



**U.S. Department of  
Transportation**

# **BUDGET ESTIMATES**

**FISCAL YEAR 2010**

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**OFFICE OF  
INSPECTOR GENERAL**

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**SUBMITTED FOR THE USE OF  
THE COMMITTEES ON APPROPRIATIONS**

DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
FISCAL YEAR 2010 BUDGET ESTIMATES

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**INSPECTOR GENERAL'S OVERVIEW  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL**

**FISCAL YEAR (FY) 2010 BUDGET REQUEST**

The Inspector General Act of 1978, as amended, established the Office of Inspector General (OIG) as an independent and objective organization within the Department of Transportation (DOT). OIG is committed to fulfilling its statutory mission and assisting the Secretary, Members of Congress, and senior DOT officials in achieving DOT's overall objective of creating a safer, more efficient, and technologically-advanced transportation program that will keep America moving forward in the 21<sup>st</sup> century.

**OIG's FY 2010 budget request is for \$81.443 million in total budgetary resources in support of 416 Full Time Equivalent (FTE).**

OIG also plans to fund an estimated 35 additional FTE in FY 2010 from funding received via the American Recovery and Reinvestment Act of 2009 (ARRA) for audits and investigations in support of ARRA activities. This represents a temporary increase to our FTE level as the ARRA funding supporting these FTE expires in FY 2013.

**Of the \$81.443 million, we request \$74.839 million in direct appropriations and \$6.604 million in off-setting collections.** The \$6.604 million in off-setting collections includes \$3.524 million from the Federal Highway Administration (FHWA) and \$2 million from the Federal Transit Administration (FTA) to support audit and investigative efforts relating to highway and transit issues. This funding supports 54 FTE. The off-setting collections request also includes \$1.080 million to acquire contractual financial statement and Statement on Auditing Standards (SAS) 70 audit services as follows:

- \$860,000 to acquire contract services to perform DOT financial statements audits (\$500,000 from the Federal Aviation Administration (FAA), \$285,000 from FHWA, and \$75,000 from FTA). This funding is in addition to \$2.516 million in our current services direct request;
- \$120,000 from FAA to acquire contract services to perform the Enterprise Services Center SAS-70 audit. This funding is in addition to \$200,000 in our direct request; and

- \$100,000 from the National Transportation Safety Board (NTSB) to acquire contract services to perform an audit of NTSB's financial statements.

The estimated costs for e-Government initiatives included in our 2010 requests are \$4,311.

## **ACCOMPLISHMENTS**

In carrying out our oversight responsibilities, our overall goal is to assist DOT in reaching its strategic goals. OIG performance is measured by the successful accomplishment of its statutory responsibilities prescribed by the Inspector General Act and the completion of specific actions to support departmental goals.

As such, our entire budget request is placed under the departmental organizational goal of Organizational Excellence. However, our work assists the Operating Administrations in meeting their performance targets in all departmental strategic and organizational goals.

The OIG's mission is unique within DOT. OIG's work products provide the only independent source of recommendations that lead to recoveries of large amounts of improper payments, cost reductions, funds to be put to better use, and both financial and program improvements, including increased operational efficiencies and improved safety.

Below is a brief statistical overview of our accomplishments as well as a summary of our work as it relates to the strategic and organizational goals in DOT's Strategic Plan. Attached with our budget submission is OIG's current FY 2010 Performance Plan which includes historical tables for OIG performance measures.

The OIG consistently provides a favorable rate of return on the investment made in the Office. According to a recent GAO report (GAO-09-88, December 2008), our FY 2007 work resulted in a \$15.31 budget return in monetary accomplishments for each budget dollar, the third highest return of 30 OIGs, while our budget represented about .06 percent of DOT's budgetary resources, ranking us in the bottom third of 30 OIGs.

In FY 2008, recoveries from improper payments resulting from OIG audits, and court-ordered fines, restitutions, and recoveries from OIG investigations totaled over \$552 million. Also, in FY 2008, we recommended that DOT put \$319 million to better use and identified \$28 million in questioned and unsupported costs. These total over \$900 million in monetary accomplishments, which is more than a \$12 budget return for each budget dollar.

In addition, we issued 90 audit reports and testified 16 times before Congress and conducted investigations resulting in 159 indictments, 122 convictions, and 80 administrative actions.

Following are recent examples of our work in this area.

- **American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing DOT:** In March 2009, we issued our report on oversight challenges facing DOT with the implementation of ARRA. The objective of this audit was to highlight key DOT oversight challenges, based on prior OIG reports and other agencies' relevant audit work, and identify actions DOT should take now in support of ARRA requirements. Our report condensed the challenges into 10 focus areas where DOT must exhibit sustained and effective actions related to providing oversight to grantees receiving ARRA funding; implementing new requirements and programs mandated by ARRA; and preventing fraud, waste, and abuse.

To ensure sufficient consideration of the potential risks discussed in this report, we recommended that the Secretary of Transportation, through the DOT-wide Transportation Investment Generating Economic Recovery (TIGER) team, develop an oversight implementation plan that outlines the key actions DOT already has underway or will take to address the following 10 focus areas:

- Acquire sufficient personnel with relevant expertise to oversee grantees.
- Adhere to existing Federal requirements for programs funded under ARRA.
- Evaluate the credibility and completeness of cost and schedule estimates.
- Oversee grantees' contracting management activities and ensure selection of appropriate contract types.
- Address internal control weaknesses and identify unused funds for use on other eligible projects.
- Implement new ARRA tracking and reporting requirements that are designed to promote accountability and transparency.
- Develop comprehensive plans and sound criteria for the new discretionary grant and passenger rail programs created by ARRA.
- Develop appropriate oversight strategies for the new programs created by ARRA by drawing lessons from DOT's Operating Administrations.
- Enhance understanding among DOT staff, grantees, and their contractors on how to recognize, prevent, and report potential fraud.
- Take timely and effective action to suspend and/or debar individuals or firms that have defrauded DOT so they do not receive Federal contracts in the future. In addition, we recommended that the plan prioritize the greatest risks for DOT and address open OIG recommendations from prior audit reports that have relevance to the implementation of ARRA.

- **Big Dig Management Consultant and Designers to Pay Over \$450 Million:** The joint venture of Bechtel/Parsons Brinckerhoff, Bechtel Infrastructure Corp., and PB Americas, Inc., f/k/a Parsons Brinckerhoff Quade and Douglas, Inc. (“Bechtel/Parsons Brinckerhoff”), the management consultant to the Central Artery/Tunnel Project (“the Big Dig”), has agreed to pay over \$407 million to resolve its criminal and civil liabilities in connection with the collapse of part of the I-90 Connector Tunnel ceiling and defects in the slurry walls of the Tip O’Neil tunnel.

In addition, 24 Section Design Consultants, other contractors who worked on various parts of the project, have agreed to pay an additional \$51 million to resolve certain cost recovery issues associated with the design of the Big Dig. In total, the United States and the Commonwealth will recover \$458 million, including interest. The majority of the \$458 million will be held in a new state Central Artery/Tunnel Project Repair and Maintenance Trust Fund to provide for future non-routine repairs and maintenance of the Big Dig.

- **Pennsylvania DBE Subcontractor Pleads Guilty to Tax Evasion Related to \$121 Million DBE Fraud Scheme:** The owner and operator of Marikina Construction Corporation pled guilty in U.S. District Court, Harrisburg, Pennsylvania, to one count of tax evasion in connection with the largest reported Disadvantaged Business Enterprise (DBE) fraud in DOT history. The individual had previously pled guilty to criminal fraud charges related to a DBE pass-through scheme that involved approximately 340 federally funded highway DBE subcontracts valued at \$121 million. He admitted that he underreported his 2005 income, receiving illicit proceeds from his participation in the fraud scheme, and fraudulently disguised numerous payments made to himself as legitimate business expenses on the books and records of Marikina.
- **FHWA’s Oversight of Design and Engineering Firms’ Indirect Costs Claimed on Federal-Aid Grants:** In February 2009, we issued our audit report on FHWA’s implementation of Section 307 of the National Highway Systems Designation Act (NHSDA). Section 307 of NHSDA requires the use of the Federal Acquisition Regulation as criteria to determine allowable costs when performing indirect cost rate audits of design and engineering (D&E) firms. Indirect rates are comprised of costs such as executive compensation; employee fringe benefits and wages; facilities charges; and insurance, legal, consultant, and travel costs. State Departments of Transportation use indirect cost rates for reimbursing D&E firms for allowable costs incurred, establishing final contract costs, and negotiating new contracts.

Indirect cost rate claims from 21 of our sample of 41 D&E firms included unallowable costs—some expressly unallowable—totaling about \$15.7 million. About \$10.7 million of the \$15.7 million were unallowable executive compensation and about \$5 million were other unallowable costs. Of the total, state DOT contracts were charged about \$5.5 million, of which about \$4.4 million, the Federal share, was reimbursed with Federal-aid funds. Based on the sample test results, we projected that, overall, D&E firms overcharged state DOT contracts for unallowable executive compensation of \$41.2 million (the Federal share charged to state DOT contracts is \$32.9 million).

Lack of accountability at D&E firms and insufficient transaction testing by Certified Public Accountant (CPA) firms were the immediate causes of unallowable costs we found. Further, FHWA and state DOT oversight did not ensure effective monitoring of D&E firms' indirect cost rate claims or indirect cost rate audits performed by CPA firms. We made a series of recommendations to FHWA.

- **Alleged Cover-Up of Operational Errors at Dallas Fort Worth Terminal Radar Approach Control (DFW TRACON):** In July 2007, the Office of Special Counsel (OSC) referred whistleblower allegations to the Secretary that managers at FAA's DFW TRACON facility "covered-up" air traffic controller operational errors and deviations by misclassifying them as pilot deviations or "non-events," or by failing to investigate them. The Secretary referred the allegations to our office for investigation.

For the second time in 3 years, we substantiated whistleblower allegations that DFW TRACON management underreported operational errors/deviations—creating, at a minimum, the appearance of a cover-up. Our previous investigation exposed a 7-year management practice at this TRACON of improperly investigating and therefore, underreporting operational errors. This time, we found that in response to the findings and recommendations of our prior investigation, DFW TRACON management went through the process of investigating suspected operational errors/deviations but routinely misclassified them as pilot deviations or non-events. In both investigations, we found a lack of proper oversight within FAA. In the present case, failures by the TRACON's Quality Assurance office and the Headquarters-based Safety Service of FAA's Air Traffic Organization enabled DFW TRACON management again to underreport operational errors/deviations.

- **Baseline Report on the Lower Manhattan Recovery Projects:** In September 2008, we issued our report on the results of our review of the FTA's Lower Manhattan Recovery Projects, involving a Federal funding commitment of \$4.55 billion. Our objectives were to assess (1) the status of each project,

including costs, funding, schedules, and grantees' oversight and (2) any risks that may adversely impact completion of each project. We also evaluated FTA's oversight and the activities of the project management oversight contractors FTA has assigned to each project.

FTA and its project grantees face key challenges, including mitigating risks posed by estimated cost increases and schedule delays, ensuring grantees provide timely status information and address project management issues that FTA has identified, assessing ways to improve the use of FTA's oversight tools, and identifying reliable funding sources to cover estimated cost overruns above the Federal cap of \$4.55 billion. Due to significant estimated cost increases and schedule completion delays, tough choices lie ahead. Project grantees will likely have to provide their own funding to complete the projects as designed, or propose to significantly reduce the scope of one or more of the projects, potentially diminishing the benefits that the projects will provide to travelers in New York City.

### **SAFETY**

Transportation safety is DOT's top strategic priority, with over 30% of DOT's resources in FY 2009 devoted to transportation safety. In support of this strategic goal, OIG will continue to provide oversight of safety programs in all modes of transportation.

Aviation safety is of vital importance to DOT. DOT is committed to safer skies at home and abroad by deploying state-of-the-art technology that can safely handle the dramatic increases in the number and type of aircraft using our skies. OIG continues to devote substantial investigative and audit resources in the oversight of aviation safety programs, particularly in the areas of operational errors, air carriers' use of non-certified repair stations, and investigations related to aviation regulation and certification.

To support DOT in its goal to improve the safety of surface transportation, OIG commits a high level of investigative and audit resources to surface transportation safety issues, particularly in the areas of the Commercial Driver's License (CDL) Program, the National Highway Traffic Safety Administration's (NHTSA) seat belt use strategies and oversight of alcohol-impaired driving programs, and railroad safety issues associated with rail-highway grade crossings.



Following are recent examples of our work in these areas.

- **Reporting on Key Safety Challenges Facing FAA:** In April 2008, the Inspector General testified before House and Senate Congressional Committees. Aviation safety oversight is, and must remain, FAA's highest priority. For over 10 years, our work has focused on actions needed to maintain the integrity and safety of our aviation system. However, a number of high-profile events, including fundamental breakdowns in FAA oversight at Southwest Airlines (SWA), have raised legitimate concerns about the effectiveness of FAA's overall approach to safety oversight and what changes are needed. Our testimony and subsequent audit report focused on the key actions that FAA and its stakeholders will need to address over the next several years. These included: (1) strengthening FAA's oversight of the aviation industry, (2) improving runway safety, and (3) addressing attrition in two of FAA's critical workforces: air traffic controllers and aviation safety inspectors.
- **Actions Needed to Strengthen FAA's Safety Oversight and Use of Partnership Programs:** In April 2008, the Inspector General testified on actions needed to strengthen FAA's safety oversight and use of partnership programs before the House Committee on Transportation and Infrastructure. This testimony was part of OIG's review on FAA's handling of whistleblower concerns following a SWA airworthiness directive violation, as requested by the Committee.

The Inspector General noted breakdowns in three areas of FAA oversight that contributed to the SWA event and illustrate the potential for system-wide weaknesses. Specifically, these included FAA's: (1) partnership programs with air carriers, (2) national program for risk-based oversight, and (3) internal reviews and handling of employees who report safety concerns.

The testimony focused on the following key changes that FAA must make to its oversight programs to address these areas: (1) establishing an independent organization to investigate safety issues identified by FAA employees; (2) periodically rotating supervisory inspectors to ensure reliable and objective air carrier oversight; (3) revising its guidance on self-disclosure programs for air carriers; (4) implementing a process for secondary review of self-disclosures; (5) revising its post-employment guidance to require a "cooling-off" period for inspectors hired at air carriers that they previously inspected; (6) implementing a process to track field office inspections and alert the local, regional, and Headquarters offices to overdue inspections; and (7) developing a national review team that conducts periodic reviews of FAA's oversight of air carriers.

- **FAA's Certification of the Eclipse EA-500 Very Light Jet:** In September 2008, the Inspector General testified before the House Transportation and Infrastructure Committee regarding Eclipse Aviation's EA-500 very light jet (VLJ). VLJs are small aircraft with advanced technologies that cost less than other business jets. Aviation forecasters predict that thousands of VLJs will enter the National Airspace System over the next two decades and will be targeted toward private general aviation users and on-demand air taxi operators.

The Inspector General stated that FAA allowed Eclipse to use alternate means of compliance to meet design certification requirements despite unresolved design problems identified during testing. Those alternate actions may have contributed to some design problems that are still reported by Eclipse users today. FAA also awarded Eclipse a production certificate despite known deficiencies in its supplier and quality control systems. In addition, Eclipse experienced significant problems replicating its approved design. The Inspector General concluded that FAA's desire to promote the use of VLJs may have affected its relationship with and oversight of Eclipse as it quickly moved this new aircraft through the certification process.

- **FAA'S Process for Reporting and Investigating Operational Errors:** In March 2009, we issued our review of FAA's process for reporting and investigating operational errors. This review was requested by Chairman Oberstar of the House Committee on Transportation and Infrastructure and Chairman Costello of the House Subcommittee on Aviation. Their request was prompted by our 2007 investigation at the DFW TRACON facility, which we conducted after whistleblowers alleged that facility management was intentionally misclassifying operational errors. Chairmen Oberstar and Costello were concerned that the operational error reporting problems found at the DFW TRACON may be occurring at other air traffic facilities.

While the events that transpired at DFW TRACON were not occurring system-wide, we did identify control and oversight weaknesses in FAA's process for reporting and investigating losses of separation caused by pilots and controllers. These weaknesses were due in part to inadequate FAA guidance for investigating these events and insufficient staffing in the Air Traffic Organization (ATO) Safety Office. Further, FAA's current processes do not ensure that all losses of separation are accurately reported across terminal and en route facilities or consistently evaluated for severity.

- **Letter to Senator Lautenberg on Low Fuel Declarations at Newark Liberty International Airport:** In April 2008, we responded to a request from Senator Lautenberg, a Member of the Senate Commerce Committee, that

we review emergency and minimum fuel declarations by pilots on flights into the Newark Liberty International Airport. Senator Lautenberg expressed concerns about reports of increased fuel declarations on flights into this airport.

We found that minimum and emergency fuel declarations had increased on flights into the Newark area; however, there were no instances of aircraft landing with fuel levels below those required by FAA (based on our sample of 20 flights).

- **Actions Taken and Needed To Improve FAA's Runway Safety Area Program:** In March 2009, we issued our report on FAA's Runway Safety Area (RSA) Program. Specifically, we assessed airport sponsors and FAA's progress and challenges in fulfilling the congressional mandate to improve 454 RSAs by 2015. Overall, we found that there has been significant progress since 2000, with the Agency reporting improvements for more than 70 percent of the 454 RSAs. FAA has also been generally effective in identifying, prioritizing, and funding needed RSA improvements.

We recommended that FAA focus on: (1) developing a plan to improve RSAs at 11 airports to the fullest extent practical; (2) developing and implementing a program to remove or modify non-standard navigation aids located in RSAs; (3) issuing detailed guidance to and conducting training for staff who identify, track, and report the status of RSAs; (4) implementing quality control procedures to ensure the accuracy and integrity of RSA data; and (5) expanding the annual report to Congress to better reflect the true status of RSA improvement activities.

- **FAA's Oversight of Air Carrier Operations:** In response to congressional concerns regarding FAA's oversight of the United States airline industry, we are examining: (1) FAA's implementation of its risk-based Air Transportation Oversight System, (2) FAA's review of air carrier compliance with airworthiness directives, and (3) FAA's oversight of maintenance practices at one air carrier. These concerns were prompted by FAA oversight issues at SWA.
- **Air Traffic Controller Staffing at FAA Facilities in California:** At the request of Senator Diane Feinstein, we are reviewing FAA's plans for ensuring adequate air traffic controller staffing at three FAA facilities in California: the Los Angeles International Airport Traffic Control Tower, the Southern California Terminal Radar Approach Control, and the Northern California Terminal Radar Approach Control.

- **Potential Air Traffic Controller Fatigue Factors at Chicago Facilities:** Senator Richard J. Durbin requested that we review factors that could potentially cause controller fatigue at the major air traffic control facilities in the Chicago metropolitan area. Accordingly, we are reviewing controller workload factors at those locations. Our audit objectives are to: (1) evaluate key factors that could contribute to controller fatigue at Chicago O'Hare's Air Traffic Control Tower and Terminal Radar Approach Control facility and Chicago Air Route Traffic Control Center and (2) identify what measures FAA has taken to mitigate potential controller fatigue at those locations.
- **Review of Web Applications Security in Air Traffic Control (ATC) Systems:** We are reviewing web applications security in ATC systems to determine whether (1) web applications used in supporting ATC operations are properly secured to prevent unauthorized access to ATC systems, and (2) FAA's network intrusion-detection capability is effective in monitoring ATC cyber security incidents.
- **Status Report on the North American Free Trade Agreement (NAFTA) Cross-Border Trucking Demonstration Project:** In February 2009, we issued a status report on the NAFTA Cross-Border Trucking Demonstration Project, in keeping with legislation enacted in May 2007. By law, we were required to issue a final report 60 days after the conclusion of the project, which was initiated on September 6, 2007. This report describes the status of the project at the conclusion of the first year. It also responds to a question for the record from our March 2008 testimony before the Senate on the withdrawal of Trinity Industries de Mexico from the project.

Our report found that after the first year, the Federal Motor Carrier Safety Administration (FMCSA) has not demonstrated that the number of Mexican carriers participating in the demonstration project is adequate to yield statistically valid results, and that in some respects, the participants are not representative of all applicants for long-haul authority in terms of some business characteristics and out-of-service rates. The panel that DOT established to provide an independent evaluation of the demonstration project completed its report on the first year of the demonstration project, but will not continue in that capacity during the remainder of the project. FMCSA will continue to monitor the participants and conduct an internal evaluation of any effects of the project on motor carrier safety in the United States. While FMCSA implemented Federal and state monitoring and enforcement mechanisms and checks are occurring at the border, a key quality control measure designed to provide assurance that all trucks are checked is not adequate because it relies on incomplete data. Finally, Trinity Industries de Mexico voluntarily withdrew from the project to avoid business disruptions,

and its prior safety history showed that out-of-service rates were lower than those of United States carriers.

- **National Bridge Inspection Program: Assessment of FHWA's Implementation of Data-Driven, Risk-Based Oversight:** In January 2009, we issued our audit report on FHWA's implementation of data-driven, risk-based oversight of the National Bridge Inspection Program.

We found that FHWA made limited progress implementing data-driven, risk-based bridge oversight. Although FHWA's annual review of state bridge inspection programs assured compliance with Federal standards, it did not incorporate a routinely systematic data-driven approach to identifying, prioritizing, and remediating nationwide bridge safety risks in coordination with states. Additionally, we found that FHWA could strengthen its role in expanding states' use of bridge management systems, which are computerized systems that prioritize replacement and repair projects and help ensure bridge safety.

We recommended that the FHWA Administrator develop and implement minimum requirements for data-driven, risk-based bridge oversight during bridge engineers' annual National Bridge Inspection Standards (NBIS) compliance reviews and develop a comprehensive plan to routinely conduct systematic, data-driven analysis to identify and prioritize nationwide bridge safety risks and target those higher priority risks for remediation in coordination with states. In implementing the plan, FHWA should (1) direct the Office of Bridge Technology to routinely and systematically identify and prioritize nationwide bridge safety risks and (2) direct the Division Offices to work with states to remediate higher priority nationwide bridge safety risks. We also recommended that FHWA develop a requirement for states to promptly correct data inaccuracies found by FHWA's NBI data validation program and increase FHWA's use of element-level data by (1) coordinating with the American Association of State and Highway Transportation Officials (AASHTO) to update the standards for element-level data; (2) incorporating AASHTO's updated standards into the NBIS through the rulemaking process; and (3) developing and implementing a plan to collect element-level data after AASHTO's updated standards have been incorporated into the NBIS. We further recommended that FHWA initiate a program to collect data regularly on states' use of bridge management systems, evaluate the data to identify those states most in need of assistance in implementing effective bridge management systems, and target those states for technical assistance and training resources.

- **Review of FHWA's Funding to Correct Structurally Deficient Bridges:** We are conducting this review to evaluate FHWA's implementation of the National Bridge Inspection Program and make recommendations for improvement in order to provide assurance to the Secretary, the Congress, and the traveling public that FHWA is doing everything that should be done to ensure bridge safety.
- **Best Practices for Improving Oversight of State Highway Safety Programs:** In March 2008, we issued our report on NHTSA's oversight of state highway safety programs. Our audit was conducted in response to a requirement within the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The objective of our audit was to evaluate NHTSA's oversight of state highway safety programs and identify best practices.

We found that NHTSA developed and followed guidelines and procedures for oversight reviews of state highway safety programs, but we identified weaknesses in NHTSA's annual program reviews that made it difficult for NHTSA to comprehensively assess whether states were on course to meet their safety goals. Specifically, NHTSA did not (1) ensure that states consistently measured performance, (2) assess states' reporting of performance trends, and (3) analyze states' long-term progress in meeting safety goals. We identified opportunities for NHTSA to better measure the results of its grant programs and enhance the accountability for grant funds.

- **DOT/OIG Report on Enhancing FRA's Oversight of Track Safety Inspections:** In February 2009, we issued our report on FRA's oversight of track safety inspections. We found that FRA's safety regulations for internal rail flaw testing did not require the railroads to report the specific track locations—milepost numbers or track miles—tested during these types of inspections. We also found FRA's inspection data system did not provide adequate information for determining the extent to which FRA's track inspectors have reviewed the railroads' records for internal rail flaw testing and visual track inspections to assess compliance with safety regulations.

We recommended that FRA revise its track safety regulations for internal rail flaw testing to require the railroads to report all track locations covered during internal rail flaw testing. We also recommended that FRA revise its Track Safety Compliance Manual and inspection data system by including specific inspection activity codes for its track inspectors to report on whether the record reviews the inspectors conducted were for internal rail flaw testing or visual track inspections.

- **Review of FMCSA's Motor Coach Safety Program:** Our office is reviewing whether FMCSA has effectively implemented its Motor Coach Safety Program. This program emphasizes (1) conducting more compliance reviews of motor coach carriers; (2) establishing a prioritization system for motor coach carrier compliance reviews; (3) mandating state motor coach inspection programs; (4) improving safety data, including a bus crash causation study; (5) reducing motor coach fires; and (6) expediting safety audits of new motor coach carriers.

Safety investigations will remain one of OIG's top investigative priorities. We currently have 94 ongoing investigations concerning aviation safety and 38 open investigations concerning motor carrier safety issues. Within motor carrier safety, illegal activities and fraud involving CDLs continue to be a serious concern, and criminal investigations of CDL fraud show that third-party examiners have been particularly susceptible to fraud.

Following are recent examples of our work in these areas.

- **Owner of Aircraft Company Ordered To Pay Fines and Restitution Totaling \$613,000:** In December 2008, the owner of Falcon Helicopters, Inc. (FALCON) was sentenced in U.S. District Court, Kansas City, Missouri, to 12 months home confinement, 24 months probation, and ordered to pay a fine of \$550,000 and restitutions of \$63,854. He is expected to surrender his FAA Airframe and Powerplant License and Inspection Authorization Certification. In March 2008, he pled guilty to Federal charges of wire fraud and money laundering. In March 2006, the individual, his company FALCON, and the city of Lee's Summit, Missouri, were indicted on charges involving a fraudulent helicopter repair and sales scheme, including falsification of airworthiness records and use of unapproved repair methods and aviation parts. The individual purchased helicopters that were substantially damaged in accidents and returned two of them to service with fraudulent paperwork, then offered these helicopters for sale in interstate commerce. He was also charged with bank fraud and money laundering after receiving his customers' payments and then trying to hide the money by transferring it from one account to another.
- **Pennsylvania Aircraft Maintenance Operator Sentenced for Falsifying Maintenance Records and Stealing Aircraft Parts Scheme:** In September 2008, the owner and operator of Smooth Landings Incorporated was sentenced in U.S. District Court, Harrisburg, Pennsylvania, to 51 months incarceration, 36 months supervised release, and ordered to pay \$80,000 in restitution after pleading guilty on April 23, 2008, to fraud involving aircraft parts and interstate transportation of stolen property. He admitted that between

November 2002 and January 2008, he falsified numerous entries in FAA regulated aircraft logbooks related to required inspection and repairs; forged the names of licensed mechanics; back-dated entries; and falsified entries to conceal thefts and unauthorized replacement of parts on aircraft he repaired. He also stole and transported a Piper PA-32 aircraft from a Ft. Lauderdale, Florida airport to his home base in Elysburg, Pennsylvania and then illicitly sold the aircraft for \$60,000.

- **Owner of Tennessee Aircraft Sales Company Sentenced to More Than 3 Years in Prison for Falsifying Aircraft Maintenance Logbooks:** In April 2008, the owner of Jennings Aircraft Sales was sentenced to 37 months in prison after being convicted in July 2007 of wire fraud. He falsified logbooks on a helicopter he sold and then e-mailed the false documents to the purchaser.

The DOT/OIG investigation revealed that the original manufacturer's specifications required the helicopter engine to be overhauled after 2,200 hours of flight service. However, by falsifying the logbooks, he fraudulently concealed the true hours of operation on this aircraft. By doing so, he endangered the life of the purchaser and the general public, as the aircraft could not be considered safe to fly.

- **Missouri Truck Driving School Owner Sentenced to 75 Months Imprisonment for His Involvement in CDL Testing Fraud Scheme:** In June 2008, the owner of Bosna Truck Driving School (Bosna) was sentenced in U.S. District Court, Cape Girardeau, Missouri, to 75 months imprisonment and 36 months supervised release. In April 2008, he was found guilty of bribery, conspiracy, and wire and mail fraud in a jury trial. DOT/OIG's investigation revealed that in early 2004, he and a State of Missouri driver's license examiner, devised a scheme whereby he would send customers to the Missouri driver's license examiner's testing facility in Sikeston, Missouri to receive 30-minute short tests instead of the average 2-hour tests necessary to obtain their CDLs. The Missouri driver's license examiner also falsely completed the test results that stated that each student passed a full, complete, three-part Missouri CDL test and mailed the results to the State of Missouri's Department of Revenue (DOR), which issues driver's licenses and CDLs and employs officials and contracts with third parties to administer driver's tests. Between January 1, 2004, and April 21, 2005, the owner of Bosna (through his company) earned approximately \$1.8 million in tuition from more than 600 clients he sent through the Missouri driver's license examiner's testing facility. DOR has cancelled or suspended all the CDLs and retested all the CDL holders that were processed through these individuals.



## **REDUCE CONGESTION**

Congestion is costing America an estimated \$200 billion per year. Therefore, implementing strategies to help the states use their existing transportation networks better, add capacity where it makes the most sense, and develop better policy choices to reduce congestion is a DOT top priority.

OIG will continue to provide oversight of FAA's actions involving increasing capacity as well as modernizing the National Airspace System, carrying out cost-effective and timely acquisitions, and improving business operations by controlling costs.

OIG will also provide scrutiny of DOT's multi-billion dollar investments in transportation infrastructure to help DOT reduce congestion and other impediments to using the Nation's transportation system.

In addition, we will be continuing to provide oversight in areas relating to Amtrak and the future of inter-city passenger rail.

Following are recent examples of our work in these areas.

- **FAA Actions Needed To Achieve Mid-Term Next Generation Air Transportation System (NextGen) Goals:** In March 2009, the Inspector General testified before the House Subcommittee on Aviation regarding FAA actions needed to achieve near- and mid-term goals for NextGen. The Inspector General stated that FAA has an important opportunity to strategically position the system for a rebound in air travel demand. After more than 4 years of planning, FAA must take a number of actions to advance the billion-dollar, multi-faceted NextGen effort. First, FAA must sustain the existing National Airspace System. This includes maintaining ground-based radars, navigation equipment, and aging facilities. FAA must make numerous critical decisions on existing systems over the next several years that will have significant budgetary implications and materially affect the pace of NextGen. It will also be important for FAA to focus on near-term efforts that can enhance the flow of air traffic even before NextGen is fully in place. These include new airport infrastructure projects, airspace redesign projects, and performance-based navigation initiatives (e.g., Area Navigation and Required Navigation Performance).

In addition, FAA is focusing considerable attention on NextGen's mid-term goals, targeted for 2018, but it has not reached consensus with stakeholders on how best to move forward, and fundamental issues remain to be addressed. To highlight transition issues and establish requirements, FAA must complete its

ongoing “gap analysis” of the current and vastly different NextGen systems and refine the NextGen mid-term architecture.

Finally, FAA needs to take a number of business and management actions to help shift from NextGen planning to mid-term implementation. These include: (1) establishing priorities and Agency commitments with stakeholders and reflecting them in budget and plans; (2) managing NextGen initiatives as portfolios and establishing clear lines of responsibility, authority, and accountability; (3) acquiring the necessary skill mix for managing and executing NextGen; and (4) examining what can reasonably be implemented in given time increments.

- **Letter to Chairmen Murray and Oberstar Regarding Review of DOT and FAA Actions Related to Slot Auctions at New York Airports:** In January 2009, we issued our review of DOT and FAA’s actions regarding final rulemaking activities related to the auction of take-off and landing slots at LaGuardia, John F. Kennedy, and Newark airports. This review was requested by Patty Murray, Chairman of the Senate Subcommittee on Transportation, Housing and Urban Development, and Related Agencies and James Oberstar, Chairman of the House Committee on Transportation and Infrastructure.

FAA planned to auction up to 66 slots at the three New York airports in January 2009. However, in September 2008, the Government Accountability Office (GAO) found that FAA does not have the statutory authority to auction the slots and stated that if FAA moves forward and uses the auction proceeds, it would violate the Anti-deficiency Act and the Purpose Statute. DOT disagreed and, based on a legal opinion from the Department of Justice (DOJ), FAA signed the final rules to auction the slots. In December, the U.S. Court of Appeals issued a stay, which prevented FAA from auctioning the slots pending further judicial review.

Consistent with the Chairmen’s request, we focused our review on two issues related to the rulemaking activities to determine whether (1) FAA and DOT’s actions constituted a willful violation of the Act and Purpose Statute and (2) career FAA and DOT staff were coerced, compelled, or otherwise required by their supervisors to knowingly engage in illegal conduct.

We found that FAA and DOT officials have a valid defense against the anti-deficiency charge because they can demonstrate a good faith belief that what they were doing was lawful, based on DOJ’s external, legal opinion. A final decision on whether the Act was violated will depend on how various, interrelated legal issues are resolved in Federal courts. In addition, while FAA staff felt considerable pressure from DOT, they told us that they were not

coerced or otherwise compelled to agree with the decision to sign the final rules for the slot auctions.

- **Observations on Short-Term Capacity Initiatives:** In September 2008, we issued our review of FAA's short-term capacity initiatives. The Chairmen and Ranking Members of the House Transportation and Infrastructure Committee and its Aviation Subcommittee requested that we provide observations on the initiatives that will provide the most capacity benefits in the next 5 years and FAA's management of these efforts. The long-term solution to increasing capacity and reducing delays depends largely on expanding capacity through NextGen, which is targeted for the 2025 timeframe. Although FAA is exploring ways to accelerate NextGen, much work remains to set realistic expectations for when capacity-enhancing initiatives can be delivered.

While there is no "silver bullet" for addressing delays, we identified several FAA initiatives, planned or underway, that can provide some relief from delays and boost capacity over the next 3 to 5 years. These include: (1) new airport infrastructure, (2) airspace redesign, (3) performance-based navigation initiatives, and (4) automated controller tools. Each initiative, however, faces challenges that must be fully addressed.

- **Review of FAA's Automatic Dependent Surveillance Broadcast (ADS-B) Program:** At the request of the Chairmen of the House Transportation Infrastructure Committee and the House Aviation Subcommittee, OIG is reviewing FAA's ADS-B Program. The audit objectives are to examine key risks to FAA's successful implementation of ADS-B and assess the strengths and weaknesses of FAA's proposed contracting approach.
- **Root Causes of Amtrak Train Delays:** In September 2008, we issued our analysis of the root causes of delays to Amtrak trains operating outside the Northeast Corridor (NEC). The objectives of our audit were to: (1) identify the root causes of delays for Amtrak trains operating outside the NEC, (2) assess whether Amtrak's passenger trains have been granted preference over freight trains as prescribed by law, (3) identify practices in dispatching trains that influence delays, and (4) evaluate whether delays in maintaining track have impacted Amtrak train delays.

We found several root causes of Amtrak train delays, including: (1) host railroad dispatching practices, some of which result in preference violations; (2) track maintenance practices and the resulting speed restrictions; (3) insufficient track capacity; and (4) external factors beyond the host railroads' control. We also identified host railroad dispatching practices that violate Amtrak's preference rights. However, disagreements between Amtrak and the

host railroads, both on how to measure delays and how to define Amtrak's right to preference in the use of rail infrastructure, make measuring violations of preference and allocating the exact causes of delay difficult.

We recommended that FRA focus on: (1) legislative changes to clarify Amtrak's preference rights and enhanced enforcement of those rights, (2) increased involvement and oversight by the FRA to facilitate cooperative planning between Amtrak and the host railroads to reduce delays and improve Amtrak's on-time performance (OTP), and (3) expanded funding for rail capacity projects.

- **Analysis of the Benefits of High-Speed Rail on the Northeast Corridor:** In June 2008, we released our analysis of the benefits of high speed rail (HSR) on the NEC. The objectives of our review were to: (1) estimate the revenue and congestion relief benefits associated with different levels of HSR on the NEC and (2) determine whether HSR would pay for itself through increased revenues, congestion relief, or a combination of the two. Additionally, we sought to estimate the consumer surplus provided by different levels of HSR on the NEC.

The benefits from HSR achieving 3-hour service between Boston and New York and 2 ½-hour service between New York and Washington would exceed the expenditures required to implement it. A sizeable share of air travelers along the NEC would switch to HSR if it achieved those travel times, thereby providing some relief to the area's congested airspace. In addition, the investments required to reach those travel times would significantly benefit NEC commuter and freight rail services. Our analysis also showed that should travel times decrease further, the resulting benefits from HSR would grow at an increasing rate.

- **Effects of Amtrak's Poor On-Time Performance:** In March 2008, we issued the results of our audit of the effects of Amtrak's poor OTP. This audit was requested by the Surface Transportation Subcommittee of the Senate Committee on Commerce, Science, and Transportation. The objective of this audit was to produce a quantitative assessment of the impact of Amtrak's poor OTP on Amtrak's finances.

Achieving reliable OTP would substantially improve Amtrak's finances. We estimate, for example, that an 85 percent OTP off the NEC in FY 2006 would have reduced Amtrak's operating loss by 30 percent or \$136.6 million. Amtrak's revenues would increase by \$111.4 million as more travelers would choose to take the train if they became more confident that it will arrive on time. Amtrak's expenses would be reduced by \$39.3 million mostly due to less

required overtime as a result of fewer late trains and lower fuel costs as a result of less time spent idling and less frequent accelerations and decelerations. The improved OTP would also require an increase in net performance payments paid to the host railroads of \$14.1 million.

- **Review of DOT's Suspension and Debarment Policies and Procedures:** The objectives of this audit currently being performed are to determine whether: (1) DOT's suspension and debarment policies and procedures are adequate to ensure that fraudulent or unethical individuals or companies are excluded from contracts, grants, and cooperative agreements and (2) operating administrations are effectively implementing DOT's suspension and debarment policies and procedures.

We currently have 161 ongoing investigations in the area of contract and grant fraud in DOT programs and operations. OIG, along with DOT, is focusing on DBE fraud. One example of this type of fraud involves prime contractors who conspire with false front DBEs in order to obtain contracts and meet required DBE participation criteria. At times, this is little more than a laundering operation, and the false front DBE does little or no work at all. This type of crime defrauds the very integrity of the DBE program and harms legitimate DBEs. We currently have 41 alleged DBE fraud schemes under investigation.

Following are recent examples of our work in these areas.

- **President of New York Construction Company Sentenced in \$11.4 million DBE Fraud Scheme:** In February 2009, the president of United States Rebar, Incorporated (U.S. Rebar) was sentenced in U.S. District Court, Central Islip, New York, on charges related to a fraud scheme affecting \$11.4 million in DBE subcontracts on various public works construction projects in the New York metropolitan area that received DOT grant funds. In September 2005, he pled guilty to money laundering conspiracy charges and admitted that between January 1998 and July 2002, U.S. Rebar, a non-DBE firm posing as various DBE firms, fraudulently obtained five DBE subcontracts valued at approximately \$11.4 million to install rebar. He was sentenced to 3 years probation and fined \$15,000. Also as a part of the plea agreement, he agreed to forfeit \$500,000 to the Government. The FTA has debarred both the individual and U.S. Rebar.
- **Company President Pleads To Making False Reports in Light Rail Project:** In March 2009, the president of Appleby NW, Inc., a steel fabrication company located in Granite Falls, Washington pled guilty in U.S. District Court, Seattle, Washington, for making and using false documents in relation to his work on the \$2.4 billion Tukwila, Washington Light Rail-Line

Project. Sentencing is set for July 10, 2009. The individual successfully bid to fabricate steel casings for the footings for the four mile elevated portion of the Tukwila, Washington section of the \$2.4 billion Sound Transit Light Rail Project, which is funded by FTA. Between May 2005 and November 2006, he falsified 36 reports to make it appear that Appleby NW, Inc. had fabricated the casings out of M270 Grade 50 steel as required by the contract, when in fact casings had been fabricated out of a lesser grade, Grade 36, steel. Experts retained by Sound Transit and FTA have concluded that the use of lesser grade steel does not present a safety issue.

### **GLOBAL CONNECTIVITY**

International trade in transportation goods and services plays an important role in the Nation's economic well-being. DOT's global connectivity strategies endeavor to facilitate an international transportation system that promotes economic growth and development. OIG will continue to provide oversight of DOT programs and initiatives in this area.

Following is a recent example of our work in these areas.

- **Small Community Air Service Development Program:** In May 2008, we issued our report on the Small Community Air Service Development Program (SCASDP). The objective of our audit was to determine the effectiveness of SCASDP in helping small-hub and non-hub communities in achieving sustainable and reliable air service. To achieve this objective, we reviewed SCASDP grants to determine: (1) which grants succeeded and which ones failed and (2) whether certain project characteristics or project types lead to a greater likelihood of grant success. Furthermore, we sought to identify "lessons learned" that could improve the probability of small-hub and non-hub communities achieving sustainable and reliable air service as a result of their SCASDP grants.

We found that while most SCASDP grants failed to fully achieve their objectives, certain grant types were more successful than others. Additionally, we found that substantive community participation, whether financial or non-financial, increases the likelihood of grant success. Finally, we found that the process communities follow in implementing their grants can increase the likelihood that their grants will ultimately succeed.

## ENVIRONMENTAL STEWARDSHIP

DOT is working to achieve a balance between environmental challenges and the need for a safe and efficient transportation network. OIG will continue to provide oversight of Federal transportation actions as they relate to this strategic objective.

Shipments of hazardous materials (HAZMAT) pose a threat to public safety if improperly handled. Because of the significant danger posed to the traveling public and to the environment from the illegal shipment of HAZMAT, we have made the investigation of illegal transportation of these items a high priority.

We currently are reviewing the Pipeline and Hazardous Materials Safety Administration (PHMSA) Special Permits and Approvals Program. It is important that PHMSA work with other Operating Administrations in overseeing special authorizations to ensure hazardous materials are safely packaged and transported. Our audit objectives are to assess the effectiveness of (1) PHMSA's policies and processes for reviewing and authorizing special permits, approvals, and limited quantity or consumer commodity exceptions; (2) PHMSA's coordination with the affected Operating Administration before issuing any of these special authorizations; and (3) PHMSA and other Operating Administrations' oversight and enforcement of approved parties' compliance with the terms and conditions of these authorizations.

In addition, we currently have 42 ongoing investigations concerning allegations of illegal transportation of HAZMAT. Following are recent examples of our work in these areas.

- **Georgia Commercial Shipping Company Sentenced for Hazardous Materials Violations:** In February 2009, both the owner and his company TransDesign, Incorporated, of Forest Park, Georgia, were sentenced in U.S. District Court, Atlanta, Georgia with the illegal transportation of hazardous materials. The owner was sentenced to serve five years probation and ordered to perform 100 hours of community service. His company was sentenced to serve five years probation, fined \$119,000, assessed an administrative penalty by the FAA in the amount of \$137,500, and ordered to pay an additional assessment of \$1,200. The sentence resulted from his and TransDesign's guilty plea in October 2008 to three counts of illegal transportation of HAZMAT in air commerce. In August 2008, he and his company were indicted for shipping chemicals via United Parcel Service and Federal Express on multiple occasions without declaring them as HAZMAT. His activities were discovered when a shipment leaked onboard an aircraft causing the entire aircraft to be unloaded and cleaned. These chemicals were seized by FAA and turned over to DOT/OIG as evidence.

- **San Francisco Based Cosmetic Company To Pay \$350,000 Fine for the Unlawful Transportation of HAZMAT:** In November 2008, Benefits Cosmetics LLC, San Francisco, California, was sentenced in U.S. District Court, San Francisco, California, for violating the Hazardous Materials Transportation Act. Benefits Cosmetics previously pleaded guilty to illegally causing the transportation of HAZMAT by air. As part of the plea agreement, Benefits Cosmetics was ordered to pay a \$350,000 fine and issue a public apology in an appropriate trade journal regarding this conviction. The notice is intended to raise awareness in the beauty industry of HAZMAT transportation regulations.
- **Pennsylvania Train Engineer Sentenced to 1-Year Imprisonment for Role in HAZMAT Derailment:** In September 2009, a former Norfolk Southern train engineer pled guilty and was sentenced in McKean County Court of Common Pleas, Smethport, Pennsylvania to one year incarceration, 24 months probation, and ordered to pay a \$3,000 fine and perform 600 hours of community service. The court also stipulated that he cannot operate a commercial vehicle for a period of 2 years. The criminal charges were related to a train derailment in northwestern Pennsylvania in June 2006 that spilled 42,000 gallons of sodium hydroxide waste into the soil, wetlands, and waters of two counties in Northwestern Pennsylvania. A complaint was subsequently filed by the McKean County District Attorneys Office in March 2007 alleging that he was under the influence of controlled substances at the time of the derailment.

### **SECURITY, PREPAREDNESS, AND RESPONSE**

DOT is responsible for balancing transportation security requirements with the safety, mobility, and economic needs of the Nation and to also be prepared to respond to emergencies and disasters, whether natural or man-made, that affect the viability of the transportation sector. Our Nation's transportation network must not only move millions of people and tons of cargo daily, but also must remain a vital link for Department of Defense mobilization requirements.

In support of the security, preparedness, and response strategic objective, OIG performs audits and investigations in a variety of areas dealing with the Nation's aviation, surface, pipeline, and maritime transportation security; security of DOT's critical computer systems, including air traffic control systems and other transportation communication networks; security at DOT facilities; and DOT preparedness and response relating to emergencies affecting the transportation sector.



Following are recent examples of our work in these areas.

- **Audit of DOT's Information Security Program:** In October 8, 2008, we issued our report presenting the results of our annual audit of DOT's information security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). Consistent with FISMA and Office of Management and Budget requirements, we assessed the effectiveness of DOT's program and practices in this area, specifically: (1) implementation of minimum security standards, (2) configuration management, and (3) incident-handling and reporting. We found, overall, that DOT's information security program was not effective. Despite some improvements, DOT had not established adequate policies and procedures; privacy protection of personally identifiable information remained insufficient, as did protection of computer networks; training of employees and contractors was not being assured; identification of information-security weaknesses was not being consistently carried out, nor was timely resolution of those identified; and departmental systems were not sufficiently protected or their recovery, when necessary, assured. We made 27 specific recommendations to address these deficiencies.
- **Actions Needed To Enhance Pipeline Security:** As required by the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006, in May 2008, we issued our audit report and subsequently testified before Congress on DOT and Department of Homeland Security (DHS) actions taken to implement a pipeline security annex. The annex is part of a Memorandum of Understanding, which DOT and DHS signed in 2004 to facilitate transportation security measures.

Within DOT, the PHMSA has responsibility for pipeline security and safety. Within DHS, the Transportation Security Administration (TSA) is responsible for pipeline security. In 2006, PHMSA and TSA signed the annex to establish clear lines of authority and responsibility over pipeline security matters.

We found that the PHMSA and TSA have taken initial steps toward formulating an action plan to implement the provisions of the annex; however, further actions are needed as the current situation is far from an "end state" for enhancing the security of the Nation's pipeline system.

We recommended that PHMSA collaborate with TSA to complete the following actions: (1) finalize the action plan for implementing the annex provisions and program elements and effectively execute the action plan, (2) amend the annex to clearly delineate the roles and responsibilities of PHMSA

and TSA in overseeing and enforcing security regulations for liquid natural gas operators, and (3) maximize the strategy used to assess pipeline operators' security plans and guidance to ensure effective and timely execution of congressional mandates in the Implementing Recommendations of the 9/11 Commission Act of 2007.

- **FAA's Management and Maintenance of Air Traffic Control Facilities:** In December 2008, we issued our audit of FAA's management and maintenance of air traffic control facilities. FAA has invested billions of dollars in new equipment for handling higher levels of air traffic in more complex airspace. However, the facilities that house those systems are aging and showing signs of deteriorating physical conditions.

We conducted this audit at the request of the Chairman of the House Committee on Transportation and Infrastructure, who expressed concerns about the overall state of FAA facilities. The objectives of our audit were to determine if FAA has (1) developed and implemented a comprehensive strategy to effectively manage the replacement, repair, and modernization of its air traffic control facilities and (2) allocated sufficient funds to carry out those activities.

We found that many air traffic control facilities have exceeded their useful lives. While the average facility has an expected useful life of approximately 25 to 30 years, 59 percent of FAA facilities are over 30 years old. FAA is encountering maintenance problems at several facilities due to its previous, decentralized approach to facility maintenance and its lack of a structured process for funding recurring maintenance. FAA has historically focused on addressing maintenance problems as they arose, but it is beginning to move toward a proactive approach that merges facility-level priorities with better national oversight. However, FAA's new processes still focus on sustaining the existing system, and FAA must work to ensure it has a system of facilities well-equipped for the long term.

### **ORGANIZATIONAL EXCELLENCE**

OIG will continue to assist DOT in maximizing integrity, efficiency, and effectiveness. We will aid DOT in their program oversight and stewardship with the goals that every Federal dollar is well-spent and program operations and processes are efficient and streamlined.

Following are recent examples of our work in these areas.

- **DOT's FY 2009 Top Management Challenges:** In November 2008, we publicly released our annual report on the top management challenges facing DOT in FY 2009, as required by law. The issues comprising this year's report are: (1) enhancing aviation safety and maintaining confidence in FAA's ability to provide effective oversight of a rapidly changing industry; (2) enhancing mobility and reducing congestion in America's transportation system; (3) developing a plan to address projected highway and transit funding shortfalls; (4) maximizing the return on current highway and transit infrastructure investments; (5) operating the National Airspace System while developing and transitioning to NextGen; (6) protecting against increasing cyber security risks and enhancing the protection of personally identifiable information (PII); (7) preventing catastrophic failures and obsolescence in the nation's aging surface transportation infrastructure; (8) improving contract operations and maintaining procurement integrity; and (9) enhancing and deploying programs for reducing the serious consequences of surface transportation crashes. This report was included in DOT's FY 2008 Performance and Accountability Report.
- **Review of DOT Privacy Policies and Procedures:** On September 2008, we issued a final report on the Review of DOT Privacy Policies and Procedures. This audit was done as required by the Fiscal Year 2005 Consolidated Appropriations Act for Transportation, Treasury, Independent Agencies, and General Government.

We found that DOT has made significant progress in addressing its statutory responsibilities under the Act by designating a senior official, the departmental Chief Information Officer, to be the Chief Privacy Officer. DOT has established proper procedures and a framework for assessing the necessity of using PII and the collection, use, and security of PII; however, tests of sampled PII systems identified deficiencies in implementation of the prescribed procedures, placing these personal data at risk. For example, the departmental privacy office had evaluation documents for only the 109 systems contained in its PII inventory; however, the office could not provide support that no PII is stored in DOT's other 320 systems. Nine of twenty sampled systems requiring a System of Records Notice did not have one published to notify the public of the intended use of the information collected from it. Further, some systems containing PII did not meet minimum security requirements, such as encrypting PII during network transmission and using proper password controls to authenticate users.

We also noted that the departmental privacy officer does not report directly to the Chief Information and Privacy Officer. In our opinion, this organization structure has reduced the visibility of the privacy program and was a major contributing factor to the deficiencies identified in this audit.

- **DOT's Audited Consolidated Financial Statements for FY 2008 and FY 2007:** In November 2008, we issued a quality control report of the audit of the DOT's FY 2008 and 2007 financial statements. KPMG LLP, under contract to us and under our supervision, issued a clean (unqualified) audit opinion. However, KPMG identified seven internal control significant deficiencies, none of which were determined to be material weaknesses, and four instances of potential or known noncompliance with laws and regulations.
- **Interim Report on Award-Fee Criteria for the Transportation Information Project Support Contract:** In August 2008, we issued an interim report regarding the Volpe National Transportation Systems Center's Transportation Information Project Support contract as a part of our ongoing audit of the Use of Cost-Plus-Award-Fee (CPAF) contracts within DOT. We found that the performance evaluation plan did not include measurable criteria needed to adequately evaluate contractor performance. Further, the descriptions defining adjectival ratings were vague and inconsistent and did not clearly define the basis for rating performance. This resulted in performance monitors arbitrarily determining which ratings they believed best reflected how well the contractor performed.
- **Interim Report on Award-Fee Criteria for the National Airway Systems Contract:** In May 2008, we issued an interim report regarding FAA's National Airway Systems Contract as part of our ongoing audit of the CPAF contracts within DOT. We found that contracting officials did not justify the cost-effectiveness of selecting a CPAF-type contract by evaluating administrative costs versus expected benefits to the Government. Without this evaluation, the Aeronautical Center had no assurance that a CPAF-type contract was appropriate. Additionally, the performance evaluation plan did not include measurable criteria needed to adequately evaluate contractor performance.
- **Use of Income Derived from the Commercial Driver's License Information System (CDLIS) for Modernization:** In July 2008, we issued our report on Use of Income Derived from CDLIS for Modernization. This audit was performed in response to a requirement in the SAFETEA-LU. The objectives of our audit were to: (1) determine how net income should be used under the CDLIS modernization grant; (2) identify total revenue derived from CDLIS user fees, the amount of related expenses the American Association of

Motor Vehicle Administrators (AAMVA) incurred, and net income; and (3) determine how the net income was used.

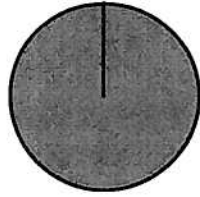
We found that under the regulation governing Federal grants for modernizing CDLIS, program income derived from CDLIS revenue and fees during the grant project period must be used for operating and modernizing the system. We recommended that: (1) FMCSA amend its 1988 operating agreement with AAMVA to ensure that program income derived from CDLIS revenue and fees during the grant project period is used for operating and modernizing the system, (2) provisions are made for states to pay for future CDLIS enhancements, and (3) AAMVA accounts for and reports to FMCSA the amount and use of program income from CDLIS. On June 9, 2008, after we issued our draft report, FMCSA entered into a new Cooperative Agreement with AAMVA to reflect the current programs, systems, and organizational changes that occurred since the 1988 operating agreement was ratified. The new Cooperative Agreement appears to address our recommendations.

- **The Joint Program Office's Management of the Intelligent Transportation Systems Program Needs To Be Improved:** In March 2009, we issued our report on the Research and Innovative Technology Administration's Intelligent Transportation Systems (ITS) Joint Program Office (JPO). We assessed whether the JPO is effectively managing and overseeing the ITS program by (1) tracking project results and outcomes, (2) managing the ITS budget and overseeing contracts, and (3) providing direction and cross-modal coordination.

While ITS initiatives have achieved DOT-wide support, we found weaknesses in how the JPO measures project results, executes budget and contract procedures, and manages ITS research projects.

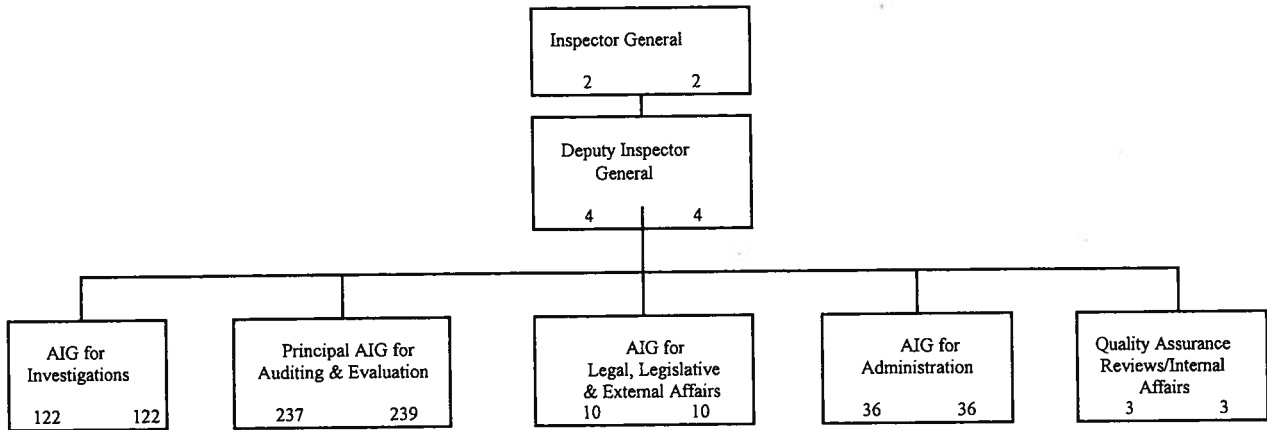
We found the JPO has not ensured that its contractors' assessments of ITS projects have been useful, timely, or complete. In addition, contractors were producing costly, duplicative work. We also found the JPO was operating without documented budget procedures. As a result, ITS financial reports were not consistently reconciled in 2008, and nearly \$20 million in unneeded funds was left on old contracts and agreements. Furthermore, we found the JPO lacked uniform project management standards and project benefit-cost analyses; such procedures might have mitigated cost overruns and delays experienced by several ITS initiatives. Finally, we found that the JPO needs to address conflicts of interest, such as allowing the Volpe Center to both oversee and administer the Safe Trip-21 project.

## Allocation of Funding by Strategic Goal



■ Org. Exc. (100%)

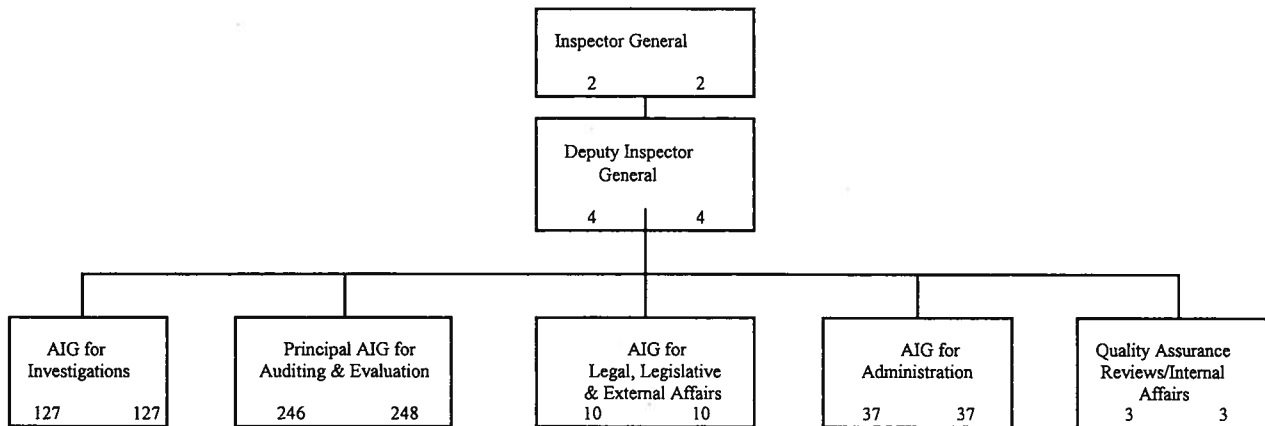
**ORGANIZATION CHART  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
with Estimated FTEs for FY 2009 and FY 2010**



Numbers to the left represent FY 2009 Enacted Omnibus FTE of 414, numbers to the right represent FY 2010 Requested FTE of 416. Additional FTE supported by ARRA funding is not reflected on this chart, but is reflected on budget exhibits.

The number of FTE applied to administrative functions has increased in size from previous years due to: the establishment of an AIG for Administration; the Training Office being realigned to the Office of Human Resources (from the Principal AIG for Auditing and Evaluation) to provide support to all OIG offices; and the establishment of three separate offices - the Chief Information Officer, Chief Administrative Officer, and Chief Financial Officer due to increasing demands associated with information security, financial management, and administrative operations and support (previously, the information technology, administrative, and financial functions were all under a single office with one person serving as the CIO, CAO and CFO).

**ORGANIZATION CHART  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
with Estimated FTPs for FY 2009 and FY 2010**



Numbers to the left represent FY 2009 Enacted Omnibus FTP of 429, numbers to the right represent FY 2010 Requested FTP of 431. Additional FTP supported by ARRA funding is not reflected on this chart, but is reflected on budget exhibits.

The number of FTP applied to administrative functions has increased in size from previous years due to: the establishment of an AIG for Administration; the Training Office being realigned to the Office of Human Resources (from the Principal AIG for Auditing and Evaluation) to provide support to all OIG offices; and the establishment of three separate offices - the Chief Information Officer, Chief Administrative Officer, and Chief Financial Officer due to increasing demands associated with information security, financial management, and administrative operations and support (previously, the information technology, administrative, and financial functions were all under a single office with one person serving as the CIO, CAO and CFO).



## EXHIBIT II-1

**COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**Budget Authority**  
**(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2008 ACTUAL</u>	<u>FY 2009 ENACTED OMNIBUS</u>	<u>FY 2009 ENACTED TOTAL*</u>	<u>FY 2010 REQUEST</u>
Salaries & Expenses	66,400	71,400	71,400	74,839
Salaries & Expenses, Recovery Act	0	0	20,000	0
Transfer from FTA	0	2,000	2,000	0
<b>TOTALS: Budget Authority</b>	<b>66,400</b>	<b>73,400</b>	<b>93,400</b>	<b>74,839</b>
<b><u>REIMBURSABLES</u></b>				
FHWA	3,766	3,824	3,824	3,809
FTA	2,060	0	0	2,075
FAA	1,301	540	540	620
OST	0	100	100	0
NTSB	70	100	100	100
<b>TOTALS: Reimbursables</b>	<b>7,197</b>	<b>4,564</b>	<b>4,564</b>	<b>6,604</b>
<b>TOTALS: OIG</b>	<b>73,597</b>	<b>77,964</b>	<b>97,964</b>	<b>81,443</b>

\* Includes American Recovery and Reinvestment Act of 2009 funding.

## EXHIBIT II-2

**FY 2010 BUDGET REQUEST BY APPROPRIATION ACCOUNT**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**Approps., Ob. Lims., and Exempt Obs.**  
**(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2008 ACTUAL</u>	<u>FY 2009 ENACTED OMNIBUS</u>	<u>FY 2009 ENACTED TOTAL*</u>	<u>FY 2010 REQUEST</u>
Salaries & Expenses	66,400	71,400	71,400	74,839
Salaries & Expenses, Recovery Act	0	0	20,000	0
Transfer from FTA	0	2,000	2,000	0
<b>TOTALS: Approp., Ob. Lims., &amp; Exempt Obs.</b>	<b>66,400</b>	<b>73,400</b>	<b>93,400</b>	<b>74,839</b>
<b><u>REIMBURSABLES</u></b>				
FHWA	3,766	3,824	3,824	3,809
FTA	2,060	0	0	2,075
FAA	1,301	540	540	620
OST	0	100	100	0
NTSB	70	100	100	100
<b>TOTALS: Reimbursables</b>	<b>7,197</b>	<b>4,564</b>	<b>4,564</b>	<b>6,604</b>
<b>TOTALS: OIG</b>	<b>73,597</b>	<b>77,964</b>	<b>97,964</b>	<b>81,443</b>

\* Includes American Recovery and Reinvestment Act of 2009 funding.

EXHIBIT II-3

**FY 2010 BUDGET REQUEST BY APPROPRIATION ACCOUNT  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
Budget Authority  
(\$000)**

<b>ACCOUNT NAME</b>	<b>Mandatory/ Discretionary</b>	<b>FY 2008 ACTUAL</b>	<b>FY 2009 ENACTED OMNIBUS</b>	<b>FY 2009 ENACTED TOTAL*</b>	<b>FY 2010 REQUEST</b>
Salaries & Expenses	D	66,400	71,400	71,400	74,839
Salaries & Expenses, Recovery Act	D	0	0	20,000	0
Transfer from FTA	D	0	2,000	2,000	0
<b>TOTALS: Budget Authority</b>		<b>66,400</b>	<b>73,400</b>	<b>93,400</b>	<b>74,839</b>

\* Includes American Recovery and Reinvestment Act of 2009 funding.

EXHIBIT II-4

FY 2010 BUDGET REQUEST BY APPROPRIATION ACCOUNT  
 DEPARTMENT OF TRANSPORTATION  
 OFFICE OF INSPECTOR GENERAL

Outlays  
 (\$000)

ACCOUNT NAME	Mandatory/ Discretionary	FY 2008 ACTUAL	FY 2009 ENACTED OMNIBUS	FY 2009 ENACTED TOTAL*	FY 2010 REQUEST
Salaries & Expenses	D	66,283	72,837	72,837	74,695
Salaries & Expenses, Recovery Act	D	0	0	1,000	6,000
Transfer from FTA	D	0	1,800	1,800	0
<b>TOTALS: Budget Authority</b>		66,283	74,637	75,637	80,695

\* Includes American Recovery and Reinvestment Act of 2009 funding.

**SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
Appropriations, Obligation Limitations, and Exempt Obligations  
(\$000)**

**SALARIES & EXPENSES**

**Baseline Changes**

	FY 2009 ENACTED OMNIBUS	FY 2010 PAY RAISES (2.0%)	FY 2009 ANNUAL PAY RAISES & PROMOS/WIGS	ANNUALIZED COST OF ADD'L FTE	FTE CHANGE	FUNDING SWITCH - TRANSFER TO REIMB	WCF	DHS SECURITY	INFLATION ADJ. (0.5%)	REIMB CONTRACT SERVICES	FY 2010 REQUEST
<b>OPERATIONS</b>											
<b>PERSONNEL RESOURCES:</b>											
Total FTE	414			1	1						416
<b>FINANCIAL RESOURCES:</b>											
Salaries & Benefits	53,254	922	1,541	150	100				20		55,967
Travel	2,660										2,680
Transportation of things	3										3
Rental payments to GSA/Rental security payments to DHS	5,025							171			5,196
Rental payments to others	200										200
Comm., utilities, & misc. charges	605								30		635
Printing and reproduction	5										5
Advisory and assistance svcs.	515										515
Other services	3,834								41		3,875
WCF	2,994									464	3,458
Other svcs. from Gov. accs.	1,445										1,445
Supplies and materials	325										325
Equipment	425										425
Insurance claims and indemnities	100										100
Unvouchered	10										10
<b>Totals: Approps., ObLimits, &amp; Exempt Obs.</b>	71,400	922	1,541	150	100	0	464	171	91	0	74,839
<b>Totals: Transfer from FTA</b>	2,000	0	0	0	0	-2,000	0	0	0	0	0
<b>Totals: Reimbursables **</b>	4,564	0	0	0	0	2,000	0	0	0	40	6,604
<b>Totals: OIG</b>	77,964	922	1,541	150	100	0	464	171	91	40	81,443

\*\* Total FY 2010 Reimbursables request of \$6.604 M includes \$5.524 M in PC&B.

**EXHIBIT II-5A**

**WORKING CAPITAL FUND  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
Approp., Ob. Lims., and Exempt Obs.  
(\$000)**

<b>ACCOUNT NAME</b>	<b>FY 2009 ENACTED OMNIBUS</b>	<b>FY 2010 REQUEST</b>	<b>CHANGE</b>
Salaries & Expenses	2,994	3,458	464
<b>TOTALS: Approp., Ob. Lims., &amp; Exempt Obs.</b>	<b>2,994</b>	<b>3,458</b>	<b>464</b>

**EXHIBIT II-6**

**DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
PERSONNEL RESOURCE - SUMMARY  
FULL-TIME EQUIVALENTS**

	<b>FY 2008 ACTUAL</b>	<b>FY 2009 ENACTED OMNIBUS</b>	<b>FY 2009 ENACTED TOTAL</b>	<b>FY 2010 REQUEST</b>
Salaries and Expenses	352	360	360	362
Salaries and Expenses, Recovery Act	0	0	5	35
Transfer from FTA	0	19	19	0
<b>Sub-total</b>	352	379	384 *	397 **
Reimbursables	54	35	35	54
<b>TOTAL FTE</b>	406	414	419	451

**EXHIBIT II-7**

**DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
PERSONNEL RESOURCE - SUMMARY  
FULL-TIME PERMANENT POSITIONS**

	<b>FY 2008 ACTUAL</b>	<b>FY 2009 ENACTED OMNIBUS</b>	<b>FY 2009 ENACTED TOTAL</b>	<b>FY 2010 REQUEST</b>
Salaries and Expenses	371	375	375	377
Salaries and Expenses, Recovery Act	0	0	5	35
Transfer from FTA	0	19	19	0
<b>Sub-total</b>	371	394	399 *	412 **
Reimbursables	54	35	35	54
<b>TOTAL FTE</b>	425	429	434	466



**DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL**

*Federal Funds*

SALARIES AND EXPENSES

For necessary expenses of the Office of Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended, [\$71,400,000] \$74,839,000: *Provided*, That the Inspector General shall have all necessary authority, in carrying out the duties specified in the Inspector General Act, as amended (5 U.S.C. App. 3), to investigate allegations of fraud, including false statements to the government (18 U.S.C. 1001), by any person or entity that is subject to regulation by the Department: *Provided further*, That the funds made available under this heading shall be used to investigate, pursuant to section 41712 of title 49, United States Code: (1) unfair or deceptive practices and unfair methods of competition by domestic and foreign air carriers and ticket agents; and (2) the compliance of domestic and foreign air carriers with respect to item (1) of this proviso. (*Department of Transportation Appropriations Act, 2009.*)

EXHIBIT III-1

**SUMMARY BY PROGRAM ACTIVITY  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
Approps., Ob. Lims., and Exempt Obs.  
(\$000)**

<b>ACCOUNTS</b>	<b>FY 2008 ACTUAL</b>	<b>FY 2009 ENACTED OMNIBUS</b>	<b>FY 2009 ENACTED TOTAL*</b>	<b>FY 2010 REQUEST</b>
Organizational Excellence, Direct Approp.	66,400	71,400	71,400	74,839
Organizational Excellence, Recovery Act	0	0	20,000	0
Organizational Excellence, Transfer from FTA	0	2,000	2,000	0
<b>Total Budget Authority</b>	<b>66,400</b>	<b>73,400</b>	<b>93,400</b>	<b>74,839</b>
Reimbursables	7,197	4,564	4,564	6,604
<b>Total: OIG</b>	<b>73,597</b>	<b>77,964</b>	<b>97,964</b>	<b>81,443</b>

\* Includes American Recovery and Reinvestment Act of 2009 funding.

FTE

Salaries and Expenses	352	360	360	362
Salaries and Expenses, Recovery Act	0	0	5	35
Transfer from FTA	0	19	19	0
<b>Sub-total</b>	<b>352</b>	<b>379</b>	<b>384 **</b>	<b>397 ***</b>
Reimbursables	54	35	35	54
<b>Total FTE</b>	<b>406</b>	<b>414</b>	<b>419</b>	<b>451</b>

**Program and Performance Statement**

This appropriation finances the cost of conducting and supervising audits and investigations relating to the programs and operations of the Department to promote economy, efficiency, and effectiveness and to prevent and detect fraud, waste, and abuse in such programs and operations. Congress also provided an appropriation of \$20 million in FY 2009 to the Office of Inspector General (OIG) for conducting audits and investigations of expenditures of funds made available to the Department in the American Recovery and Reinvestment Act of 2009. In addition, reimbursable funding will be received from the Federal Highway Administration, the Federal Transit Administration, the Federal Aviation Administration, and the National Transportation Safety Board.

**EXHIBIT III-2**

**SUMMARY ANALYSIS OF CHANGE FROM FY 2009 TO FY 2010  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
Appropriations, Obligation Limitations, and Exempt Obligations  
(\$000)**

<b>ITEM</b>	<b>CHANGE FROM FY 2009 TO FY 2010</b>	<b>TOTAL</b>
<b>FY 2009 Enacted Omnibus</b>		
Salaries & Expenses - Appropriations, Ob. Lims., and Exempt Obligations		<b>\$71,400</b>
<b>Adjustments to Base</b>		
FY 2010 pay raise (2.0%)	\$922	
Annualization of FY 2009 pay raise & career-ladder promotions and WIGs	\$1,541	
Annualized cost of 1 add'l FTE from FY 2009	\$150	
1 FTE increase	\$100	
Working Capital Fund	\$464	
Rental payments to GSA/Rental security payments to DHS	\$171	
Inflation (0.5%)	\$91	
<b>Subtotal, Adjustments to Base</b>		<b>\$3,439</b>
<b>Total FY 2010 Direct Funding Request</b>		<b>\$74,839</b>

**PROGRAM AND FINANCING  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
(\$000)**

<b>OMB ACCOUNT ID: 021-56-0130-0</b>	<b>FY 2008 ACTUAL</b>	<b>FY 2009 ENACTED TOTAL*</b>	<b>FY2010 REQUEST</b>
<b>Obligations by program activity</b>			
1.01 General Administration	66,248	73,400	74,839
1.02 ARRA oversight administration	0	1,000	6,000
9.01 Reimbursable Program	7,197	4,564	6,604
10.00 Total new obligations	73,445	78,964	87,443
<b>Budgetary resources available for obligation</b>			
21.40 Unobligated balance carried forward, start of year	0	0	19,000
22.00 New budget authority (gross)	73,597	97,964	81,443
23.90 Total budgetary resources available for obligation	73,597	97,964	100,443
23.95 Total new obligations	(73,445)	(78,964)	(87,443)
23.98 Unobligated balance expiring or withdrawn	(152)	0	0
24.40 Unobligated balance carried forward, end of year	0	19,000	13,000
<b>New budget authority (gross), detail</b>			
Discretionary			
40.00 Appropriation	66,400	71,400	74,839
40.01 Appropriation, Recovery Act	0	20,000	0
42.00 Transferred from other accounts (69-1120)	0	2,000	0
43.00 Appropriation (total discretionary)	66,400	93,400	74,839
Spending authority from offsetting collections:			
58.00 Offsetting collections (cash)	7,186	4,564	6,604
58.10 Change in uncollected customer payments from Federal sources (unexpired)	11	0	0
58.90 Spending authority from offsetting collections (total discretionary)	7,197	4,564	6,604
70.00 Total new budget authority (gross)	73,597	97,964	81,443

**PROGRAM AND FINANCING  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
(\$000)**

OMB ACCOUNT ID: 021-56-0130-0	FY 2008 ACTUAL	FY 2009 ENACTED TOTAL*	FY2010 REQUEST
<b>Change in obligated balances</b>			
72.40 Obligated balance, start of year	9,360	8,577	7,340
73.10 Total new obligations	73,445	78,964	87,443
73.20 Total outlays (gross)	(74,316)	(80,201)	(87,299)
73.40 Adjustments in expired accounts (net)	(702)	0	0
74.00 Change in uncollected customer payments from Federal sources (unexpired)	(11)	0	0
74.10 Change in uncollected customer orders from Federal sources (expired)	801	0	0
74.40 Obligated balance, end of year	8,577	7,340	7,484
<b>Outlays (gross), detail</b>			
86.90 Outlays from new discretionary authority	66,855	71,624	73,959
86.93 Outlays from discretionary balances	7,461	8,577	13,340
87.00 Total outlays (gross)	74,316	80,201	87,299
<b>Offsets:</b>			
Against gross budget authority and outlays:			
88.00 Offsetting collections (cash) from: Federal sources	8,033	4,564	6,604
Against gross budget authority only:			
88.95 Change in uncollected customer payments from Federal sources (unexpired)	11	0	0
88.96 Portion of offsetting collections (cash) credited to expired accounts	(848)	0	0
<b>Net budget authority and outlays</b>			
89.00 Budget authority	66,400	93,400	74,839
90.00 Outlays	66,283	75,637	80,695
95.02 Unpaid obligation, end of year	8,620		

\* Includes American Recovery and Reinvestment Act of 2009 funding.

**OBJECT CLASSIFICATION  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
SALARIES AND EXPENSES  
(\$000)**

	FY 2008 ACTUAL	FY 2009 ENACTED OMNIBUS	FY 2009 ENACTED TOTAL*	FY 2010 REQUEST*	
Personnel Compensation:					
11.1	Full- time permanent.....	33,501	38,706	39,166	42,854
11.3	Other than full-time permanent.....	343	363	363	383
11.5	Other personnel compensation.....	3,095	3,380	3,380	3,580
11.9	Total personnel compensation.....	36,939	42,449	42,909	46,817
12.1	Civilian personnel benefits.....	11,141	12,805	12,945	14,150
21.0	Travel and transportation of persons.....	2,698	2,660	2,685	2,880
22.0	Transportation of things.....	4	3	3	3
23.1	Rental payments to GSA/FPS payments to DHS .....	4,454	5,025	5,025	5,196
23.2	Rental payments to others .....	202	200	200	200
23.3	Comm., utilities, and misc charges	712	605	605	635
24.0	Printing and reproduction.....	2	5	5	5
25.1	Advisory and assistance services....	280	515	515	865
25.2	Other services.....	3,622	3,834	3,884	3,975
25.3	Other purchases of goods and services from Gov. accounts .....	5,056	4,439	4,764	5,253
26.0	Supplies and materials.....	285	325	325	325
31.0	Equipment.....	714	425	425	425
42.0	Insurance Claims and indemnities....	133	100	100	100
91.0	Unvouchered.....	6	10	10	10
99.0	Subtotal, direct obligations.....	66,248	73,400	74,400	80,839
99.0	Reimbursable obligations	7,197	4,564	4,564	6,604
99.9	Total obligations.....	73,445	77,964	78,964	87,443

\* Includes American Recovery and Reinvestment Act of 2009 funding.

**EMPLOYMENT SUMMARY  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL**

	<b>FY 2008 ACTUAL</b>	<b>FY 2009 ENACTED OMNIBUS</b>	<b>FY 2009 ENACTED TOTAL</b>	<b>FY 2010 REQUEST</b>
Direct:				
10.01 Civilian full-time equivalent employment	352	379	384 *	397 **
Reimbursable:				
20.01 Civilian full-time equivalent employment	54	35	35	54

\* Of the 384 FTE identified, 5 FTE are funded by the 2009 Recovery Act.

\*\* Of the 397 FTE identified, 35 FTE are funded by the 2009 Recovery Act.

**FY 2000 – FY 2010 FUNDING HISTORY  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
SALARIES AND EXPENSES**

Estimates	Appropriations
2000.....\$44,840,000	2000.....\$44,446,000 <sup>1</sup>
2001.....\$48,450,000	2001.....\$49,341,210 <sup>2</sup>
2002.....\$50,614,000	2002.....\$50,374,000 <sup>3</sup>
2002 Suppl.....\$1,300,000	2002 Suppl.....\$1,300,000
2003.....\$57,421,000	2003.....\$54,697,764 <sup>4</sup>
2004.....\$55,000,000	2004.....\$55,243,018 <sup>5</sup>
2005.....\$59,000,000	2005.....\$58,132,000 <sup>6</sup>
2006.....\$62,499,000	2006.....\$61,874,010 <sup>7</sup>
2007.....\$64,143,000	2007.....\$64,043,000
2008.....\$66,400,000	2008.....\$66,400,000
2009.....\$70,468,000	2009.....\$71,400,000
2009.....N/A	2009 ARRA .....\$20,000,000 <sup>8</sup>
2010.....\$74,839,000	

<sup>1</sup> Reflects reductions of \$224,000 for TASC (sec. 319) and \$170,000 from P.L. 106-113 (sec. 301).

<sup>2</sup> Reflects reduction of \$108,790 from P.L. 106-554 (sec. 1403).

<sup>3</sup> Reflects reductions for TASC of \$108,000 (sec. 349), \$93,000 from P.L. 107-117 (sec. 1106), and \$39,000 from P.L. 107-206 (sec. 1403(a)).

<sup>4</sup> Reflects reductions for WCF of \$200,000 (G.P. 362), \$373,236 from P.L. 108-7 (sec. 601, Title VI), and transfer of \$2,150,000 from P.L. 107-296 (sec. 1516) to DHS/OIG.

<sup>5</sup> Reflects WCF reduction of \$426,582 (P.L. 108-199, Div. F, Title V, sec. 517) and .59% across-the-board reduction of \$330,400 (P.L. 108-199, Div. H, sec. 168 (b)).

<sup>6</sup> Reflects WCF reduction of \$396,000 (P.L. 108-447, Div. H, Title I, sec. 197) and .8% across-the-board reduction of \$472,000 (P.L. 108-447, Div. J, Title I, sec. 122 (a)).

<sup>7</sup> Reflects 1% across-the-board reduction of \$624,990 (P.L. 109-148, Div. B, Title III, Chapter 8, sec. 3801 (a)).

<sup>8</sup> American Recovery and Reinvestment Act funding.



**EXHIBIT IV-1**

**FY 2010 BUDGET REQUEST BY STRATEGIC GOAL & PERFORMANCE GOAL  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
Approps., Obligation Limitations, and Exempt Obs.  
(\$000)**

	<u>FY 2008 ACTUAL</u>	<u>FY 2009 ENACTED OMNIBUS</u>	<u>FY 2010 REQUEST</u>
<b>STRATEGIC &amp; PERFORMANCE GOALS by Performance Measure</b>			
Organizational Excellence - Improve Organizational Performance and Effectiveness	66,400	71,400	74,839
<b>TOTAL REQUEST (Direct Approp. Only)</b>	66,400	71,400	74,839
<b>FTE (Direct Funded Only)</b>	352	360	362

**DETAILED JUSTIFICATION BY STRATEGIC/ORGANIZATIONAL GOAL  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
ORGANIZATIONAL EXCELLENCE**

This funding request contributes to the DOT organizational goal of Organizational Excellence.

In carrying out our oversight responsibilities, our overall goal is to assist DOT in reaching its long-term strategic and organizational goals. OIG performance is measured by the successful accomplishment of its statutory responsibilities prescribed by the Inspector General Act and the completion of specific actions to support Departmental goals.

As such, our entire budget request is placed under the Departmental organizational goal of Organizational Excellence. However, our work assists the Operating Administrations in meeting their performance targets in each of the strategic goals of Safety; Reduced Congestion; Global Connectivity; Environmental Stewardship; and Security, Preparedness and Response.

The resources requested to achieve this goal are:

**OFFICE OF INSPECTOR GENERAL  
Appropriations, Obligation Limitations, and Exempt Obligations  
(\$000)**

<b>PERFORMANCE</b>		<b>FY 2009</b>	<b>FY 2009</b>	
<b>GOALS/MEASURES by</b>	<b>FY 2008</b>	<b>ENACTED</b>	<b>ENACTED</b>	<b>FY 2010</b>
<b>PROGRAM ACTIVITIES</b>	<b>ACTUAL</b>	<b>OMNIBUS</b>	<b>TOTAL</b>	<b>REQUEST</b>
1. Org. Ex., Direct Approp.	66,400	71,400	71,400	74,839
Org. Ex., Recovery Act	0	0	20,000	0
Org. Ex., Transfer from FTA	0	2,000	2,000	0
<b>TOTALS: Approp., ObLim, &amp; Exempt Obls.</b>	<b>66,400</b>	<b>73,400</b>	<b>93,400</b>	<b>74,839</b>
<b>FTE</b>	<b>352</b>	<b>379</b>	<b>384*</b>	<b>397**</b>
<b>TOTALS: Reimbursables</b>	<b>7,197</b>	<b>4,564</b>	<b>4,564</b>	<b>6,604</b>
<b>FTE</b>	<b>54</b>	<b>35</b>	<b>35</b>	<b>54</b>
<b>GRAND TOTALS: OIG</b>	<b>73,597</b>	<b>77,964</b>	<b>97,964</b>	<b>81,443</b>
<b>FTE</b>	<b>406</b>	<b>414</b>	<b>419</b>	<b>451</b>

\* Of the 384 FTE identified, 5 FTE are funded by the 2009 Recovery Act.  
\*\* Of the 397 FTE identified, 35 FTE are funded by the 2009 Recovery Act.

*Office of Inspector General  
U.S. Department of Transportation*

*FY 2010 Performance Plan*

***FY 2010 PERFORMANCE PLAN***

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## ***FY 2010 PERFORMANCE PLAN***

### ***I. Introduction***

The Fiscal Year (FY) 2010 Performance Plan for the Office of Inspector General (OIG), Department of Transportation (DOT), describes our performance measures and future plans in support of DOT's Strategic Plan and its mission of providing fast, safe, efficient, and convenient transportation at the lowest cost consistent with the national objectives of general welfare, economic growth and stability, and the security of the United States. In developing our specific work plans, we take into account the need to support DOT's most critical programs and ensure that departmental resources are protected from fraud, waste, and abuse. In addition, many of our projects result from requests by Administration officials and congressional members.

The OIG's Performance Plan serves as an important blueprint in our ongoing efforts to promote the most effective and efficient operation of DOT.

In FY 2010, our safety oversight initiatives will include monitoring Federal Aviation Administration's (FAA) efforts to reduce the risk of aviation accidents caused by operational errors, runway incursions, and other risks. We will also track progress made by the Federal Highway Administration (FHWA) to correct reported deficiencies in states' highway bridge safety programs and the use of funds to install warning devices at highway-grade crossings. We will continue to track the Federal Motor Carrier Safety Administration's (FMCSA) success in carrying out our recommendations for improving oversight of state commercial driver's license (CDL) programs and procedures to detect CDL fraud, and as needed, assess initiatives to improve bus safety programs.

We plan to expand our monitoring efforts of numerous programs and capacity-enhancing initiatives designed to reduce transportation congestion. For example, we will continue to track FAA modernization projects, such as new runways, airspace redesign, and the Operational Evolution Partnership. In addition, we will monitor performance of the National Airspace System with respect to airline delays and flight cancellations, and actions (by the Department, FAA, Airlines, and Airports) to mitigate them in the near-term. Our plans also include assessing Federal stewardship over multibillion-dollar highway and transit projects, including those under consideration as part of the economic recovery efforts.

## ***II. OIG Statutory Responsibilities***

The Inspector General Act of 1978 (P.L. 95-452), as amended, established OIG as an independent and objective organization within DOT. The Inspector General is committed to fulfilling its statutory mission and assisting the Secretary and senior Department officials in meeting the Department's strategic objectives. As prescribed by the Inspector General Act, OIG will:

- *Maintain independent and objective organizations to conduct and supervise audits and investigations relating to the programs and operations of DOT.*
- *Report violations of law to the U.S. Attorney General.*
- *Recommend policies for activities to promote economy, efficiency, and effectiveness in administration of Departmental programs.*
- *Notify the Congress and Secretary of serious or flagrant problems in DOT or its programs.*
- *Take appropriate actions to prevent and detect fraud, waste, and abuse in the Department's programs and operations.*
- *Review existing and proposed legislation and regulations.*
- *Keep the Congress and Secretary fully and currently informed about problems and deficiencies and the necessity for and progress of corrective action.*
- *Protect the identity of whistleblowers.*
- *Receive and, as appropriate, investigate complaints from any person or entity, including Congress.*
- *Prepare and submit Semiannual Reports to the Congress and Secretary.*

OIG also has significant responsibilities under the Chief Financial Officers Act (P.L. 101-576), Federal Information Security Management Act (FISMA) (P.L. 107-347) and the American Recovery and Reinvestment Act (ARRA) (P.L. 111-5). OIG will fulfill these responsibilities by completing required audits of DOT's financial statements and information security practices; assessing the adequacy of internal control systems; and ensuring tax dollars expended by DOT are well-spent and that

acquisitions, contracts, and grants are well-managed and not subject to fraud, including those under consideration as part of the economic recovery efforts. Recovery projects also extend Federal whistle-blower protections to state, local, and private sector employees. In addition, Congress often tasks OIG through requests, report directives, and public law to review certain ongoing and emerging transportation issues, pursuant to their legislative and oversight responsibilities.

### ***III. OIG Resources***

OIG's total FY 2010 budget request is \$81.443 million. This will be used to support 416 Full Time Equivalents (FTE). In addition to \$74.839 million in direct appropriations, the OIG budget request includes \$6.604 million in off-setting collections to support audit and investigative efforts relating to highway and transit issues and to acquire contractual financial statement and Statement on Auditing Standards (SAS) 70 audit services.

In addition, OIG will use ARRA funding to support another estimated 35 FTE in FY 2010.

OIG's resources are used to carry out our oversight mission mandated under the Inspector General Act of 1978, as amended; conduct audits and investigations requested by the Secretary, the Office of Management and Budget (OMB), and Congress; and support the Department's strategic and organizational goals.

OIG is organized to concentrate the talents of our senior executives on OIG's core statutory responsibilities, which are to perform audits and investigations. Moreover, our most senior auditors and analysts are assigned according to key subject areas.

#### ***IV. Strategic Plan Goals***

To improve our service to Congress and the Department, OIG will focus a major portion of its work towards addressing the strategic and organizational goals outlined in the DOT Strategic Plan. We have built our FY 2010 plan around these goals. The following comprises a listing of DOT's strategic and organizational goals:

##### ***DOT Strategic Goals***

- **Safety:** *“Enhance public health and safety by working toward the elimination of transportation-related deaths and injuries.”*
- **Reduced Congestion:** *“Reduce congestion and other impediments to using the Nation’s transportation system.”*
- **Global Connectivity:** *“Facilitate an international transportation system that promotes economic recovery and development.”*
- **Environmental Stewardship:** *“Promote transportation solutions that enhance communities and protect the natural and built environment.”*
- **Security, Preparedness, and Response:** *“Balance transportation security requirements with the safety, mobility, and economic needs of the Nation and be prepared to respond to emergencies that affect the viability of the transportation sector.”*

##### ***DOT Organizational Goal***

- **Organizational Excellence:** *“Advance the Department’s ability to manage for results.”*

These six goals emphasize the importance of improving America’s transportation by making it safer, less congested, better connected, environmentally friendly, and fully operational in all conditions. OIG will work to find solutions to complex transportation issues across this strategic framework. We will also focus our audits and investigations on ensuring that tax dollars expended by DOT are well-spent and that acquisitions, contracts, and grants are well-managed and not subject to fraud, including those under consideration as part of the economic recovery efforts.



## V. *Top Management Challenges*

The Office of Inspector General has identified nine top management challenges for DOT for FY 2010. Key focus areas for DOT, the new Administration, and the 111<sup>th</sup> Congress include bolstering the oversight integrity for the rapidly changing airline industry; reaching agreement on long-term financing mechanisms for aviation and surface transportation programs; alleviating congestion in the air and on the ground; and addressing nationwide bridge safety risks. In addition, factors such as uncertain financial markets, volatile fuel prices, rising deficits, and a softening economy will impact all modes of transportation and require a careful reassessment of how Federal agencies do business and manage investment portfolios.

**Enhancing Aviation Safety and Maintaining Confidence in FAA's Ability To Provide Effective Oversight of a Rapidly Changing Industry.** Over the last several years, the aviation industry has experienced the safest period in history. This is due in part to the FAA's oversight and the industry's efforts to advance aviation safety. However, drastic changes such as airline consolidation and downsizing, introduction of very light jets, and new technologies continue to impact the industry. Further, widely publicized lapses in FAA oversight in 2008 emphasized the need for FAA to continually adapt its oversight to further enhance safety. Key challenges for FAA include: (1) maintaining confidence in its oversight of air carriers and the certification and production of new segments of the aircraft industry; (2) following through on longstanding commitments to improve oversight of external repair facilities; and (3) improving runway safety by implementing new technologies, making airport-specific changes, and reinvigorating national initiatives.

**Enhancing Mobility and Reducing Congestion in America's Transportation System.** Flight delays and cancellations continued to be a concern in 2008, and the Nation's highways are experiencing record levels of congestion. DOT has made progress toward several aviation and highway congestion-related initiatives this past year, including the Secretary's Aviation Rulemaking Committee to reduce flight delays in the New York area—which can impact the entire system. These initiatives must remain a top Federal priority across all modes; therefore, DOT must work with stakeholders to target and prioritize Federal infrastructure funding to congestion relief. Specific challenges in reducing congestion include: (1) reducing delays by expanding capacity through the Next Generation Air Transportation System (NextGen) and improving airline customer service as the airlines struggle with volatile fuel costs; (2) keeping key airport infrastructure and airspace projects, such as Area Navigation/Required Navigation Performance, on track; and (3) improving intercity passenger rail's on-time performance to increase its financial viability as a transportation alternative.

**Developing a Plan To Address Projected Highway and Transit Funding Shortfalls.** DOT faces significant challenges regarding funding for Federal highway and transit programs. The current highway authorization expires at the end of FY 2009, and DOT has yet to propose a level of highway funding for the reauthorization or a way to support an appropriate level of funding. In the near term, DOT must closely monitor the Highway Trust Fund (HTF) balance to prevent recurrence of last summer's cash flow crisis. The HTF depends on Federal motor fuel excise tax receipts, which have declined due to volatile fuel prices. In the long term, DOT must work with Congress to address revenue shortfalls in the HTF that may reduce future Federal highway spending. DOT must also continue developing and encouraging innovative funding solutions for surface transportation infrastructure. To meet these challenges, DOT must (1) ensure the HTF remains solvent and (2) develop a comprehensive funding framework for the future through a consensus among stakeholders and Congress regarding the appropriate level and method of Federal financing.

**Maximizing the Return on Current Highway and Transit Infrastructure Investments.** As infrastructure needs are increasing faster than funding resources, DOT must maximize the return on its current Federal surface transportation investments. This is a critical priority because the HTF is facing insolvency earlier than expected. At the same time, the Nation's roadways are heavily congested and demand for public transportation is growing, which will require greater oversight of states' project management practices. Considering the current tight fiscal environment at all levels of government, DOT needs to focus on: (1) strengthening stewardship over the Federal Government's highway investment; (2) providing strong oversight of major transit projects, such as the Lower Manhattan Recovery Project, to maximize limited funding; and (3) ensuring continued vigilance in protecting federally funded surface transportation projects from fraud.

**Operating the National Airspace System While Developing and Transitioning to the Next Generation Air Transportation System.** FAA will face challenges in balancing the needs of the National Airspace System with future training, technological, and facility requirements. FAA's capital account is now being shaped by NextGen planning, with \$5.6 billion designated for NextGen initiatives out of its \$18 billion required for capital efforts between FY 2008 and FY 2013. However, FAA does not have a long-term financing mechanism in place, and Congress has established stop-gap measures until agreement on funding aviation programs can be reached. The specific management challenges for DOT and FAA in the coming years include: (1) hiring and training 17,000 new controllers through 2017 to offset the surge in retirements; (2) keeping existing projects on track—especially since about 30 will serve as platforms for NextGen; and (3) sustaining FAA's aging facilities, as 59 percent of them have exceeded their useful lives.

**Protecting Against Increasing Cyber Security Risks and Enhancing the Protection of Personally Identifiable Information.** DOT must address increased threats of sophisticated and organized attacks on departmental networks and computers. In addition, DOT must continue to enhance security for critical national infrastructure as designated in the President's Homeland Security Presidential Directive (HSPD)-7. To strengthen the protection of information technology resources, DOT will need to focus management attention on: (1) implementing a robust information security program to protect data and operations, (2) enhancing security protection of the air traffic control system, and (3) enhancing the protection of personally identifiable information in its systems.

**Preventing Catastrophic Failures and Obsolescence in the Nation's Aging Surface Transportation Infrastructure.** DOT must work with states and local transit agencies to ensure the safety of the Nation's bridges and restore or replace those that present the highest risk of catastrophic failure. The 2006 collapse in Boston's Central Artery/Tunnel Project and the 2007 bridge failure in Minneapolis both resulted in fatalities and highlight the need for greater oversight. To accomplish this, the Federal Highway Administration (FHWA) must do more to hold states accountable for Federal funds and make sustained progress toward a data-driven, risk-based approach to overseeing the Nation's bridges. This task will be challenging because, according to the American Association of State Highway and Transportation Officials, the average bridge in the United States is 43 years old, and almost one in four bridges is either structurally deficient and in need of repair or functionally obsolete and too narrow for today's traffic volumes.

**Improving Contract Operations and Maintaining Procurement Integrity.** DOT spends approximately \$6.8 billion annually, or about 40 percent of its discretionary budget, on contracts to obtain goods and services. Our work continues to find oversight and control weaknesses, fraud and abuse, and other ethics issues involving DOT officials and contractors. DOT has made progress this year in managing its acquisition workforce by enhancing an annual ethics training program for acquisition and grants management personnel. However, to further strengthen its oversight, DOT must focus on the following areas: (1) developing and maintaining a competent acquisition workforce with the right skill mix to support DOT's mission; (2) improving award-fee contracting processes to better achieve acquisition objectives; (3) ensuring that suspended or debarred contractors do not obtain Government contracts or assistance agreements; and (4) ensuring the acquisition workforce maintains high ethical standards to prevent integrity breaches in DOT's contract, grant, and cooperative agreement programs.

**Enhancing and Deploying Programs for Reducing the Serious Consequences of Surface Transportation Crashes.** Surface transportation fatalities and injuries create significant public health and economic consequences. Nationwide, motor vehicle

traffic crashes cause more than 40,000 deaths and 2 million injuries annually. DOT safety improvement programs, such as Federal motor vehicle safety standards for new cars, have improved surface safety with the fatality rate in 2007 at a historic low of 1.37 deaths per 100 million vehicle miles traveled. However, that rate will need to drop to 1.0 by 2011 to meet DOT's stated goal. To continue reducing the number and rate of fatalities, DOT must establish clear Federal standards, provide analytical and empirical evidence about safety program performance, and disseminate information effectively. DOT must also demonstrate strong leadership by working with authorities and private sector partners. To meet these challenges, DOT must enhance and deploy the following proven safety improvements: (1) promoting consistent state highway safety performance indicators to measure progress, (2) targeting unsafe motor carriers and commercial motor vehicle drivers for enforcement, (3) enhancing the Commercial Driver's License program by enforcing existing standards and adopting new standards, and (4) identifying high-risk highway-rail grade crossings for safety improvements to further reduce collisions and fatalities.

## ***VI. Performance Measures***

To assess the outcome and effectiveness of OIG performance in terms of meeting our statutory responsibilities, we have adopted performance measures developed by the Council of Inspectors General on Integrity and Efficiency (CIGIE) based on the reporting requirements in the Inspector General Act of 1978, as subsequently amended. In addition to the CIGIE performance measures, we expanded the Advisory Functions measure to track Freedom of Information Act requests, and legislations and regulations reviewed. The focus of these performance measures, which are contained in OIG budget documents as well as in the Semiannual Report to the Congress, has been on quantitative results, such as the amounts of questioned and unsupported costs; funds to be put to better use; and fines, court ordered restitutions/civil judgments, and Federal recoveries, as well as the numbers of indictments, convictions, and testimonies, *Annex 1* includes a list of current OIG quantitative performance measures with historical data.

*Annex 2* lists a number of issue areas we anticipate addressing in FY 2010. These areas are consistent with our legislatively mandated mission, the intent and spirit of DOT's Strategic Plan, the CIGIE Inspectors' General Vision Statement, and the issues identified in our annual list of top management challenges.

*Annex 2* does not list specific audits for FY 2010. Much of the OIG's work is tied to current issues or problem areas and requests from senior DOT officials, Congress, transportation industry, and the public. Our planning is designed to emphasize quick turnaround and focused reviews. These factors make it difficult to project the OIG's audit or investigation programs one to two years into the future - especially to the

level of citing specific audits, investigations, evaluations, congressional briefings and testimonies, etc. The OIG's planning, therefore, must remain a dynamic process, focusing not only on our statutory requirements, but also on DOT's Strategic Plan, OMB and congressional interest areas, DOT's major dollar programs, and quick redirection - when and where it's needed - to be truly timely, relevant, and effective.

### ***VII. Measurement and Evaluation***

Two reporting systems in the OIG contain substantial information on our audit and investigative efforts (past and present). This information is used to compile OIG's performance data. The Transportation Inspector General Reporting (TIGR) system tracks audit data such as the number of reports, number of recommendations issued and resolved and the amount of questioned and unsupported costs. The Automated Law Enforcement Reporting Tracking System (ALERTS) tracks investigative results which include the number of indictments, convictions, hotline complaints; and the amount of fines and Federal and state recoveries. Data from both of these reporting systems is incorporated into the OIG's Semiannual Report to Congress and annual budget submissions.

The OIG also has a cost management system (CMS) that enables the Inspector General and senior executives to better track and manage the costs of conducting our audits and investigations.

### ***VIII. Program Evaluations***

Our Office of Quality Assurance Reviews and Internal Affairs (QAR & IA) evaluates programs within the OIG. A key responsibility of this office is to conduct periodic reviews of OIG audit and investigative offices to: (1) determine compliance with applicable laws, policies and procedures, and standards; (2) evaluate the adequacy of internal quality control systems; and (3) make recommendations for improvement, when appropriate. The QARs are designed to ensure that internal operations and functions are performed objectively and in an efficient and effective manner. OIG investigative and audit offices are subject to QARs within a 36-month cycle. In addition, the Office of Investigations conducts self-inspections based on CIGIE peer review guidelines.

Our investigative and audit operations are also independently evaluated by another OIG every three years as part of the CIGIE external peer review program. In December 2006, EPA's OIG issued a peer review report which concluded that the system of internal safeguards and management procedures for the DOT OIG investigative function in effect for the period April 1, 2005 through March 31, 2006 was in substantial compliance with quality standards established by the CIGIE and the

Attorney General Guidelines. In July 2007, DHS' OIG issued a peer review report which concluded that the design of our audit quality control system and our compliance with the system for the year ended September 30, 2006 meets the standards established by the Comptroller General of the United States for a federal government audit organization. Our next peer reviews are scheduled for Summer 2009 for our investigative operations and Fall 2009 for our audit operations.

**FY 2010 Performance Measures**

Audit Results (Dollars in millions)	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Congressional Testimony	28	20	24	14	10	11	11	22	16
Costs Questioned/Funds to Be Put to Better Use	\$1,510.1	\$1,026.9	\$1,470.2	\$807.7	\$984.8	\$1,562.6	\$893.4	\$903.1	\$347.5
Management Decisions to Seek Recoveries*	\$2,058.7	\$1,031.4	\$990.7	\$537.5	\$429.7	\$2,576.4	\$1,084.1	\$432.9	\$1,519.5
CFO Audits Adjustments	\$36,000.0	\$20,000.0	\$41,000.0	\$51,000.0	\$29,200.0	\$26,700.0	\$18,600.0	\$1,056.0	\$2,193.0
Nonmonetary Program Improvements Recommendations Issued	213	219	242	292	178	230	212	224	251
Nonmonetary Program Improvements Recommendations Resolved	238	139	288	265	192	210	221	239	305
Investigative Results (Dollars in millions)	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Indictments	240	210	877	524	184	324	171	112	159
Convictions	244	166	387	419	186	250	178	139	122
Fines	\$32.7	\$20.2	\$22.7	\$40.8	\$9.6	\$4.8	\$2.9	\$12.6	\$13.1
Court Ordered Restitutions / Civil Judgments	\$19.8	\$13.4	\$11.1	\$5.0	\$14.3	\$29.0	\$13.5	\$93.9	\$475.6
Recoveries	\$6.9	\$65.8	\$13.0	\$86.5	\$8.4	\$39.9	\$32.3	\$77.2	\$41.6
Years Sentenced	147	104	107	158	195	221	123	140	105
Years Probation	412	334	352	377	282	355	275	213	145
Years Supervised Release	137	105	217	322	223	238	103	126	91
Hours of Community Service	4,897	10,102	3,450	9,726	1,216	3,970	1,654	10,525	4,690

\*This includes Management Decisions to implement recommendations which contain Funds to Be Put to Better Use.

Office of Inspector General, Department of Transportation

Investigative Results Continued (Dollars in millions)	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Debarments and Other Administrative Actions	130	274	251	162	176	199	216	198	80
Hotline Complaints Received*									
Hotline Complaints Opened	568	545	618	580	954	825	633	368	4,303
Hotline Complaints Investigated by OIG	104	119	88	120	174	93	69	51	66
Hotline Complaints Referred to Operating Administrations or Other Agencies**	464	426	530	460	780	732	564	317	281

\*Not previously reported in this document prior to FY08.

\*\*OIG tracks disposition of these complaints.

**2. ADVISORY FUNCTIONS**

Advisory Functions	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
FOIA Requests Received	212	114	101	100	116	111	118	94	82
FOIA Requests Processed	121	185	141	97	109	84	73	96	89
Legislation Reviewed	407	352	514	155	300	169	207	212	205
Regulations Reviewed	66	81	110	107	102	78	76	50	55



***FY 2010 Issue Areas***

In carrying out our oversight responsibilities, our overall goal is to assist the Department of Transportation in reaching its long-term strategic and organizational goals. During FY 2010, the Office of Inspector General's performance will be measured by the successful accomplishment of its statutory responsibilities prescribed by the Inspector General Act and the completion of specific actions to support departmental goals. Although we cannot anticipate the requests that we may receive, we have provided examples of planned actions for FY 2010.

***DOT Strategic Goal #1***

***Safety:*** "Enhance public health and safety by working toward the elimination of transportation-related deaths and injuries."

Transportation safety is the cornerstone of the Department's mission. Improving aviation and surface transportation safety is also a major feature of the OIG's top management challenges list. In our work on transportation safety, we will:

Aviation Safety:

- Evaluate FAA's effectiveness in maintaining public confidence in its ability to provide oversight of a dynamic industry.
- Continue monitoring FAA's oversight of domestic air carriers' use of foreign and domestic repair stations.
- Review FAA's efforts to advance risk-based oversight systems for repair stations, air carriers, and aircraft manufacturers and their suppliers.
- Continue monitoring FAA's efforts to address and reduce the risk of accidents as air traffic volume increases, including operational errors, runway incursions, pilot deviations, and near midair collisions.
- Monitor FAA's staffing and utilization of aviation safety inspectors.
- Review FAA's oversight of on-demand operators.
- Review FAA's implementation and oversight of regulatory partnership programs.
- Continue monitoring FAA's efforts to address air traffic controller human factor issues such as fatigue and attention.

Surface Transportation Safety:

- Examine methods for improving and targeting highway and motor carrier safety grant programs to reduce highway deaths and injuries.
- Review FRA's use of inspection and enforcement resources as part of implementing the National Inspection Plan for railroads.

- Track FMCSA's implementation of our recommendations for improving oversight of state CDL programs and controlling CDL fraud and improving the effectiveness of the commercial driver's license information system.
- Continue required reviews of FMCSA's use of staff and facility resources to implement the cross-border trucking provisions of the North American Free Trade Agreement (NAFTA).

Pipeline Safety:

- Continue to monitor the Pipeline and Hazardous Materials Safety Administration's (PHMSA) oversight of integrity management programs for hazardous liquid and natural gas transmission pipelines.
- Monitor PHMSA's efforts to finalize integrity management programs for operators of natural gas distribution pipelines.

Hazardous Materials Safety:

- Continue to monitor DOT oversight of the transportation of hazardous materials by rail, trucks, and aircraft and the inspection and enforcement activities of DOT Operating Administrations.

Investigations:

- Continue to conduct criminal investigations in the following investigative priority areas: (1) HAZMAT transportation via air, highways, and on rail; (2) motor carrier safety involving fraudulent CDL and driver's logs; and (3) aviation safety.

*Examples of FY 2008 congressional directives, requests, and testimony in this area include FAA's oversight of airlines compliance with safety directives, certification of Very Light Jets (VLJ); oversight of the use of non-certified repair facilities; FAA's progress in advancing risk-based oversight systems, improving operational error reporting, determining inspector staffing needs, and addressing emerging issues; and FAA's efforts to address the risks of runway incursions and operational errors. Other work focused on progress and remaining challenges in implementing pipeline integrity management programs and in addressing pipeline security and disaster response. Motor carrier safety issues included a review and Congressional testimony on FMCSA's demonstration project to allow selected Mexican motor carriers to operate throughout the United States, and an assessment of FMCSA's study of Canadian/Mexican Compliance with Federal Commercial Motor Carrier Safety Standards, and testimony before the National Transportation Safety Board on bus safety issues. In addition, we provided testimony on opportunities to improve railroad safety and the reauthorization of the Federal railroad safety program and completed a review of best practices associated with NHTSA's oversight of state highway safety programs.*

***DOT Strategic Goal #2***

***Reduced Congestion:*** “Reduce congestion and other impediments to using the Nation’s transportation system.”

To assist DOT in achieving this goal, the OIG will continue to emphasize reviewing FHWA, FTA, FAA, and FRA programs designed to reduce congestion (e.g., major highway projects nationwide, intercity passenger rail service, FTA-funded major transit projects, and projects to improve the National Airspace System and airport capacity). In doing so, the OIG will:

Aviation Congestion:

- Continue to monitor the Department’s efforts to improve accountability, enforcement, and the protection of air travelers.
- Continue to monitor various capacity-enhancing initiatives; such as new runways, airspace redesign efforts, and satellite navigation; contained in FAA’s Flight Plan 2006-2010 (the Agency’s strategic plan) and plans for enhancing capacity over the next decade.
- Continue to provide oversight of FAA’s major acquisitions with a particular emphasis on billion-dollar, software-intensive efforts to modernize terminal and en route facilities and systems.
- Monitor efforts to define and develop the Next Generation Air Traffic Management System that is expected to allow FAA to triple the number of aircraft it handles.
- Review FAA’s progress implementing 77 Aviation Rulemaking Committee recommendations aimed at reducing delays in New York City airspace.
- Monitor FAA’s efforts to use better weather information to enhance capacity and reduce flight delays.
- Continue monitoring FAA’s process for awarding Airport Improvement Program funds and approving Passenger Facility Charges for enhancing safety and security, maintaining the infrastructure, increasing capacity to accommodate more passenger and cargo traffic, and mitigating airport noise in surrounding communities.
- Continue monitoring the Department’s, FAA’s, airlines, and airports efforts to mitigate extraordinary flight disruption.

Surface Congestion:

- Track FTA’s actions in response to our recommendations for more effectively carrying out the Lower Manhattan reconstruction projects and the Dulles Corridor Metrorail project.
- Continue examining major FHWA and FTA capital projects and/or oversight efforts to validate that these agencies have identified critical risks related to project cost, funding, and schedule and related project management activities, including safety and quality.
- Review the potential for Public-Private Partnerships to finance infrastructure development.

- Review efforts by the Department to provide for more efficient and cost-effective intercity passenger rail service that meets the Nation's mobility and congestion needs.

Investigations:

- Continue to conduct investigations of alleged or suspected fraud involving major airport, highway, and transit infrastructure construction projects, including joint investigations with Federal and local law enforcement authorities. Continue OIG's National Contract and Grant Fraud Awareness Initiative to promote fraud detection and prevention among DOT recipients for oversight of DOT-funded infrastructure construction projects.
- Continue to conduct investigations of alleged fraud involving the Disadvantaged Business Enterprise Program.

*Examples of FY 2008 congressional directives, requests, and testimony in this area include, examining progress made by FAA in developing the Next Generation Air Transportation System and other air traffic control modernization efforts, the annual evaluation of Amtrak's financial status and budget request, quarterly reports on Amtrak's savings resulting from operational reforms, review Amtrak's capital program, and providing a report on risks associated with the multi-billion dollar Lower Manhattan project and a review of the 2007 finance plan update for the Central Artery/Tunnel project.*

***DOT Strategic Goal #3***

***Global Connectivity:*** “Facilitate an international transportation system that promotes economic growth and development.”

To support the Department’s efforts toward global connectivity, the OIG will review DOT efforts to identify and implement solutions for the Nation’s intermodal transportation needs for the 21<sup>st</sup> century. Specifically, the OIG will look at FAA, FHWA, FMCSA, Maritime Administration (MARAD), FRA, and FTA programs aimed at advancing efficient and flexible transportation to stimulate economic growth and competitiveness to ensure that these programs are using available funds in the most efficient and effective manner. In support of this strategic goal, the OIG will:

Aviation Connectivity:

- Continue to provide oversight of FAA’s major acquisitions with a particular emphasis on billion-dollar, software-intensive efforts to modernize terminal and en route facilities and systems.
- Monitor FAA’s Joint Planning and Development Office’s efforts to leverage research underway at the National Aeronautics and Space Administration, the Department of Defense, the Department of Commerce, and the Department of Homeland Security for the Next Generation Air Traffic Management System.
- Examine FAA’s grant oversight under the American Recovery and Reinvestment Act of 2009 (ARRA).

Surface Transportation Connectivity:

- Continue to monitor FMCSA’s progress towards implementing OIG recommendations on Mexican motor carriers operating in the United States and reporting annually to Congress on the status of the NAFTA Border Crossing Provisions.
- Continue to evaluate Amtrak’s progress, plans, and ability to meet critical operational goals and implement reforms.
- Examine FHWA, FTA, and FRA oversight under the ARRA.

Research, Development, and Technology (RD&T):

- Monitor RITA’s Volpe National Transportation Center’s compliance with new Departmental policies relating to inter- and intra-agency agreements, and projects and contract oversight and management.
- Monitor the Department’s efforts to identify and close-out inactive RD& T contracts and agreements and de-obligate unneeded funds.

*Examples of FY 2008 congressional directives, requests, and testimony in this area include FMCSA’s implementation of NAFTA’s Cross-Border Trucking Provisions, FAA and industry progress in developing the Next Generation Air Traffic System and in modernizing the National Airspace System, and FAA’s FY 2007 budget request and the status of the Aviation*

*Trust Fund, focusing on FAA's major accounts, the Airport Improvement Program, and current funding mechanisms causes underlying the extraordinary growth in highway construction costs.*

***DOT Strategic Goal #4***

***Environmental Stewardship:*** “Promote transportation solutions that enhance communities and protect the natural and built environment.”

To assist DOT in achieving this strategic goal, the OIG will provide oversight of Federal transportation actions as they relate to the protection of the natural and built environment. In doing so, OIG will:

Departmental Human and Natural Environment:

- Continue to monitor the Operating Administrations’ compliance with environmental standards, laws, and regulations.

Aviation Human and Natural Environment:

- Continue to monitor FAA’s actions to minimize the aviation impact on the environment, such as airport construction, air quality, and noise.

Maritime Human and Natural Environment:

- Continue to monitor MARAD’s progress in disposing of obsolete vessels in the National Defense Reserve Fleet, including efforts to respond to the environmental threats posed by its inventory of decaying ships.

Pipeline and Hazardous Materials Human and Natural Environment:

- Continue to monitor PHMSA’s pipeline and hazardous materials safety programs to ensure measures are in place to protect environmentally sensitive areas, drinking water intakes, and populated areas.

Investigations:

- Continue to conduct criminal investigations in its investigative priority area of illegal HAZMAT transportation by air, rail, pipeline, and highways.

***DOT Strategic Goal #5***

***Security, Preparedness, and Response:*** “Balance transportation security requirements with the safety, mobility, and economic needs of the Nation and be prepared to respond to emergencies that affect the viability of the transportation sector.”

DOT continues to have a supportive role in working with DHS to ensure transportation security and is also responsible for the security of its critical computer systems. DOT has also been assigned critical responsibilities to assist DHS’ response to disasters. To support DOT in this area, the OIG plans to:

Transportation Security:

- Continue to monitor DOT’s efforts to implement security annexes (e.g., freight rail and pipeline security) to the Memorandum of Understanding between DOT and DHS to facilitate the development and deployment of transportation security measures that promote the safe, secure, and efficient movement of people and goods.
- Continue monitoring FAA’s efforts to implement a business contingency and continuity plan in the case of long-term service disruptions of air traffic control system operations.
- Continue to track FMCSA’s actions in response to our recommendations for promoting compliance with CDL requirements, including initiatives implemented in conjunction with DHS.

Computer Security:

- Continue to review FAA’s efforts to protect critical infrastructure, including the air traffic control infrastructure, as required by the Homeland Security Presidential Directive-7.
- Continue to evaluate DOT’s progress in correcting security weakness in mission-critical computer systems, key computer centers, and network connections.
- Continue to review DOT’s efforts to enhance contingency planning, business continuity capabilities, and security remediation plans.
- Assess DOT’s implementation of the smart card technology to control employees’ access, as required by Homeland Security Presidential Directive-12.
- Continue to evaluate DOT’s efforts of using E-authentication to secure services provided to the public on the Internet.
- Continue to review Department’s cyber incidents monitoring/detection/correction capabilities.

*Examples of FY 2008 congressional directives, requests, and testimony in this area include monitoring FMCSA’s progress to implement OIG recommendations on Mexican motor carriers operating in the United States as part of the North American Free Trade Agreement’s Border Crossing Provisions; review the demonstration project which permits up to 100 motor carriers domiciled in Mexico to operate beyond the commercial zones along the U.S.-Mexico border; and the annual security assessments of DOT information technology systems required by the Federal Information Security Management Act of 2002.*



***DOT Organizational Goal #1***

***Organizational Excellence: "Advance the Department's ability to manage for results."***

To assist DOT in advancing organizational excellence the OIG will:

Department Financial Accountability:

- Continue monitoring Amtrak's financial condition.
- Continue to assess the ability of DOT's Department-wide financial management system (Delphi) to correct long standing financial system weaknesses and provide accurate financial data in a timely manner.
- Continue to monitor audits of FAA and St. Lawrence Seaway financial statements performed by certified public accounting firms.
- Conduct an audit of the consolidated DOT financial statements, including internal controls and compliance with laws and regulations, to improve financial management in DOT.
- Continue to review DOT's efforts to implement new financial management systems and capabilities that will improve financial management information and eliminate duplicative systems.
- Continue to monitor DOT's progress in identifying the risk of improper payments and developing system and internal controls to ensure the integrity of financial transactions processing.
- Continue monitoring and following up on Single Audit results on DOT grant programs.
- Work with the grant management community to increase their awareness of Single Audit functions and how to make Single Audits better serve their needs.
- Continue monitoring DOT's efforts to release (de-obligate) unneeded funds for other use.

Contracts/Procurement:

- Review FAA sole source contracts and determine whether prices proposed by contractors are fair and reasonable when adequate competition was not obtained.
- Continue to monitor the Operating Administrations' contract and procurement award functions to ensure they acquire goods and services at the best price or value.
- Monitor Operating Administrations' use of cost reimbursable contracts to assess how well these contracts are managed.
- Continue to monitor the Operating Administrations' oversight of their contractors to ensure that goods and services are delivered in a timely manner, meet needs, and are obtained at a reasonable price.
- Review the Operating Administrations' implementation of their suspension and debarment programs.

- Monitor reviews of grant administration policies and practices of DOT Operating Administrations to ensure that funds are used for the intended purpose.
- Monitor FHWA's program oversight of state transportation management practices, including states' monitoring of sub-recipients of Federal funds to ensure adequate project delivery systems for approved projects.
- Continue monitoring the joint effort between FHWA and state transportation agencies to oversee overhead charges to the Federal-aid program by design and engineering firms.
- Review FAA's efforts to mitigate risks associated with awarding Airport Improvement Program (AIP) grants to comply with 2009 economic recovery requirements.
- Continue to monitor FAA's oversight of airport sponsors' compliance with the terms and conditions of Airport Improvement Program grants.
- Monitor DOT's oversight of ARRA funds.
- Continue efforts to identify airport revenue diversions.
- Review the Department's use of cost reimbursable-type contracts.

Air Traffic Organization:

- Review issues relating to the reauthorization of FAA and conduct the specific reviews required by the legislation.
- Continue to assess FAA's progress in transitioning the Air Traffic Organization into an organization that is accountable for results in terms of operations, acquisitions, and financial management.
- Continue to monitor FAA's efforts to control its operating costs.
- Continue monitoring FAA's efforts to maintain and upgrade air traffic control facilities in a timely and cost-effective manner.

Human Capital:

- Continue monitoring FAA's efforts to increase controller workforce productivity.
- Continue monitoring FAA's progress in addressing the surge in controller retirements and review actions taken to hire and train 17,000 new controllers through 2017.

Implementing Electronic Government Initiative:

- Continue reviewing DOT's compliance with privacy requirements in the E-Government Act and protection of sensitive personally identifiable information of employees and citizens.
- Continue reviewing DOT's efforts to strengthen its information resources management processes, including cost estimation and project oversight.

Fraud Awareness and Prevention:

- Conduct proactive and reactive initiatives to maximize fraud prevention activities in responding to national disasters.
- Review DOT's implementation of new suspension and debarment procedures.
- Continue to deliver fraud awareness and bribery awareness briefings for DOT employees.

*Examples of FY 2008 congressional directives, requests, and testimony in this area include, providing an annual assessment of FAA's progress in implementing a cost-accounting system, monitoring Anti-Deficiency violations at the Merchant Marine Academy, and auditing FAA's multiple-award procurement programs.*