was the need for FAA to articulate clear priorities for a wide range of new systems and how new systems can improve air traffic operations and reduce costs for FAA as well as the airlines. The symposium was attended by leaders of U.S. and foreign aerospace companies; airline industry executives; trade associations; and various Government agencies, including the Department of Defense and the National Aeronautics and Space Administration.

October 14, 2011

### *Presentation on Safeguarding DOT Against Awards to Improper Parties*

The Inspector General spoke at the second annual OIG Suspension and Debarment Conference in Crystal City, VA, sponsored by the Council of Inspectors General on Integrity and Efficiency's Suspension and Debarment Working Group in conjunction with the Recovery Act Transparency and Accountability Board. The Inspector General discussed recent actions taken by DOT to improve its Suspension and Debarment Program in response to OIG's January 2010 audit report, as well as the importance of this program to safeguard against fraud, waste, and abuse in the Department's procurement and grant programs. The event was attended by investigators, auditors, attorneys, and agency officials.

November 17, 2011

### *Roundtable on FAA Operational Errors*

The Inspector General participated in an Aviation Safety Roundtable held by the Chairmen of the House Transportation and Infrastructure Committee and its Aviation Subcommittee. The roundtable was held specifically to gain insight into the alarming increase in mishaps and close calls in the air and airport runways, commonly referred to as "operational errors." FAA's Senior Vice Presidents of Operations and Safety in FAA's Air Traffic Organization were also invited. The Inspector General addressed the significant increase in operational errors over the past year and the need for continued oversight to improve

safety. He stated that implementing systems and processes that capture accurate and complete data is critical for FAA to determine the true magnitude of operational errors, assess their potential safety impacts, identify their root causes, and develop actions to effectively address and mitigate them.

November 21, 2011

### *Presentation on Amtrak Delays*

An OIG economist presented a paper on OIG's analysis of the causes of Amtrak delays in a transportation economics session at the annual Southern Economics Association Conference. The presentation focused on the data development and statistical techniques used to conduct the analysis. In addition, another OIG economist served as the discussant for a transportation economics paper on travel demand forecasting. Economists from all over the southeastern United States attended the conference.

January 5, 2012

### *Governmentwide Audit Guide on Contract Closeout*

A Program Director from the Office of Acquisition and Procurement Audits created a standard audit guide for reviewing the effectiveness of an agency's contract closeout policies and practices. The guide provides detailed guidance for identifying key contract clauses and assessing compliance, determining whether best practices are sufficiently used for efficiently

closing contracts within required timeframes, and evaluating practices to ensure funds remaining on physically completed contracts are put to better use in a timely manner. Applications of the guide's procedures can help agencies ensure that the Government's interests are protected before closing contracts and ensure that unneeded funds are identified early and put to use for other needed projects or paying expenditures on other open contracts. The guide is posted on the Federal Audit Executive Council's Web site at <http://www.ignet.gov/pande/faec/caguideccloseout.pdf>.

March 15, 2012

### *Presentation on Amtrak Delays*

An OIG economist presented a paper on OIG's analysis of Amtrak delays at the annual Transportation Research Forum in Tampa, FL. The conference focused on transportation economics, and was attended by individuals from academia, government, and the private sector.



# Work Planned and In Progress

This section describes OIG's work planned or in progress for April 1, 2012, through September 30, 2012. The work focuses on the Department's Strategic Plan and its core missions of transportation safety and mobility, and responds to requests by Administration officials and Congress. We take into account the need to support DOT's most critical programs and to ensure that the Department's resources are protected from fraud, waste, and abuse.

## AVIATION AND SPECIAL PROGRAMS

### IN PROGRESS

#### *FAA's Controller Facility Training Program*

FAA plans to hire and train nearly 11,000 new air traffic controllers through fiscal year 2020 to offset impending retirements. Training and certifying these large numbers of newly hired controllers pose significant challenges for FAA. Over the past 2 years, average training times for controllers assigned to terminal facilities increased significantly, primarily due to the increased number of new hires who have no prior air traffic experience. In addition, some facilities have experienced high trainee attrition rates. For example, at the New York Terminal Radar Approach Control, 77 percent of new controllers who completed facility training between fiscal years 2008 and 2010 did not successfully complete controller certification. Given these challenges, our audit objectives are to (1) identify steps FAA has taken to improve the facility training program for air traffic controllers and (2) assess the effectiveness of those steps in improving training times, staffing composition, and training completion rates.

#### *DOT and FAA Oversight of Domestic Code-Share Relationships*

At the request of the former Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is conducting an audit of DOT and FAA oversight of code-share agreements between domestic air carrier partners. Our audit objectives are to (1) examine DOT's and FAA's role in reviewing agreements between mainline air carriers and their regional partners, (2) assess FAA policies and procedures for ensuring one level of safety between mainline carriers and their regional partners, and (3) determine whether passengers have adequate information to make informed decisions when purchasing airline tickets.

#### *FAA Oversight of ARRA Expenditures*

ARRA requires Inspectors General to conduct audits of ARRA-funded projects to ensure the effective and efficient use of ARRA funds. Accordingly, OIG is assessing FAA's oversight of ARRA grants for airports to determine

whether FAA is preventing improper payments and ensuring ARRA funds are used only for authorized purposes.

### *FAA Oversight of Aircraft Repair Stations*

At the request of the former Chairman of the House Transportation and Infrastructure's Subcommittee on Aviation, OIG is assessing U.S. airlines' use of aircraft repair stations. The objectives of our audit are to (1) examine changes FAA has made to its repair station oversight, (2) assess the effectiveness of these changes in bolstering FAA's oversight of both domestic and foreign repair stations, and (3) identify challenges to effective oversight that FAA still needs to address.

### *FAA's Terminal Automation Modernization Program*

FAA plans to invest about \$1 billion through 2018 to modernize terminal automation systems that controllers rely on to manage air traffic near airports. This effort is key to replacing aging equipment and achieving FAA's goals for NextGen. Our audit objectives are to determine whether FAA's (1) acquisition strategy for terminal modernization effectively addresses technological and operational risks and (2) terminal modernization efforts are compatible with key NextGen programs and schedules.

### *FAA and Air Carrier Efforts To Enhance Safety in Response to the Colgan Accident*

At the request of the Chairman and Ranking Member of the House Committee on Transportation and Infrastructure, we are reviewing FAA and industry efforts to enhance safety. Since the fatal crash of Colgan Air flight 3407 in February 2009, FAA, Congress, and air carriers have recognized the need for safety initiatives in pilot fatigue, training, and professionalism. These initiatives, while ongoing, were not completed during FAA's Call to Action on Airline Safety and Pilot Training and subsequently became requirements under the Airline Safety and FAA Extension Act of 2010. Accordingly, we are (1) examining FAA and industry progress in implementing elements of the Airline Safety and FAA Extension Act of 2010 and (2) identifying any challenges to completing these actions.

### *FAA's Aviation Safety Inspector and Analyst Staffing*

The Airline Safety and FAA Extension Act of 2010 directed OIG to review staffing levels for FAA's aviation safety inspectors and operations research analysts. The 2009 Colgan crash raised concerns about the experience and numbers of inspectors and analysts assigned to oversee air carriers and review inspection data. Accordingly, our audit objectives are to (1) evaluate FAA's process for assigning inspectors and analysts to each Part 121 air carrier, (2) assess the number and level of experience of inspectors and analysts assigned to each Part 121 air carrier, and

(3) evaluate FAA's use of other surveillance processes to supplement the inspections performed by assigned oversight offices.

### *FAA's Methodologies for Investigating and Mitigating Risks of Losses of Standard Separations*

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security, as well as the Chairman and Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation, we are assessing how operational errors are categorized and how their risks are mitigated. Operational errors occur when a controller fails to ensure required separation between aircraft—a serious threat to aviation safety. The number of recorded operational errors has risen dramatically over the past few years, but FAA has not clearly explained the reasons for this rise. Accordingly, we are evaluating the effectiveness of FAA's policies and processes to (1) collect, measure, evaluate, and report separation losses, and (2) mitigate the risk of separation losses.

### *Aviation Industry Performance Report*

Since 2000, we have issued the Aviation Industry Performance Report, a series of statistics-based reports on the aviation industry. While the report initially focused on the airline industry's performance—such

as flight delays and cancellations—in the aftermath of the September 2001 terrorist attacks and economic downturn, the report was expanded to incorporate metrics on airline finances and airport service levels. Our last report (dated May 6, 2009) contained over 25 metrics organized into such areas as airline financial performance and industry conditions, changes in flight service to airports, and flight delays and cancellations. Past reports have also highlighted one or more significant issues impacting the aviation industry at that time. For the upcoming report, we anticipate identifying important changes in the dramatically evolving airline industry, updating the prior 25 metrics, as well as adding some new ones dealing with various passenger service issues.

### *FAA's Air Traffic Safety Action Program (ATSAP)*

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security, as well as the Chairmen and Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation, we are assessing FAA's implementation of ATSAP and identifying any improvements necessary for FAA to maximize program benefits. ATSAP is a voluntary safety reporting program for employees at all air traffic control facilities. The program encourages employees to report safety and operational concerns to build awareness of events that may lead to

safety breakdowns so that actions can be taken to reduce risk. Our objective is to assess FAA's implementation and oversight of ATSAP.

### *FAA's Federal Contract Tower Program*

At the request of the Chairman and Ranking Member of the House Committee on Appropriations, OIG is reviewing FAA's Contract Tower Program, which employs contractors to provide air traffic control services at low activity airports at lower costs than FAA could otherwise provide. Our objective is to review the Contract Tower Program to evaluate whether the program continues to be cost-effective and have safety benefits and overall value to users.

### **PLANNED**

### *Challenges and Risks With Automatic Dependent Surveillance-Broadcast (ADS-B) Implementation*

At the request of the Chairman and Ranking Members of the House Appropriations Committee's Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, we are reviewing FAA's progress, challenges, and risks in implementing the ADS-B program. Congress expressed concern that while FAA is making progress with installing ADS-B ground stations, recent problems with the En Route Automation Modernization (ERAM) program—another key FAA acquisition—clearly show that more oversight of FAA's major capital programs is needed. We plan to conduct an

audit to (1) assess FAA's progress in addressing cost, schedule, and performance risks facing ADS-B identified in our previous work and FAA test reports and (2) evaluate whether the ADS-B contract, as modified, is designed and administered effectively to manage costs and achieve desired outcomes.

### *Aviation Safety Information Analysis and Sharing (ASIAS) System*

The Airline Safety and FAA Extension Act of 2010 directed OIG to assess the feasibility of FAA establishing a comprehensive repository containing data from multiple sources that is accessible by aviation safety inspectors and analysts. FAA's ASIAS system contains data from numerous safety databases, including the Aviation Safety Action Program and other voluntary programs. In the past, access to such data has been limited. We plan to conduct an audit to determine (1) the status of FAA's efforts to implement ASIAS, (2) how FAA uses the system to assist in overseeing air carriers, and (3) whether aviation safety inspectors and operational research analysts have access to ASIAS data.

### *Underlying Causes for Lack of Progress With NextGen Implementation*

Since the NextGen effort began in 2005, OIG has repeatedly reported on cost and schedule risks as well as operational and management challenges NextGen faces. During recent

hearings on NextGen, Congress has indicated its growing concern with FAA's lack of progress. At the request of the Chairman and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, we plan to assess FAA's (1) progress in making key NextGen decisions, (2) overarching organizational and cultural barriers to effectively execute NextGen, and (3) efforts to address the underlying causes of problems to include a review of FAA's recent reorganization.

### *FAA Policy Regarding Use of Unmanned Aerial Systems (UAS)*

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security, as well as the Chairmen and Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we plan to conduct an audit to assess (1) FAA's progress in developing policies and rules for operating UAS in domestic airspace, (2) FAA's plans for incorporating UAS into NextGen, and (3) FAA's plans and efforts with other Federal agencies to mitigate technological and safety risks for integrating UAS into the U.S. air transportation system.

### *PHMSA's Oversight and Enforcement of the State Pipeline Safety Program*

The September 2010 pipeline explosion in San Bruno, CA—which killed eight and destroyed 37 homes—as well as other recent accidents called into question the effectiveness of Federal and State oversight and enforcement of pipeline operators' compliance with federally mandated safety requirements. We plan to conduct an audit to evaluate PHMSA's (1) policies and processes for authorizing States to oversee and enforce Federal pipeline safety regulations and (2) program oversight to ensure States effectively execute their pipeline safety oversight and enforcement responsibilities in accordance with State certifications or agreements.

### *Air Carrier Flight Delays, Cancellations, and Associated Causes*

The FAA Modernization and Reform Act of 2012 directed OIG to update its 2000 report on Air Carrier Flight Delays and Cancellations. As part of this effort, we will assess FAA's and the Bureau of Transportation Statistics' progress in addressing our prior report findings and recommendations. We will also (1) compare recent flight delay and cancellation trends with prior problem periods, (2) examine air carrier scheduling practices and their relative impact in causing flight delays and cancellations, and (3) assess FAA's use of capacity benchmarks to help manage air traffic at the Nation's busiest airports.

## *FAA's Oversight of Land Transfers From Surplus Property Airports*

In 2011, OIG identified \$72 million in lost airport revenue from two airports that sold property below fair market value. FAA policy requires that airport owners and operators transfer airport property at fair market value and use the proceeds for approved airport purposes. Receiving fair market value helps airports reduce their dependence on Federal grants. We plan to assess how FAA (1) tracks and records land sales from Surplus Property Airports, (2) ensures that the airport receives fair market value, and (3) ensures revenues are restricted to approved airport purposes that are completed according to the terms of the release.

## *PHMSA's Progress in Implementing Actions Plans To Improve Management and Oversight of the Special Permits and Approvals Program*

Over the past 2 years, OIG's evaluation of this program has consistently shown that strong oversight of these authorizations is needed. OIG recommended several actions that PHMSA needed to take to strengthen its policies, procedures, and management oversight to ensure the Special Permits and Approvals

Program operates efficiently and effectively and achieves its safety mission. We plan to conduct a follow-up review to evaluate PHMSA's progress in implementing action items identified in its special permits and approvals action plans.

## *FAA's Efforts To Streamline Its Process for Implementing New Performance-Based Flight Procedures*

In 2009, RTCA Task Force 5—a joint FAA-industry task force—completed an assessment and identified near-term priorities for the 2012 to 2018 timeframe. Key recommendations focus on developing high-value flight procedures that rely on equipment already onboard aircraft and resolving longstanding approval and certification issues for new flight procedures. In response to the Task Force's recommendations, FAA performed a study (the NAV Lean Project) that identified 21 needed improvements. However, these improvements could take as long as 5 years to complete, and new flight procedures are not yet yielding expected benefits—raising congressional and industry concern. At the request of the Chairmen of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, we plan to assess FAA's progress in (1) providing new high-value performance-based navigation procedures and (2) implementing improvements recommended by the NAV Lean Project.

# HIGHWAY AND TRANSIT PROGRAMS

## IN PROGRESS

### *FTA Oversight of the Dulles Corridor Metrorail Project*

OIG is conducting an audit of FTA's oversight of Phase 1 of the Dulles Corridor Metrorail Project in the Washington, DC, metropolitan area.

This infrastructure project involves a Federal investment of \$900 million through FTA's New Starts program, including \$77.3 million in ARRA funds. Our audit objectives are to determine whether (1) FTA's oversight of the Metropolitan Washington Airports Authority's process to test the 30-year-old foundations was sufficient to resolve all safety concerns, and (2) FTA's oversight activities effectively addressed significant project schedule, cost, and funding risks.

### *FHWA Oversight of High-Dollar ARRA Highway Projects*

ARRA provided \$27.5 billion to FHWA for ARRA highway infrastructure investments and requires FHWA to ensure that States receiving ARRA funds adhere to all Federal-aid highway program requirements. OIG is conducting an audit to determine whether FHWA's oversight of selected high-dollar ARRA projects has resulted in project compliance with key Federal-aid highway requirements for cost, quality, and construction schedule.

### *FMCSA's Response to NTSB Recommendations on New Entrant Safety Assurance Program*

OIG is conducting an audit to evaluate FMCSA's response to NTSB recommendations for addressing weaknesses in Federal oversight of passenger carriers identified through an investigation into a 2008 motor coach crash near Victoria, TX, which killed one passenger and injured 47 others. Our audit objectives are to assess FMCSA's efforts to (1) detect and deter reincarnated motor carriers; (2) revise regulations, implement new rulemakings, or obtain increased statutory authority to strengthen passenger carrier safety; and (3) develop the capability to better identify and track motor carriers whose vehicles do not comply with Federal safety requirements.

### *FTA's Charter Bus Regulation*

In a report accompanying the Fiscal Year 2010 appropriations bill for the Department of Transportation, Housing and Urban Development, and Related Agencies, the Senate Committee on Appropriations directed OIG to conduct an audit of FTA's implementation of the charter bus regulation. This regulation generally prohibits a transit agency that receives Federal transit grant funds from providing charter services, such as shuttle

buses to sporting events, when a private charter operator is interested in providing the service. Our audit objectives are to (1) evaluate FTA's implementation of the charter service regulation, and (2) assess the impact of FTA's 2008 revisions to the charter service regulation at selected locations.

### *FTA's Regional Oversight of Transit Grants*

OIG is assessing FTA's regional oversight of transit grants to determine whether the efforts ensure proper stewardship of Federal funds and prevent fraud, waste, and abuse. For each selected regional office, we are assessing the use of key oversight tools to identify grantees' management weaknesses and make funding decisions, and evaluate efforts to ensure that grantees correct management weaknesses.

### *NHTSA's Highway Safety Grants to the State of Mississippi*

OIG is conducting an audit of the State of Mississippi, Department of Public Safety, Office of Highway Safety's (MOHS) management of highway safety grants. Over the past 4 years, NHTSA provided more than \$57 million in highway safety grants to MOHS, and in 2011, NHTSA placed the Mississippi Highway Safety Program on its "high risk" list. Our audit objectives are to (1) determine whether MOHS has sufficient management controls to ensure its compliance with Federal grant requirements and proper

expenditure of Federal grant funds and (2) assess NHTSA's actions designed to ensure MOHS's compliance with Federal grant requirements.

### *FHWA's Full Oversight of ARRA Projects*

OIG is conducting an audit of FHWA's oversight of ARRA projects for which FHWA has retained full oversight—that is, project-level approval responsibilities for project design, plans, specifications, and estimates and contract awards and inspections. These responsibilities are typically delegated to States in accordance with Stewardship and Oversight Agreements. Our audit objectives are to (1) assess FHWA's guidance for conducting full oversight during project construction and (2) determine whether FHWA's implementation of its full oversight guidance results in ARRA projects meeting quality and cost requirements.

### *FHWA's Stewardship and Oversight Agreements*

OIG is assessing whether FHWA's stewardship and oversight agreements clearly define FHWA and State oversight roles and responsibilities, and address laws and regulations. Federal law requires FHWA and each State to enter into an agreement documenting the extent to which the State assumes FHWA's responsibilities under 23 U.S.C.

## *Cross-Border Trucking*

OIG is conducting an audit of FMCSA's North American Free Trade Agreement (NAFTA) cross-border trucking pilot program as required in Section 6901 of the U.S. Troop Readiness, Veteran's Care, Katrina Recovery, and Iraq Accountability Act, 2007. Based on Section 6901 requirements, we are assessing whether (1) the pilot program consists of an adequate and representative sample of Mexico-domiciled carriers that are likely to engage in cross-border operations beyond the United States municipalities and commercial zones on the United States–Mexico border; (2) Federal and State monitoring and enforcement activities are sufficient to ensure that participants in the pilot program are complying with all applicable laws and regulations; and (3) the Department has established sufficient mechanisms to determine whether the pilot program is adversely affecting motor carrier safety.

## *Highway Safety Improvement Program (HSIP)*

HSIP, a data-driven and performance-based program, aims to significantly reduce traffic fatalities and serious injuries on public roads. OIG is assessing whether FHWA (1) provides sufficient guidance and assistance to enable States to effectively implement the data-driven, performance-based approach called for in HSIP's enabling legislation, and (2) evaluate HSIP results, which States report to FHWA annually, to determine the program's impact.

## **PLANNED**

### *Dulles Corridor Metrorail Project, Phase 2*

At the request of Representatives Frank R. Wolf and Tom Latham, OIG plans to conduct an audit of phase 2 of the Dulles Corridor Metrorail Project in Northern Virginia. The requesters' concerns are that MWAA may not have the management or financial capabilities to complete the entire project on time and on budget, and without dramatic toll increases. We plan to (1) evaluate FTA's oversight role and determine whether its approach will address project risks, and (2) review the phase 2 financial plan and determine whether anticipated Dulles Toll Road revenue expectations are based on credible and supportable toll road demands and forecasts.

### *New York City Major Projects: East Side Access Project*

FTA has committed to investing almost \$2.7 billion in Federal funds for the East Side Access project, one of the largest and most complex transit projects in the country. Though the project is in construction, estimated costs for the East Side Access project have increased from \$6.4 billion to \$8.1 billion, and the estimated completion date was pushed out from December 2013 to April 2018. We plan to conduct an audit to determine whether FTA has examined and addressed significant factors that have contributed to cost and schedule increases, and ensured that the project met ARRA requirements.

## *Federal Lands Highway Indian Reservation Roads Program*

OIG plans to conduct an audit of the Indian Reservation Roads program within the Office of Federal Lands Highway (FLH). The Indian Reservation Roads program provides financial resources and technical assistance for public roads that service the needs of Indian lands. The Indian Reservation Roads program is FLH's largest program, receiving \$1.93 billion in congressional appropriations from fiscal year 2005 through fiscal year 2009, and \$310 million in ARRA funds. We plan to assess whether FLH is providing sufficient oversight of the Indian Reservation Roads program to ensure appropriate use of funds and compliance with Federal requirements.

## *National Transit Database*

OIG plans to conduct an audit of FTA's National Transit Database (NTD), which Congress established to be the Nation's primary source of information and performance statistics on U.S. transit systems. Each year, FTA uses NTD performance data to apportion over \$5 billion in FTA funds to transit agencies in urbanized areas for capital and operating assistance. We plan to evaluate FTA's oversight of NTD data to ensure submissions from grant recipients are timely, accurate, and complete, and determine whether FTA has opportunities to enhance NTD to promote safety and effective use of resources.

# RAIL AND MARITIME PROGRAMS AND ECONOMIC ANALYSIS

## IN PROGRESS

### *High-Speed Intercity Passenger Rail (HSIPR) Program State-Freight Railroad Access Agreements*

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) directed FRA to develop and administer a HSIPR grant program. Four months after PRIIA's enactment in October 2008, ARRA infused \$8 billion into the HSIPR program. One of the program's critical implementation risks derives from the investment of Federal grant funds in private freight railroad infrastructure. OIG is conducting an audit to (1) evaluate the extent to which FRA's interim guidance for railroad access agreements includes provisions intended to ensure those agreements support HSIPR program goals, and (2) whether final railroad access agreements comply with the requirements set forth in FRA's interim guidance.

### *FRA Progress in Developing a Grants Management Framework*

The new HSIPR program greatly expanded FRA's responsibilities. One new responsibility requires the Agency to distribute \$10.5 billion in grants to States for passenger rail-related projects in a short amount of time. We are (1) evaluating FRA's grant management framework; (2) assessing FRA's process for determining its workforce needs; and

(3) identifying the challenges FRA faces in awarding, obligating, and disbursing funds to States.

### *MARAD's Oversight and Coordination of Port Infrastructure Development Projects*

Since 2003, MARAD has engaged in port infrastructure development projects, with a role in providing oversight and coordination of projects, acting as a central procurement organization, leveraging Federal and non-Federal funding resources, and streamlining environmental review and permit processes. OIG's Office of Rail, Maritime, and Economic Analysis is evaluating MARAD's oversight and risk management of port infrastructure development projects. OIG's Office of Acquisition and Procurement Audits is evaluating MARAD's oversight of port infrastructure projects' contract awards and administration.

### *FRA's Progress in Implementing the Rail Safety Improvement Act of 2008*

In response to several fatal rail accidents between 2002 and 2008, Congress passed the Rail Safety Improvement Act of 2008 (RSIA)—the first authorization of FRA's safety programs since 1994—which directs FRA to promulgate

new safety regulations. OIG is assessing FRA's progress in (1) developing and issuing the new regulations and (2) establishing or modifying policies and procedures to ensure compliance with the new RSIA-required regulations.

## **PLANNED**

### *Amtrak Annual Budget and 5-Year Plan*

Pursuant to Section 204 of the Passenger Rail Investment and Improvement Act of 2008, OIG will review the annual budget and the 5-year financial plans prepared by Amtrak to determine whether they meet the requirements of PRIIA and furnish any relevant findings to the House Committee on Transportation and Infrastructure; the Senate Committee on Commerce, Science, and Transportation; and the House and Senate Committees on Appropriations.

### *Amtrak's Financial Accounting and Reporting System*

As required by Section 203(b) of PRIIA, OIG plans to conduct a review of Amtrak's new PRIIA-mandated financial accounting and reporting system to determine whether it accomplishes the purposes for which it was intended.

### *FRA's National Environmental Protection Act (NEPA) Process*

OIG plans to conduct an audit to assess FRA's process for reviewing and approving NEPA requirements for rail grants. NEPA requires FRA, as a Federal agency, to assess the environmental impacts of its proposed actions prior to making decisions. Because each Federal agency establishes its own NEPA review process, process inefficiencies and redundancies are common among projects that involve more than one agency, creating growing concerns about potentially significant delays in approvals and the completion of high-speed intercity passenger rail funded projects.

### *Effects of Limited Air Service Options on Quality of Service*

The FAA Modernization and Reform Act of 2012 directs OIG to assess the effect that limited air carrier service options on routes have on the frequency of delays and cancellations on such routes. To meet this requirement, OIG will conduct an analysis of the relationship between the presence or degree of competition on airline routes and the frequency of delays and cancellations.

# FINANCIAL AND INFORMATION TECHNOLOGY

## IN PROGRESS

### *Quality Control Review of Standards for Attestation Engagements (SSAE-16) Review of DOT's Enterprise Services Center*

OIG is performing a quality control review of the audit performed by an independent public accounting firm to determine whether (1) management's description of the service organization's systems are fairly presented; (2) controls are suitably designed; and (3) controls operate effectively during the period of October 1, 2011, to June 30, 2012.

### *Security Protection of Airmen Registry Systems*

OIG is assessing FAA's registry systems for airmen certification, rating, and authorization to determine whether (1) personally identifiable information is secure from unauthorized use or access, (2) information in the registry systems is sufficient for managing aircraft registrations and airmen's records, and (3) registry contingency planning ensures FAA's continued ability to accomplish its mission of aviation safety.

### *DOT's Information Security Program and Practices for Fiscal Year 2012*

As mandated by the Federal Information Security Management Act of 2002, OIG is performing its annual review of DOT's information security program and practices to determine their effectiveness..

### *The United States Merchant Marine Academy's (USMMA) Technical Security Controls*

OIG is assessing USMMA's technical security controls for its local area network (LAN) and Web site. Our audit objectives are to (1) evaluate the implementation of USMMA's LAN and Web site technical security controls intended to prevent intrusion and protect personally identifiable information and (2) identify security vulnerabilities and weaknesses.

## *Implementation of DOT's Enterprise Architecture for Information Technology Investment*

OIG is performing a review of DOT's development and implementation of an enterprise architecture to direct future IT system development efforts. Our audit objectives are to determine whether DOT (1) has established adequate baseline and target architectures; (2) has effective management practices, policies, and processes for developing, implementing, maintaining, and overseeing the program; and (3) is reporting actual results from the program.

## *Quality Control Review of DOT's Fiscal Years 2012 and 2011 Consolidated Financial Statements, and FAA's, SLSDC's, and NTSB's Financial Statements*

OIG is performing a quality control review of the audits performed by independent public accounting firms to determine whether the audits were performed in accordance with applicable auditing standards.

## *Quality Control Reviews of Single Audits on DOT Grantees*

OIG is performing a quality control review of the audits performed by independent public accounting firms on grant recipients' use of DOT funds.

## *Security and Controls Review Over FAA's ERAM Program*

OIG is performing an Information Security Controls audit of FAA's ERAM Program. ERAM will replace the 30-year old En Route Host computer and backup system, as well as more than 800 controller workstations at FAA's Air Route Traffic Control Centers nationwide. ERAM is expected to facilitate reduced aircraft separation and improved flight plan processing by offering flexible routing options, provide safety alerts to prevent collisions and congestion, and enable controllers to better handle unplanned events. We are determining the effectiveness of ERAM's information security controls, including whether FAA is identifying security risks and properly mitigating them.

## *DOT's Purchase Card Program*

OIG is performing an audit on the DOT's purchase card program. Issued via the General Services Administration's SmartPay® program, these cards offer a convenient and efficient way for Government agencies to purchase a wide variety of goods and services. In fiscal year 2010, DOT employees made more than \$200 million in purchases with purchase cards. Recent OIG investigations have identified internal control issues within the program that have led to instances of fraud. We are assessing the adequacy of controls established to prevent and detect inappropriate or unauthorized use of DOT-issued purchase cards.

## *FTA's Improper Payment Controls*

The Improper Payments Information Act of 2002 holds Federal agencies accountable for preventing and detecting improper payments in their programs. More recent legislation has implemented consequences for noncompliance with statutory requirements for the reduction and recovery of improper payments. The Department has identified FTA's Formula Grant and Capital Investment Grant Programs as susceptible to significant improper payments; 99 percent of FTA's ARRA funds were awarded through these programs. We are evaluating whether FTA has adequate internal controls to prevent and detect improper payments to ARRA grant recipients.

## *Union Station Redevelopment Corporation*

At the request of Representatives Nick J. Rahall II and Eleanor Holmes Norton, OIG will perform a full Federal audit of the management and financial viability of the Union Station Redevelopment Corporation (USRC). Our objectives will be to (1) conduct a quality control review of USRC's latest financial statement audit, if one was conducted, to determine if the audit was performed in accordance with applicable standards, and (2) assess the adequacy of USRC's oversight of Union Station's development. Based on the outcome of this review, we will assess the need for and scope of any subsequent financial management reviews of USRC's financial activities.

## **PLANNED**

## *FHWA's Improper Payment Controls*

The Improper Payments Information Act of 2002 holds Federal agencies accountable for preventing and detecting improper payments in their programs. More recent legislation has implemented consequences for noncompliance with statutory requirements for the reduction and recovery of improper payments. FHWA was allocated \$27.5 billion under ARRA. OIG will perform a review of the controls implemented by FHWA to prevent and detect improper payments to ARRA grant recipients.

## *DOT's Common Operating Environment Assessment (COE)*

COE, DOT's largest non-FAA network, supports the Department in fulfilling its missions. It also contains considerable amounts of personally identifiable information. Accordingly, DOT needs to protect COE and the availability, integrity, and confidentiality of its information. OIG will perform a review of COE to (1) determine whether it is secure from compromise and (2) identify other security weaknesses.

## *FAA's Air Traffic Control System Command Center (ATCSCC)*

ATCSCC systems assist FAA in managing air traffic flow, resolving inter-air traffic facility issues, and addressing weather and other conditions that stress the National Airspace System. As such, it is critical that FAA protect these systems and the availability and integrity of its information. OIG will perform a review to assess ATCSCC systems' information security controls, including whether FAA is identifying security risks and properly mitigating them.

## ACQUISITION AND PROCUREMENT

In addition to directing its own audits, OIG's Office of Acquisition and Procurement partners with other OIG offices to provide acquisition expertise and audit work on a broad and cross-cutting range of reports related to our aviation, highway and transit, rail and maritime, and information technology work. Leveraging OIG's acquisition expertise across all audit groups ensures consistent and thorough reviews of acquisition matters throughout the Department and with its grantees. This comprehensive approach to acquisition matters focuses on the strategic significance of promoting effective oversight of the Department's acquisitions, contracts, and financial assistance arrangements.

### IN PROGRESS

#### *DOT's Administration of the Disadvantaged Business Enterprise (DBE) Program*

Each year, DOT's DBE program distributes over \$3 billion to increase the participation of socially and economically disadvantaged firms in State and local contract awards. OIG is reviewing DOT's management and oversight of its DBE program. We are assessing DOT and State policies, internal controls, and program management to determine whether they are adequate to ensure only eligible firms are certified as DBEs and funds are effectively used to meet the program's objectives.

#### *Update on FAA's Challenges for the Air Traffic Controller Optimum Training Solution (ATCOTS) Contract*

At the request of the Chairman of the Senate Homeland Security and Governmental Affairs Committee's Subcommittee on Contracting Oversight, OIG is conducting a follow-up audit of

FAA's ATCOTS contract, an \$859-million contract intended to provide up to 10 years of controller training support and to assist in modernizing the training program. In September 2010, we reported that the ATCOTS contract faces challenges. Our audit objectives are to determine whether FAA (1) implemented our prior reported recommendations to improve program and contract oversight, (2) established effective performance measures to support ATCOTS training goals, and (3) can achieve ATCOTS training goals under the current contract.

#### *Departmental Review Processes for FAA's High-Risk Major Systems Acquisitions*

FAA's fiscal year 2012 request for its capital investment portfolio exceeds \$3.1 billion. DOT's Investment Review Board (IRB) and FAA's Joint Resources Council (JRC) are executive governance boards responsible for approving and overseeing the annual investment of billions of dollars in major systems acquisitions. We are assessing DOT's and FAA's compliance with IRB and JRC investment controls and governance

## Office of Acquisition and Procurement Joint Audits in Progress

In Progress	Partner Office	Objective
FAA's Implementation of the En Route Automation Modernization (ERAM) System	Aviation and Special Programs	Evaluate ERAM's contract structure and administration for managing costs and achieving outcomes
MARAD's Oversight and Coordination of Port Infrastructure Development Projects	Rail and Maritime Programs and Economic Analysis	Evaluate MARAD's oversight of port infrastructure projects' contract awards and administration

## PLANNED

### *DOT's Contract Closeout Processes*

Effective contract closeout processes protect the Government's interests, minimize administrative costs for the Government and the contractor, and free excess funds for possible use elsewhere. In fiscal year 2010, DOT obligated approximately \$5.8 billion on contracts for goods and services, a significant pool of contracts that may require careful contract closeout. We plan to determine whether DOT's Office of the Secretary and DOT's operating administrations are closing contracts efficiently and effectively, including de-obligating excess funds on completed contracts.

### *FTA Oversight of Grantees' ARRA Contract Award and Administration Practices*

FTA has awarded 1,072 ARRA-funded grants that support the construction or renovation of over 850 transit facilities at a total cost of over \$4 billion, the purchase of nearly 12,000 transit vehicles at a total cost of more than \$2 billion, and preventative maintenance projects totaling \$700 million. We plan to conduct an audit to determine whether FTA's oversight of transit agencies' ARRA construction and renovation grants is sufficient to ensure (1) that grantees' contract award and administration practices comply with laws, regulations, policies, and procedures and (2) that grantees achieve the cost, schedule, and performance goals of their ARRA-funded infrastructure investments.

## *FRA Oversight of Grantees' ARRA Contract Award and Administration Practices for Its HSIPR Program*

ARRA designated \$8 billion for FRA's HSIPR Program. HSIPR represents a major transformation for FRA—moving from a relatively small agency focused on rail safety to a grant-making agency responsible for overseeing the disbursement of billions of dollars. Insufficient ARRA program oversight could expose FRA to potential fraud and mismanagement. We plan to conduct an audit to evaluate FRA's oversight of State and other grantee level contract award and administration practices by (1) determining what oversight policies FRA has in place and (2) assessing any mechanisms FRA uses to monitor grantees' contracting activities.

## *DOT's Implementation and Management of Key Acquisition Reforms*

The Administration's reform agenda calls for improving contracting and reducing reliance on risky contracts and includes a focus on topics such as strategic sourcing, achieving contract cost savings, and effectively contracting for services. The reform calls for greater economy, accountability, and transparency in Government contracting, heightening the need for DOT to effectively implement these initiatives. We plan to determine whether DOT has implemented internal controls to effectively implement these acquisition reforms.



## DEPARTMENTWIDE

### IN PROGRESS

#### *OST's Transportation Investments Generating Economic Recovery (TIGER) Grants*

OIG is conducting an audit of DOT's oversight of the TIGER discretionary grant program. ARRA created this \$1.5 billion program to fund surface transportation infrastructure projects, to be administered by the Office of the Secretary (OST). Our audit objectives are to (1) evaluate OST's management of the TIGER program, including performance measures for determining the economic and transportation-related impact of each project, and (2) each operating administration's oversight of its TIGER projects.

#### *Management of the Metropolitan Washington Airports Authority (MWAA)*

At the request of Congressmen Frank R. Wolf and Tom Latham, OIG is (1) determining whether the policies and processes under which MWAA operates comply with the terms of the law and the lease between DOT and MWAA and (2) assessing the sufficiency of MWAA's policies and processes to ensure accountability and transparency of its board's activities. OIG's Office of Acquisition and Procurement Audits is supporting this audit by evaluating MWAA's process for awarding contracts and its compliance with the Metropolitan Washington Airports Act of 1986.



## Summary of Performance

### *Office of Inspector General*

October 1, 2011 – March 31, 2012

(Dollars in Thousands)

Reports Issued	83
Recommendations Issued	234
Congressional Testimonies	3
Total Financial Recommendations	\$1,420,761
That Funds Be Better Used	\$1,400,000
Questioned Costs	\$20,761
Indictments	86
Convictions	33



# Audits

## Completed OIG Reports

October 1, 2011 – March 31, 2012

(Dollars in Thousands) \*

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds To Be Put to Better Use
<b>Internal Audits</b>					
Performance Audits	14	80	\$0	\$0	\$0
Financial Audits	4	35	\$0	\$0	\$1,400,000
Attestation Engagements	2	2	\$0	\$0	\$0
Other OIG Reports	1	0	\$0	\$0	\$0
<b>Total Internal Audit Reports</b>	<b>21</b>	<b>117</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,400,000</b>
<b>Grant Audits</b>					
Audits of Grantees under Single Audit Act	62	117	\$20,761	\$0	\$0
<b>Total Completed OIG Reports</b>	<b>83</b>	<b>234</b>	<b>\$20,761</b>	<b>\$0</b>	<b>\$1,400,000</b>

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

Department of Transportation programs and operations are primarily carried out by Department personnel and recipients of Federal grants. As a result, audits by DOT's Office of Inspector General generally fall into three categories: internal audits of departmental programs and operations, audits of grant recipients, and other OIG reports.

## OIG Reports With Recommendations That Questioned Costs

October 1, 2011 – March 31, 2012

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs <sup>a</sup>
A. For which no management decision had been made by the start of the reporting period	5	7	\$911	\$0
B. Which were issued during the reporting period	15	17	\$20,761	\$0
<b>Totals (A+B)</b>	<b>20</b>	<b>24</b>	<b>\$21,672</b>	<b>\$0</b>
C. For which a management decision was made during the reporting period	15	18	\$20,450	\$0
(i) dollar value of disallowed costs <sup>b</sup>	13	15	\$19,848	\$0
(ii) dollar value of costs not disallowed <sup>b</sup>	4	4	\$721	\$0
D. For which no management decision had been made by the end of the reporting period	5	6	\$1,222	\$0

<sup>a</sup> Unsupported costs are also included in the figures shown as questioned costs.

<sup>b</sup> Includes reports and recommendations where costs were both allowed and disallowed.

## OIG Reports With Recommendations That Funds Be Put To Better Use

October 1, 2011 – March 31, 2012

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Funds to Be Put To Better Use
A. For which no management decision had been made by the start of the reporting period	2	2	\$161,126
B. Which were issued during the reporting period	1	1	\$1,400,000
<b>Totals (A+B)</b>	<b>3</b>	<b>3</b>	<b>\$1,561,126</b>
C. For which a management decision was made during the reporting period	2	2	\$1,560,700
(i) dollar value of recommendations that were agreed to by management <sup>a</sup>	2	2	\$1,431,657
ii) dollar value of recommendations that were not agreed to by management <sup>a</sup>	1	1	\$129,043
D. For which no management decision had been made by the end of the reporting period	1	1	\$426

<sup>a</sup> Includes reports and recommendations where costs were both allowed and disallowed.

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

October 1, 2011 – March 31, 2012

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	42	92
B. Which were issued during the reporting period	63	216
<b>Totals: (A+B)</b>	<b>105</b>	<b>308</b>
C. For which a management decision was made during the reporting period <sup>a</sup>	73	203
D. For which no management decision had been made by the end of the reporting period <sup>a</sup>	40	105

<sup>a</sup> Includes reports where management both made and did not make a decision on recommendations.

## Management Decisions Regarding OIG Recommendations

October 1, 2011 – March 31, 2012

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs <sup>a</sup>	Funds To Be Put to Better Use
Unresolved as of 10/1/2011	44	101	\$911	\$0	\$161,126
Audits with Findings During Current Period	73	234	\$20,761	\$0	\$1,400,000
<b>Total to be Resolved</b>	<b>117</b>	<b>335</b>	<b>\$21,672</b>	<b>\$0</b>	<b>\$1,561,126</b>
<i>Management Decisions:</i>					
Audits Prior Period <sup>b</sup>	28	57	\$418	\$0	\$160,700
Audits Current Period <sup>b</sup>	54	167	\$20,032	\$0	\$1,400,000
<b>Total Resolved</b>	<b>82</b>	<b>224</b>	<b>\$20,450</b>	<b>\$0</b>	<b>\$1,560,700</b>
<i>Aging of Unresolved Audits: <sup>c</sup></i>					
Less than 6 months old	25	67	\$729	\$0	\$0
6 months – 1 year	10	25	\$493	\$0	\$426
1 year – 18 months	3	8	\$0	\$0	\$0
18 months – 2 years	1	1	\$0	\$0	\$0
Over 2 years old	4	10	\$0	\$0	\$0
<b>Unresolved as of 03/31/2012</b>	<b>43</b>	<b>111</b>	<b>\$1,222</b>	<b>\$0</b>	<b>\$426</b>

<sup>a</sup> Unsupported costs are also included in the figures shown as questioned costs.

<sup>b</sup> Includes reports and recommendations where costs were both allowed and disallowed.

<sup>c</sup> Considered unresolved if management decisions have not been made on all report recommendations.

## Office of Inspector General Reports

October 1, 2011 – March 31, 2012

### DEPARTMENTWIDE

Internal Audits: Performance/Attestation – 6 reports

Report	Date	Title	Focus of Report/ Recommendations
FI-2012-004	11/07/2011	Actions Needed To Ensure Accurate Executive Order 13520 Reporting	OIG did not identify any high-dollar overpayments that should have been reported and actual recoveries were understated. OIG made recommendations to assist the Department in its preparation of quarterly reports on high-dollar improper payments.
PT-2012-006	11/15/2011	Top Management Challenges for Fiscal Year 2012	As required by law, OIG identified the top challenges facing the Department for fiscal year 2012.
FI-2012-007	11/14/2011	FISMA 2011: Persistent Weaknesses in DOT's Controls Challenge the Protection and Security of its Information Systems	Since our last report, DOT has made some improvements in its cyber security. However, the Department has not yet corrected weaknesses in its information security procedures, enterprise-level and system-level controls, and management of corrective actions.
FI-2012-037	12/28/2011	DOT Needs To Improve Its Tracking and Monitoring of All Single Audit Findings in Order to Effectively Manage Grants	DOT needs to update its procedures to ensure prompt resolution of all single audit findings.
CR-2012-071	03/06/2012	Refinements to DOT's Management of the Highway Trust Fund's Solvency Could Improve the Understanding and Accuracy of Shortfall Projections	Following the fiscal year 2008 shortfall in the Highway Trust Fund's Highway Account, both FHWA and FTA instituted procedures to forecast shortfalls and communicate with Congress regarding HTF's balance and possible shortfalls. While FHWA and FTA shortfall projections are reasonable, improvements to their projection methodology could enhance the accuracy of their shortfall estimates and enable them to implement, at the earliest possible date, shortfall management and communication procedures.

FI-2012-073	03/15/2012	DOT's Improper Payment Reporting Generally Complies with IPERA	DOT both accurately reported improper payment information in its fiscal year 2011 Annual Financial Report and complied with IPERA, with three exceptions: (1) the Department did not report planned or actual completion dates for corrective actions taken for improper payments in FHWA and FAA programs; (2) FAA did not achieve its 2011 improper payment target rate for its Airport Improvement Program; and (3) DOT's reporting on its payment recapture program was incomplete.
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Internal Audits: Financial – I report

Report	Date	Title	Focus of Report/ Recommendations
QC-2012-009	11/15/2011	Quality Control Review of Audited Consolidated Financial Statements for Fiscal Years 2011 and 2010	Unqualified opinion on DOT's financial statements, but reported three significant deficiencies in internal control and seven actual or potential instances of reportable noncompliance with laws and regulations. Put \$1.4 billion to better use.

## FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance/Attestation – 5 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2012-003	11/04/2011	Quality Control Review of Controls Over DOT's Enterprise Services Center	Our quality control review disclosed no instances in which Clifton Gunderson, LLP's report attestation engagement did not comply, in all material respects, with generally accepted Government auditing standards.
AV-2012-027	12/20/2011	New Approaches Are Needed To Strengthen FAA Oversight of Air Carrier Training Programs and Pilot Performance	FAA's oversight of air carriers' pilot training and proficiency programs lacks the rigor needed to identify and track poor performing pilots and address potential program risks. FAA needs to improve its oversight and provide further justification regarding their response on the adequacy of inspector oversight of check airmen.
AV-2012-039	01/12/2012	Enhanced Oversight of Staffing and Training at FAA's Critical Facilities Is Needed to Maintain Continuity of Operations	Enhanced oversight of staffing and training at FAA's critical facilities is needed to maintain continuity of air traffic operations. As FAA begins deploying NextGen technologies, critical facilities will require even more training resources for both veteran and new controllers.
AV-2012-056	02/10/2012	ARRA Job Data Reporting for FAA Programs—Lessons Learned for Improving Accuracy and Transparency for Future Jobs Reporting	While it is clear that ARRA-funded FAA projects have created or sustained jobs, the full extent of this accomplishment is unclear because of errors and inconsistencies in the collection and reporting of job information. We also identified areas where DOT can clarify aspects of its departmentwide job data reports to better meet ARRA's transparency and accountability requirements. These areas for improvement that can serve as lessons learned for the ARRA reports still remaining and for any future job creation efforts.
ZA-2012-082	03/28/2012	FAA's Contracting Practices Are Insufficient To Effectively Manage Its Systems Engineering 2020 Contracts	Unclear FAA Acquisition Management System requirements resulted in unreliable cost baselines and overstated contract values, which impedes FAA's ability to manage total contract costs. In addition, FAA's practices to select contractors and oversee their performance are not sufficient.

## Internal Audits: Financial – I report

Report	Date	Title	Focus of Report/ Recommendations
QC-2012-008	11/14/2011	Quality Control Review of Audited Financial Statements for Fiscal Years 2011 and 2010	Unqualified opinion on financial statements

## Grant Audits: Audits of Grantees Under Single Audit Act – II reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-011	11/23/2011	State of Illinois (also listed under Federal Highway Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight.
SA-2012-014	11/23/2011	Holmes County, OH	\$49,060 questioned
SA-2012-022	12/13/2011	Port of Pasco, WA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FAA improve grantee oversight.
SA-2012-031	12/21/2011	The City of Frederick, MD	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA improve grantee oversight.
SA-2012-034	12/21/2011	City of Kansas City, MO	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA improve grantee oversight.
SA-2012-035	12/21/2011	Augusta, GA (also listed under the Federal Transit Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FTA improve grantee oversight. \$81, 724 questioned
SA-2012-062	02/27/2012	City of Caldwell, ID	\$59,646 questioned
SA-2012-065	03/01/2012	City of Camden, AR	\$20,000 questioned
SA-2012-074	03/22/2012	Antonio B. Won Pat International Airport Authority, Guam	\$50,000 questioned
SA-2012-075	03/22/2012	San Francisco International Airport, CA	\$513,578 questioned
SA-2012-080	03/22/2012	City of Springfield, MO	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA improve grantee oversight.

## FEDERAL HIGHWAY ADMINISTRATION

Grant Audits: Audits of Grantee Under Single Audit Act – 16 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-011	11/23/2011	State of Illinois (also listed under Federal Aviation Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FHWA improve grantee oversight.
SA-2012-012	11/23/2011	Pala Band of Mission Indians, CA	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-013	11/23/2011	Naknek Native Village Council, AK	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-026	12/13/2011	Commonwealth of PA	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-028	12/21/2011	New Mexico Department of Transportation (also listed under the Federal Transit Administration and the National Highway Traffic Safety Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA, FTA, and NHTSA improve grantee oversight.
SA-2012-029	12/21/2011	Ogala Sioux Tribe, SD	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-030	12/21/2011	State of Utah	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-041	01/18/2012	Pit River Tribe, CA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-044	01/18/2012	City of Red Bank, TN	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee.

QC-2012-047	01/30/2012	Quality Control Review of Single Audit on the New Mexico Department of Transportation (also listed under the Federal Transit Administration and the National Highway Traffic Safety Administration)	Meyners & Company rendered an unqualified opinion on DOT's major programs, but made recommendations to correct internal control and compliance deficiencies that directly affect FHWA, FTA, and NHTSA programs.
SA-2012-052	02/09/2012	City of King Cove, AK	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-054	02/09/2012	City of Erie, PA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-055	02/09/2012	State of New York	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-066	03/01/2012	New Mexico Department of Transportation	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FHWA improve grantee oversight.
SA-2012-068	03/01/2012	City of Truth or Consequences, NM	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.
SA-2012-070	03/01/2012	City of Patterson, CA	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA improve grantee oversight.

## FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
CR-2012-072	03/06/2012	FRA Has Made Progress in Implementing PRIIA Responsibilities but Challenges for Long-Term HSIPR Remain	FRA has implemented 25 of its 29 PRIIA responsibilities. However, FRA has yet to complete several key PRIIA responsibilities that could significantly impact HSIPR development, including completing the National Rail Plan and promulgating grant rules. Without full implementation of all of its key PRIIA responsibilities, FRA faces additional challenges in improving and expanding intercity passenger rail.
CR-2012-083	03/28/2012	FRA Needs To Expand Its Guidance on High-Speed Rail Project Viability Assessments	Three focus areas are key to sound project viability assessment: (1) the elements with the greatest impact on the components of the analysis (revenue forecasts, public benefits valuations, and operations and maintenance cost estimates) include current trip tracking, projections of future travel, and annual train-miles and train-hours operated; (2) the level of analytical detail required for these components at the preliminary, intermediate, and final phases in the development of a HSIPR proposal; and (3) issues central to methodological soundness. FRA's guidance and requirements for HSIPR grant applicants is inadequate to ensure all applicants submit sound, comparable project benefit assessments.

Grant Audits: Audits of Grantee Under Single Audit Act – 1 report

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-045	01/18/2012	Washington Metropolitan Area Transit Authority ( <i>also listed under the Federal Transit Administration</i> )	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FRA and FTA improve grantee oversight

## FEDERAL TRANSIT ADMINISTRATION

### Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
MH-2012-048	01/31/2012	Challenges to Improving Oversight of Rail Transit Safety and Implementing an Enhanced Federal Role	FTA needs to identify actions taken or planned to (1) work with the Volpe National Transportation Systems Center to complete FTA's assessment of existing data management activities and safety data needs; (2) consult with stakeholders to identify gaps in the National Transit Database and opportunities, under its current authority, to improve the database's usefulness to the transit industry; (3) develop an updated performance plan that identifies clear and specific rail safety performance measures that align with the Department's strategic goals and with FTA's rail transit safety activities; and (4) assess FTA's progress in meeting the rail safety performance measures on an annual basis and produce a report summarizing results.

### Grant Audits: Audits of Grantees Under Single Audit Act – 35 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-015	11/23/2011	Lorain County, OH	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-016	11/23/2011	City of Danville, IL	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-017	11/23/2011	Regional Transit Authority, LA	Improve grantee oversight
SA-2012-018	11/23/2011	Greater Cleveland Regional Transit Authority, OH	\$529,981 questioned
SA-2012-019	11/23/2011	Metropolitan Transportation Authority, NY	Improve grantee oversight

SA-2012-020	12/13/2011	Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (METRA)	\$9,956,691 questioned
SA-2012-021	12/13/2011	Prairie Band Potawatomi Nation, KS	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-023	12/13/2011	Miami County, OH	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-024	12/13/2011	City of Eau Claire, WI	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-025	12/13/2011	City of Kingston, NY	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-028	12/21/2011	New Mexico Department of Transportation (also listed under the Federal Highway Administration and the National Highway Traffic Safety Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA, FTA, and NHTSA improve grantee oversight.
SA-2012-032	12/21/2011	Central Midlands Regional Transit Authority, SC	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-033	12/21/2011	City of Winston-Salem, NC	\$26,500 questioned
SA-2012-035	12/21/2011	Augusta, GA (also listed under the Federal Aviation Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FAA and FTA improve grantee oversight. \$81, 724 questioned
QC-2012-038	01/04/2012	Quality Control Review of Single Audit on the Metropolitan Atlanta Rapid Transit Authority (MARTA)	Cherry, Bekaert & Holland, LLP, rendered an unqualified opinion on DOT's two major programs and did not identify any internal control or compliance deficiencies that directly affected DOT programs.
SA-2012-042	01/18/2012	Omnitrans, CA	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.

SA-2012-043	01/18/2012	Suburban Mobility Authority for Regional Transportation, MI	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-045	01/18/2012	Washington Metropolitan Area Transit Authority (also listed under the Federal Railroad Administration)	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FRA and FTA improve grantee oversight.
SA-2012-046	01/18/2012	Massachusetts Bay Transportation Authority	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
QC-2012-047	01/30/2012	Quality Control Review of Single Audit on the New Mexico Department of Transportation (also listed under the Federal Highway Administration and the National Highway Traffic Safety Administration)	Meyners & Company, LLC, rendered an unqualified opinion on DOT's major programs but made recommendations to correct internal control and compliance deficiencies that directly affect FHWA, FTA, and NHTSA programs.
SA-2012-050	02/09/2012	City of Battle Creek, MI	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-051	02/09/2012	Orange County Transportation Authority, CA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-053	02/09/2012	Cheyenne and Arapaho Tribes, OK	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-057	02/27/2012	King County, WA	\$3,170,485 questioned
SA-2012-058	02/27/2012	Montachusett Regional Transit Authority, MA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-059	02/27/2012	City of Columbia, MO	\$22,803 questioned
SA-2012-060	02/27/2012	Omaha – Council Bluffs Metropolitan Area Planning Agency, NE	\$27,600 questioned
SA-2012-061	02/27/2012	Spartanburg County, SC	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.

QC-2012-063	03/01/2012	Quality Control Review of Single Audit on the Metropolitan Council of the Twin Cities Area, MN	The State Auditor rendered an unqualified opinion on DOT's Federal Transit Cluster but made a recommendation to correct an internal control and compliance deficiency that directly affects an FTA program.
SA-2012-064	03/01/2012	Southeastern Regional Transit Authority, MA	\$4,716,219 questioned
SA-2012-067	03/01/2012	Central Contra Costa Transit Authority, CA	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-069	03/01/2012	Valley Regional Transit, ID	A finding concerning the use of the American Recovery and Reinvestment Act funds was identified. OIG recommends FTA improve grantee oversight.
SA-2012-076	03/22/2012	City of Beaumont, TX	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.
SA-2012-077	03/22/2012	City of Beckley, WV	\$1,411,031 questioned
SA-2012-079	03/22/2012	VIA Metropolitan Transit, TX	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FTA improve grantee oversight.

## NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
MH-2012-001	10/06/2011	Process Improvements Are Needed for Identifying and Addressing Vehicle Safety Defects	NHTSA followed its established procedures in investigating unintended acceleration issues that affected multiple vehicle manufacturers. However, ODI needs to enhance its processes and increase coordination with foreign countries in the global automobile industry.
FI-2012-049	01/31/2012	Inspector General's Review of Fiscal Year 2011 Drug Control Funds and Performance Summary Reporting	No information came to our attention that would reverse management's assertions that the reports complied, in all material respects, with the requirements of the Office of National Drug Control Policy Circular, Drug Control Accounting.

Grant Audits: Audits of Grantee Under Single Audit Act – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2012-028	12/21/2011	New Mexico Department of Transportation ( <i>also listed under the Federal Highway Administration and the Federal Transit Administration</i> )	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends FHWA, FTA, and NHTSA improve grantee oversight.
QC-2012-047	01/30/2012	Quality Control Review of Single Audit on the New Mexico Department of Transportation ( <i>also listed under the Federal Highway Administration and the Federal Transit Administration</i> )	Meyners & Company, LLC, rendered an unqualified opinion on DOT's major programs but made recommendations to correct internal control and compliance deficiencies that directly affect FHWA, FTA, and NHTSA programs.

## NATIONAL TRANSPORTATION SAFETY BOARD

Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2012-005	11/7/2011	Quality Control Review of Audited Financial Statements for Fiscal Years 2011 and 2010	Unqualified opinion on financial statements

## OFFICE OF THE SECRETARY OF TRANSPORTATION

Grant Audits: Audits of Grantee Under Single Audit Act – 4 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2012-010	11/16/2011	State of New Jersey	KPMG LLP rendered an unqualified opinion as it relates to DOT's major program, the Highway Planning and Construction Cluster. The work was acceptable, and therefore, met the necessary requirements.
QC-2012-036	12/22/2011	State of Maryland	OIG issued a quality control report on a single audit performed by SB & Company, LLC, and determined the work to be technically deficient and the audit documentation contained quality deficiencies that affect the reliability of the audit results in several areas and require corrective action.
SA-2012-078	03/22/2012	City and Borough of Juneau, AK	Findings concerning the use of the American Recovery and Reinvestment Act funds were identified. OIG recommends OST improve grantee oversight.
SA-2012-081	03/22/2012	Regional Transportation Commission of Southern Nevada	\$145,602 questioned

## PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
AV-2012-040	01/12/2012	PHMSA's Inadequate Management and Oversight of Hazardous Materials Emergency Preparedness Grants Limited the Program's Effectiveness	PHMSA's oversight is lacking, which has resulted in misused grant funds due to improper payments and erroneously advanced funds. PHMSA developed a comprehensive action plan in March 2011 to address deficiencies.

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## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Internal Audits: Financial – I report

Report	Date	Title	Focus of Report/ Recommendations
QC-2012-002	11/02/2011	Quality Control Review of Audited Financial Statements for Fiscal Years 2011 and 2010	Unqualified opinion on financial statements

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## *Unresolved Recommendations Over 6 Months Old*

### **Cited in Semiannual Report for April 1, 2008 - September 30, 2008**

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
Review of FAA's Safety Oversight of Airlines and Use of Regulatory Partnership Programs	AV-2008-057	06/30/2008

### **Cited in Semiannual Report for October 1, 2008 - March 31, 2009**

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
FAA's Process for Reporting and Investigating Operational Errors	AV-2009-045	03/24/2009

### **Cited in Semiannual Report for April 1, 2009 - September 30, 2009**

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
Air Traffic Control: Potential Fatigue Factors	AV-2009-065	06/29/2009

### **Cited in Semiannual Report for October 1, 2009 - March 31, 2010**

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
FAA's Oversight of American Airlines' Maintenance Programs	AV-2010-042	02/16/2010

### **Cited in Semiannual Report for April 1, 2010 - September 30, 2010**

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
Information Security and Privacy Controls Over the Airmen Medical Support Systems	FI-2010-069	06/18/2010

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**Cited in Semiannual Report for October 1, 2010 - March 31, 2011**

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
FAA Did Not Ensure Revenue was Maximized at Denver International Airport	AV-2011-057	02/28/2011
New York Flight Delays Have Three Main Causes, but More Work Is Needed To Understand Their Nationwide Effect	AV-2011-007	10/28/2010
FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance–Broadcast Program and Realizing Benefits	AV-2011-002	10/12/2010

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**Cited in Semiannual Report for April 1, 2011 - September 30, 2011**

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
More Rigorous Oversight is Needed to Ensure Venice Municipal Airport Land Sales and Leases are Used Appropriately	AV-2011-180	09/29/2011
FAA Policies and Plans are Insufficient to Ensure an Adequate and Effective Acquisition Workforce City of Inglewood, California	ZA-2011-148	08/03/2011
Puerto Rico Highways and Transportation Authority, San Juan, PR	SA-2011-141	07/14/2011
FAA Needs To Strengthen Its Risk Assessment and Oversight Approach for Organization Designation Authorization and Risk-Based Resource Targeting Programs	SA-2011-144	07/14/2011
FAA's Approach To SWIM Has Led To Cost And Schedule Uncertainty And No Clear Path For Achieving NextGen Goals	AV-2011-136	06/29/2011
State of Tennessee	AV-2011-131	06/15/2011
FAA Must Strengthen Its Cost and Price Analysis Processes to Prevent Overpaying for Noncompetitive Contracts	SA-2011-124	06/13/2011
State of Texas	ZA-2011-089	05/19/2011
Quality Control Review on the Vulnerability Assessment of FAA's Operational Air Traffic Control System	SA-2011-078	04/28/2011
	QC-2011-074	04/15/2011

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# Investigations

## *Statistical Outcomes*

October 1, 2011 — March 31, 2012

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<b>Financial Impact</b>	
Fines (and Special Assessments)	\$1,636,543
Restitution	\$10,720,877
Recoveries	\$6,667,054
<b>Total</b>	<b>\$19,024,473</b>

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### **Investigative Activities**

Current Investigations	413
Investigations Opened	84
Investigations Closed	73

### **Judicial Referrals**

Referred for Criminal Prosecution	124
Accepted for Criminal Prosecution	85
Declined for Criminal Prosecution	66
Referred for Civil Prosecution	36
Accepted for Civil Prosecution	9
Declined for Civil Prosecution	5

### **Judicial and Administrative Actions**

Indictments	86
Convictions	33
Years Incarceration	71
Years Supervised Release	54.5
Years Probation	71
Hours Community Service	340
Business Debarment	7

Business Suspension	6
Business Suspension Pending Debarment	2
Individual Debarment	8
Individual Suspension	3
Individual Suspension Pending Debarment	4
Cert/License/Permit Revoked/Terminated	2
Corrective Action Taken	1
Substantiated—Enforcement Action Taken	1
Price Adjustment	1
Reduction in Federal Funding	1
Employee: Resigned/Retired During Investigation	3
Employee: Suspension	1
<b>OIG Hotline Contacts</b>	
Email	1,932
Fax	17
Letters	236
Web	140
Telephone	387
Walk Ins	2
<b>Total</b>	<b>2,714</b>

## Profile of All Pending Investigations by Case Type, as of March 31, 2012

Types of Cases										
	Number of Investigations	Aviation Safety	Hazmat	Motor Carrier	Transportation Safety	Grant Fraud	Procurement Fraud	Workforce Protection	Employee Integrity	Other <sup>a</sup>
FAA	107	64	4	0	0	19	3	0	15	2
FHWA	135	0	0	0	0	130	0	0	2	3
FMCSA	65	0	5	27	0	0	0	27	6	0
FRA	3	0	0	0	0	3	0	0	0	0
FTA	36	0	0	0	0	36	0	0	0	0
MARAD	11	0	0	0	0	2	5	1	3	0
NHTSA	18	0	0	0	8	8	1	0	1	0
OIG	2	0	0	0	0	0	0	0	0	2
OST	4	0	0	0	1	0	1	1	1	0
PHMSA	24	0	23	0	0	0	0	0	1	0
RITA	6	0	0	0	0	0	1	0	5	0
STB	1	0	0	0	0	0	0	0	0	1
SLSDC <sup>b</sup>	1	0	0	0	0	0	0	0	1	0
<b>Totals</b>	<b>413</b>	<b>64</b>	<b>32</b>	<b>27</b>	<b>9</b>	<b>198</b>	<b>11</b>	<b>29</b>	<b>35</b>	<b>8</b>
<b>Percent of Total</b>	<b>100%</b>	<b>15%</b>	<b>8%</b>	<b>7%</b>	<b>2%</b>	<b>48%</b>	<b>3%</b>	<b>7%</b>	<b>8%</b>	<b>2%</b>

<sup>a</sup>Includes computer intrusion cases.

<sup>b</sup>Saint Lawrence Seaway Development Corporation

Within the Office of Investigations, Special Investigations staff investigate and report on whistleblower disclosures of violations of law, rule, or regulation; gross mismanagement; gross waste of funds; abuses of authority; and/or substantial and specific dangers to public health or safety, which the U.S. Office of Special Counsel (OSC) referred to the Secretary of Transportation. OIG's reports of investigation, along with any necessary agency corrective actions, are transmitted by the Secretary to OSC. Upon receipt, OSC reviews the OIG's findings and the agency's corrective actions to determine whether they are reasonable and meet statutory requirements. Our current inventory of OSC whistleblower disclosure complaints consists of five investigations, which are included in the above chart. All five of those investigations are in the area of Aviation Safety.



# Mission and Organization

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:

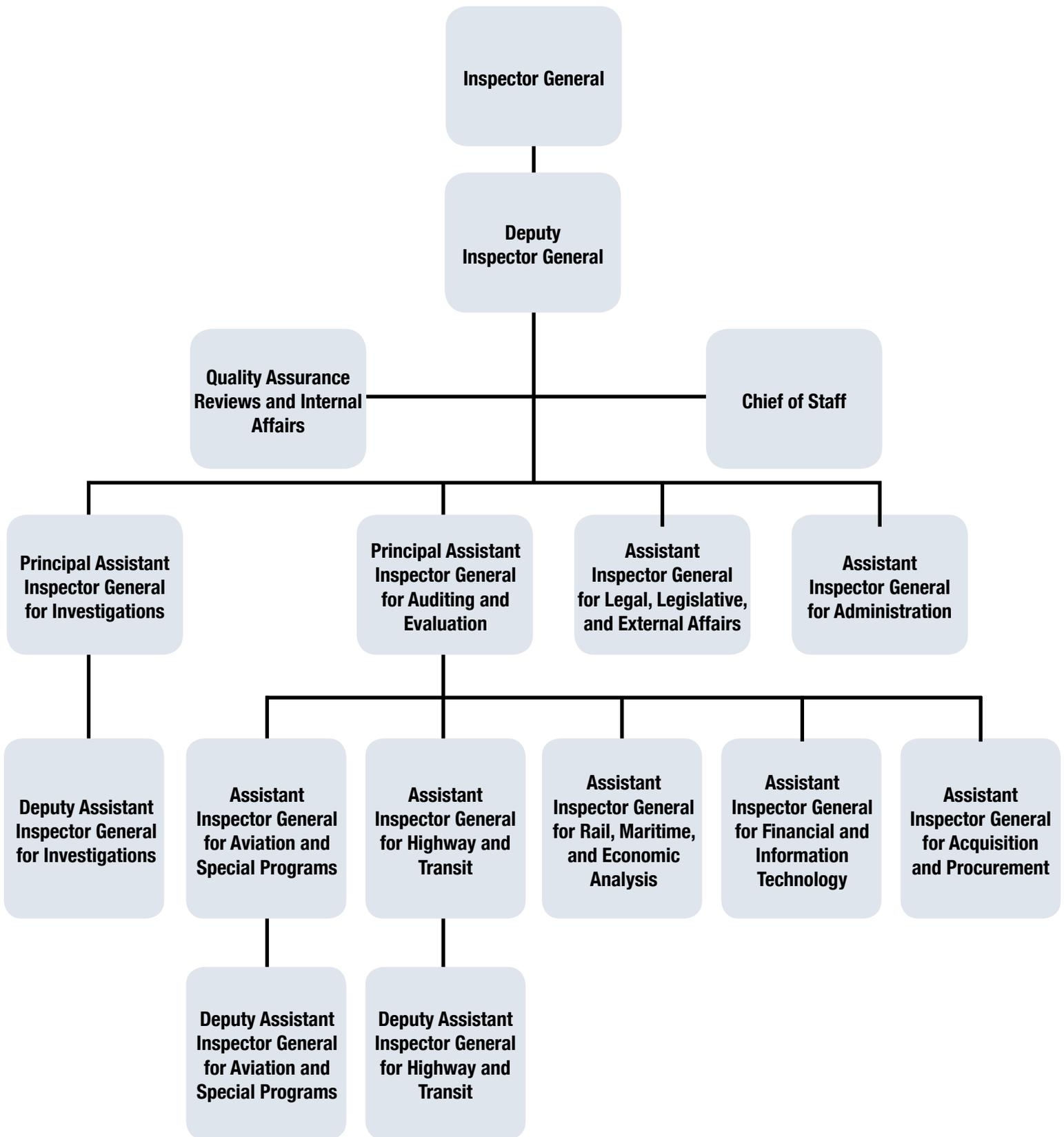
- To conduct or supervise objective audits and investigations of the Department's programs and operations;
- To promote economy, effectiveness, and efficiency within the Department;
- To prevent and detect fraud, waste, and abuse in the Department's programs;
- To review existing and proposed laws or 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.

The Inspector General is committed to fulfilling its statutory responsibilities and assisting members of Congress, the Secretary, senior Department officials, and the general public in achieving a safe, efficient, and effective transportation system.

OIG's audits and investigations offices and three support offices work together to fulfill its mission:

- **The Office of the Principal Assistant Inspector General for Auditing and Evaluation** supervises and conducts all audit activities related to DOT programs and operations through its five suboffices, which are divided according to specific DOT program areas: Aviation and Special Programs; Highway and Transit; Rail, Maritime, and Economic Analysis; Financial and Information Technology; and Acquisition and Procurement. Audit staff are located in headquarters and field offices across the country.
- **The Office of the Principal Assistant Inspector General for Investigations** supervises and conducts OIG investigative activities related to DOT programs and operations through its headquarters and seven major regional offices. The headquarters office conducts nationwide special investigations and analyses as well as manages the OIG Hotline Complaint Center and activities generated by complaints.
- **The Office of the Assistant Inspector General for Legal, Legislative, and External Affairs** provides a full-range of professional legal services and advice, facilitates communications with Congress, and manages public and external affairs.

- **The Office of the Assistant Inspector General for Administration** is divided into four suboffices: the Office of Procurement and Administrative Services, the Office of Budget and Financial Management, the Office of Human Resources, and the Office of Information Technology Management.
- **The Office of Quality Assurance Reviews and Internal Affairs**, under the direction of the Deputy Inspector General, ensures that internal operations and functions are performed objectively and in an efficient and effective manner.





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# Notes

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