



**U.S. Department of  
Transportation**

# **BUDGET ESTIMATES**

**FISCAL YEAR 2009**

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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 2009 BUDGET ESTIMATES

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

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, simpler, and smarter transportation program that will keep America moving forward in the 21<sup>st</sup> Century.

OIG is divided into two major functional units: the Office of the Principal Assistant Inspector General for Auditing and Evaluation and the Office of the Assistant Inspector General for Investigations; and six support units: the Office of Legal, Legislative, and External Affairs; Office of Quality Assurance Reviews and Internal Affairs; Office of Procurement and Administrative Services; Office of Human Resources; Office of the Chief Financial Officer; and the Office of the Chief Information Officer. The Assistant Inspectors General and Deputy Assistant Inspectors General are supported by Headquarters and regional staff.

**FISCAL YEAR (FY) 2009 BUDGET REQUEST**

**OIG's FY 2009 budget request is for \$76.492 million in total budgetary resources in support of 412 Full Time Equivalent (FTE). This represents a budgetary increase of \$3.218 million and a staffing increase of 2 FTE from the FY 2008 Enacted Budget.**

**Of the \$76.492 million, we request \$70.468 million in direct appropriations and \$6.024 million in reimbursable funding from the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the Office of the Secretary of Transportation (OST), and the National Transportation Safety Board (NTSB). Reimbursable funding from FHWA and FTA supports 54 FTE.**

Reimbursable funding is requested as follows:

- ◆ \$3.824 million from FHWA. \$3.524 million to support audit and investigative efforts relating to highway issues and \$300,000 to partially fund contractual financial statement audit services for surface agencies funded by the Highway Trust Fund (the remaining \$1 million needed to fund this contractual audit is included in our FY 2009 direct funding request);

- ◆ \$2 million from FTA to support audit and investigative efforts relating to transit issues;
- ◆ \$100,000 from OST to acquire contractual audit services to perform the audit of the Working Capital Fund's financial statements; and
- ◆ \$100,000 from NTSB to acquire contractual audit services to perform the audit of NTSB's financial statements.

**Included in our \$70.468 million direct appropriation request is \$700,000 to support contractual audit services that have previously been funded, or partially funded, through reimbursable agreements with the Federal Aviation Administration (FAA) as detailed below:**

- ◆ \$500,000 to partially fund contractual audit services to perform the audit of FAA's financial statements (\$1 million needed to fund this contractual audit is already included in our FY 2009 direct funding base), **and** \$200,000 to fund contractual audit services to perform a Statement on Auditing Standards (SAS) 70 audit of DOT's Delphi Financial Management System.

OIG's requested level of **\$76.492 million** in total budgetary resources in support of **412 FTE** is essential 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.

Our request is further broken out as follows:

**Current Level FTE**

OIG requires \$58.121 million to support 410 FTE. This represents a \$2.635 million net increase from the FY 2008 Enacted Budget and includes:

- ◆ \$1.237 million for FY 2009 pay raises (2.9%);
- ◆ \$118,000 in additional FY 2009 workers' compensation (based on actual costs to be billed in FY 2008);
- ◆ \$27,000 in additional FY 2009 performance awards;

- ◆ \$563,000 for annualization of FY 2008 pay raises (3.5%);
- ◆ \$910,000 for annualization of FY 2008 career-ladder promotions and within grade increases; and
- ◆ \$220,000 **decrease** resulting from one less compensable days in FY 2009 as compared to FY 2008.

### *Additional FTE*

\$150,000 is requested to fund an additional 2 FTE (3 full-time permanent positions) to allow us to continue to be responsive to enhanced oversight responsibilities required by legislation, OMB requirements, and Administration requests.

These responsibilities have increased considerably over the last several years and include additional information technology (IT) security assessments required by OMB; additional OMB financial statement audit requirements; legislation requiring audits of Amtrak financial and operational performance; and Justice Department requests to focus more resources on allegations of contract and procurement fraud. In fact, OIG coverage of DOT spending has, in effect, been reduced in recent years simply due to the growth in expenditures from the Highway and Aviation Trust Funds and increased DOT procurement activity - which has reached over \$7 billion annually.

OIG's work leads to recoveries of large amounts of improper payments, cost savings, funds put to better use, and both financial and program improvements, including increased operating efficiencies and improved safety. The monetary savings from OIG's work are substantial.

In FY 2007, recoveries from improper payments resulting from OIG audits, and court-ordered fines, restitutions, and recoveries from OIG investigations totaled \$204 million, which significantly exceeded the entire FY 2007 OIG actual budget authority (direct plus reimbursable) of \$71.2 million.

Listed below are a few examples of our work involving monetary savings and recoveries, as well as safety concerns. We've expanded on some of these summaries, as well as added additional examples, in our Accomplishments section.

- **FHWA Value Engineering** – In our audit of FHWA's oversight of value engineering in the Federal-aid highway program, we estimated that over the four-year period reviewed, conducting required National Highway System

(NHS) value engineering studies and high-potential non-NHS value engineering studies, and accepting more recommendations, could have saved \$725 million in Federal funds.

- **Flight Service Stations** - Based on recommendations in our December 2001 audit of automated flight service stations, and a subsequent A-76 study conducted by the Department, FAA anticipates that by contracting out and consolidating flight service stations, the Agency will save \$1.7 billion over the life of the contract awarded in February 2005. This five-year contract, with five additional option years, is to operate the Agency's 58 flight service stations in the continental United States. This represents one of the largest non-defense outsourcing efforts in the Federal Government.

In October 2007, the IG testified before Congress on conversion of FAA flight service stations to contract operations (in addition, we issued an interim report on this outsourcing effort in May 2007). In his testimony, the IG identified key issues for Lockheed Martin and FAA going forward, which included: meeting acceptable levels of performance over the next several months; achieving anticipated savings; and maintaining adequate staffing levels and sufficient training of flight service specialists to meet users' needs.

- **Minneapolis Bridge Collapse** - Shortly after the Minneapolis bridge collapse, the Secretary of Transportation asked us to undertake an audit of the National Bridge Inspection Program. We have begun an audit which will focus on the following efforts: (1) an assessment of the corrective actions that FHWA has taken to address the recommendations we made in our March 2006 report on structurally deficient bridges; (2) a study of Federal funding provided to states for bridge rehabilitation and repair assessing FHWA's management and tracking of such funding, the extent to which states effectively and efficiently use these funds to repair or replace structurally deficient bridges, and whether states are using bridge funding for other purposes; and (3) a comprehensive review of FHWA's oversight activities to ensure the safety of National Highway System bridges across the country.
- **FAA Safety Oversight of Air Carriers** - We have conducted a series of complex and in-depth reviews of FAA's safety oversight of air carriers. For example, we reviewed air carriers' use of non-certificated repair facilities and found that carriers used as many as 1,400 domestic and foreign non-certificated facilities, including many that performed maintenance critical to the safety of aircraft. Despite the safety critical work being performed by these facilities, air carriers were providing virtually no training and no on-site reviews of the work being performed. As a result of this audit, FAA committed to ensure that air carriers implement more effective oversight and training programs.

- **Contract and Procurement Fraud Activities** - Strong audit and investigative oversight remains crucial in areas relating to highway and transit infrastructure improvements, especially with the increasing number of allegations of contract and procurement fraud. OIG audits and investigations of contract and procurement fraud yield substantial cost savings. In FY 2007, contract and grant fraud related investigations resulted in 38 indictments, 61 convictions, and \$157 million in fines, restitution, and recoveries. Examples of recent investigations in this area include:
  - ◆ Aggregate Industries, Northeast Region, Inc., the largest construction material supplier in New England, has agreed to plead guilty to a charge of conspiracy to defraud the Government by delivering 5,700 truckloads of substandard concrete to the Central Artery/Tunnel (CA/T) Project between 1996 and 2005. The company agreed to pay a combined \$50 million to the Federal Government and the Commonwealth of Massachusetts and provide up to \$75 million in insurance coverage for potential future structural maintenance costs. Most of the \$50 million payment will be held in a special account dedicated to the long-term maintenance of the CA/T Project. In exchange for retaining its ability to compete for Federal contracts, the company agreed to: (1) participate in FHWA's concrete testing program, (2) pay \$500,000 for concrete testing on the CA/T Project, (3) submit to independent monitoring for five years, and (4) establish a strict corporate integrity program.
  - ◆ Post, Buckley, Schuh & Jernigan, Inc. (PBS&J), a Florida-based design and engineering firm, paid nearly \$24 million to resolve claims that it violated the False Claims Act by submitting false and fraudulent claims to the Federal Government. FHWA and FAA were among a dozen Federal agencies affected by the false claims. The settlement arises from a \$36 million embezzlement scheme occurring between 1992 and 2005 that was perpetrated by the company's chief financial officer and two accounting department employees. The scheme involved shifting funds and fabricating entries in the company's books and records to conceal the fraud, with the fraudulent entries resulting in an overstated audited overhead rate. The settlement also resolved PBS&J's treatment of certain unallowable indirect costs that contributed to the company's overstated audited rate. The three former employees were ordered to pay restitution totaling nearly \$36 million and were sentenced to prison terms ranging from 63 months to 97 months.
  - ◆ FHWA was reimbursed \$20 million by the Tennessee Department of Transportation (T-DOT) to recover the Federal share of costs spent on a

parking garage project that was not constructed or operated in accordance with the project's plan. As proposed, the \$26.6 million project (including \$20 million in FHWA funds) was supposed to include transportation offices/waiting areas and accommodate passenger transfers between city buses or trolleys and automobiles, with either free parking or monetary incentives provided for transit passengers. Our investigation and a T-DOT audit disclosed that the 1,700-space parking garage instead was operated for-profit by a franchise of the NBA Grizzlies team, based on an agreement with the City of Memphis.

- ◆ Ajax Paving Industries, Inc. and Dan's Excavating, Inc. (DEI), agreed to pay \$11.75 million to resolve False Claims Act and administrative claims that they knowingly violated disadvantaged business enterprise (DBE) contracting requirements for Federally-funded construction projects at Detroit Metropolitan Wayne County Airport. Operating as a joint venture, Ajax and DEI were the prime contractors for Federally-funded road projects at the airport. The joint venture misrepresented the amount of DBE contracting work performed by Borbolla Construction & Concrete Supply, Inc. The companies claimed that Borbolla Construction performed substantial work on the contracts when, in fact, Borbolla Construction actually performed little more than minor administrative tasks. The joint venture has entered into a separate administrative agreement with FAA to ensure future compliance with DBE requirements.

### *Current Level Operating Costs*

OIG's operating cost request is \$18.106 million. This represents a \$318,000 net increase from the FY 2008 Enacted Budget and includes:

- ◆ \$423,000 to fund inflationary costs (at 2.3%);
- ◆ \$45,000 to fund Working Capital Fund (WCF) increases as estimated by OST (for a total of \$2.994 million);
- ◆ \$200,000 **decrease** to fund contractual audit services to perform the audit of the Highway Trust Fund's financial statements (**Reimbursable funding**);
- ◆ \$100,000 to fund contractual audit services to perform the audit of the WCF's financial statements (**Reimbursable funding**); and



- ◆ **\$50,000 decrease** to fund contractual audit services to perform a SAS 70 audit of DOT's Delphi Financial Management System (**Reimbursable funding**).

The estimated costs for e-Government initiatives included in this request are \$4,545 for FY 2008 and \$4,035 for FY 2009. These initiatives lead to the development of common solutions at reduced costs and are especially beneficial to OIG in the areas of financial management and human resources management.

### **Additional Operating Costs**

OIG requests \$115,000 above our current level operating costs to fund critical contracting requirements for individuals with specialized expertise to assist in conducting highly technical and complex audits. Contracting for such experts is the most efficient way to obtain this expertise and does not involve the hiring of permanent FTEs. Since OIG must maintain its independence and objectivity, we can not always enlist and rely on the expertise of the operating administrations, and must use outside experts for highly technical audits and investigations. This increase would return OIG to the FY 2007 appropriated level for advisory and assistance contract services. The types of expertise required include:

#### ◆ **Aviation Safety Engineering Expertise**

Funding is required to obtain aerospace engineering expertise in support of ongoing and planned aviation safety audits and emerging aviation issues affecting aviation safety. The planned work is in response to Congressionally-requested audits of airline maintenance practices and audits of Congressional interest areas, such as aircraft manufacturing. This work is extremely complex, thus requiring independent analyses and technical expertise.

For example, an aerospace engineer with expertise in understanding complex design and repair instructions is crucial to properly evaluate the adequacy of the oversight that FAA and air carriers provide of air carrier maintenance practices. Also, engineering expertise in airframe structures and power plants is needed to assess whether FAA's approvals of complex aircraft design and specifications for aircraft are adequate. Knowledge is needed in foreign and domestic aircraft systems of varying sizes, i.e. large transport and regional aircraft models.

The necessary expertise is not available within the ranks of OIG employees. In order to effectively audit these areas, outside expertise is needed to assess the work of aircraft manufacturers, as well as FAA engineers.

#### ◆ **Infrastructure Engineering Expertise**

Funding is required to obtain services from the Army Corps of Engineers and consultants who specialize in the analysis of construction scheduling using Primavera software.

When technical issues identified in audits and investigations of large infrastructure projects demand very specialized engineering knowledge, the requested funding will provide OIG with access to the Corps' national pool of engineers, scientists, technicians and laboratories. The necessary expertise is not available within the ranks of OIG employees.

Consultant services such as these were critical in our oversight of FHWA's and the Central Artery/Tunnel Project's actions following the collapse of a tunnel ceiling panel that killed a motorist in July 2006. This oversight was carried out at the request of the Acting Secretary and the entire Massachusetts Congressional delegation.

This expertise was also used in our 2006 audit of FHWA's oversight of structurally deficient bridges on the National Highway System. Following the recent collapse of the Interstate 35W Bridge in Minnesota, the Secretary requested that we perform an audit of the National Bridge Inspection Program. We anticipate requiring technical assistance from the Corps to complete this audit.

Consultants skilled in the use of Primavera software are required to: (1) review and analyze the schedules of large construction projects including data related to specific delays, construction progress, and projections to verify whether a project completion date is feasible or if additional delay costs are justified; (2) prepare professional documentation that reports on the results of the Primavera reviews and offers recommendations to resolve problems; and (3) provide technical support during discussion of report findings with the project officials and contractors.

#### ◆ **Analytical Expertise in Competition and Economic Issues**

Funding is required to obtain contractor analytical support in the area of aviation and surface transportation competition and economic issues. This will allow OIG to supplement our in-house staff with contractors who have specialized economic modeling capabilities. The types of issues to be addressed with these funds include evaluation and analysis of policy and program considerations by the Department concerning capacity constraints within the aviation system and their impacts on competition; restructuring of

the passenger rail network to reduce operating losses and improve service to consumers; the decrease of competition within the freight rail industry and its impact on freight rail rates and service; and an analysis of the tax and revenue base of the current aviation system with a goal of more efficient and less market-distorting revenue generation.

◆ **IT Computer Security Expertise**

Funding is required to obtain contractor assistance in support of ongoing and planned information technology audits and information technology issues affecting computer security and to perform annual computer security reviews in accordance with the Federal Information Security Management Act of 2002 (FISMA).

◆ **Defense Contract Audit Agency (DCAA) Technical Expertise**

Approximately \$50 billion is annually awarded in grants by FHWA and FTA, and most of the funds are subsequently used by the grantees to award contracts to accomplish the grants' transportation and safety objectives. OIG requires funding to obtain the services of DCAA technical specialists to assist in providing oversight of those grant-making and contracting activities.

In the past, DCAA expertise has been used to assist our audits of engineering, design, and construction firms that receive contracts from states and transit authorities under grants awarded by FHWA or FTA. For example, DCAA technical specialists' services were needed to help review highly technical cost elements or practices, such as compensation, insurance, labor charging, and employee benefits.

DCAA has also provided audit assistance on investigations involving false claims and other contract fraud schemes. Examples of past and current cases where DCAA assisted our investigations include:

- A civil settlement agreed to by George Washington University (GWU) to reimburse the Government \$1.9 million for inadequate internal controls and oversight of several cooperative agreements between GWU and FHWA. In this case, DCAA conducted a review of labor/cost documentation that included a review of approximately 20 boxes of documents at a cost to OIG of approximately \$27,000.
- A case involving an alleged fraud on a cooperative agreement totaling approximately \$6 million funded by FTA's Research Office. Thus far, 483 hours of DCAA support (at a cost of approximately \$48,000 to OIG) has

been used for forensic auditing of approximately 40 boxes of company records that has resulted in important investigative leads. To date, DCAA has expended a considerable amount of effort towards reconstructing the company's records.

- A case involving a \$63 million contract to widen and reconfigure interchanges on a 3.5 mile segment on the National Highway System. Allegations concern the installation of approximately 270 drains/catch basins. DCAA focused its efforts on determining what type of catch basins were billed to the Connecticut DOT.
- A case involving three contracts worth approximately \$11 million, all of which were issued by DOT grantees. DCAA is conducting a loss calculation of supplemental employee benefits affecting 2,000 people over a 10-year period. We anticipate the total fraud amount identified will be significant.

## **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 the Department. 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 2009 Performance Plan which includes historical tables for OIG performance measures.

In FY 2007, we recommended that the Department put \$868 million to better use and recover \$35 million in improper payments. Also in FY 2007, as stated previously, recoveries from improper payments resulting from OIG audits, and

court-ordered fines, restitutions, and recoveries from OIG investigations totaled \$204 million.

In addition, in FY 2007, OIG issued 81 audit reports and presented testimony before Congress on 22 occasions. Also, investigations by OIG's investigative staff resulted in 112 indictments; 139 convictions; and 198 administrative actions.

### **SAFETY**

Transportation safety is DOT's top strategic priority with nearly one-third of DOT's resources in FY 2008 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 the Department. 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.

Motor vehicle crashes are the cause of 95 percent of all transportation-related fatalities, and the leading cause of death for people ages 4 through 34, with an economic cost estimated to be more than \$231 billion annually. Alcohol remains the single largest contributing factor in fatal crashes with 41% of all traffic deaths in 2006 involving alcohol misuse.

To support the Department 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 the transportation safety area.

## **Aviation**

### ***Runway Incursions***

We issued a report on FAA's actions to address runway incursions at Boston Logan, Chicago O'Hare, Philadelphia, and Los Angeles International Airports. Recently, there has been an increase in the number and severity of runway incursions at these four airports.

At the four airports we reviewed, we found that FAA, airlines, and airport operators had taken concerted actions in response to the increase in the number and severity of runway incursions occurring at these locations. We found compared to five years ago, FAA has made significant progress in reducing runway incursion incidents. However, the serious risks associated with runway incursions underscore the need for maintaining vigilant oversight and a proactive approach for preventing severe incidents.

Our recommendations focused on programmatic actions that could help FAA reduce runway incursions system-wide. They included: providing managers with access to critical data on pilot deviations for specific airports to aid in identifying trends, root causes, and possible local solutions; developing an automated means to share local best practices that successfully reduced runway incursions; implementing human factors training initiatives for controllers at air traffic control towers; requiring the use of safety risk analyses for existing operational procedures at airports where potential runway safety risks have been identified; and requiring each line of business to include goals for reducing runway incursions in its annual business plans that are specific to its responsibilities.

### ***FAA's Oversight of Outsourced Air Carrier Maintenance Testimonies***

In 2007, the Inspector General (IG) testified twice before Congress regarding FAA's oversight of outsourced air carrier maintenance. The IG stated that between 1996 and 2006 air carriers increased the percentage of money spent on outsourced maintenance from 37% to 64%, but neither FAA nor the Department maintain information on how much maintenance air carriers outsource to foreign facilities. To effectively oversee outsourced maintenance, including that performed by foreign repair facilities, FAA needs to: (1) strengthen its risk-based safety oversight systems by ensuring that its inspectors are trained to properly implement them, (2) improve its processes for determining the location and type of maintenance being performed, and (3) ensure that inspectors are well-positioned to adequately oversee maintenance outsourcing.

### ***FAA's Process for Investigating and Reporting Operational Errors***

We have begun an audit of FAA's process for investigating and reporting operational errors. We are initiating the audit in response to a request from the Chairman of the House Committee on Transportation and Infrastructure and the Chairman of the House Subcommittee on Aviation.

The Congressmen expressed concerns about a complaint made to the Office of Special Counsel that personnel at the Dallas/Fort Worth terminal radar approach control (TRACON) facility are not properly reporting operational errors. The complaint alleges that TRACON personnel are intentionally misclassifying operational errors as pilot deviations to deflate the number of errors attributed to the facility. Based on those allegations, the Congressmen requested that we conduct a review to determine whether similar problems are occurring at other Air Traffic facilities throughout the Nation.

The objectives of our audit are to (1) determine whether FAA has adequate policies and procedures in place to ensure the accuracy and consistency of operational error reporting, and (2) review the roles and responsibilities of the Air Traffic Organization and FAA's Aviation Safety line of business in reporting and investigating operational errors.

### ***FAA's Management and Maintenance of Air Traffic Control Facilities***

FAA provides air traffic control services at over 300 Agency-operated air traffic control facilities throughout the Nation. According to FAA, many of these facilities are over 25 years old and some may have exceeded their useful life expectancy and may not meet current operational requirements. Additionally, Congress and other stakeholders have expressed concern regarding whether FAA has adequately funded necessary facility repairs and improvements, as the Agency's capital account has remained flat over the past several years.

OIG is conducting an audit to evaluate whether FAA has an adequate system in place to repair, replace, and modernize its air traffic control facilities. The objectives of this audit are 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.

### ***Airport Surface Detection Equipment-Model X (ASDE-X) Management Controls***

We conducted an audit of FAA's Airport Surface Detection Equipment-Model X program. FAA is developing ASDE-X to aid air traffic controllers in preventing

ground collisions on the airport surface and reducing runway incursions. FAA also intended for ASDE-X to improve airport safety by operating in all-weather conditions, especially during low-visibility conditions when controllers cannot see aircraft or vehicles as they move about the airport surface.

We found the ASDE-X program is at risk of not meeting its cost and schedule goals to commission all 35 ASDE-X systems for \$549.8 million by 2011 and may not achieve all planned safety benefits. We reported FAA needs to improve ASDE-X management controls to reduce the risks of further cost growth and schedule delays; FAA needs to resolve operational performance issues associated with key ASDE-X safety capabilities to reduce the risks of ground collisions; and FAA needs to work with airports and airlines to provide safety enhancements that were not included in the ASDE-X program re-baseline but are vital to reducing the risks of pilot and vehicle operator errors.

To improve ASDE-X management controls and reduce the risks of further cost growth, schedule delays, and potential ground collisions, we recommended FAA: (1) develop realistic cost estimates for all activities required to complete ASDE-X implementation and a master schedule through ASDE-X completion that outlines when all implementation activities and planned capabilities will be commissioned for operational use; (2) correct prohibitive and improper contract administration procedures by discontinuing the practice of increasing contractor fees based on costs incurred rather than negotiated fixed-fee dollar amounts, discontinuing the practice of making payments before meaningful work has been completed on fixed-price items, and adequately documenting any contract changes; (3) implement a comprehensive earned value management tool to monitor and track ASDE-X cost, schedule, and performance goals; (4) resolve operational performance issues identified during system testing before implementing key ASDE-X safety capabilities at other airports by addressing timeliness of safety alert capabilities for intersecting runways and fully testing converging taxiways capability, addressing problems with dropped targets and subsequent system outages during heavy rain storms, and testing rain configuration software upgrades at airports with ASDE-3 radars and intersecting runways and taxiways; (5) determine the feasibility of combining ASDE-X, Automatic Dependent Surveillance-Broadcast, and in-cockpit moving maps technologies to simultaneously provide controllers and pilots with direct alerts to warn them of potential ground collisions, and determine the costs and timeline for implementing this capability at all ASDE-X airports; and (6) work with airports to aggressively promote equipping their vehicles with transponders to maximize ASDE-X capabilities as a vital step in reducing the risks of ground collisions caused by vehicle operator error.



### *FAA's Oversight of Commuter and On-Demand Operators*

Although large U.S. commercial air carriers have maintained an unprecedented safety record during the last five years, the fatal accident rate for smaller commercial operators (i.e., commuter and on-demand operators operating under FAR part 135) has not been as good. NTSB accident statistics indicate that between 2000 and 2006, the fatal accident rate for Part 135 operators was over 30 times higher than that of large commercial Part 121 operators. This accident rate, coupled with the fact that air taxi operations are widely dispersed throughout the U.S. and often in smaller cities, presents FAA with a daunting oversight challenge.

The House Committee on Transportation and Infrastructure requested that we conduct a review of commuter and on-demand operators. The Committee expressed concerns regarding whether FAA has sufficient information about these operators to perform oversight. Additionally, the Committee was concerned with whether the operating requirements and level of FAA oversight were equivalent for small commercial air carriers and large commercial passenger operations.

Accordingly, we have begun an audit to (1) evaluate the differences between FAA regulations and oversight for commuter and on-demand operators versus larger commercial air carriers and determine why these differences exist; and (2) identify specific issues that may hinder FAA in its oversight, such as a lack of adequate data on commuter and on-demand operations.

### *Aviation Safety Investigative Work*

In FY 2007, investigations in aviation safety resulted in 15 indictments, 22 convictions, and \$3.5 million in fines, recoveries, and restitution. We currently have 86 ongoing investigations in the area of aviation safety. These types of investigations will remain one of OIG's investigative priorities.

Following are recent examples of our work in the aviation safety area:

- ◆ Three individuals (a self-employed aircraft parts broker and two certified aircraft mechanics) were sentenced to a combined 11 years and 5 months of incarceration, 7 years probation, ordered to pay over \$1,049,000 in restitution, and forfeit over \$176,000 to the U.S. Government. Our investigation revealed that the defendants falsified entries in aircraft logbooks in connection with the overhaul of aircraft engines. The individuals were aware the engines were not overhauled properly, contained replacement parts that were marked "not airworthy," or were simply unsafe for use on an aircraft.

- ◆ A former sales manager for M&M International Aerospace Metals, Inc., Fort Lauderdale, Florida, was sentenced to pay \$213,402 in restitution for his role in fraud involving aerospace parts. He was also ordered to serve 33 months incarceration and 24 months supervised release as a result of his guilty plea. The owners of M&M International Aerospace Metals who had previously paid \$396,960 in restitution were ordered to pay a combined \$20,600 in fines for their role in fraud involving aerospace parts. One owner was ordered to serve 27 months imprisonment as a result of his guilty plea to a conspiracy charge. The other owner was ordered to serve two years in prison as a result of her guilty plea to charges of making false claims and making false statements.

M&M Aerospace Metals supplied metals to the aerospace community, including the National Aeronautics and Space Administration, the Department of Defense, and the Department of Energy. The materials were used by M&M customers in various aerospace-grade aluminum and stainless steel plates, flat stock, and bars. The former sales manager pled guilty to conspiring with the owners and several employees of the now-defunct company to alter test certificates from metals testing laboratories and certificates of compliance from metal distributors when test results and specifications listed on these documents did not conform to the customers' metal specifications and purchase order requirements.

## **Surface Transportation**

### ***FHWA Oversight of Structurally Deficient Bridges***

The Inspector General testified before Congress twice in September 2007 regarding FHWA's oversight of structurally deficient bridges. He discussed OIG's previous work dealing with structurally deficient bridges and made several observations regarding FHWA's actions to address our prior recommendations to improve its oversight of bridges.

Specifically, he testified: (1) Federal oversight of bridge inspections and funding for bridge rehabilitation and replacement constitute significant challenges for DOT, (2) FHWA needs to develop a data-driven, risk-based approach to bridge oversight to better identify and target those structurally deficient bridges most in need of attention, and (3) action can be taken now to strengthen the National Bridge Inspection Program and FHWA's oversight.

He also stated that shortly after the Minneapolis bridge collapse, the Secretary of Transportation asked us to undertake an audit of the National Bridge Inspection Program. We have begun an audit which will focus on the following efforts: (1) an assessment of the corrective actions that FHWA has taken to address the

recommendations we made in our March 2006 report on structurally deficient bridges; (2) a study of Federal funding provided to states for bridge rehabilitation and repair assessing FHWA's management and tracking of such funding, the extent to which states effectively and efficiently use these funds to repair or replace structurally deficient bridges, and whether states are using bridge funding for other purposes; and (3) a comprehensive review of FHWA's oversight activities to ensure the safety of National Highway System bridges across the country.

### ***Initial Assessment of the Central Artery/Tunnel Project Stem to Stern Safety Review***

In August 2007, we issued a report on our initial assessment of the Commonwealth of Massachusetts's ongoing Stem to Stern Safety Review. The Commonwealth initiated the safety review last year as an independent and comprehensive look at the overall soundness of the Boston Metropolitan Highway System, including the Central Artery/Tunnel Project. This project-wide review was prompted by the July 10, 2006, collapse of ceiling panels in a Central Artery Project tunnel, which killed a motorist. The safety review is divided into several phases, with Phase I being a purposely limited and expeditious review to identify immediate risks to public safety.

OIG is overseeing the Stem to Stern Safety Review, and other Central Artery Project safety reviews and remediation work, as directed by the National Transportation Safety Board Reauthorization Act of 2006.

Based on our assessment of the Phase I report and plans for future safety review activities, we concluded Phase I of the Stem to Stern Safety Review generally analyzed the correct project components, but certain items should have been classified as higher priority safety risks in the Phase I report, or necessary follow-up activities were not sufficiently clear. Thus, timely and thorough follow-up activities are necessary to complete the full assessment of immediate safety risks and conduct remedial work.

We also concluded the leadership, scope, and methodology for Phase II of the Stem to Stern Safety Review need to be specified and aggressive action must be taken going forward.

In response to our observations about some of the findings and recommendations in the Phase I report, the Commonwealth agreed to create "Phase IA", a new short-term phase of the safety review to occur between Phases I and II. Phase IA is intended to expeditiously conduct follow-up work to fully assess the conditions that we highlighted in our review of the Commonwealth's Phase I report. In

August 2007, the Commonwealth released reports addressing many of the issues included in Phase IA. We have initiated our review of these reports. Among the key areas that the Commonwealth agreed to expeditiously address in Phase IA are performing additional analysis on the adhesive anchors supporting the ceiling in the Ted Williams Tunnel, and performing additional fire modeling in the tunnels.

To ensure prompt action on the Central Artery safety reviews and protect the large Federal investment in the project, we recommend FHWA: (1) designate a lead official to ensure that the Commonwealth: completes the analyses of all safety risks (especially those posing immediate safety risks) in a timely, independent, and thorough manner, since many key safety studies were limited or deferred, and carries out prompt remediation for any deficiencies identified; produces a clear and comprehensive methodology for Phase II, including a realistic schedule with a critical path for sequencing activities and reasonable cost estimates; expeditiously pursues cost recovery to the extent possible for those conditions that result from design errors or inadequate construction practices; and continues to routinely communicate latest developments to key stakeholders, including FHWA and OIG; and (2) report regularly to the DOT Oversight Committee on the Central Artery Project regarding progress being made by the Commonwealth to complete the safety reviews and on any concerns the FHWA may have.

### ***NHTSA's Alcohol-Impaired Driving Traffic Safety Program***

We conducted an audit of NHTSA's Alcohol-Impaired Driving Traffic Safety Program. NHTSA's data indicate that the rate of alcohol-related driving fatalities per 100 million vehicle miles traveled decreased from 0.63 in 1998 to 0.56 in 2005. Reducing alcohol-related fatalities is an important aspect in reducing the overall number and the rate of highway fatalities. In addition to reducing the number of overall highway fatalities, a reduction in alcohol-related crashes would yield significant monetary savings, as NHTSA estimates that these crashes cost the Nation over \$100 billion annually in medical, property, and related costs.

Our audit compared alcohol-impaired driving programs in ten states. Officials in NHTSA and the ten states we reviewed attributed success in combating alcohol-impaired driving to many factors. They agreed that, while other strategies may be important, a successful traffic safety program should include strategies focusing on two key elements: (1) sustained enforcement of laws (to include highly visible police presence and media efforts) and (2) effective prosecution and full application of available sanctions.

We recommended NHTSA: (1) in coordination with the states, develop intermediate performance measures to use in carrying out the key strategies identified by NHTSA and the states for countering alcohol-impaired driving;

(2) require that each state report in its Highway Safety Plan and Annual Evaluation Report the degree to which the intermediate performance measures developed for key strategies to counter alcohol-impaired driving are being implemented and the state's results for each measure; and (3) periodically assess the degree to which states have adopted the recommended intermediate performance measures, the results from the measures, and actions needed to assist states in fully implementing the use of the performance measures.

In October 2007, the Inspector General testified before Congress on the effectiveness of Federal Drunk Driving Programs. He spoke to the significant resources provided by the Administration and Congress to counter alcohol-impaired driving, and stated that ensuring the effective use of this funding requires good laws, well-run state traffic safety programs, and effective leadership from NHTSA.

He further stated that OIG's recent and ongoing work has focused on providing NHTSA and the states with better tools (such as improved performance measures) with which to oversee and implement safety programs aimed at impaired driving. OIG believes that prompt implementation of our recommendations by NHTSA and its state partners will help ensure that key strategies for countering alcohol-impaired driving are more effectively carried out.

***Follow-up Audit on the Implementation of the North American Free Trade Agreement's (NAFTA) Cross-Border Trucking Provisions***

In August 2007, we completed our annual audit of the NAFTA Cross-Border Trucking Provisions. The DOT and Related Agencies Appropriations Act for FY 2002 provided funds to the Federal Motor Carrier Safety Administration (FMCSA) to implement NAFTA. However, the FY 2002 Act and subsequent appropriation legislation through FY 2006 prohibited FMCSA from using Federal funds to review or process Mexico-domiciled motor carrier applications to operate beyond the United States commercial zones until certain preconditions were met. Further, the FY 2002 Act established a precondition for allowing Mexican motor carriers to haul hazardous materials beyond the commercial zones. Section 350 of the FY 2002 Act also included a requirement for an annual review OIG of eight specific safety-related criteria, which would cover Mexico-domiciled motor carrier operations beyond the commercial zones.

Data from our current review and our earlier reports dating back to 1998 point to continual improvement in the border safety program. Our current work found that FMCSA took the actions it agreed to in response to our nine January 2005 report recommendations.

Despite the progress FMCSA has made, additional improvements are needed in two of the eight Section 350 (c) (1) criteria: improving the quality of the data used to monitor Mexican commercial driver traffic convictions in the United States, and ensuring adequate capacity to inspect Mexican buses.

Additionally, FMCSA and the Department should continue to address two areas noted in our January 2005 report that are outside the Section 350 criteria: Fully implementing FMCSA's policy on ensuring Mexican carrier compliance with Federal motor vehicle manufacturing safety standards, and continue focusing on Mexican carrier drug and alcohol testing issues.

We recommend: (1) FMCSA improve the comprehensiveness and consistency of Mexican commercial driver traffic conviction data by developing state corrective action plans to address state-specific issues and by instituting a quarterly review process to routinely identify and notify states of data inconsistencies; (2) address bus inspection issues by working on a site-specific basis with U.S. Customs and Border Protection to modify the Southern Border Commercial Bus Inspection Plan; and (3) address our findings on issues that are not related to Section 350 by: implementing a policy on the use of vehicle model year to indicate compliance with vehicle safety standards and record vehicle identification numbers as part of a safety inspection; and establishing an action plan, in coordination with other DOT offices, to address concerns regarding drug and alcohol testing of all Mexican commercial drivers.

### ***FMCSA Oversight of High-Risk Trucking Companies Testimony***

In July 2007, the IG testified before Congress regarding FMCSA's actions to improve oversight of high-risk motor carriers. The IG stated FMCSA: (1) has made important progress in improving motor carrier safety and has plans for continued improvement, but further reductions in the fatality rate will be difficult to achieve, (2) must obtain more complete information on motor carrier crashes to more effectively target the highest risk carriers for compliance reviews, (3) must reassess and strengthen the compliance review process as vulnerabilities are identified, and (4) must ensure that enforcement actions are taken against companies that repeatedly violate motor carrier safety regulations.

### ***Federal Railroad Administration's (FRA) Activities to Oversee Highway-Rail Grade Crossings***

In a follow-up to the audit report we issued in November 2005, we reported on FRA's activities to oversee safety at the Nation's highway-rail grade crossings. The findings presented in our follow-up audit addressed the non-National Response Center reporting requirement where railroads must report every grade

crossing collision to FRA within 30 days of the end of the month in which the collision occurred.

We reported although significant progress was made over the last decade (1995 to 2005), reported grade crossing collisions increased from 2003 to 2005. During the latter period, collisions rose three percent and the number of fatalities increased seven percent. These increases, and the upward trend in the volume of train and highway traffic, indicate that more must be done at the Federal and state level to improve grade crossing safety. Our body of work on grade crossing safety has shown the need for FRA to develop more focused strategies to further reduce collisions and fatalities.

We recommended FRA: (1) strengthen safety oversight by ensuring that the railroads comply with mandatory requirements to report each grade crossing collision to FRA's accident reporting system; (2) assess higher civil penalties against each railroad that repeatedly fails to report crossing collisions; and (3) work with FHWA to develop model legislation for states to improve safety by addressing sight obstructions at grade crossings that are equipped solely with signs, pavement markings, and other passive warnings.

### ***Track-Related and Other Railroad Safety Audits***

OIG is conducting an audit of FRA's oversight of track-related safety issues. Train accidents and incidents caused by track-related problems can have long-term consequences, including death, injury, environmental damage, and economic loss. From 2002 through 2006, the railroads reported 5,084 train accidents to FRA that were caused by track-related problems. These accidents resulted in eight fatalities and 359 injuries and caused about \$627 million in damages to railroad property and equipment.

The objective of this audit is to evaluate FRA's oversight of track safety on the Nation's freight rail lines to determine whether FRA identifies track defects that may affect safety and takes appropriate actions to improve railroad operations. Specifically, we will analyze the results of FRA's inspections of track, roadbed, and related structures and investigations of derailments and other accidents caused by track defects.

OIG is also conducting an audit of the FRA's actions to improve railroad safety. This audit will address Congressional concerns regarding whether or not FRA has taken certain actions to promote safety on the Nation's freight and passenger rail lines. The objective of this audit is to assess FRA's progress in implementing Congressional mandates and recommendations made by OIG and NTSB regarding railroad safety.

In May 2007, the Assistant IG for Surface and Maritime Programs testified before Congress twice regarding railroad safety stating FRA can further improve railroad safety by: (1) ensuring compliance with mandatory reporting requirements for grade crossing collisions; (2) increasing FRA's involvement in investigations of grade crossing collisions; (3) addressing sight obstructions at grade crossings without automated warning devices; (4) establishing reporting requirements for FRA's national grade crossing inventory system; and (5) requiring states with the most dangerous crossings to develop action plans identifying specific plans for improvement.

### ***Motor Carrier Safety Investigative Work***

OIG continues our investigative work in the area of motor carrier safety. We currently have 38 open investigations concerning motor carrier safety issues. These include investigations relating to commercial driver's license fraud and the falsification of hours-of-service logs, maintenance logs, and drug and alcohol testing records.

Illegal activities and fraud involving CDLs continue to be a serious concern. Criminal investigations of CDL fraud show that third-party examiners have been particularly susceptible to fraud. OIG and law enforcement agencies have identified suspected CDL criminal activity in 26 states since 1998, and we believe CDL programs in other states are vulnerable.

In FY 2007, motor carrier safety investigations resulted in 12 indictments and 20 convictions.

Following are recent examples of our motor carrier safety investigative work:

- ◆ A former authorized third party CDL examiner for the North Carolina Department of Motor Vehicles (NCDMV) was ordered to pay \$8,500 in fines and restitution for issuing CDLs to 151 license applicants without proper testing. He was also placed on two years of probation. Our investigation found that he failed to give all three parts of the CDL examination to the 151 drivers and, in many cases, he gave no examination at all. The NCDMV removed him as an examiner and required the 151 license holders to re-take the tests or have their licenses revoked.
- ◆ A truck driver was sentenced to two years in prison and two years supervised release for his role in a truck crash that killed two individuals. According to testimony at trial, he was driving on Interstate 78 near Allentown, Pennsylvania in December 2005, when his truck crossed the median, struck a



passenger vehicle and killed the two occupants. At the time the crash occurred, the driver had been behind the wheel of his truck in excess of the maximum 14 hours allowed under DOT regulations.

### **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 provide oversight 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 this area.

#### **Aviation**

##### ***Actions Needed to Minimize Long, On-Board Flight Delays***

Thousands of passengers suffered long, on-board aircraft delays triggered by severe weather in the winter of 2006/2007, causing serious concerns about the airlines' contingency planning for such situations. As a result, the Secretary asked us to review airline customer service commitments covering extended ground delays.

We found that both airline and airport contingency plans are limited in addressing long, on-board delays. Our examination of the 13 airports, including 12 major hub airports, found that only two airports have a process for monitoring and mitigating long, on-board delays that involves contacting the airline to request a plan of action after an aircraft has remained for two hours on the tarmac. We also found that airports intervene only upon an airline's request primarily because they do not have the authority to interfere with a carrier's operations during long, on-board

delays. We also identified best practices and initiatives that could help deal with long on-board delays.

Our recommendations focused on actions that could help the Department, airlines, and airports improve customer service for air travelers. These included defining what constitutes an extended period of time for meeting passengers' essential needs and setting limits for delay durations; establishing specific targets for reducing chronically delayed or cancelled flights; disclosing on-time flight performance; requiring airports to establish a process for monitoring lengthy, on-board delays; establishing a national task force of airlines, airports, and FAA to develop and coordinate contingency plans to deal with lengthy delays; conducting incident investigations involving long, on-board ground delays; and directing the Office of Aviation Enforcement and Proceedings to ensure that airlines comply with their public policies governing long, on-board delays, especially in the event that health and safety hazards arise from such delays, and advise Congress if the airlines retreat from such policies.

In addition to our report, the IG testified before Congress twice in April 2007 and twice in September 2007 regarding actions needed to improve airline customer service and minimize long, on-board delays.

### ***Implementation of FAA's Automatic Dependent Surveillance - Broadcast Program***

In October 2007, the IG testified before Congress on FAA's efforts to develop and deploy a new satellite-based technology called Automatic Dependent Surveillance-Broadcast (ADS-B). At the request of the Chairmen of the House Transportation Infrastructure Committee and the House Aviation Subcommittee, we are examining the risks to this important effort and the strengths and weaknesses of FAA's contracting approach.

FAA recently awarded a contract valued at \$1.8 billion for the development, implementation, and operation of the ADS-B ground infrastructure. The IG testified that ADS-B is an important part of the FAA's plans for the Next Generation Air Traffic Management System (NextGen), but it must be considered along with other planned technologies and improvements. We recognize that ADS-B has potential to enhance capacity, improve safety, and fundamentally change the way air traffic is managed. However, a full disclosure of costs, expected benefits, and risks is needed. This is a complex, long-term effort that requires significant investments from both the Government and airspace users. Given FAA's history with developing new technologies and its approach for ADS-B, we believe that an extraordinary level of oversight will be required.

The IG discussed three major points: (1) ADS-B is a key enabling technology for NextGen, but realistic expectations need to be set for when benefits that enhance capacity and reduce delays can be realized; (2) nationwide ADS-B implementation faces several risks that must be mitigated; and (3) FAA's contracting approach for ADS-B requires robust and extraordinary oversight.

### *National Airspace System Modernization Testimony*

In May 2007, the IG testified before Congress regarding current and future efforts to modernize the National Airspace System, including FAA's Joint Planning and Development Office (JPDO) and NextGen. The IG's testimony focused on: (1) FAA's progress with ongoing modernization projects that form the platforms for NextGen initiatives, (2) JPDO's progress to date in coordinating and aligning Agency budgets and plans for NextGen, and (3) FAA actions needed to help the JPDO shift from planning to implementation and reduce risk with NextGen.

### *FAA Short-Term Capacity Initiatives*

While there is considerable attention focused on the cost and timetables of long-term initiatives involving new technologies, Congress has repeatedly expressed interest in the range of capacity improvements that could be made much sooner.

The short-term initiatives include the development of performance-based procedures, airspace redesign efforts, and better use of up-to-date weather information to adjust traffic flows nationwide.

We are conducting an audit to examine near-term FAA initiatives to increase the capacity of the National Airspace System. The objectives of this audit are to: (1) identify the initiatives, both technological and procedural, that will provide the most capacity benefits in the next five years; and (2) examine FAA's implementation process for capacity initiatives and how the relationships among the various efforts are managed.

## **Surface Transportation**

### *Amtrak's FY 2007 Operational Reforms Savings and Financial Performance*

We issued our fourth quarterly assessment of Amtrak's FY 2007 operational reforms savings and unaudited financial performance. Amtrak realized almost \$53 million of the \$61 million in FY 2007 reform savings it originally anticipated. The shortfall in savings resulted from Amtrak eliminating several initiatives earlier in the year. However, Amtrak's financial performance was still stronger than expected.

We reported:

- Amtrak's FY 2007 cash operating loss of \$429 million was \$56 million lower than its budgeted level of \$485 million and \$23 million lower than its \$452 million cash operating loss in FY 2006. Amtrak's operating loss would have been well below \$350 million had it not accrued certain costs in FY 2007 that it expects to pay in FY 2008 or later.
- Amtrak's savings from operational reforms in FY 2007 were lower than originally forecasted due to Amtrak's cancellation of the sleeper right-sizing and the call center initiatives. However, these savings were higher than anticipated in July due to higher than projected savings from food and beverage and station efficiencies.
- Amtrak's improved financial performance is attributable in part to the absence of a labor settlement, which has constrained labor cost increases. Once a labor settlement is reached, this constraint on wages will be removed.
- Amtrak's cash balance at the end of FY 2007 was \$244 million, compared to \$215 million in FY 2006. In our July report, we projected that Amtrak's FY 2007 end-of-year cash balance would be over \$300 million. However, Amtrak chose to reduce its cash balance by spending about \$60 million to purchase leased coach and food service cars and prepay its FY 2008 Railroad Rehabilitation and Improvement Financing Program loan payment.
- Amtrak did not spend \$31 million of its planned FY 2007 capital program which contributed to this high cash balance. While Amtrak spent all of the \$495 million Federal capital appropriation, it only spent \$11 million of the \$42 million of internal funds it planned to spend on capital projects.

We concluded Amtrak has made progress in implementing some of its reforms, most notably in streamlined food and beverage services and improved Acela service. However, overall savings from its reforms initiatives are less than projected and fall below last year's savings of \$61 million. Instead, significant budget savings came from favorable market conditions rather than structural change in Amtrak's operating environment. Apart from its food and beverage services, Amtrak has made no progress in the major areas of route restructuring, full cost recovery of state-supported services, and labor efficiencies.

### *Amtrak On-time Performance*

In FY 2006, average on-time performance (OTP) across Amtrak's long-distance routes was only 30%. For Amtrak's corridor routes, average OTP was much higher, but still only 67% (excluding the Northeast Corridor). Through April FY 2007, the OTP of a number of long-distance routes increased substantially, but only enough to raise the average for long-distance routes to 42%. The reliability and timeliness of passenger rail largely determines its viability as an alternative means of transportation. At a minimum, poor OTP may have significant negative impacts on Amtrak's financial condition. In addition, it may undermine Amtrak's ability to retain and grow ridership.

OIG has begun an audit on the financial impact of Amtrak's poor OTP. The objective of this audit is to produce a quantitative assessment of the financial impact of Amtrak's poor OTP. More specifically, we will estimate both the impact on costs and the revenues lost as a consequence of Amtrak's poor OTP.

In addition, we are currently conducting an audit on the root causes of Amtrak delays. The objectives of our audit are to: (1) identify the root causes of delays for Amtrak trains operating outside of the Northeast Corridor; (2) assess whether Amtrak's passenger trains have been granted preference over freight trains as prescribed by law; and (3) identify practices in dispatching trains that influence delays.

### *Central Artery/Tunnel Project 2007 Finance Plan Update*

As directed by the Department of Transportation and Related Agencies Appropriations Act for Fiscal Year 2001, OIG has begun an audit of the Massachusetts Turnpike Authority's (Authority) 2007 Finance Plan Update for the Central Artery/Tunnel Project.

The 2007 update is based on a previous update to the Authority's Financial Plan, which includes eight major project cost centers. The prior update, issued in October 2004, included a Cost/Schedule Update or a "bottom-to-top cost assessment" of actual and projected costs. This plan was certified by the Office of Administration and Finance, based on the work of Deloitte & Touche. Specifically, the plan estimated project costs to be \$14.625 billion, and identified \$8.549 billion in Federal funds and \$6.076 billion in state funds to pay all project costs. Since the submission of the 2004 Finance Plan, the Project has provided supplemental financial information related to the finance plan. This information was reviewed by the OIG; however, a final report was not released due to uncertainties surrounding the July 2006 major tunnel ceiling collapse in the completed (I-90) portion of the project, which resulted in tunnel remediation work.

The objectives of this audit are to determine whether the update: (1) complies with the FHWA Financial Plan guidance, (2) provides a project cost estimate based on all known and reasonable expected costs, (3) identifies appropriate and available funding sources and cash flows sufficient to meet the total estimated cost, and (4) discloses other issues affecting the project.

### ***Project Monitoring of the Dulles Corridor Metrorail Project***

We completed our initial major project monitoring of Phase I of the Dulles Corridor Metrorail Project in the Washington, D.C. metropolitan area that would expand Metrorail to Reston, Virginia.

We reported FTA will be challenged by overseeing the complex Dulles Corridor Metrorail Project, which has a large potential Federal investment. Approximately \$1.5 billion of Federal monies could be committed to Phase I of the project - a \$900 million New Starts grant, a \$375 million DOT Transportation Infrastructure Finance and Innovation Act (TIFIA) loan, plus a \$200 million line of credit to be used if needed.

We recommended FTA: (1) conduct all of the reviews involved in the New Starts process per FTA regulations with extra vigilance and consider going beyond those reviews regarding the sufficiency of local funding sources, the contractual and associated arrangements that deal with Washington Metropolitan Area Transit Authority, and Metropolitan Washington Airports Authority's project management plan; (2) consider reevaluating the transportation user benefits for the Dulles Project in accordance with current FTA policy and use this updated figure to make any decisions regarding New Starts funding for the project; and (3) closely coordinate with the TIFIA Credit Council to share information about the project. We also recommend that when reviewing the TIFIA loan application, the TIFIA Credit Council conduct an independent rigorous review of the Dulles Project that takes into account all of the unusual risks associated with the project.

### ***Contract and Grant Fraud Initiatives***

As stated previously, in FY 2007, contract and grant fraud related investigations resulted in 38 indictments, 61 convictions, and \$157 million in fines, restitution, and recoveries. In addition, we currently have 229 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 49 alleged DBE fraud schemes in 18 states under investigation.

Examples of some of our recent work in this area were included earlier in our submission. Following are some additional examples of our contract and grant fraud investigative work:

- ◆ Gohmann Asphalt and Construction, Inc. (Gohmann), an Indiana corporation, agreed to pay more than \$8.2 million to settle Federal and state claims alleging that Gohmann fraudulently swapped samples of asphalt between 1997 and 2006 to inflate the amount paid on road projects by the FHWA, Commonwealth of Kentucky, and State of Indiana. Gohmann, one of the region's largest highway paving companies, has also agreed to provide warranties to correct future deficiencies in work on highways in Kentucky and Indiana. In addition, a bonus received by Gohmann in excess of \$5.3 million on an I-64 project in Louisville, KY has been repaid back to the government.
- ◆ P.A. Landers, Inc., a Plymouth, Massachusetts road construction contractor, was ordered to pay a \$3 million fine as a result of its conviction on charges of providing fake and inflated asphalt tickets for paving projects. The company was also ordered to pay \$332,686 in restitution to the United States, the Commonwealth, the Massachusetts Bay Transit Authority and the towns of Chatham and Sandwich, Massachusetts.

The former company President was ordered to serve 42 months in prison, and pay a \$150,000 fine and \$332,686 in restitution. The company's former vice president was ordered to serve 30 months in prison, pay a \$10,000 fine and \$332,686 in restitution. The individuals directed company employees to generate false and inflated weight tickets for submission to state and municipal agencies as the basis for payment. Several of the paving projects received Federal funds. The company fraudulently overbilled 25 local communities and the state and Federal governments of an estimated \$4 million. The company and the two former officials were suspended by FHWA and debarment proceedings are pending.

- ◆ The president of Suffolk Asphalt Supply agreed to forfeit \$2.3 million to the U.S. Government and pay \$326,343 in restitution to Suffolk County and Brookhaven, NY for his role in rigging bids on various roadway projects sponsored by the Suffolk County Department of Public Works and the Town of Brookhaven. He was also sentenced to eight months in jail and three years supervised release.

- ◆ English Construction Company, of Lynchburg, Virginia, will pay a civil forfeiture of \$2.5 million to the United States as a settlement for making false material statements about work performed by a DBE in a highway construction project funded by the United States.
- ◆ The owner of American Painting Company, Inc. (APC) was sentenced to 21 months in prison and two years supervised release. In addition, the individual and APC were also ordered to pay \$2.256 million in restitution to the Ohio Department of Transportation (ODOT). The individual and APC pled guilty to conspiracy and bribery charges. The indictment charged that APC and its owner conspired with others, paid cash bribes, and provided improper compensation, awards, and inducements in exchange for overlooking APC's substandard and non-complying performance on painting contracts awarded by ODOT.
- ◆ The vice president of Fisk Electric was sentenced to five years in prison in connection with fraud involving the DBE program at Miami International Airport (MIA). According to evidence at trial, he devised a scheme to enable awards to be made to FLP Enterprises, Inc. for more than \$20 million (including \$5.8 million in Federal funds) in electrical construction work at MIA. The Miami-Dade County Aviation Department was told that FLP, a certified DBE, was to perform the work. The electrical work was actually performed by Fisk Electric, which was not a DBE. For the use of its name, FLP received a fee of between three and five percent of the value of the work assigned to it on paper.

### **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 the area of global connectivity.

#### ***Small Community Air Service Development Program***

OIG is conducting an audit of the Small Community Air Service Development Program (SCASDP). The SCASDP, which is administered by OST's Office of Aviation Analysis, was established in fiscal year 2000 to help small communities maintain/enhance their air service. Between 2002 and 2006, the SCASDP has made over 180 grants totaling \$80 million.



The objective of this audit is to determine the effectiveness of the SCASDP in helping small-hub and non-hub communities in achieving sustainable and reliable air service. As part of this project, we will review the 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.

### **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.

In FY 2007, investigations of illegal HAZMAT transportation resulted in 18 indictments, 20 convictions, and \$16.6 million in fines, restitution, and recoveries. We currently have 44 ongoing investigations concerning allegations of illegal transportation of HAZMAT.

Following are recent examples of our work in the HAZMAT area.

#### ***HAZMAT Investigations***

- ◆ British Petroleum Exploration (Alaska), Inc. (BP) was sentenced to serve three years probation and pay a fine of \$12 million, restitution of \$8 million, and special assessment of \$125 for violation of the Clean Water Act.

In March 2006, more than 200,000 gallons of oil spilled from a pipeline owned and operated by BP onto the North Slope Borough in Alaska. The spill impacted arctic tundra and covered approximately two acres of permafrost in the Prudhoe Bay West Operating Area. The cause of the failure was internal corrosion. In March 2006, the Pipeline and Hazardous Materials Safety Administration (PHMSA) issued a corrective action order to BP requiring the company to repair the leaky pipeline and improve corrosion inspections.

- ◆ A civil complaint and settlement agreement were filed concurrently in which the El Paso Natural Gas Company (EPNG) will pay a \$15.5 million civil penalty and spend approximately \$86 million to modify its entire natural gas

pipeline system. This is the first settlement brought under the Pipeline Safety Improvement Act of 2006.

This settlement stems from a six-year investigation that was initiated as a result of the August 2000 pipeline explosion near Carlsbad, New Mexico that killed 12 individuals. It was determined the 2000 explosion was due to significant reduction in the pipe wall thickness as a result of severe internal corrosion. The complaint alleges that EPNG violated Federal regulations pertaining to pipelines by not employing personnel qualified in corrosion control methods, failing to investigate and mitigate internal corrosion in two of its pipelines transporting corrosive gas, and failing to suitably monitor those pipelines to determine the effectiveness of steps taken to minimize internal corrosion.

- ◆ Norfolk Southern Corporation (NS), a shipping and transportation company, pleaded no contest to Pennsylvania State and McKean County environmental charges and agreed to pay \$7.35 million to settle civil charges related to a high-speed train derailment that spilled caustic chemicals into a northwestern Pennsylvania waterway.

NS and a company train engineer had both been charged with various state and county charges related to the June 2006 train derailment that spilled 42,000 gallons of sodium hydroxide waste into the soil, wetlands, and waters of two counties in northwestern Pennsylvania. A FRA investigation determined that the NS freight train crew failed to apply air brakes after cresting a hill. Shortly after the accident, NS dismissed the train engineer and the train's conductor.

- ◆ The former owner of SBH Corporation, was sentenced to 21 months in prison, three years supervised release, and ordered to pay \$421,049 in restitution for violating the Hazardous Materials Transportation Uniform Safety Act and violations related to the illegal storage and disposal of sodium metal.

### **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 some recent examples of our work in these areas.

### ***Information Security Management***

We issued a report on our annual review of DOT's information security program for FY 2007 as required by FISMA. DOT maintains one of the largest portfolios of IT systems among Federal civilian agencies; it is therefore essential that the Department protects these systems, along with their sensitive data. In FY 2007, DOT's IT budget totaled about \$2.6 billion.

We found that FY 2007 was a particularly challenging year for the Department in managing its IT resources. In addition to establishing a common IT infrastructure for the new Headquarters, it had to review, test, and certify security protection in more than half of its information systems to meet the recertification requirement. While the Department has completed most of the scheduled security recertification reviews, the overall effectiveness of its information security program declined in FY 2007 because management had to divert resources and attention to resolving Headquarters move-related issues. Specifically, management did not meet Government security standards to protect information systems and did not take sufficient action to correct identified security deficiencies. We also found that commercial software products used in departmental systems were not configured in accordance with security standards and security incidents were incompletely and/or inaccurately reported.

In terms of correcting the two security weaknesses identified previously in the air traffic control system, contingency planning and review of operational air traffic control systems security, FAA demonstrated renewed initiative in undertaking multi-year correction efforts starting in FY 2007. FAA also made modest progress in enhancing the implementation of earned value management for major IT investment projects. Nonetheless, challenges remain in both areas.

We made a series of recommendations to help the Department enhance the protection of information systems, enhance correction of identified security deficiencies, enhance network security configuration, ensure the consistency and timeliness of security incident reporting, and enhance the Department's implementation of earned value management.

### ***Security and Controls over the National Driver Register***

We completed an audit of the National Driver Register (NDR) Information System administered by NHTSA. This central register allows state department of motor vehicles (DMV) officials to exchange information on problem drivers identified in each state, such as those convicted of driving under the influence of alcohol.

We found drivers' personally identifiable information was properly secured in the NDR mainframe database; however, when transmitted or stored outside the mainframe computer, it was exposed to potential unauthorized access or unapproved use. For example, sensitive information is not encrypted when transmitted between states and NDR on the American Association of Motor Vehicle Administrators' (AAMVA) network. In addition, problem drivers were not recorded in NDR in a timely manner (millions were not recorded until at least one year after conviction) and incomplete or inaccurate information on Social Security numbers and drivers' physical attributes such as height, weight, and eye color were found in NDR. Finally, the NDR contingency plan testing was too limited to ensure adequate service to state DMVs in case of an emergency.

We made a series of recommendations to help NHTSA strengthen protection of sensitive NDR data and improve the efficiency of the NDR system. These recommendations included that NHTSA establish an interconnection agreement and memorandum of understanding with AAMVA that specifies the responsibilities of both organizations for the protection of NDR; encrypt data transmissions between NHTSA, the states, and NDR contractor sites; enhance background checks on personnel with access to NDR; and better protect NHTSA facilities used to manage NDR operations.

We recommended that NHTSA work with states to ensure that data on problem drivers are entered into NDR in a timely manner and with accurate personal information about the drivers, strengthen controls over manual removal of problem driver records from NDR, and evaluate other upgrade needs for the modernization effort. We also recommended that NHTSA test the transaction processing capacity of the recovery system and store backup tapes at a more remote site.

### ***Implementation of the Pipeline Security Annex***

In September 2004, DOT and the Department of Homeland Security entered into a memorandum of understanding (MOU) to facilitate the development and deployment of transportation security measures.

In August 2006, PHMSA and the Transportation Security Administration (TSA) signed an annex to the MOU to establish clear lines of authority and responsibility over pipeline security matters.

The Nation's pipelines enable the safe movement of extraordinary quantities of energy products to industry and consumers. The pipeline infrastructure is an elaborate network of over two million miles of pipeline that moves millions of gallons of hazardous liquids and over 55 billion cubic feet of natural gas daily. The pipeline system has approximately 2,200 natural gas pipeline operators and 250 hazardous liquid pipeline operators.

As required by the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006, OIG is in the process of reviewing actions PHMSA has taken to implement the security annex to the MOU. As required by the act, our review will: (1) provide the implementation status of the program elements outlined in the annex; (2) determine the role, responsibility, and authority of PHMSA regarding pipeline security; (3) assess the adequacy and effectiveness of the process by which PHMSA communicates and coordinates with TSA on matters relating to pipeline security; and (4) address the adequacy of security standards for gas and oil pipelines.

### ***Opportunities to Free Up Unneeded FHWA Funds for Use in Hurricane Recovery Efforts***

We conducted an audit to identify funds earmarked by Congress that could be freed up and used for hurricane recovery efforts.

Using data provided by FHWA, we identified 203 earmarked highway projects authorized on or before October 23, 2000, in the five Gulf states affected by Hurricanes Katrina and Rita (Alabama, Florida, Louisiana, Mississippi, and Texas). Of those 203 projects, 19 projects retain approximately \$10.7 million in unneeded earmarked funds that could be put to better use by redirecting the funds to hurricane recovery efforts.

We recommended FHWA coordinate with the five Gulf state Departments of Transportation to promptly identify how the earmarked funds in the 19 projects we identified in our audit could best be redirected for use on hurricane recovery efforts. FHWA should also formally alert Congress that approximately \$10.7 million in earmarked funds are available for redirection to hurricane recovery efforts within these same states and, if necessary, coordinate with Congress regarding the legislative requirements of each earmark in order to identify the best method for redirecting these funds. FHWA should also promptly issue guidance on Section 1603 of the 2005 Safe, Accountable, Flexible, Efficient

Transportation Equity Act: A Legacy for Users (SAFETEA-LU) to allow the states to redirect, without Congressional action, certain eligible, unneeded highway earmarked funds to other transportation projects in their states; and continue to regularly compile a list of earmarked highway funds that states no longer need, and transmit that list to Congress for legislative consideration.

### **ORGANIZATIONAL EXCELLENCE**

OIG will continue to aid the Department in their program oversight and stewardship with the goals that every Federal dollar is well spent; program operations and processes are efficient and streamlined; and the President's Management Agenda goals are achieved.

Following are recent examples of our work in the area of organizational excellence.

#### ***Top Management Challenges***

OIG identified nine top management challenges for DOT for FY 2008. We reported the traveling public's growing concerns about aging transportation infrastructure and increasing air travel delays will demand special attention from DOT in FY 2008. Key actions will include balancing funding needs to repair or replace aging systems while expanding capacity and determining requirements to advance new technologies and viable oversight structures.

This report was included in DOT's Performance and Accountability Report. A summary of the management challenges is included in OIG's current FY 2009 Performance Plan which is attached in this budget submission.

In addition, in October 2007, the IG testified before Congress on challenges facing DOT and the Nation's transportation system.

#### ***DOT's Consolidated Financial Statements***

OIG issued a report on the audit of DOT's Consolidated Financial Statements for FYs 2007 and 2006. Our audit concluded that DOT's consolidated financial statements were fairly presented, in all material respects, in conformity with generally accepted accounting principles. The clean (unqualified) opinion signals to the public that the Department has successfully overcome last year's qualified opinion on the Construction in Progress balance, which is a subcomponent of the Property, Plant, and Equipment line item on the Department's balance sheet.

We reported the Department has undergone annual financial statement audits since FY 1992 and received the best outcome yet in FY 2007 – a clean audit opinion and only one material weakness (FAA’s continued challenge in managing the property account). We further stated that DOT must remain vigilant in sustaining good financial management operations because auditors continue to find significant deficiencies associated with financial transaction processing. These deficiencies, if not properly addressed, could turn into material weaknesses in the future.

DOT’s FY 2007 financial statements show total assets of \$62 billion, liabilities of \$14 billion, program costs of \$63 billion, and available financial resources of more than \$122 billion. In FY 2007, DOT received appropriations of \$63 billion. More than \$51 billion (about 82%) of DOT’s revenue sources came from two trust funds, the HTF and the Airport and Airway Trust Fund.

### ***Conversion of Flight Service Stations from FAA to Contract Operations***

In October 2007, the IG testified before Congress on conversion of FAA flight service stations to contract operations (in addition, we issued an interim report on this outsourcing effort in May 2007). The IG addressed the management controls established by FAA over the initial transition; problems that the contractor (Lockheed Martin) encountered during the consolidation phase of the transition, which ultimately led to service disruptions to users; and key issues that Lockheed Martin and FAA need to address going forward.

On February 1, 2005, FAA awarded a 5-year fixed-price, incentive-fee contract (with 5 additional option years) to Lockheed Martin to operate the Agency’s flight service stations in the continental United States, Puerto Rico, and Hawaii. On October 4, 2005, Lockheed Martin took over operations at the 58 flight service stations, and, on that date, approximately 1,900 specialists and additional support staff became employees of Lockheed Martin. The two-year transition period has ended.

FAA anticipates that by contracting out flight service facilities, it will save \$1.7 billion over the ten-year life of the agreement. The savings are expected to be achieved through a series of changes to reorganize flight service stations operations and modernize facilities and equipment. The planned changes include the following: consolidating the 58 FAA-operated flight service stations into three new hub facilities and 15 refurbished stand-alone facilities; deploying FS-21, Lockheed Martin’s new flight services operating system; and reducing flight service specialist staffing levels from approximately 1,900 specialists to about 1,000 specialists as a result of the technological and operational changes.

The IG testified the consolidation is nearly complete; FS-21 is operational; Lockheed Martin has opened the three hub facilities, refurbished and reopened the 15 continuing sites, and transitioned 40 closing facilities into the three hubs; and Lockheed Martin has also completed realignment of the flight service areas from the original 58 areas into the 15 consolidated areas.

He also testified the focus now needs to be on ensuring that quality services are provided to users efficiently and cost effectively. Key issues for Lockheed Martin and FAA going forward include the following: meeting acceptable levels of performance over the next several months; achieving anticipated savings; and maintaining adequate staffing levels and sufficient training of flight service specialists to meet users' needs.

### ***Value Engineering in the Federal-Aid Highway Program***

We issued a report on FHWA's oversight of value engineering in the Federal-aid highway program and the effectiveness of the states' respective value engineering processes. The National Highway System Designation Act of 1995 requires states to perform value engineering analysis for all Federal-aid highway projects on the National Highway System with an estimated cost of \$25 million or more.

Historically, states have saved an average of five percent of estimated project costs by performing value engineering studies and accepting resulting recommendations. From FY 2001 through FY 2004, states collectively reported \$4.2 billion in recommended savings (about \$1 billion annually). During the same four-year period, we estimate that conducting required NHS value engineering studies and high-potential non-NHS value engineering studies, and accepting more recommendations, could have saved an estimated \$725 million in Federal funds. Had these savings been achieved, additional planned projects could have been started.

To assess FHWA's oversight of the value engineering program, we judgmentally selected and visited ten states. We found seven of ten states reviewed missed opportunities to achieve significant savings by not performing required value engineering studies and not implementing value engineering recommendations.

We recommended FHWA revise its value engineering policy to require responsible state management to sign off on the rejection of value engineering recommendations that contain substantial cost savings; establish requirements for the support of cost estimates, including the evaluation of life-cycle cost alternatives; and require the FHWA Division Offices' value engineering coordinators to either monitor or participate in all state value engineering studies for Federal-aid projects.



To strengthen the FHWA oversight of the value engineering program and to better monitor value engineering performance, we also recommended FHWA: (1) develop performance goals for measuring the effectiveness of state value engineering programs and for evaluating the responsible Division Office personnel; (2) incorporate value engineering into either the financial integrity review and evaluation reviews or the corporate risk assessment process to determine whether all required studies were performed and to assess how the states determine to either accept or reject recommendations; and (3) collect and disseminate best practices to the state Departments of Transportation.

### ***Growth in Highway Construction and Maintenance Costs***

SAFETEA-LU provides \$244.1 billion for highway and transit projects for FY 2005 through FY 2009. Within a year of its enactment, dramatic cost increases led some state planners to cancel or delay highway projects due to insufficient funds. This rapid cost escalation has significant implications for the funding levels needed in the next highway bill to maintain or expand highway construction nationwide. In September 2006, the House Committee on Transportation and Infrastructure requested that OIG analyze the growth in highway project costs.

We found highway construction and maintenance costs nationwide grew approximately three times faster from 2003 through 2006 than their fastest rate during any three-year period between 1990 and 2003, substantially reducing the purchasing power of highway funds. These increases are largely the result of escalation in the costs of commodities used in highway projects, such as steel and asphalt, and reflect structural, not transitory, economic changes. Consequently, we expect these commodity costs to remain elevated, and possibly continue expanding, in the near term. Finally, we found that highway project cost growth varied across states due primarily to differences in costs of transporting commodity inputs.

Continuing elevated highway construction costs will create a significant challenge for both Congress and the Administration as they consider, in the next highway bill, how best to maintain and improve the nation's aging highway infrastructure. The next highway bill may need to provide a significant increase in funding just to maintain, let alone exceed, the volumes of highway construction and maintenance undertaken prior to 2003.

### ***Prioritization of Airport Improvement Program Funding***

We conducted an audit of FAA's prioritization of grant funding in the Airport Improvement Program (AIP). The FAA is responsible for administering the AIP. The AIP supports the Nation's airport system by providing funds primarily to enhance safety and security, maintain the infrastructure, increase capacity, and mitigate airport noise in surrounding communities.

FAA's policy is to fund the highest priority projects. To fund the highest priority projects each year, FAA - in cooperation with airport sponsors, planning agencies (e.g., regional metropolitan planning organizations), and states - develops the Airport Capital Improvement Plan, a 3- to 5-year rolling plan for funding airport planning and development projects. Under the FY 2007 continuing resolution, the AIP was funded at the FY 2006 level of \$3.5 billion, a \$200 million reduction from the FY 2007 authorized level. With limited AIP funding, FAA must focus AIP money on the highest priority projects nationwide.

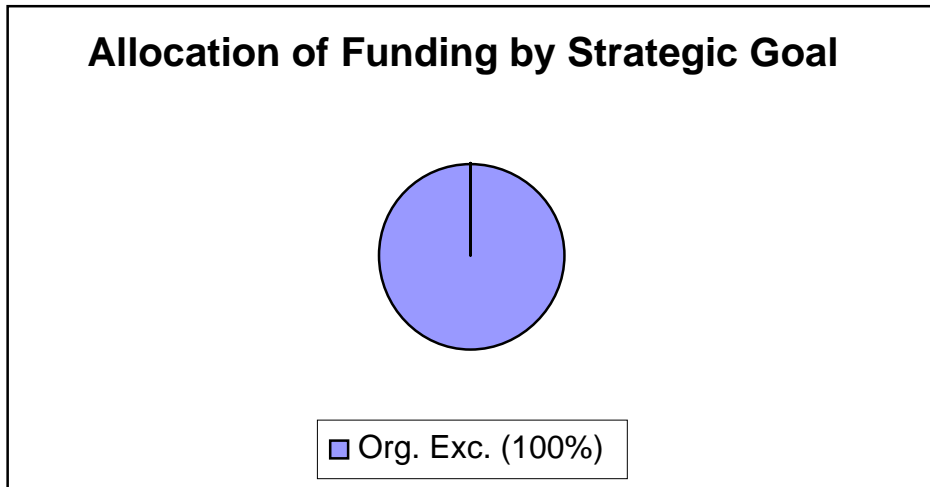
We found FAA's policies are effectively ensuring that the highest priority rated projects are funded in accordance with regulations, and that FAA is meeting its strategic goal of funding projects that can enhance airport safety, security, and system capacity. While we found that the current set-aside funding requirements are being met, the Military Airport Program (MAP) can result in low priority projects being funded at an airport that meets set-aside program requirements, while higher priority projects at other airports could go unfunded.

We recommend that FAA monitor and track MAP projects to ensure that the MAP is achieving its intended goal to enhance capacity and reduce congestion in metropolitan areas. When MAP projects do not meet this goal, FAA should redirect the funding toward other projects at MAP airports that could potentially enhance capacity and reduce congestion in metropolitan areas or projects that enhance the overall National Airspace System. These include runway extensions, runway rehabilitations, or other safety or capacity projects.

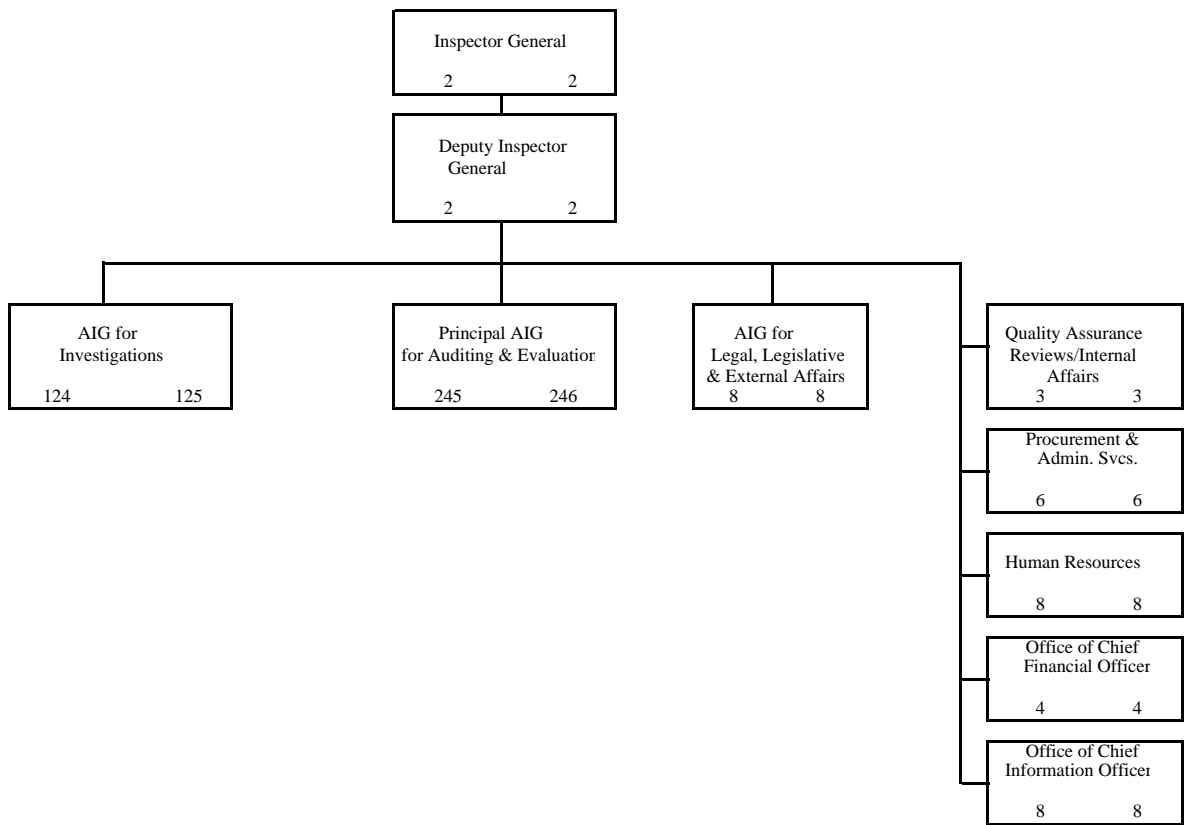
### ***Transit Benefit Program Testimony***

In April 2007, the IG testified before Congress regarding the Federal transit benefit program. The IG testified that while the Department has strengthened internal controls over its transit benefit program, further improvements can be made, including: (1) enhancing supervisory oversight of the commuting costs claimed by employees and (2) requiring employees to adjust their transit benefits upon changes to their commuting methods or work schedules.

Opportunities also exist to improve internal controls over the transit benefit program Government-wide, such as: (1) including the transit benefit program in agencies' assessments of their internal controls during the A-123 process, (2) requiring Federal employees to annually recertify their eligibility, (3) reviewing and applying appropriate lessons learned in other Government programs, (4) developing and enforcing consistent disciplinary policies, and (5) mandating use of the SmartBenefits program throughout Government agencies in the National Capital Region.

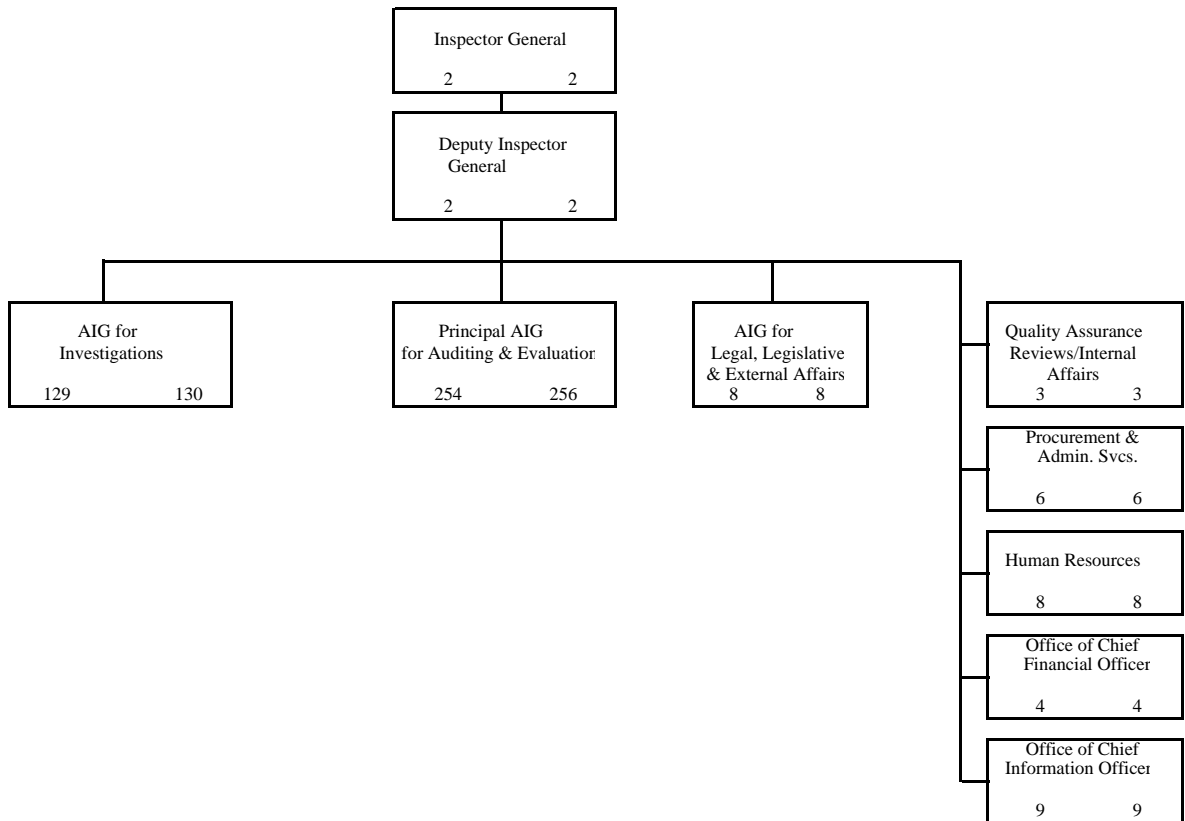


**ORGANIZATION CHART**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
with Estimated FTEs for FY 2008 and FY 2009



Numbers to the left represent FY 2008 Enacted FTE of 410, numbers to the right represent FY 2009 requested FTE of 412.

**ORGANIZATION CHART**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
with Estimated FTPs for FY 2008 and FY 2009



Numbers to the left represent FY 2008 Enacted FTP of 425, numbers to the right represent FY 2009 requested FTP of 428.

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**EXHIBIT II-1/2 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY/  
 FY 2009 BUDGET REQUEST BY APPROPRIATION ACCOUNT  
 DEPARTMENT OF TRANSPORTATION/OIG  
 Approp., Ob. Lims., and Exempt Obs.  
 (\$000)**

<b>ACCOUNT NAME</b>	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY 2009 REQUEST</b>
Salaries & Expenses	64,043	66,400	70,468
<b>TOTALS: Approp., Ob. Lims., &amp; Exempt Obs.</b>	<b>64,043</b>	<b>66,400</b>	<b>70,468</b>
<b><u>REIMBURSABLES</u></b>			
FHWA	3,715	4,024	3,824
FAA	1,176	750	0
FTA	2,073	2,000	2,000
OST	75	0	100
FRA	5	0	0
FMCSA	3	0	0
NHTSA	3	0	0
RITA	3	0	0
NTSB	130	100	100
<b>TOTALS: Reimbursables</b>	<b>7,183</b>	<b>6,874</b>	<b>6,024</b>
<b>TOTALS: OIG</b>	<b>71,226</b>	<b>73,274</b>	<b>76,492</b>

**EXHIBIT II-3**

**FY 2009 BUDGET REQUEST BY APPROPRIATION ACCOUNT AND STRATEGIC/ORG. GOAL**

**DEPARTMENT OF TRANSPORTATION**

**OFFICE OF INSPECTOR GENERAL**

**Appropriations, Obligation Limitations, and Exempt Obligations**

(\$000)

<b>APPROPRIATION/PROGRAM ACTIVITY/PERFORMANCE GOAL</b>	<b><u>SAFETY</u></b>	<b><u>REDUCED CONGEST.</u></b>	<b><u>GLOBAL CONN.</u></b>	<b><u>ENVIRON. STEWARD.</u></b>	<b><u>SEC., PREPARD. &amp; RESP.</u></b>	<b><u>ORG. EXCELL.</u></b>	<b><u>TOTAL</u></b>
Salaries & Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>70,468</u>	<u>70,468</u>
<b>TOTAL REQUEST</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>70,468</u></b>	<b><u>70,468</u></b>
<b>FTE (direct funded only)</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>358</u></b>	<b><u>358</u></b>



**EXHIBIT II-4      FY 2009 BUDGET REQUEST BY APPROPRIATION ACCOUNT**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**BUDGET AUTHORITY**  
**(\$000)**

<b>ACCOUNT NAME</b>	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY 2009 REQUEST</b>
Salaries & Expenses	64,043	66,400	70,468
<b>TOTALS: OIG</b>	64,043	66,400	70,468

**EXHIBIT II-5      FY 2009 BUDGET REQUEST BY APPROPRIATION ACCOUNT  
 DEPARTMENT OF TRANSPORTATION  
 OFFICE OF INSPECTOR GENERAL  
 OUTLAYS  
 (\$000)**

<b>ACCOUNT NAME</b>	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY 2009 REQUEST</b>
Salaries & Expenses	62,319	69,120	70,061
<b>TOTALS: OIG</b>	62,319	69,120	70,061

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

	FY 2008 ENACTED	FY 2009 PAY RAISES (2.9%)	FY 2009 W. COMP.	FY 2009 PERF. AWARDS	FY 2008 ANNUAL PAY RAISES (3.5%)	FY 2008 ANNUAL PROMOS/WIGS	ONE LESS DAY FY 2009	WCF/IT FRANCHISE FUND <sup>1</sup>	INFLATION ADJ. (2.3%)	CHANGE IN REIMBURSABLE TO DIRECT FUNDING	ADJUSTMENTS TO BASE	FTE CHANGES	OP. COST CHANGES	FY2009 REQUEST
<b>OPERATIONS</b>														
<b>PERSONNEL RESOURCES:</b>														
Total FTE	410										0	2		412
<b>FINANCIAL RESOURCES:</b>														
Salaries & Benefits	49,962	1,237	118	27	563	910	-220				2,635	150		52,747
Travel	2,618								42		42			2,660
Transportation of things	3										0			3
Rental payments to GSA	4,600										0			4,600
Rental payments to others	200										0			200
Comm., utilities, & misc. charges	505								100		100			605
Printing and reproduction	5										0			5
Advisory and assistance svcs.	385								15		15		115	515
Other services	2,993								141	700	841			3,834
WCF	2,949							45			45			2,994
Other svcs. from Gov. accts.	1,320								125		125			1,445
Supplies and materials	325										0			325
Equipment	425										0			425
Insurance claims and indemnities	100										0			100
Unvouchered	10										0			10
<b>Totals: Approps., ObLims., &amp; Exempt Obs.</b>	66,400	1,237	118	27	563	910	-220	45	423	700	3,803	150	115	70,468
<b>Totals: Reimbursables<sup>2</sup></b>	6,874	0	0	0	0	0	0	0	0	-700	-700	0	-150	6,024
<b>Totals: OIG</b>	73,274	1,237	118	27	563	910	-220	45	423	0	3,103	150	-35	76,492
<sup>1</sup> The Department of Transportation is proposing to establish a new franchise fund beginning in FY 2009 for information technology services currently funded through the Working Capital Fund (WCF). This proposal is budget neutral, and will have no impact on the combined resources being requested for the IT Franchise Fund and WCF. <sup>2</sup> Total FY 2009 Reimbursables request of \$6.024 M includes \$5.524 M in PC&B.														

**EXHIBIT II-6A**

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

	<b>FY 2008 ENACTED</b>	<b>FY 2009 REQUEST</b>	<b>CHANGE</b>
<b>DIRECT:</b>			
Salaries & Expenses	2,949	2,994	45
<b>TOTALS: OIG</b>	<u>2,949</u>	<u>2,994</u>	<u>45</u>

**EXHIBIT II-7**

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

	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY 2009 REQUEST</b>
SALARIES & EXPENSES - DIRECT FUNDED	351	356	358
REIMBURSABLES	54	54	54
<b>TOTAL FTE</b>	<b>405</b>	<b>410</b>	<b>412</b>

**EXHIBIT II-8**

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

	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY 2009 REQUEST</b>
SALARIES & EXPENSES - DIRECT FUNDED	381	371	374
REIMBURSABLES	54	54	54
<b>TOTAL FTP</b>	<b>435</b>	<b>425</b>	<b>428</b>

**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, [\$66,400,000] \$70,468,000: *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, 2008.*)

**EXHIBIT III-1**

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

<b>ACCOUNTS</b>	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY 2009 REQUEST</b>
Organizational Excellence	64,043	66,400	70,468
Total	64,043	66,400	70,468
<b>FTE</b>			
Direct Funded	351	356	358
Reimbursables	54	54	54

**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. In addition, reimbursable funding will be received from the Federal Highway Administration, the Federal Transit Administration, the Office of the Secretary of Transportation, and the National Transportation Safety Board.



**EXHIBIT III-2**

**SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
Appropriations, Obligation Limitations, and Exempt Obligations  
(\$000)**

<b>ITEM</b>	<b>CHANGE FROM FY 2008 ENACTED TO FY 2009</b>	<b>TOTAL</b>
<b>FY 2008 Base (Enacted)</b>		
Salaries & Expenses - Appropriations, Ob. Lims., and Exempt Obligations		<b>\$66,400</b>
<b>Adjustments to Base</b>		
FY 2009 pay raise (2.9%)	\$1,237	
FY 2009 workers' compensation	\$118	
FY 2009 performance awards	\$27	
Annualization of FY 2008 pay raise (3.5%)	\$563	
Annualization of FY 2008 career-ladder promotions and WIGs	\$910	
One less day in FY 2009	(\$220)	
Working Capital Fund/IT Franchise Fund	\$45	
Inflation (2.3%)	\$423	
Change in Reimbursable to Direct funding	\$700	
<b>Subtotal, Adjustments to Base</b>		<b>\$3,803</b>
<b>New or Expanded Programs</b>		
PC&B for additional 2 FTE (3 FTP)	\$150	
Advisory and assistance contractor support	\$115	
<b>Subtotal, New or Expanded Program</b>		<b>\$265</b>
<b>Increases/Decreases</b>		
<b>Total FY 2009 Request</b>		<b>\$70,468</b>

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

<b>OMB ACCOUNT ID: 021-56-0130-0</b>	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY2009 REQUEST</b>
<b>Obligations by program activity</b>			
1.01 General Administration	63,868	66,400	70,468
9.01 Reimbursable Program	7,183	6,874	6,024
10.00 Total new obligations	71,051	73,274	76,492
<b>Budgetary resources available for obligation</b>			
22.00 New budget authority (gross)	71,226	73,274	76,492
23.95 Total new obligations	(71,051)	(73,274)	(76,492)
23.98 Unobligated balance expiring or withdrawn	(175)	0	0
<b>New budget authority (gross), detail</b>			
Discretionary			
40.00 Appropriation	64,043	66,400	70,468
40.35 Appropriation permanently reduced	0	0	0
43.00 Appropriation (total discretionary)	64,043	66,400	70,468
Spending authority from offsetting collections:			
58.00 Offsetting collections (cash)	6,350	6,874	6,024
58.10 Change in uncollected customer payments from Federal sources (unexpired)	833	0	0
58.90 Spending authority from offsetting collections (total discretionary)	7,183	6,874	6,024
70.00 Total new budget authority (gross)	71,226	73,274	76,492

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

<b>OMB ACCOUNT ID: 021-56-0130-0</b>	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY2009 REQUEST</b>
<b>Change in obligated balances</b>			
72.40 Obligated balance, start of year	7,626	9,360	6,640
73.10 Total new obligations	71,051	73,274	76,492
73.20 Total outlays (gross)	(69,402)	(75,994)	(76,085)
73.40 Adjustments in expired accounts (net)	527	0	0
74.00 Change in uncollected customer payments from Federal sources (unexpired)	(833)	0	0
74.10 Change in uncollected customer orders from Federal sources (expired)	392	0	0
74.40 Obligated balance, end of year	9,360	6,640	7,047
<b>Outlays (gross), detail</b>			
86.90 Outlays from new discretionary authority	63,163	66,634	69,445
86.93 Outlays from discretionary balances	6,239	9,360	6,640
87.00 Total outlays (gross)	69,402	75,994	76,085
<b>Offsets:</b>			
Against gross budget authority and outlays:			
88.00 Offsetting collections (cash) from: Federal sources	7,083	6,874	6,024
Against gross budget authority only:			
88.95 Change in uncollected customer payments from Federal sources (unexpired)	833	0	0
88.96 Portion of offsetting collections (cash) credited to expired accounts	(733)	0	0
<b>Net budget authority and outlays</b>			
89.00 Budget authority	64,043	66,400	70,468
90.00 Outlays	62,319	69,120	70,061
95.02 Unpaid obligation, end of year	10,194		

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

	<b>FY 2007 ACTUAL</b>	<b>FY 2008 ENACTED</b>	<b>FY 2009 REQUEST</b>	
Personnel Compensation:				
11.1	Full- time permanent.....	32,525	35,827	37,854
11.3	Other than full-time permanent.....	209	215	221
11.5	Other personnel compensation.....	1,856	2,384	2,493
<hr style="border-top: 1px dashed black;"/>				
11.9	Total personnel compensation.....	34,590	38,426	40,568
12.1	Civilian personnel benefits.....	10,047	11,536	12,179
21.0	Travel and transportation of persons.....	2,288	2,618	2,660
22.0	Transportation of things.....	11	3	3
23.1	Rental payments to GSA .....	4,465	4,600	4,600
23.2	Rental payments to others .....	203	200	200
23.3	Comm., utilities, and misc charges	527	505	605
24.0	Printing and reproduction.....	1	5	5
25.1	Advisory and assistance services.....	930	385	515
25.2	Other services.....	3,513	2,993	3,834
25.3	Other purchases of goods and services from Gov. accounts .....	4,810	4,269	4,439
26.0	Supplies and materials.....	377	325	325
31.0	Equipment.....	2,083	425	425
42.0	Insurance Claims and indemnities.....	2	100	100
91.0	Unvouchered.....	21	10	10
<hr style="border-top: 1px dashed black;"/>				
99.0	Subtotal, direct obligations.....	63,868	66,400	70,468
99.0	Reimbursable obligations	7,183	6,874	6,024
<hr style="border-top: 1px dashed black;"/>				
99.9	Total obligations.....	71,051	73,274	76,492

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

		<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
		<b>ACTUAL</b>	<b>ENACTED</b>	<b>REQUEST</b>
	Direct:			
10.01	Civilian full-time equivalent employment	351	356	358
	Reimbursable:			
20.01	Civilian full-time equivalent employment	54	54	54

**FY 1999 – FY 2009 FUNDING HISTORY  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
SALARIES AND EXPENSES**

Estimates	Appropriations
1999.....\$42,491,000	1999.....\$44,045,000 <sup>1</sup>
2000.....\$44,840,000	2000.....\$44,446,000 <sup>2</sup>
2001.....\$48,450,000	2001.....\$49,341,210 <sup>3</sup>
2002.....\$50,614,000	2002.....\$50,374,000 <sup>4</sup>
2002 Suppl.....\$1,300,000	2002 Suppl.....\$1,300,000
2003.....\$57,421,000	2003.....\$54,697,764 <sup>5</sup>
2004.....\$55,000,000	2004.....\$55,243,018 <sup>6</sup>
2005.....\$59,000,000	2005.....\$58,132,000 <sup>7</sup>
2006.....\$62,499,000	2006.....\$61,874,010 <sup>8</sup>
2007.....\$64,143,000	2007.....\$64,043,000
2008.....\$66,400,000	2008.....\$66,400,000
2009.....\$70,468,000	

<sup>1</sup> Reflects reductions of \$179,000 for TASC (sec. 320) and \$71,000 from P.L. 106-51.

<sup>2</sup> Reflects reductions of \$224,000 for TASC (sec. 319) and \$170,000 from P.L. 106-113 (sec. 301).

<sup>3</sup> Reflects reduction of \$108,790 from P.L. 106-554 (sec. 1403).

<sup>4</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>5</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>6</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>7</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>8</sup> Reflects 1% across-the-board reduction of \$624,990 (P.L. 109-148, Div. B, Title III, Chapter 8, sec. 3801 (a)).

**EXHIBIT IV-1**

**FY 2009 BUDGET REQUEST BY STRATEGIC GOAL & PERFORMANCE GOAL  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
Approps., Obligation Limitations, and Exempt Obs.  
(\$000)**

	<b><u>FY 2007 ACTUAL</u></b>	<b><u>FY 2008 ENACTED</u></b>	<b><u>FY 2009 REQUEST</u></b>
<b>STRATEGIC &amp; PERFORMANCE GOALS by Performance Measure</b>			
Organizational Excellence - Improve Organizational Performance and Effectiveness	64,043	66,400	70,468
<b>TOTAL REQUEST</b>	64,043	66,400	70,468
<b>FTE (Direct Funded Only)</b>	351	356	358

**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)**

PERFORMANCE			
GOALS/MEASURES by	FY 2007	FY 2008	FY 2009
PROGRAM ACTIVITIES	ACTUAL	ENACTED	REQUEST
1. Organizational Excellence			
TOTALS: Approp., ObLim, & Exempt Obls.	64,043	66,400	70,468
FTE	351	356	358
TOTALS: Reimbursables	7,183	6,874	6,024
FTE	54	54	54
<b>GRAND TOTALS: OIG</b>	<b>71,226</b>	<b>73,274</b>	<b>76,492</b>
<b>FTE</b>	<b>405</b>	<b>410</b>	<b>412</b>



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

*FY 2009 Performance Plan*

***FY 2009 PERFORMANCE PLAN***

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## ***FY 2009 PERFORMANCE PLAN***

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

The Fiscal Year (FY) 2009 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. For example, we will review the controls implemented by the Federal Aviation Administration (FAA) to ensure cost savings from flight services outsourcing are achieved.

In FY 2009, our safety oversight initiatives will include monitoring FAA's efforts to reduce the risk of aviation accidents caused by operational errors, runway incursions, and other risks. Audit teams will analyze progress made by the Federal Highway Administration (FHWA) to correct deficiencies in states' highway bridge safety programs and the use of funds to install warning devices at highway-grade crossings. We will continue to review the Federal Motor Carrier Safety Administration's (FMCSA) oversight of state commercial driver's license (CDL) programs and procedures to detect CDL fraud, along with its efforts to comply with new CDL requirements to improve transportation security, as implemented with the Department of Homeland Security (DHS).

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 monitoring Federal stewardship over multibillion-dollar highway projects considered for Public-Private Partnerships.

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

The Inspector General Act of 1978, as amended (Inspector General Act, P.L. 95-452), 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.*
- *Recommend policies for activities to promote economy, efficiency, and effectiveness in administration of Departmental programs.*
- *Take appropriate actions to prevent and detect fraud, waste, and abuse in the Department's programs and operations.*
- *Keep the Congress and Secretary fully informed about problems and deficiencies and the necessity for and progress of corrective action.*
- *Receive and, as appropriate, investigate complaints from any person or entity, including Congress.*
- *Report violations of law to the U.S. Attorney General.*
- *Notify the Congress and Secretary of serious or flagrant problems in DOT or its programs.*
- *Review existing and proposed legislation and regulations.*
- *Protect the identity of whistleblowers.*
- *Prepare and submit Semiannual Reports to the Congress and Secretary.*

OIG also has significant responsibilities under the Chief Financial Officers Act, the Government Management Reform Act, and the Federal Information Security Management Act (FISMA). 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 identifying opportunities to achieve financial benefits. In addition, the House and Senate Committees often direct OIG to respond to on-going as well as emerging issues of congressional concern.

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

OIG's total FY 2009 budget request is \$76.492 million. This will be used to support 412 Full Time Equivalents. In addition to \$70.468 million in direct appropriations, the OIG budget request includes \$6.024 million in reimbursable funding: \$3.824 million from FHWA to (1) support audit and investigative efforts relating to highway issues (\$3.524 million) and (2) partially fund contractual financial statement audit services for surface agencies funded by the Highway Trust Fund (\$300,000 requested in reimbursable funding, the remaining \$1 million needed to fund this contractual audit is included in OIG's FY 2009 direct funding request); \$2 million from the Federal Transit Administration (FTA) to support audit and investigative efforts relating to transit issues; \$100,000 from the Office of the Secretary of Transportation to acquire contractual audit services to perform the audit of the Working Capital Fund's financial statements; and \$100,000 from the National Transportation Safety Board (NTSB) to acquire contractual audit services to perform the audit of NTSB's financial statements.

OIG's requested level of funding is essential 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 the 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 2009 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 growth 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 and achieve the goals of the President’s Management Agenda.”*

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. They also address the effective functioning of the Department and its implementation of the President’s Management Agenda. 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.

## ***V. Top Management Challenges***

The Office of Inspector General has identified nine top management challenges for the Department of Transportation for fiscal year 2008. The traveling public's growing concerns about aging transportation infrastructure and increasing air travel delays will demand special attention from DOT in FY 2008. Key actions will include balancing funding needs with capacity-expanding initiatives and determining requirements to advance new technologies and viable oversight structures.

**Continuing To Enhance Oversight To Ensure the Safety of an Aging Surface Transportation Infrastructure and Maximize the Return on Investments in Highway and Transit Infrastructure Projects.** Recent fatal highway incidents highlight the need for DOT to focus on the safety of the Nation's surface transportation infrastructure, particularly for aging tunnels and bridges needing costly rehabilitation, repair, or replacement. Going forward, DOT will be challenged to balance funding needs for projects to repair or replace aging infrastructure with funding for projects to reduce congestion with new capacity. We see two key challenges that need continued management emphasis: (1) targeting oversight actions to ensure the safety of tunnels and bridges and (2) ensuring that major projects are completed in an efficient and cost-effective manner to maximize the return on Federal infrastructure investments.

**Addressing Long- and Short-Term Challenges for Operating, Maintaining, and Modernizing the National Airspace System.** Over the last year, Congress, the Federal Aviation Administration (FAA), and aviation stakeholders have debated on how best to finance FAA, reauthorize a wide range of aviation programs, and advance the Next Generation Air Traffic Management System (NextGen). While there is disagreement over how to finance FAA, there is general agreement that FAA must fundamentally change how air traffic is managed to meet forecasted air travel demands. How FAA should be financed is clearly a policy decision for the Congress. Regardless of the funding mechanism that is ultimately selected, DOT and FAA will face challenges in operating and maintaining the current system while advancing NextGen. These include (1) hiring and training enough air traffic controllers to address the surge in retirements; (2) keeping existing modernization projects on track; (3) reducing cost, schedule, and technical risks with NextGen; (4) maintaining FAA's aging air traffic control facilities; and (5) properly accounting for capital investment projects.

**Developing a Plan To Address the Highway and Transit Funding Issues in the Next Reauthorization.** DOT faces two significant challenges regarding Federal highway program funding. First, it must decide how to address Highway Trust Fund (HTF) revenue shortfalls that may require near-term reductions in Federal highway spending. With DOT's most recent estimate that a 12-percent annual funding

increase (in constant dollars) is required to maintain the Nation's highways and bridges, it must help to develop a consensus among the States, the highway community, and Congress as to if, and how, this shortfall in HTF revenues will be regained. Second, DOT must decide at what level it will propose that highway and transit programs be funded in the upcoming surface transportation reauthorization bill, and how that funding level will be financed.

**Reducing Congestion in America's Transportation System.** DOT is pursuing a national strategy to reduce congestion across all modes of transportation. Congestion wastes billions of gallons of fuel and costs billions of dollars in lost productivity each year. This will likely remain a prominent challenge for DOT for some time, particularly with regard to air travel. We are seeing record-breaking flight delays and cancellations, and forecasted air travel demands will continue to strain system capacity. While DOT made progress on several congestion-related initiatives this past year, the strategy was developed before this year's overwhelming air travel problems. Key challenges for DOT include: (1) reducing aviation delays, improving customer service, and meeting near-term demand for air travel; (2) keeping planned infrastructure and airspace projects on schedule to relieve congestion and delays; (3) leading stakeholders that have divergent views on resolving transportation congestion; and (4) meeting demands for additional resources in a tight budget environment.

**Improving Oversight and Strengthening Enforcement of Surface Safety Programs.** Safety is central to DOT's mission, and the Federal Motor Carrier Safety Administration, the National Highway Traffic Safety Administration, and the Federal Railroad Administration all have extensive regulatory authority and safety programs. The number of fatalities declined in 2006, as did the rate of fatalities per 100 million vehicle-miles traveled (1.42). DOT's goal is to reduce the fatality rate to 1.0 by 2011. Achieving this goal will clearly be a challenge, which DOT can better meet by (1) further reducing railroad collisions and fatalities through more safety oversight, (2) improving state accountability in programs for reducing alcohol-impaired driving, (3) resolving hours-of-service rules for commercial drivers, (4) countering fraud in the commercial driver's license program, (5) closely monitoring Mexican motor carriers operating throughout the United States under DOT's demonstration project, and (6) improving motor carrier safety with more complete information on vehicle crashes and stronger enforcement against repeat violators.

**Continuing To Make a Safe Aviation System Safer.** For more than 5 years, FAA and the U.S. aviation industry have experienced one of the safest periods in history—even as the industry was undergoing dramatic changes. However, the crash of Comair Flight 5191 on August 27, 2006, served as a reminder that we must do more to make a safe system even safer. Key challenges for FAA are: (1) taking proactive



steps to improve runway safety in light of recent serious incidents; (2) ensuring consistency and accuracy in reporting and addressing controller operational errors; (3) strengthening risk-based systems for external repair facilities, air carriers, and aircraft manufacturers; (4) maintaining a sufficient number of inspectors with the right skills in the right locations to oversee a dynamically changing aviation industry; and (5) strengthening oversight of the Airman Medical Certification Program.

**Strengthening the Protection of Information Technology Resources, Including the Critical Air Traffic Control System.** DOT's move to a new headquarters building presented various information technology (IT) challenges in FY 2007. While DOT has completed most of its scheduled security recertification reviews, the overall effectiveness of its information security program declined because management had to divert resources to move-related issues. Along with establishing a new common IT infrastructure, DOT had to review, test, and certify security protection in over half of its information systems to meet the recertification requirement, as well as correct security weaknesses previously identified in the critical air traffic control system. In FY 2008, continued management attention will be needed in the following areas to strengthen protection over IT resources: (1) enhancing air traffic control system security and continuity planning, (2) testing and strengthening the information system security program at DOT Headquarters, (3) ensuring the timeliness of data recording and protection of personally identifiable information when interfacing with non-Federal systems, and (4) continuing to enhance oversight of information technology investments.

**Managing Acquisition and Contract Operations More Effectively To Obtain Quality Goods and Services at Reasonable Prices.** Ensuring that procurement and acquisition activities are conducted efficiently and effectively and protecting taxpayer dollars from fraud and abuse is a Government-wide priority. With an annual procurement budget of about \$5.6 billion, DOT must place more attention on acquisition and contract operations. We continue to find weaknesses throughout DOT, and our investigations continue to identify fraud, abuse, and other ethical issues involving DOT officials and contractors. Last year, we established an audit group to help improve contract and acquisition practices throughout DOT. While DOT agencies are cooperating to eliminate problems as they arise and improve oversight, DOT must be more proactive in the following areas: (1) increasing incurred-cost audits of procurement contracts to reduce unallowable charges, (2) developing strategies for the future acquisition workforce, (3) fostering high ethical standards throughout DOT and its contracting programs to maintain public trust, and (4) enhancing oversight on Federal-aid construction projects to prevent abuse in contractor quality control programs.

**Reforming Intercity Passenger Rail.** Intercity passenger rail is an integral part of our Nation's transportation system, particularly in light of growing highway and aviation congestion. However, Amtrak's contribution to the transportation system may be limited by its capital funding needs, which may be difficult to meet given constrained Federal resources. Therefore, the Department must use all tools at its disposal, including seeking consensus on a reauthorization, to ensure that Amtrak reduces its operating costs and improves its operating performance, thereby freeing funds for Amtrak's capital needs and increasing Amtrak's viability as a transportation alternative.

## ***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 President's Council on Integrity and Efficiency (PCIE) based on the reporting requirements in the Inspector General Act of 1978, as subsequently amended. In addition to the PCIE 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 2009. These areas are consistent with our legislatively mandated mission, the intent and spirit of DOT's Strategic Plan, the PCIE Inspectors' General Vision Statement, the President's Management Agenda Initiatives, and the issues identified in our annual list of top management challenges.

*Annex 2* does not list specific audits for FY 2009. 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***

The Transportation Inspector General Reporting (TIGR) system contains substantial information on our audit and investigative efforts (past and present). This information is used to compile OIG's performance data. TIGR consists of various subsystems covering each OIG program area. For example, the audit subsystem is used for tracking such data as the number of reports, the number of recommendations issued and resolved, and the amount of questioned and unsupported costs. Similarly, the investigative subsystem is used to track the number of hotline complaints, indictments and convictions, and amount of fines and Federal recoveries. Much of these data are later incorporated into the OIG's Semiannual Report to Congress and annual budget submissions.

The OIG has also implemented a cost management system that enables the Inspector General and his 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 PCIE peer review guidelines.

Our investigative and audit operations are also independently evaluated by another OIG every three years as part of the PCIE 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 PCIE 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.

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*FY 2009 Performance Measures*

<b>Audit Results (Dollars in millions)</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Congressional Testimony	16	28	20	24	14	10	11	11	22
Costs Questioned/Funds to Be Put to Better Use	\$1,016.0	\$1,510.1	\$1,026.9	\$1,470.2	\$807.7	\$984.8	\$1,562.6	\$893.4	\$903.1
Management Decisions to Seek Recoveries	\$691.2	\$2,058.7	\$1,031.4	\$990.7	\$537.5	\$429.7	\$2,576.4	\$1,084.1	\$432.9
CFO Audits Adjustments	\$220,000.0	\$36,000.0	\$20,000.0	\$41,000.0	\$51,000.0	\$29,200.0	\$26,700.0	\$18,600.0	\$1,056.0
Nonmonetary Program Improvements Recommendations Issued	225	213	219	242	292	178	230	212	224
Nonmonetary Program Improvements Recommendations Resolved	208	238	139	288	265	192	210	221	239
<b>Investigative Results (Dollars in millions)</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Indictments	206	240	210	877	524	184	324	171	112
Convictions	170	244	166	387	419	186	250	178	139
Fines	\$3.5	\$32.7	\$20.2	\$22.7	\$40.8	\$9.6	\$4.8	\$2.9	\$12.6
Court Ordered Restitutions / Civil Judgments	\$17.8	\$19.8	\$13.4	\$11.1	\$5.0	\$14.3	\$29.0	\$13.5	\$93.9
Recoveries	\$3.5	\$6.9	\$65.8	\$13.0	\$86.5	\$8.4	\$39.9	\$32.3	\$77.2
Years Sentenced	167	147	104	107	158	195	221	123	140
Years Probation	216	412	334	352	377	282	355	275	213
Years Supervised Release	130	137	105	217	322	223	238	103	126
Hours of Community Service	3,490	4,897	10,102	3,450	9,726	1,216	3,970	1,654	10,525

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<b>Investigative Results Continued (Dollars in millions)</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Debarments and Other Administrative Actions	155	130	274	251	162	176	199	216	198
Hotline Complaints Received	566	568	545	618	580	954	825	633	368
Hotline Complaints Investigated by OIG	103	104	119	88	120	174	93	69	51
Hotline Complaints Referred to Operating Administrations or Other Agencies*	463	464	426	530	460	780	732	564	317

\* OIG tracks disposition of these complaints.

<b>2. ADVISORY FUNCTIONS</b>									
<b>Advisory Functions</b>	<b>FY99</b>	<b>FY00</b>	<b>FY01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
FOIA Requests Received	123	212	114	101	100	116	111	118	94
FOIA Requests Processed	115	121	185	141	97	109	84	73	96
Legislation Reviewed	397	407	352	514	155	300	169	207	212
Regulations Reviewed	92	66	81	110	107	102	78	76	50

***FY 2009 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 2009, 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 2009.

***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:

- 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 commuter and on-demand operators.
- Review FAA's program to improve runway safety areas.

Surface Transportation Safety:

- Continue monitoring the use of highway and motor carrier safety grants 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.
- Continue monitoring FMCSA's oversight of state CDL programs and procedures to control CDL fraud and improve effectiveness of the commercial driver's license information system.
- Continue required monitoring of FMCSA's use of staff and facility resources as the southern border opens and Mexican trucks and buses operate in the United States under 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 2007 congressional directives, requests, and testimony in this area include FAA's 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 of FMCSA's compliance with Mexican motor carrier cross-border safety requirements and FMCSA's actions to improve oversight of high-risk motor carriers. In addition, we provided testimony on opportunities to improve railroad safety and the reauthorization of the Federal railroad safety program and conducted a review of NHTSA's management review program of the 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 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 the Operational Evolution Partnership (the blueprint 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.
- Monitor FAA’s efforts to use better weather information to enhance air carrier 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:

- Monitor the Central Artery/Tunnel project to ensure that safety issues are being addressed.
- Monitor the Lower Manhattan reconstruction projects overseen by FTA’s Lower Manhattan Recovery Office.
- Continue to monitor the progress of the Dulles Corridor Metrorail project.
- Continue monitoring the progress of major FHWA and FTA capital projects 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 implementation of the Safe, Accountable, Flexible, Efficient Transportation Equity Act provisions that require Major Project sponsors to develop Project Management Plans.
- 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 2007 congressional directives, requests, and testimony in this area include reviews of costs and schedule baselines of FAA's major acquisitions, examining progress made by FAA's Joint Planning and Development Office in addressing 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 of the causes of Amtrak's poor on-time performance and the resulting financial impact of that poor performance, and providing congressionally-mandated oversight to the comprehensive safety review of the Central Artery/Tunnel 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.
- Continue to monitor key metrics relating to aviation demand and performance.

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.
- Assess FHWA and FTA stewardship and oversight of major projects to determine the effectiveness of actions being taken or planned to identify, measure, and prioritize risks to projects being delivered approximately on time, on budget, and free from fraud.
- Assess FHWA and FTA’s oversight in cost estimating activities on major highway and transit projects to assess factors that cause cost estimates to be unreliable.
- Assess FHWA’s oversight of states’ processes and procedures for controlling, identifying, and tracking errors or omissions on major projects.

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

- Continue to monitor the RD&T Administration’s efforts to facilitate, coordinate, and review RD&T projects throughout the Department.

*Examples of FY 2007 congressional directives, requests, and testimony in this area include FMCSA's implementation of NAFTA's Cross-Border Trucking Provisions and oversight of high-risk trucking companies, 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 monitor the CDL Program to ensure that FMCSA takes effective action to promote compliance with new 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 implementation of a common access security architecture (the blueprint for ensuring that linked systems are secured), such as use of electronic signatures through the Government-wide e-authentication initiative.
- 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.

*Examples of FY 2007 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 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 and achieve the goals of the President’s Management Agenda.”

To assist DOT in advancing organizational excellence and achieving the goals of the President’s Management Agenda, the OIG will:

Department Financial Accountability:

- Continue monitoring Amtrak’s financial condition and reporting on operational savings.
- 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.

Contracts/Procurement:

- Monitor FHWA internal controls to ensure that improper payments are not being made to Disadvantaged Business Enterprise firms contracted or subcontracted to perform work on highway and other projects.
- Review FAA’s use of sole source contracts and determine whether fair and reasonable prices were obtained when adequate competition was not obtained.
- Continue to monitor DOT’s follow-up efforts on contract costs questioned by the Defense Contract Audit Agency in annual incurred cost audits.
- Continue to monitor the Operating Administrations’ contract and procurement award functions to ensure they acquire goods and services at the best price or value.
- 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.
- 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.
- Continue to monitor FAA's oversight of airport sponsors' compliance with the terms and conditions of Airport Improvement Program grants.
- 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 to monitor FAA's efforts to implement its cost accounting and labor distribution systems and use these systems in decision making.
- Continue monitoring FAA's efforts to maintain and upgrade air traffic control facilities in a timely and cost-effective manner.
- Continue monitoring FAA's progress in outsourcing flight services to ensure projected savings of \$1.7 billion are realized.

Human Capital:

- Continue monitoring FAA's progress in addressing the surge in controller attrition and implementing initiatives to increase workforce productivity.

Implementing Electronic Government Initiative:

- Review DOT's compliance with privacy requirements in the E-Government Act and protection of sensitive personally identifiable information of employees and citizens.
- Continue to review 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 2007 congressional directives, requests, and testimony in this area include reviewing the budget and mission of the Office of the Assistant Secretary for Administration, reviewing inactive obligations at FHWA, providing an annual assessment of FAA's progress*



*in implementing a cost-accounting system, reviewing FTA's corrective actions to eliminate Anti-Deficiency Act violations, and auditing FAA's multiple-award procurement programs.*