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**Inspector General  
Semiannual Report  
to the Congress**

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**April 1, 1996–September 30, 1996**



**U.S. Department of  
Transportation**

Office of the Secretary  
of Transportation

The Inspector General

Office of Inspector General  
Washington, D.C. 20590

October 7, 1996

The Honorable Federico Peña  
Secretary of Transportation  
Washington, DC 20590

Dear Mr. Secretary:

On behalf of the Office of Inspector General (OIG), I am pleased to submit our Semiannual Report to the Congress for the period ended September 30, 1996. Since my appointment as Acting Inspector General on August 1, 1996, I have witnessed firsthand the professionalism exemplified in the work of the OIG's career staff. I have been impressed by the dedication and skill of the men and women who work here. The successes highlighted in this report reflect their efforts. Below are some examples of their work.

The Office of Assistant Inspector General for Auditing addressed national concerns regarding transportation security and safety by auditing the Federal Aviation Administration's (FAA) oversight of airport and air carrier security issues, FAA's Aging Commuter Airplane Program, and the United States Coast Guard's conduct of required annual inspections of offshore facilities. The Office of Assistant Inspector General for Inspections and Evaluations examined issues which included a review of the functions performed by an office within the National Oceanic and Atmospheric Administration, Government support for a privately-owned radar system, and abuses in Government contracts. The Office of Assistant Inspector General for Investigations performed work which resulted in the indictment of a former air traffic controller in the largest workers' compensation fraud ever, in the conviction of engineering firm officials for submitting fraudulent claims on highway design contracts, and in the conviction of corporate officers from a major jet-engine repair station for improper repairs on jet-engine parts.

The examples I have cited are a tribute to the hard work and commitment of the OIG's career staff. I am honored to serve as Acting Inspector General, and my staff and I look forward to working constructively with you, Mr. Secretary, as we go forward with the OIG's work.

Sincerely,

Joyce N. Fleischman  
Acting Inspector General

Enclosure

# TABLE OF CONTENTS

April 1, 1996 — September 30, 1996

<b>LETTER TO THE SECRETARY.....</b>	<b>i</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>v</b>
<b>SECTION I-AUDIT ACTIVITY</b>	
<b>A. Introduction.....</b>	<b>1</b>
<b>B. Audit Accomplishments.....</b>	<b>1</b>
<b>C. Requested Reviews.....</b>	<b>2</b>
<b>D. Selected Significant Findings and Recommendations.....</b>	<b>2</b>
<b>E. Management Decisions.....</b>	<b>11</b>
1. Background .....	11
2. Status of Management Decisions.....	11
3. Summary of Departmental Efforts.....	14
4. Status of Unresolved Audit Recommendations Over 6 Months Old.....	14
5. Required Reports.....	24
<b>F. Application of Audit Resources.....</b>	<b>24</b>
<b>SECTION II-INSPECTIONS AND EVALUATIONS ACTIVITY</b>	
<b>A. Introduction .....</b>	<b>27</b>
<b>B. Inspections and Evaluations Accomplishments .....</b>	<b>27</b>
<b>C. Selected Significant Findings and Recommendations.....</b>	<b>27</b>
<b>D. Application of Inspections and Evaluations Resources.....</b>	<b>31</b>
<b>SECTION III- INVESTIGATIONS ACTIVITY</b>	
<b>A. Introduction .....</b>	<b>33</b>
<b>B. Investigative Accomplishments.....</b>	<b>33</b>
1. Results of Reactive Investigations.....	33
2. Results of Proactive Investigations.....	40
<b>C. Application of Investigative Resources.....</b>	<b>45</b>
<b>SECTION IV-OIG HOTLINE</b>	
<b>A. OIG Hotline Complaint Center Activities.....</b>	<b>47</b>
<b>B. Selected Hotline Complaints.....</b>	<b>47</b>
<b>SECTION V-LEGISLATION AND REGULATIONS</b>	
<b>A. Legislation.....</b>	<b>51</b>
<b>B. Regulations.....</b>	<b>51</b>

**SECTION VI-ORGANIZATION AND MANAGEMENT**

**A. Organization and Staffing..... 53**  
**B. Congressional Testimony..... 55**  
    **1. Diversion of Airport Revenues..... 55**  
    **2. Assessment of FAA Inspections..... 55**  
**C. Processing Freedom of Information Act Requests ..... 55**

**APPENDICES**

**Glossary of Acronyms and Terms Used in This Report ..... A-1**  
**Listing of Audit Reports Issued During This Reporting Period..... B-1**  
**Reporting Requirements..... C-1**

NOTE: There have been no instances during this reporting period where information requested by OIG was refused by Department officials. Accordingly, we have nothing to report pursuant to Section 5(a)(5) of the Inspector General Act of 1978, as amended.

# EXECUTIVE SUMMARY

This report, required by the Inspector General (IG) Act of 1978, as amended, summarizes the activities and accomplishments of the Office of Inspector General (OIG) during the period April 1, 1996 to September 30, 1996. The report has been prepared in accordance with Public Law (P.L.) 100-504, IG Act Amendments of 1988, which changed reporting definitions for OIG and requires the reporting of management decisions on OIG audit recommendations. Because the role of the IG is to identify problems and weaknesses and prevent fraud, waste, and abuse, our emphasis has been placed in the areas most susceptible or vulnerable. The reader should not assume from this report that the significance of findings and recommendations described are representative of the overall condition of the Department of Transportation's (DOT) programs and operations.

## OIG ACCOMPLISHMENTS

The Office of Assistant Inspector General for Auditing continued to focus on security and transportation safety issues during the current semiannual period. In an audit related to airport security, OIG concluded Federal Aviation Administration (FAA) had improved its testing of airport and air carrier compliance with security requirements, but more progress is needed. In two separate audits related to transportation safety, OIG determined FAA's program for aging commuter airplanes was not effective, and United States Coast Guard's (USCG) required annual inspections of offshore facilities were either not performed or ineffective.

In an audit of FAA's role in airport security (Report No. R9-FA-6-014), OIG concluded the effectiveness of current FAA testing of airport and air carrier compliance with security requirements has significantly improved over what OIG reported in 1993. Specifically, OIG found FAA clearly identified testing procedures; developed more realistic, covert testing techniques; and established specific testing parameters and reporting requirements. However, OIG also discovered additional improvements

needed to be made in the areas of: (i) access control validation inspection data, (ii) access control inspection protocol, (iii) access control and challenge requirements, and (iv) detecting potential explosive devices at passenger screening checkpoints. OIG recommended FAA: (i) incorporate well-defined, realistic testing procedures and techniques into the inspection process and expand testing to all areas of aviation security; (ii) provide training to special agents to ensure covert, realistic testing techniques are consistently and aggressively used; and (iii) report the material weakness cited in OIG's report to the Secretary for inclusion in the Secretary's annual report to the President and Congress. FAA concurred with two of OIG's recommendations. The third recommendation was resolved during a July 1996 meeting between OIG and FAA officials.

In a safety-related audit, OIG examined FAA's Aging Commuter Airplane Program and concluded the program was not effective (Report No. R7-FA-6-002). OIG found FAA had not been timely in implementing policy, and several factors had resulted in program delays. As a result, the possibility of future structural failures has increased as the commuter fleet continues to age. OIG recommended FAA: (i) emphasize timely completion of airworthiness directives and the reevaluation of service bulletins, (ii) accelerate action to incorporate approved corrosion prevention and control programs in operators' maintenance programs, and (iii) complete rulemaking to implement inspection requirements of the Aging Aircraft Safety Act. FAA concurred with all recommendations.

In another safety-related audit, OIG determined USCG's required annual inspections of offshore facilities either were not performed or were ineffective (Report No. R6-CG-6-012). OIG found USCG: (i) did not perform initial inspections of 84 percent of new offshore facilities, (ii) did not adequately monitor the industry self-inspection program, and (iii) did not receive timely self-inspection reports from facilities. In addition, OIG found self-inspections did not always identify existing defi-

### OIG STATISTICAL RESULTS (Dollars in Millions)

#### AUDIT RESULTS

Number of Reports Issued	295
Costs Questioned	\$16.9
Costs Unsupported	\$20.2
Funds to Be Put to Better Use	\$126.5
Management Decisions to Seek Recoveries	\$316.1

#### INSPECTION AND EVALUATION RESULTS

Number of Reports Issued	12
Number of Projects Completed	15

#### INVESTIGATIVE RESULTS

Indictments	67
Convictions	63
Fines, Restitutions/Civil Judgments, and Federal and State Recoveries	\$4.8

ciencies and that deficiencies were reported as corrected although no corrective action was taken by facility owners. Consequently, adverse safety conditions went undetected and uncorrected. OIG recommended: (i) initial onsite inspections be performed at each new offshore facility; (ii) enforcement actions be initiated, when necessary; (iii) a ticketing system be established for safety violations, and (iv) USCG establish procedures for conducting annual inspections, and user charges be levied for initial inspections of offshore facilities. USCG concurred with three recommendations and partially concurred with the fourth.

The Office of Assistant Inspector General for Inspections and Evaluations completed projects which addressed many issues. For example, in response to a request from the Office of Management and Budget (OMB), the Inspectors General from the Departments of Transportation and Commerce jointly reviewed the functions performed by the National Oceanic and Atmospheric Administration's (NOAA) Office of Aeronautical Charting and Cartography (AC&C). Several operational and organizational options were analyzed to determine the best location for AC&C. The review concluded: (i) AC&C fits best into the mission and organization of FAA, and (ii) consolidating AC&C's existing printing operation with that of U. S. Geological Survey (USGS) could save up to \$2.9 million per year. The joint report contained six recommendations to improve the operating efficiency of AC&C. FAA disagreed with the recommendation to transfer the AC&C function to FAA, stating a performance-based organization (PBO) is a better alternative. The OIGs agreed that AC&C could be made into a PBO, but that the appropriate location for the PBO is still within FAA. NOAA generally agreed with the recommendations, but did not agree to immediately transfer the printing operations to USGS.

In another project, OIG reviewed allegations FAA abused procurement procedures, misused funds, and provided inadequate project oversight; and that a conflict of interest situation existed in the administration of a contract with Aeronautical Radio, Inc. This contract was awarded by FAA through an Interagency Agreement (I/A) with Defense Information Technology Contracting Office (DITCO). After determining FAA officials had inappropriately handled the I/A, OIG made four recommendations. FAA agreed with the recommendations and either acted, or planned to act, on them.

OIG reviewed allegations concerning an FAA agreement with Airborne Express (ABX) to provide no-cost government equipment, staffing, and other resources needed to accommodate an ABX private radar system. The project revealed FAA did not adequately justify expending government resources in excess of \$1 million on supporting the ABX system. OIG made four recommendations to FAA and received concurrence on all.

The Office of Assistant Inspector General for Investigations pursued notable cases during this semiannual period. Separate OIG investigations led to: (i) the indictment of a former FAA air traffic controller in what may be the largest workers' compensation fraud ever, (ii) the sentencing of engineering firm officials for submitting fraudulent claims on highway design contracts, and (iii) the conviction of two corporate officers from a major jet engine repair station.

In a joint investigation conducted with Department of Labor (DOL) OIG, a former FAA air traffic controller was indicted on charges related to fraudulently receiving workers' compensation benefits of \$325,000. A review of compensation records revealed that since 1973, the defendant has received more than \$830,000 in Federal Employees' Compensation Act benefits. This is believed to be the largest workers' compensation case ever. Trial is scheduled for November 1996.

In a joint investigation with Environmental Protection Agency (EPA), an engineering design firm was accused of inflating costs on various EPA and DOT contracts. The firm and its two principal owners pled guilty to conspiracy to defraud the Government with respect to claims, causing false claims to be filed with the Government, and false statements. The firm and its two principal owners received fines. In addition, the two owners were sentenced to a combination of time in a half-way house, home-detention, probation, and community service.

With assistance from FAA's Civil Aviation Security (CAS) Division, and working jointly with Federal Bureau of Investigation (FBI), OIG investigated allegations that a major FAA-certified repair station was conducting improper repairs on jet engine parts. Following an investigation and trial, one of the officers was convicted on counts of mail and wire fraud, false statements, and obstruction of justice. The other executive vice president was found guilty of wire fraud. Sentencing of the two former executive vice presidents is pending.

## **DOT PROGRAMS AND OPERATIONS THAT ARE WORKING WELL**

In the course of our oversight work, OIG also identified DOT programs and operations that worked well. Some examples follow:

- Fiscal Year (FY) 1995 Federal-aid highway fund apportionments were in compliance with statutory formulas, related appropriations acts, and applicable laws.
- FAA effectively monitored the city and county of Denver's efforts to sell Stapleton International

Airport at fair-market value and assured proper accounting for revenues and expenses arising from disposal actions.

- Claims submitted by USCG to EPA for Superfund activities were accurate and adequately supported.
- The California DOT has given bridge seismic retrofit projects the highest funding priority.
- The USCG Supply Center in Baltimore had established adequate procedures and controls to prevent abuse. In addition, there were adequate procedures and controls over monitoring of contractor performance.

- USCG marine safety office personnel adequately followed up on outstanding deficiencies identified during prior boardings and assessed appropriate penalties for safety violations.

## **CONCLUSION**

In conclusion, OIG oversight activity yielded substantial results not only in terms of increased efficiency and economy throughout DOT and its operating administrations (OA), but also in terms of indictments, convictions, and fines. We look forward to continuing our work and our service to DOT, the Federal Government, and the American people.

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# SECTION I - AUDIT ACTIVITY

## A. INTRODUCTION

This section summarizes OIG audit activities for the 6-month period ended September 30, 1996.

Office of Assistant Inspector General for Auditing is responsible for conducting audits of programs and operations of DOT. The audits are intended to help managers improve and enhance the effectiveness of DOT programs and operations. Audits are also designed to provide reasonable assurance of detecting abuse or illegal acts and generally fall within the following two audit categories:

- Financial audits — include financial statement and financial-related audits.
- Performance audits — include economy and efficiency and program audits.

OIG's audit activities during this period were responsive to management's needs while at the same time fulfilling the mandates of the IG Act and the Chief Financial Officers (CFO) Act. DOT programs and operations selected for audit were based on the magnitude of Federal funds involved, past audit activity, and the susceptibility of the activity to abuse and illegal acts. Additionally, Secretarial, OA, congressional, and President's Council on Integrity and Efficiency (PCIE) concerns were considered in the application of OIG audit resources.

## B. AUDIT ACCOMPLISHMENTS

DOT's programs and operations are primarily carried out by departmental personnel, recipients of Federal aid (grantees), and contractors. Accordingly, audits are conducted from three distinct perspectives: (i) internal reviews of DOT programs and operations, (ii) grantee assessments, and (iii) contractor reviews. A statistical summary of audits completed in these categories is shown in Table 1.

**Table 1**  
**Completed Audits April 1, 1996 to September 30, 1996**  
(Dollars in Thousands)

Type of Review	Number of Reports	Number of Recommendations	Estimated Amounts*		
			Costs Questioned	Costs Unsupported	Funds To Be Put To Better Use
<i>Internal Audits:</i>					
Program/Functional	22	120	\$3,000	\$20,200	\$98,900
<b>Total Internal Audits</b>	<b>22</b>	<b>120</b>	<b>\$3,000</b>	<b>\$20,200</b>	<b>\$98,900</b>
<i>Grant Audits:</i>					
Audits of Grantees under Single Audit Act	41	15	\$7,864	\$0	\$0
Other Grant Audits	17	0	0	0	0
<b>Total Grant Audits</b>	<b>58</b>	<b>15</b>	<b>\$7,864</b>	<b>\$0</b>	<b>\$0</b>
<i>Contract Audits:</i>					
Preaward Proposal Audits	69	48	0	0	\$27,655
Incurred Cost/Other	146	43	\$6,003	\$43	0
<b>Total Contract Audits**</b>	<b>215</b>	<b>91</b>	<b>\$6,003</b>	<b>\$43</b>	<b>\$27,655</b>
<b>TOTALS</b>	<b>295</b>	<b>226</b>	<b>\$16,867</b>	<b>\$20,243</b>	<b>\$126,555</b>
* The dollars shown are the amounts reported to management. The actual amounts may change during final resolution, contract negotiations, or contract award.					
** Most of the contract audits were performed by Defense Contract Audit Agency (DCAA). Costs associated with DCAA audits will also be included in the Department of Defense (DoD) IG Semiannual Report to Congress.					

### C. REQUESTED REVIEWS

Providing requested services to departmental, congressional, and other officials is an important function of OIG. These services are intended to provide management officials with timely and meaningful advice and assistance on Departmental and Governmentwide operations and activities. Examples of some of the requested services provided by the audit organization in this reporting period are discussed below.

1. Based on a request from the Chairman, House Committee on Government Reform and Oversight, OIG reviewed FAA's Notice of Proposed Rulemaking (NPRM) on Flight Crewmember Duty Period Limitations, Flight Time Limitations, and Rest Requirements. OIG determined whether the NPRM was: (i) based on best available and relevant scientific research, and (ii) drafted to address a specific identifiable safety problem that can be measured with empirical data. Because of the lack of documentation available, OIG could not offer an opinion on the relevancy of the scientific data used in formulating the proposed rule. As stated in the NPRM, the proposal was intended to be a preventative measure and is not based on specific accidents, but rather on extensive data which shows a relationship between fatigue and a decrement in performance. OIG recommended FAA identify, and make available to the public, all scientific references and studies that support National Aeronautics and Space Administration (NASA) Technical Memorandum, "Principles and Guidelines for Duty and Rest Scheduling in Commercial Aviation." In addition, OIG recommended FAA extend the comment period for this regulatory action to provide interested parties with sufficient time to review and submit comments on the scientific data.

2. In response to a Senate request, OIG reviewed the Maritime Administration's (MARAD): (i) authority to enter into new operating-differential subsidy (ODS) contracts, and (ii) ability to avoid furloughs during FY 1996 when they did not have an appropriation. OIG concluded MARAD's award of new ODS contracts was not contrary to existing statute, and MARAD had sufficient unused appropriations from prior years to fund operations. OIG concluded new legislation would

be needed if Congress intends to limit MARAD's ODS contract authority and the availability of MARAD's appropriations.

OIG found no restrictions currently existing to prevent MARAD from entering into new ODS contracts. Additionally, there were no restrictions on extending existing contracts, other than a statutory limitation restricting total ODS contract length to 20 years. Since ODS contracts constitute obligations binding on the United States, Congress had little choice but to make the necessary liquidating appropriations to fund any new or extended ODS contracts. Therefore, if Congress intends to minimize the Federal Government's future obligations to the ODS program, legislation must be passed to prohibit award of new ODS contracts and extensions of existing contracts. The total existing unfunded liability was \$473.78 million with six requests for \$84 million under consideration.

OIG concluded MARAD's funding sources made it possible to avoid furloughing employees during the Government shutdowns in November 1995 and December 1995 through January 1996. Funding for MARAD employees was provided by carryover of unused "no-year" appropriations which are available until expended and from unapplied reimbursements received from DoD. Within DOT, the use of "no-year" funds for personnel costs is unique to MARAD. OIG concluded congressional action would be needed to change MARAD payroll costs from "no-year" appropriations to a 1-year appropriation, consistent with the funding of other DOT entities.

### D. SELECTED SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following examples are illustrative of the types of findings and recommendations made to departmental officials during the past 6 months. These audits are presented by category of audit — PCIE, Departmentwide and Administrationwide, Financial Statement, and Facility/Regional. Due to the recent issuance of some reports, final disposition or resolution may not be complete. OIG will evaluate the responses to final reports and, if disagreements occur, will seek resolution through the Department's formal resolution process.

## PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY AUDITS

### AUDITS ADDRESSING GOVERNMENTWIDE CONDITIONS OR PROBLEMS WHICH ARE PERFORMED ON A COORDINATED BASIS WITH OTHER FEDERAL OIG OFFICES

Over the past 6 months, OIG was actively involved in one project initiated by the PCIE. This project is evaluating the management of

application software maintenance. No reports were issued on PCIE projects.

## DEPARTMENTWIDE AND ADMINISTRATIONWIDE AUDITS

### AUDITS ADDRESSING A CONDITION OR PROBLEM THROUGHOUT THE DEPARTMENT OR A PARTICULAR OPERATING ADMINISTRATION

#### IMPROVEMENTS ARE NEEDED IN THE MANAGEMENT OF THE ADVANCED AUTOMATION PROGRAM (AAP).

(Report No. AS-FA-6-010)

#### OIG Findings

*Note: This is OIG's sixth report addressing FAA's AAP.*

OIG reviewed the status of FAA's corrective actions in response to recommendations to improve management of the AAP. OIG concluded FAA has either completed or initiated adequate actions to address all recommendations except for those associated with the tower segment. In May 1996, FAA restructured the High Availability Basic Tower Control Computer Complex (HAB TCCC) Program to the Tower Automation Platform (TAP) because HAB TCCC lacked the operational priority for funding in FYs 1997 and 1998. FAA concluded the greatest benefit from the remaining FY 1996 funds would be to redirect the tower contract to accommodate the Surface Movement Advisor (SMA). OIG reported two concerns with FAA's decision to restructure the HAB TCCC Program. First, TAP will not satisfy FAA's stated mission need for high activity towers, and FAA has not completed critical analyses to make an informed decision on the most cost-effective solution to satisfy the tower mission need. Second,

according to FAA program officials, TAP funding will be eliminated if FAA's FY 1998 Facilities and Equipment funding falls below \$1.8 billion, thus eliminating the automation platform for deploying SMA. Yet, FAA did not fully evaluate other potential alternatives before restructuring HAB TCCC. OIG provided two examples of alternatives FAA should evaluate.

#### OIG Recommendations

OIG recommended FAA: (i) complete comprehensive system engineering studies and human factors assessments of the tower environment. At completion, FAA should make an informed decision on the most cost-effective solution to satisfy the tower mission need, and (ii) minimize continued development efforts for TAP until other potential alternatives for fielding SMA have been evaluated.

#### Corrective Actions

OIG is awaiting FAA's response to the report.

## **FEDERAL TRANSIT ADMINISTRATION (FTA) CONTROLS DID NOT ENSURE BUSES MET FEDERAL MOTOR VEHICLE SAFETY (FMVS) STANDARDS.**

(Report No. R3-FT-6-008)

### OIG Findings

FTA controls were not adequate to ensure transit buses purchased with Federal funds conform to FMVS standards and grantee bid specifications as required by Section 319 of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (STURAA). This occurred because FTA's implementing regulation did not conform to STURAA regarding independent inspections of manufacturer compliance with FMVS standards, and FTA did not provide sufficient guidance for grantee inspectors to check buses for conformity with all bid specifications. As a result, FTA was unaware bus manufacturers could not provide adequate documentation to support self-certifications of compliance with the FMVS standards. Additionally, grantees did not inspect for compliance with all bid specifications.

### OIG Recommendations

OIG recommended FTA: (i) revise its regulations to comply with STURAA requirements to require independent verification of manufacturer compliance with FMVS standards through independent reviews, and (ii) provide sufficient guidance for grantees to perform inspections to ensure bus manufacturers comply with bid specifications.

### Corrective Actions

FTA agreed with the finding, but proposed alternative actions to correct the problems OIG identified. FTA will work with National Highway Traffic Safety Administration (NHTSA) to seek a satisfactory resolution and obtain clarification from Congress as to the adequacy of FTA's rule, if necessary; or otherwise seek statutory changes to conform the two requirements. FTA also will review new bus inspection and specification standards developed by the American Public Transit Association. If FTA determines the standards are adequate and meet statutory requirements, FTA would endorse the use of these standards.

## **BETTER MANAGEMENT CONTROLS AND A REFOCUSING OF THE SUSPECTED UNAPPROVED PARTS (SUPS) PROGRAM ARE NEEDED.**

(Report No. R4-FA-6-026)

### OIG Findings

Overall, OIG concluded better management controls and a refocusing of the SUPs Program with a clear purpose, dedicated organizational structure, standardized investigative requirements, technical clarification, and inspector training are needed. Of the 16 SUPs cases selected for detailed audit, OIG concluded 13 were not effectively investigated. OIG also concluded that for 11 of the 16 cases, the FAA system of alerts and bulletins was not consistently and effectively used to notify the aviation public of unapproved parts and purge unapproved parts from the aviation system. In addition, OIG found 10 of 25 SUPs reports

prepared by aviation industry members OIG solicited for data on SUPs activity were not entered in the SUPs data base, nor were these 10 reports investigated. For eight cases, FAA inspectors failed to account for all SUPs reported in the SUPs report or to identify and review other unapproved parts involving the suspect company. OIG also found 11 of 12 DoD aviation parts notifications issued between February 1992 and February 1994 had either not been recorded in the SUPs data base and investigated or were delayed from being entered and investigated from 5 to 33 months.

### OIG Recommendations

OIG recommended FAA organizationally realign the SUPs Program to permit unobstructed access to all segments of FAA necessary to fully investigate and resolve a SUPs case. OIG also recommended FAA clearly define the mission of the SUPs Program and adopt a policy that communicates the importance of the program to all staff. OIG recommended FAA provide SUPs investigative training to affected inspectors and develop standardized inspection and reporting formats. Further, OIG recommended management control changes to improve SUPs data gathering, recording and analysis reliability, and development of controls to monitor the cleansing of known unapproved parts from the aviation industry.

### Corrective Actions

On August 8, 1995, FAA announced the formation of a special task force to review the issue of unapproved aircraft parts. The task force report, issued on October 6, 1995, made many of the same recommendations as OIG did in its report. FAA concurred with 25 of OIG's 26 draft report recommendations and proposed acceptable alternative action for one recommendation which satisfactorily addressed the condition identified in OIG's report. FAA formed a new independent SUPs Program Office and has agreed to revise FAA Order 8120.10 to implement the recommendations of the SUPs Task Force and OIG. FAA also agreed to provide quarterly status reports to Congress and OIG on the progress made to improve the program.

## **REQUIRED ANNUAL INSPECTIONS OF OFFSHORE FACILITIES WERE NOT PERFORMED OR WERE INEFFECTIVE.**

(Report No. R6-CG-6-012)

### OIG Findings

USCG did not perform initial inspections of 84 percent of new offshore facilities, and did not adequately monitor the industry self-inspection program. Self-inspections were due annually. Of the 50 offshore facilities OIG reviewed, USCG had not received self-inspection reports from 14 facilities in FY 1994 and 20 facilities in FY 1995. For 10 of the 50 facilities, no self-inspection report had been received in over 2 years. When USCG performed independent inspections, it found self-inspections did not always identify existing deficiencies. The self-inspections also identified deficiencies that were reported as corrected although no corrective action was taken by facility owners. Consequently, adverse safety conditions went undetected and uncorrected.

### OIG Recommendations

OIG recommended USCG work with the Department of Interior's Minerals Management Service (MMS) to establish responsibility to: (i) ensure initial onsite inspections are performed by either USCG or MMS of each new offshore facility, (ii) initiate enforcement

actions when facility owners fail to file self-inspection reports or do not correct safety deficiencies timely, and (iii) establish a system for "ticketing" facility owners for safety violations. OIG also recommended USCG: (i) establish procedures to ensure self-inspections are conducted annually, and (ii) implement a user charge for initial inspections of offshore facilities.

### Corrective Actions

USCG concurred in three recommendations and concurred-in-part with the fourth. Corrective actions taken and planned included to: (i) provide internal policy guidance to conduct initial inspections of new fixed facilities; (ii) establish an effective tracking system to monitor self-inspection reports, deficiencies, and due dates; (iii) request MMS to develop a "ticketing" program; and (iv) evaluate the appropriateness of applying user fees and, if deemed appropriate, implement such fees for initial inspections of offshore facilities.

**FAA'S AGING COMMUTER AIRPLANE PROGRAM WAS NOT EFFECTIVE.**

(Report No. R7-FA-6-002)

**OIG Findings**

FAA has not been timely in implementing policy to modify or replace parts in lieu of repetitive inspections, and in detecting and preventing failures due to aging. Delays have occurred because of: (i) disagreements over whether to exclude general aviation aircraft, (ii) low priority of aging commuter aircraft issues, and (iii) rulemaking revisions to address continued airworthiness of older aircraft. As a result, the probability of future structural failures has increased as the commuter fleet continues to age.

**OIG Recommendations**

To raise the priority of the Aging Com-  
muter Airplane Program, OIG recommended  
FAA: (i) emphasize timely completion of air-  
worthiness directives and service bulletins  
reevaluations, (ii) accelerate action to incor-  
porate approved corrosion prevention and con-  
trol programs in operators' maintenance pro-

grams, and (iii) complete rulemaking to imple-  
ment inspection requirements of the Aging  
Aircraft Safety Act.

**Corrective Actions**

FAA concurred with all recommendations.  
FAA agreed to emphasize timely completion  
of aging aircraft airworthiness directive and  
service bulletin actions by FAA and airplane  
manufacturers. FAA estimated those awaiting  
action would be closed by March 31, 1997.  
FAA projects publishing a NPRM during  
FY 1997 that would require persons operating  
certain airplanes in air transportation to  
include an approved corrosion prevention and  
control program in their aircraft maintenance  
or inspection programs. FAA projects publish-  
ing a supplemental NPRM during FY 1997  
that will allow operators to perform the  
inspections necessary to determine continued  
airworthiness.

**PROGRESS MADE IN OVERSIGHT OF AIRPORT SECURITY, BUT IMPROVEMENTS ARE STILL NEEDED.**

(Report No. R9-FA-6-014)

**OIG Findings**

The effectiveness of current FAA testing of  
airport and air carrier compliance with security  
requirements was significantly improved over  
what OIG reported in 1993. FAA clearly iden-  
tified testing procedures; developed realistic,  
covert testing techniques; and established spe-  
cific testing parameters and reporting require-  
ments. In contrast, FAA's access control vali-  
dation inspection data cannot be relied on to  
reflect the true compliance posture of the avia-  
tion community. FAA's access control inspec-  
tion protocol did not assure special agents con-  
sistently and aggressively tested access control  
points, and statistical data was not always sup-  
ported by special agents' narrative results.  
New testing procedures resulted in a height-  
ened awareness toward compliance with secu-  
rity requirements by individual employees and

some airport and air carrier officials. Howev-  
er, FAA tests demonstrated some airports and  
air carriers were not complying with access  
control and challenge requirements, as well as  
additional security measures imposed through  
Emergency Airport Security Program Amend-  
ments or Security Directives. Furthermore,  
even noncreative FAA tests demonstrated pas-  
senger screening checkpoints failed to detect  
potential explosive devices.

**OIG Recommendations**

OIG recommended the FAA Administrator  
require the Office of CAS: (i) continue to  
incorporate well-defined, realistic testing pro-  
cedures and techniques into the inspection  
process and expand testing to all areas of avia-  
tion security to ensure compliance with Feder-  
al Aviation Regulations, and Security Direc-

tives or Emergency Amendments; (ii) provide training to special agents to ensure covert, realistic testing techniques are consistently and aggressively used; and (iii) report the material weakness related to the failure to detect rate cited in this report, to the Secretary for inclusion in the Secretary's annual report to the President and Congress as required by the Federal Managers' Financial Integrity Act of 1982.

#### Corrective Actions

FAA concurred with Recommendations 1 and 2, and nonconcurred with Recommendation 3. However, Recommendation 3 was resolved in a July 1, 1996, meeting between FAA and OIG officials, and the Director of Office of Intelligence and Security, Office of the Secretary of Transportation (OST). At this meeting, it was agreed the Secretary of Transportation would notify the President, through the President's National Security Advisor, of the deficiencies cited in this report.

## FINANCIAL STATEMENT AUDITS PERFORMED UNDER THE CHIEF FINANCIAL OFFICERS ACT OF 1990

The CFO Act of 1990 was passed to: (i) bring more effective general and financial management practices to the Federal Government; (ii) improve systems of accounting, financial management, and internal controls; and (iii) provide for the production of complete, reliable, timely, and consistent financial information and reports. During this semiannual period, OIG focused the majority of its efforts on planning and initiating reviews of significant internal accounting and administrative control systems associated with DOT's first consolidated Departmentwide financial statement, which will cover FY 1996. In addition, OIG issued two supplementary reports on internal control and compliance deficiencies identified during prior financial statement audits. These two supplementary reports provided additional details on eight material weaknesses in internal controls, six other reportable internal control deficiencies, and one instance of noncompliance with applicable laws and regulations related to the FY 1994 and FY 1995 financial statements for USCG's seven revolving and trust funds and Research and Special Programs Administration's (RSPA) Volpe National Transportation Systems Center (Volpe Center) Working Capital Fund (WCF). Together, these two reports contained 38 recommendations for correcting the problems identified.

### SIGNIFICANT INTERNAL CONTROL WEAKNESSES IDENTIFIED IN AUDITS OF FY 1994 AND 1995 FINANCIAL STATEMENTS STILL NEEDED CORRECTION.

(Report Nos. R3-CG-6-011 and AD-RS-6-007)

A total of 29 recommendations were made to correct the material weaknesses, other reportable deficiencies, and the one noncompliance issue related to USCG's support for inventories, accounts receivable, accounts payable, and property and equipment; posting of Yard Fund transactions; controls over oil spill cleanup disbursements; administration of the Cadet Fund; reconciliation of fund balance with Treasury; and accounting for unrealized holding gains/losses associated with periodic inventory revaluation. USCG officials generally agreed with OIG's recommendations and

initiated appropriate corrective actions. However, the information USCG provided on correcting accounts receivable and strengthening controls over oil spill cleanup disbursements was not sufficient for OIG to determine whether the actions planned would correct these two internal control weaknesses. Accordingly, OIG requested USCG provide additional information on corrective actions intended for these two areas.

OIG had previously identified material weaknesses and other reportable internal con-

control deficiencies involving Volpe Center's accountability for property and equipment, depreciation of property and equipment, support for unfunded annual leave, netting of assets against liabilities and revenues against expenses, accrual of year-end liabilities, and note disclosures in the financial statement package. Volpe Center officials had corrected all of these problems except the two material weaknesses related to property and equipment. Accordingly, nine recommendations — seven

addressed to Volpe Center and two addressed to OST — were made to correct these deficiencies. Volpe Center and OST officials generally agreed with OIG's recommendations and initiated or planned appropriate corrective actions. In addition, Volpe Center may be able to earn interest by investing a portion of its WCF cash balance in U.S. Treasury securities. OIG estimated Volpe Center potentially could have earned about \$3.75 million during each of the last 2 years had the cash balance been invested.

## ACTIVITY/REGIONAL AUDITS

### AUDITS ADDRESSING A PROBLEM OR CONDITION AT A SPECIFIC LOCALITY OR FACILITY

#### PERSONAL PROPERTY PURCHASED FOR THE CENTRAL ARTERY/THIRD HARBOR TUNNEL (CA/THT) PROJECT WAS NOT PROPERLY CONTROLLED.

(Report No. R2-FH-6-015)

##### OIG Findings

Federal Highway Administration (FHWA) did not provide effective monitoring to ensure Massachusetts maintained proper control over personal property purchased by the consultant for Boston's CA/THT Project. As a result, FHWA and Massachusetts were not aware \$677,165 of Project property was not recorded accurately, stolen items at a cost of \$39,151 were not properly reported, and accountability was not established for more than \$500,000 of property held by subconsultants.

In addition, the consultant unnecessarily paid about \$137,000 in sales taxes and related costs on purchases of 90 motor vehicles for the Project. The Project also faced a potential \$2.6 million assessment by the Massachusetts Department of Revenue for sales tax on purchases the consultant made from 1986 through 1993.

##### OIG Recommendations

OIG recommended FHWA provide effective monitoring to ensure Massachusetts maintains adequate control over personal property

purchased for the Project, and require an Asset Manager be designated to ensure property is managed according to state laws and procedures. OIG also recommended Project controls be strengthened for property, security, and subconsultants/subcontractor inventories. OIG recommended FHWA seek reimbursement for sales tax and related costs paid by the consultant, and future purchases be made through the State Purchasing Agent, when possible, or be made using the tax-exempt status provided. Finally, OIG recommended FHWA not participate in the \$2.6 million sales tax, if it is assessed.

##### Corrective Actions

FHWA concurred with the recommendations concerning personal property and sales tax matters, provided Massachusetts actively pursues legislation to make Project purchases exempt from state sales tax. OIG took the position Massachusetts should be fully responsible for Project costs which arise solely as a result of local political or economic decisions and requested FHWA ensure the Federal interest is protected in regard to payment of sales tax for Project purchases.



## **TWO STATE HIGHWAY AGENCIES (SHAs) DID NOT COMPLY WITH ASPHALT CONSTRUCTION MATERIALS TESTING REQUIREMENTS.**

(Report Nos. R4-FH-6-065 and R4-FH-6-068)

### **OIG Findings**

FHWA project monitoring oversight was not adequate to ensure asphalt material incorporated in Federal-aid projects by two SHAs was in reasonably close conformity with applicable specifications. In this regard, FHWA did not perform oversight reviews of asphalt paving projects in sufficient depth to assure: (i) asphalt materials were tested in accordance with approved specifications, (ii) the material was in reasonably close conformity with the specifications, and (iii) appropriate reductions in Federal-aid participation were made for the value of all out-of-tolerance material incorporated in the projects.

OIG concluded the Portland cement concrete material placed on Federal-aid highway projects in the two states reviewed had been adequately tested and was in reasonably close conformity with applicable specifications. However, significant quantities of the asphalt paving material placed on Federal-aid projects in the two states were either outside design tolerances set forth in FHWA approved specifications or insufficiently tested and not tested to determine the extent of conformity. In one state, 26 percent of the asphalt material

reviewed was out-of-tolerance and 42 percent was insufficiently tested. In the second state, 21 percent of the asphalt material reviewed was insufficiently tested or not tested. For the two states, OIG estimated \$18.6 million of material was out-of-tolerance and \$31.0 million of material was insufficiently tested or untested.

### **OIG Recommendations**

OIG made 12 recommendations to strengthen FHWA oversight over materials testing and acceptance in the two states reviewed. These recommendations dealt with the need for the SHAs to comply with their materials testing specifications and to prepare documentation certifying that project materials had been tested and found to be in close conformity with applicable specifications. OIG also included recommendations to strengthen construction project monitoring by FHWA.

### **Corrective Actions**

FHWA agreed with the recommendations and has taken or planned appropriate corrective actions.

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## **INEFFECTIVE GRANT MANAGEMENT AFFECTED THE CLOSEOUT OF A TERMINATED PROJECT.**

(Report No. R5-FT-6-008)

### **OIG Findings**

Excess cash drawdowns totaling \$11.2 million were not recovered timely by FTA following the termination of a major new start transit project. During the initial stages of this project, FTA had allowed the grantee to draw down a higher percentage of Federal funding than established in the full-funding grant agreement. Federal funds were to be repaid as local funds became available. Although local funds sufficient to effect the pay back were available at the time the project was terminated, FTA has not taken action to recover the excess Federal share. In addition, FTA has not taken action to make \$48.7 million of unneeded

Federal grant obligations available for other eligible projects. Further, audits required by terms of the consultant's contract had not been performed and overhead rates had not been finalized. As a result, approximately \$20 million of overhead costs billed by contractors and claimed under the terminated project were not fully supported.

### **OIG Recommendations**

OIG recommended FTA: (i) recover \$11.2 million excess cash drawdowns from the grantee, (ii) take necessary steps to make \$48.7 million not needed for this project avail-

able for other needed projects, and (iii) require the grantee to obtain audits and finalize overhead rates billed by contractors.

#### Corrective Actions

FTA stated it has required the city to obtain audits of its consultants for the purpose of finalizing overhead rates, and it will eventually deobligate unneeded funds. FTA stated it had not yet made a decision regarding recoup-

ment of the \$11.2 million in excess draw down. FTA advised that it might actually be liable for up to 80 percent of project costs. FTA has a contract, in the form of a full-funding grant, with the city explicitly limiting Federal funding to 33 1/3 percent. If FTA does not strictly enforce the terms of its full-funding grant, and limit the Federal share to 33 1/3 percent, it can be precedent-setting and destroy Federal protection on all existing and future full-funding grants.

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### **FAA DID NOT ENSURE THE STATE OF HAWAII DEPARTMENT OF TRANSPORTATION (HDOT) COMPLIED WITH AIRPORT IMPROVEMENT PROGRAM (AIP) GRANT REQUIREMENTS.**

(Report No. R9-FA-6-015)

#### OIG Findings

FAA Western-Pacific Region, Airports Division (region) did not: (i) ensure only eligible costs were included in AIP grants, (ii) follow up on single audit findings, or (iii) monitor the use of airport generated revenues. The region relied on their original project eligibility cost determinations and sponsor self-certifications, single audits, and third-party complaints. FAA did not follow up on single audit findings because FAA did not consider them material. As a result, FAA reimbursed HDOT \$3 million in ineligible AIP project costs. In addition, HDOT Airports Division lost: (i) \$28.2 million through payments to the Office of Hawaiian Affairs (OHA) for which no airport-related services were provided, plus \$1.7 million in lost interest as of June 30, 1995; (ii) \$6.5 million from now reimbursed sponsor use of airport property; and (iii) \$14.5 million through nonairport related activities on the Hana Highway widening and on new access road and interchange projects at Kahului Airport. HDOT will continue to lose about \$9.2 million annually until

FAA requires HDOT to comply with 49 United States Code (U.S.C.) Section 47107(b) and use airport revenues only for airport purposes.

#### OIG Recommendations

OIG recommended FAA: (i) recover about \$3 million for ineligible cost reimbursements; (ii) ensure only eligible projects receive AIP funds; (iii) follow up on single audit findings; (iv) ensure HDOT Airports Division is reimbursed \$29.9 million for airport payments to OHA and lost interest, as well as \$6.5 million for sponsor occupied airport property; (v) review the Hana Highway widening and the new access road at Kahului Airport to ensure airport revenues are recovered if necessary; (vi) ensure airport revenues are used only for airport purposes; and (vii) ensure the sponsor pays market rental rates for use of airport property.

#### Corrective Actions

FAA did not provide a reply to our June 6, 1996, draft report. Therefore, OIG has requested a reply to this final report.

## E. MANAGEMENT DECISIONS

### 1. Background

Section 5 of the IG Act of 1978 requires an identification of each significant recommendation described in previous semiannual reports on which corrective actions have not been completed. The IG Act Amendments of 1988, P.L. 100-504, established new requirements to report recommendations. The term “management decision” means the evaluation by management of the finding and recommendation, including actions concluded to be necessary. Section 5 of the Act was amended to require statistical tables on the status of management decisions, a summary of audit reports over 6 months old for which no management decision was made, a description of, and reasons for, any significant revised management decisions, and information on any significant management decision with which the IG is in disagreement.

### 2. Status of Management Decisions

Tables 2, 3, and 4 are required by P.L. 100-504 (Section 5(a)(9) of the IG Act) and pro-

vide statistical summaries of management decisions on OIG reports. Included in these tables are the number of reports, recommendations, and dollar value of recommendations reported for which:

- no management decision had been made by the commencement of the reporting period;
- a management decision was made during the period, including: (i) the dollar value of agreed to or disallowed costs, and (ii) the dollar value of costs not agreed to or disallowed; and
- no management decision had been made by the end of the reporting period.

In addition, although not required by the Act, Table 5 is included to show management decisions for reports that recommended procedural improvements.

<b>Table 2</b>				
<b>Inspector General Issued Reports With Recommendations That Questioned Costs</b>				
<b>(Dollars in Thousands)</b>				
	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported* Costs
A. For which no management decision had been made by the commencement of the reporting period	93	109	\$134,397	(\$14,554)
B. Which were issued during the reporting period	<u>29</u>	<u>36</u>	<u>37,110</u>	<u>(20,243)</u>
<b>TOTALS (A+B)</b>	<b>122</b>	<b>145</b>	<b>\$171,507</b>	<b>(\$34,797)</b>
C. For which a management decision was made during the reporting period	40	58	\$32,272	(\$3,043)
(i) dollar value of disallowed costs	27**	35***	\$19,040****	(\$1,941)****
(ii) dollar value of costs not disallowed	21**	31***	\$13,381	(\$1,237)
D. For which no management decision has been made by the end of the reporting period	82	87	\$139,235	(\$31,754)
* Unsupported costs are also included in the figures shown as questioned costs.				
** Includes reports where costs were both allowed and disallowed.				
*** Includes recommendations where costs were both allowed and disallowed.				
**** Management agreed to disallow costs in excess of the finding amount by \$149,000 questioned and \$135,000 unsupported.				

<b>Table 3</b>			
<b>Inspector General Issued Reports With Recommendations That Funds Be Put To Better Use*</b>			
	Number of Reports	Number of Recommendations	Dollar Value (in Thousands)
A. For which no management decision had been made by the commencement of the reporting period	13	18	\$369,674
B. Which were issued during the reporting period	<u>3</u>	<u>5</u>	<u>\$98,900</u>
<b>TOTALS (A+B)</b>	<b>16</b>	<b>23</b>	<b>\$468,574</b>
C. For which a management decision was made during the reporting period	8	6	\$319,083
(i) dollar value of recommendations that were agreed to by management			
– based on proposed management action	5**	5**	\$288,788
– based on proposed legislative action	0	0	0
(ii) dollar value of recommendations that were not agreed to by management	5**	3**	\$30,295
D. For which no management decision has been made by the end of the reporting period	8	17	\$149,491
* Does not include contractor proposal audits (see Table 4).			
** Includes reports and recommendations where some costs were allowed and other costs were disallowed.			

**Table 4**  
**Inspector General Issued Reports of Contractor Proposal Audits**

	Number of Reports	Number of Recommendations	Dollar Value (in Thousands)
A. For which no management decision had been made by the commencement of the reporting period	184	228	\$120,679
B. Which were issued during the reporting period	<u>37*</u>	48	<u>\$27,655</u>
<b>TOTALS (A+B)</b>	<b>221</b>	<b>276</b>	<b>\$148,334</b>
C. For which a management decision was made during the reporting period	53	73	\$53,252
(i) dollar value of recommendations that were agreed to by management	24**	30***	8,288****
(ii) dollar value of recommendations that were not agreed to by management	19**	21***	19,835
(iii) dollar value of unsuccessful bidders	20	30	25,496
D. For which no management decision has been made by the end of the reporting period			
Aging Unresolved Audits			
Less Than 6 Months Old	32	40	\$26,396
Between 6 Months and 1 Year	19	21	10,369
Between 1 Year and 18 Months	42	48	15,570
Between 18 Months and 2 Years	53	70	31,070
Over 2 Years	<u>22</u>	<u>24</u>	<u>11,677</u>
<b>TOTALS</b>	<b>168</b>	<b>203</b>	<b>\$95,082</b>
* Does not include reports that had no recommendations.			
** Includes seven reports that had recommendations agreed to and not agreed to by management.			
*** Includes seven recommendations where costs were both allowed and disallowed.			
****Management agreed to disallow costs in excess of the finding amount by \$367,000.			

**Table 5**  
**Inspector General Issued Reports With Procedural Recommendations**

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the commencement of the reporting period	74	140
B. Which were issued during the reporting period	<u>39</u>	<u>137</u>
<b>TOTALS (A+B)</b>	<b>113</b>	<b>277</b>
C. For which a management decision was made during the reporting period	50	173
By Type of Audit		
– Internal Audits	26	140
– Grant Audits	4	8
– Contract Audits	20	25
D. For which no management decision has been made by the end of the reporting period	63	104
By Type of Audit		
– Internal Audits	17	58
– Grant Audits	1	2
– Contract Audits	45	44

### 3. Summary of Departmental Efforts

Departmental Order 8000.1C prescribes uniform definitions, requirements, and procedures for processing and resolving audit findings and recommendations. It includes specific procedures for referring unresolved issues to the next higher organizational level and to the Secretary, when necessary.

Table 6 summarizes management decisions made during the past 6 months to resolve audit reports.

<b>Table 6</b>					
<b>Summary of Inspector General Issued Audit Reports With Recommendations</b>					
(Dollars in Thousands)					
Description	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs*	Funds To Be Put To Better Use
Unresolved as of 3/31/96	152	268	\$134,397	(\$14,554)	\$369,674
Audits with Findings During Current Period	64	178	37,110	(20,243)	98,900
Total to be Resolved	<b>216</b>	<b>446</b>	<b>\$171,507</b>	<b>\$34,797</b>	<b>\$468,574</b>
Management Decisions During Current Period					
Audits Prior Period	55	114	\$21,575	(\$3,000)	\$319,083
Audits Current Period	31	124	10,697	(43)	0
Total Resolved Reports/Recommendations	<b>86</b>	<b>238</b>	<b>\$32,272</b>	<b>(\$3,043)</b>	<b>\$319,083</b>
Unresolved as of 9/30/96**	<b>130</b>	<b>208</b>	<b>\$139,235</b>	<b>(\$31,754)</b>	<b>\$149,491</b>
Aging of Unresolved Audits					
Less Than 6 Months Old	33	54	\$26,412	(\$20,200)	\$98,900
Between 6 Months and 1 Year	33	63	16,016	(5,092)	30,963
Between 1 Year and 18 Months	17	21	35,491	(0)	9,100
Between 18 Months and 2 Years	13	15	17,664	(0)	0
Over 2 Years Old	34	55	43,652	(6,462)	10,528
<b>TOTALS</b>	<b>130</b>	<b>208</b>	<b>\$139,235</b>	<b>(\$31,754)</b>	<b>\$149,491</b>
* Unsupported costs are also included with the figure shown as questioned costs.					
** Areport is considered unresolved if management decisions have not been made on all the report recommendations.					

### 4. Status of Unresolved Audit Recommendations Over 6 Months Old

#### a. Background

Section 5(a)(10) of the IG Act, as amended, requires a summary of each audit report issued before the start of this semiannual reporting period for which no management decision had been made by the end of the period, including the date and title of each report and an explanation of the reasons the management decisions were not made.

#### b. Internal, Grantee, and Contractor Cost Audit Reports

Identified in the following schedule are audits from previous semiannual reports containing findings and recommendations that required further action as of the end of this reporting period. To facilitate referencing these "open" items to the previous reports, the schedule identifies the applicable semiannual reports. In accordance with P.L. 100-504, IG Act Amendments of 1988, the current status of management action regarding resolution of these reports is also shown.

**STATUS OF UNRESOLVED AUDIT  
RECOMMENDATIONS OVER 6 MONTHS OLD**

<b>REPORT TITLE</b>	<b>REPORT NUMBER</b>	<b>REPORT DATE</b>	<b>RESOLUTION STATUS</b>
<b>SEMIANNUAL APRIL 1, 1989-SEPTEMBER 30, 1989</b>			
FHWA-Emergency Relief Program	R0-FH-9-095	06/29/89	FHWA disagreed with General Counsel opinions and provided additional information.
<b>SEMIANNUAL APRIL 1, 1990-SEPTEMBER 30, 1990</b>			
FTA-Boeing Aerospace & Electronics (Interim Closing Statement)	UX-UM-0-106	06/18/90	Awaiting DCA to complete audit of the subcontractor's costs.
<b>SEMIANNUAL OCTOBER 31, 1992-MARCH 31, 1993</b>			
USCG-Neal & Company, Inc. (Equitable Adjustment)	UK-CG-3-176	02/26/93	In litigation process.
FTA-CRSS Constructors, Inc. (Closing Statement)	UX-FT-3-210	03/11/93	Awaiting response from the contractor.
<b>SEMIANNUAL APRIL 1, 1993-SEPTEMBER 30, 1993</b>			
FRA-Association of American Railroads (Indirect Rates FY1990 FR-93-010A)	UX-FR-3-464	09/17/93	In contract negotiation process.
FAA-City of Clinton (Incurred Costs FYs 1990-1992)	UX-FA-3-428	08/20/93	In contract negotiation process.
<b>SEMIANNUAL OCTOBER 1, 1993-MARCH 31, 1994</b>			
FRA-Association of American Railroads (Indirect Rates FY1992 FR-93-010C)	UX-FR-4-029	10/22/93	In contract negotiation process.
FRA-Association of American Railroads (Indirect Rates FY1989 FR-93-010S)	UX-FR-4-084	12/01/93	In contract negotiation process.
FAA-Certification and Surveillance of Domestic and Foreign Repair Stations	R4-FA-4-009	03/07/94	This report was referred to the Departmental Resolution Official in February 1995.
FAA-Monitoring of Airport Revenues at the Phoenix Sky Harbor International Airport	R9-FA-4-001	10/18/93	This report was referred to the Departmental Resolution Official in June 1994.
FAA-CTA, Inc. (Proposed Rates)	UK-FA-4-044	10/22/93	In contract negotiation process.
FAA-AT&T Company (Progress Payment No. 1)	UK-FA-4-167	02/23/94	In contract negotiation process.
FAA-Kendrick & Company (Voucher No. 87)	UK-FA-4-202	03/18/94	In contract negotiation process.
FAA-Westinghouse Electric Corporation (Equitable Adjustment)	UK-FA-4-224	03/30/94	In contract negotiation process.
FAA-Galaxy Scientific Corporation (Incurred Costs FY1990)	UX-FA-4-027	10/22/93	In contract negotiation process.
FAA-Science Applications International Corporation (Proposed Rates)	UX-FA-4-043	10/22/93	In contract negotiation process.
FRA-Association of American Railroads (Incurred Costs FY1991)	UX-FR-4-002	10/22/93	In contract negotiation process.
FTA-The Pennsylvania State University (Incurred Costs 07/92 to 10/93)	UX-FT-4-183	03/18/94	In contract negotiation process.

**SEMIANNUAL APRIL 1, 1994-SEPTEMBER 30, 1994**

USCG-Jamestown Marine Services, Inc. (Accounting System CG-94-585A)	UK-CG-4-338	07/29/94	In contract negotiation process.
USCG-Vibtech, Inc. (Accounting System CG-94-584A) (Change Order No. 66 FA-94-1526A)	UK-CG-4-339	07/29/94	In contract negotiation process.
FAA-Unisys Corporation (Change Order No. FA-94-558)	UK-FA-4-314	07/01/94	In contract negotiation process.
FAA-Raytheon Company (Change Order)	UK-FA-4-323	07/01/94	In contract negotiation process.
FAA-TRW, Inc. (Incurred Costs FA-94-814)	UK-FA-4-345	07/29/94	In contract negotiation process.
FAA-Westinghouse Norden Systems (Equitable Adjustment Proposal FA-94-559)	UK-FA-4-374	09/09/94	In contract negotiation process.
FAA-Flight Technical Programs, Inc. (Accounting System FA-94-579A)	UK-FA-4-422	09/23/94	In contract negotiation process.
FAA-Imatron Federal Systems, Inc. (Incurred Costs FA-94-097)	UX-FA-4-210	05/09/94	In contract negotiation process.
FAA-Data Transformation Corporation (Incurred Costs CYs 1987-1988)	UX-FA-4-216	05/09/94	In contract negotiation process.
FAA-Interpacific Technologies, Inc. (Accounting System FA-94-048A)	UX-FA-4-238	05/20/94	In contract negotiation process.
FAA-Data Transformation Corporation (Incurred Costs CY1989)	UX-FA-4-272	06/17/94	In contract negotiation process.
FHWA-Computer Communications and Graphics (Final Voucher No. 63 FH-93-022)	UX-FH-4-227	05/09/94	In contract negotiation process.
FHWA-Randolph & Company, Inc. (Equitable Adjustment FH-94-051)	UX-FH-4-319	09/09/94	In contract negotiation process.
FHWA-S.A. Healy/Lodigiani, USA Joint Venture (Equitable Adjustment)	UX-FH-4-323	09/09/94	In litigation process.
FTA-Charles River Associates (Incurred Costs FY1989 UM-89-020A)	UX-FT-4-275	06/17/94	In contract negotiation process.
FAA-RMS Technologies, Inc. (Incurred Costs FY1989 FA-90-031)	UX-FA-4-224	05/09/94	In contract negotiation process.

**SEMIANNUAL OCTOBER 1, 1994-MARCH 31, 1995**

FAA-Monitoring of Accountability and Use of Airport Revenues McCarran International Airport	R9-FA-5-005	03/21/95	This report was referred to the Departmental Resolution Official in August 1996.
FAA-Digital Equipment Corporation (Exemption Claim)	UK-FA-5-010	10/14/94	In contract negotiation process.
FAA-World Computer Systems (Final Incurred Costs FYs 1992-1993)	UK-FA-5-028	10/28/94	In contract negotiation process.
FAA-E-Systems, Inc. (Termination Settlement)	UK-FA-5-199	03/29/95	In contract negotiation process.
FAA-Wilcox Electric, Inc. (Termination Vouchers 35 Through 41)	UK-FA-5-205	03/29/95	In contract negotiation process.
FAA-Wilcox Electric, Inc. (Termination Voucher 31)	UK-FA-5-206	03/29/95	In contract negotiation process.
FAA-RMS Technologies, Inc. (Closing Statement)	UX-FA-5-058	12/16/94	In contract negotiation process.
FRA-Association of American Railroads (Termination Settlement)	UX-FR-5-087	12/30/94	In contract negotiation process.
MARAD-Norfolk Shipbuilding & Drydock Corporation (Equitable Adjustment Claim MA-94-016)	UX-MA-5-034	11/11/94	In litigation process.
MARAD-Norfolk Shipbuilding & Drydock Corporation (Equitable Adjustment Claim MA-94-016A)	UX-MA-5-035	11/11/94	In litigation process.
FAA-Wilcox Electric, Inc. (Change Order)	UK-FA-5-030	10/28/94	In contract negotiation process.
FAA-Unisys Corporation (Modification No. 0053)	UK-FA-5-065	11/25/94	In contract negotiation process.



FAA-GTE Government Systems (Change Proposal Modification No. 41)	UK-FA-5-202	03/29/95	In contract negotiation process.
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### SEMIANNUAL APRIL 1, 1995-SEPTEMBER 30, 1995

FHWA-Industry Drug Testing Program	AS-FH-5-016	04/27/95	This report was referred to the Departmental Resolution Official in October 1995.
FTA-Useful Life of RailCars Washington Metropolitan Area Transit Authority opinion.	R4-FT-5-091	06/27/95	This report was referred to the Departmental Resolution Official in August 1996.
FTA-Administration of Capital Grants Metro Atlanta Rapid Transit Authority	R4-FT-5-106	07/11/95	This report was referred to the Departmental Resolution Official in January 1996.
FAA-Limited Review of the State of Hawaii Department of Transportation Use of Airport Revenues	R9-FA-5-007	04/28/95	This report was referred to the Departmental Resolution Official in October 1995.
FAA-Accountability and Use of Airport Revenues Burbank-Glendale-Pasadena Airport	R9-FA-5-015	09/14/95	This report was referred to the Departmental Resolution Official in August 1996.
USCG-D.H. Lloyd & Associates, Inc. (Accounting System CG-95-591)	UK-CG-5-262	09/14/95	In contract negotiation process.
USCG-University of Connecticut (Change Order No. 9 FA-95-565)	UK-CG-5-284	06/30/95	In contract negotiation process.
FAA-Communications International, Inc. (Termination Settlement FA-94-824)	UK-FA-5-226	04/28/95	In contract negotiation process.
FAA-Wilcox Electric, Inc. (Termination Settlement FA-95-809B)	UK-FA-5-286	06/30/95	In contract negotiation process.
FAA-SEB Sensitive (Estimating System Review)	UK-FA-5-353	08/25/95	In contract negotiation process.
FAA-Atlantic Science & Technology Corporation (Vouchers FA-95-045)	UX-FA-5-183	05/12/95	In contract negotiation process.
FHWA-Law Engineering, Inc. (Incurred Cost FY1993)	UX-FH-5-174	04/28/95	In contract negotiation process.
FHWA-Law Engineering, Inc. (Incurred Cost FY1994)	UX-FH-5-198	05/12/95	In contract negotiation process.
FHWA-The Scientex Corporation (Incurred Costs FYs 1989-1990)	UX-FH-5-254	06/30/95	In contract negotiation process.
FRA-Compuchem Laboratories, Inc. (Accounting System FR-95-004)	UX-FR-5-175	04/28/95	In contract negotiation process.
FAA-Electronic Space Systems Corporation (Change Order Proposals FA-95-540)	UK-FA-5-238	04/28/95	In contract negotiation process.
FAA-Systems Corporation (Indirect Rate Increase FA-95-914)	UK-FA-5-340	08/11/95	In contract negotiation process.

### SEMIANNUAL OCTOBER 1, 1995-MARCH 31, 1996

FAA-Controls over Access to Aircraft for Free Transportation	AS-FA-6-004	02/20/96	This report was referred to the Departmental Resolution Official in August 1996.
FTA-Useful Life of Railcars Summary Report	R4-FT-6-027	03/19/96	This Report was referred to the Departmental Resolution Official in August 1996.
FAA-Use of Airport Revenues Stapleton International Airport	R6-FT-6-006	02/08/96	This Report was referred to the Departmental Resolution Official in August 1996.
FAA-Voluntary Separation Incentive Payments	R6-FA-6-009	02/09/96	Awaiting FAA's investigation and U.S. Attorney action.
FAA-Monitoring Accountability and Use of Airport Revenues Los Angeles	R9-FA-6-001	10/30/95	This Report was referred to the Departmental Resolution Official in August 1996.
FAA-Advisory Memorandum on Santa Ynez Valley Airport Hotline	R9-FA-6-003	12/06/95	This report was referred to the Departmental Resolution Official in August 1996.
FAA-Advisory Memorandum on Buchanan Field	R9-FA-6-009	03/14/96	This report was referred to the Departmental Resolution Official in August 1996.
USCG-J. Kokolakis Contracting, Inc. (Delay Claim CG-95-595)	UK-CG-6-042	12/29/95	In contract negotiation process.
USCG-J. Kokolakis Contracting, Inc. (Equitable Adjustment CG-95-595A)	UK-CG-6-054	02/09/96	In contract negotiation process.
FAA-W.P. Dolan & Associates, Inc. (Incurred Costs FY1989 FA-94-817A)	UK-FA-6-001	10/13/95	In contract negotiation process.
FAA-W.P. Dolan & Associates, Inc. (Incurred Costs FY1990 FA-94-817B)	UK-FA-6-002	10/13/95	In contract negotiation process.

SECTION I - AUDIT ACTIVITY

FAA-W.P. Dolan & Associates, Inc. (Incurred Costs FY1991 FA-94-817C)	UK-FA-6-003	10/13/95	In contract negotiation process.
FAA-W.P. Dolan & Associates, Inc. (Incurred Costs FY1992 FA-94-817D)	UK-FA-6-004	10/13/95	In contract negotiation process.
FAA-W.P. Dolan & Associates, Inc. (Incurred Costs FA-94-817)	UK-FA-6-005	10/13/95	In contract negotiation process.
FAA-Kendrick & Company (Incurred Costs FY1991 FA-94-800)	UK-FA-6-008	10/13/95	In contract negotiation process.
FAA-System Management America Corporation (Incurred Costs FY1991 FA-94-825B)	UK-FA-6-020	10/13/95	In contract negotiation process.
FAA-Martin Marietta Air Traffic Systems (Final Incurred Costs CY1991)	UK-FA-6-021	10/13/95	In contract negotiation process.
FAA-Sequent Computer Systems, Inc. (Exemption Claim FA-95-569A)	UK-FA-6-027	11/10/95	In contract negotiation process.
FAA-Raytheon Electronic Systems (Termination Settlement FA-95-1529)	UK-FA-6-041	12/15/95	In contract negotiation process.
FAA-Martin Marietta Air Traffic Systems (Supplement FYs 1984-1989 Incurred Costs)	UK-FA-6-046	12/29/95	In contract negotiation process.
FAA-Loral Defense Systems (Overhead Rates 1995 FA-95-1501A)	UK-FA-6-056	02/09/96	In contract negotiation process.
FAA-FWK, Inc. (Incurred Costs FY1993 FA-95-024)	UX-FA-6-065	02/09/96	In contract negotiation process.
FAA-VECO, Inc. (Equitable Adjustment FA-95-066)	UX-FA-6-077	03/08/96	In contract negotiation process.
FRA-DeLeuw, Cather & Co. (Closing Statement Task Order T001)	UX-FR-6-053	01/12/96	In contract negotiation process.
FRA-DeLeuw, Cather & Co. (Direct Labor & Overhead Rates FR-95-007B)	UX-FR-6-058	01/26/96	In contract negotiation process.
FTA-Marlaw System Technology, Inc. (Preaward Accounting System FT-95-015)	UX-FT-6-015	10/13/96	In contract negotiation process.
MARAD-Eastern Technical Enterprises, Inc. (Verification of Invoices MA-95-009B)	UX-MA-6-024	11/10/95	In contract negotiation process.
MARAD-Eastern Technical Enterprises, Inc. (Equitable Adjustment MA-95-009)	UX-MA-6-028	11/24/95	In contract negotiation process.
MARAD-Marine Coating, Inc. (Equitable Adjustment MA-95-012B)	UX-MA-6-048	12/29/95	In contract negotiation process.
MARAD-Apex Marine Corporation (Termination Settlement MA-96-013)	UX-MA-6-083	03/08/96	In contract negotiation process.
MARAD-Apex Marine Corporation (Termination Settlement MA-96-013A)	UX-MA-6-084	03/08/96	In contract negotiation process.
RSPA-Jack Faucett Associates (Incurred Costs FYs 1988-1992 TS-89-066)	UX-RS-6-031	11/24/95	In contract negotiation process.
FAA-Swanson General Contractors, Inc. (Change Order No. 003 FA-96-016)	UX-FA-6-072	02/23/96	In contract negotiation process.

**c. Contract Proposal Audits**

Identified in the following schedule are the contract proposal audits from previous semiannual reports containing recommendations that required further action at the end of this reporting period. Each report is referenced to the OA involved and the applicable prior semiannual report. These audits are being used in procurement negotiations. In accordance with DOT Order 8000.1C, the OAs must notify OIG within 60 days from contract award on the actions taken on proposal audit report recommendations.

**STATUS OF UNRESOLVED AUDIT  
RECOMMENDATIONS OVER 6 MONTHS OLD**

REPORT TITLE	REPORT NUMBER	REPORT DATE	RESOLUTION STATUS
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**SEMIANNUAL OCTOBER 1, 1993-MARCH 31, 1994**

FAA-Norden Systems, Inc. (Proposal)	UK-FA-4-141	02/24/94	In contract negotiation process.
FAA-Research Management Consultants, Inc. (Proposal)	UK-FA-4-164	02/23/94	In contract negotiation process.
FAA-Rates Concept Automation, Inc. (Proposal)	UK-FA-4-198	03/18/94	In contract negotiation process.
FAA-Robotics Vision Systems, Inc. (Proposed Rates)	UX-FA-4-172	03/18/94	In contract negotiation process.
FHWA-EISC, Inc. (Proposal)	UX-FH-4-106	12/06/93	In contract negotiation process.

**SEMIANNUAL APRIL 1, 1994-SEPTEMBER 30, 1994**

USCG-M. Rosenblatt & Son, Inc. (Proposed Rate)	UK-CG-4-241	04/29/94	In contract negotiation process.
USCG-PRC, Inc. (Proposed Rate)	UK-CG-4-255	05/20/94	In contract negotiation process.
USCG-Telephone Utilities of the Northland, Inc. (Proposal)	UK-CG-4-273	05/20/94	In contract negotiation process.
USCG-General Electric Company (Proposal)	UK-CG-4-309	06/17/94	In contract negotiation process.
USCG-Jamestown Marine Services, Inc. (Proposal)	UK-CG-4-337	07/29/94	In contract negotiation process.
USCG-Allen's Landscaping Materials, Inc. (Proposal)	UK-CG-4-370	09/09/94	In contract negotiation process.
USCG-Texas Instruments, Inc. (Proposal)	UK-CG-4-373	09/09/94	In contract negotiation process.
USCG-Sikorsky Support Services, Inc. (Proposal)	UK-CG-4-391	09/09/94	In contract negotiation process.
USCG-Pro-Tech Security Network (Proposal)	UK-CG-4-394	09/09/94	In contract negotiation process.
FAA-Norden Systems, Inc. (Proposal)	UK-FA-4-245	05/09/94	In contract negotiation process.
FAA-Westinghouse Electric Corporation (Proposal)	UK-FA-4-270	05/20/94	In contract negotiation process.
FAA-Exide Electronics Corporation (Proposal)	UK-FA-4-285	06/17/94	In contract negotiation process.
FAA-Sinclair Radio Laboratories, Inc. (Proposal)	UK-FA-4-308	06/16/94	In contract negotiation process.
FAA-AT&T Corporation (Proposal)	UK-FA-4-324	07/01/94	In contract negotiation process.
FAA-Sun Microsystems Federal, Inc. (Claim for Exemption)	UK-FA-4-355	08/12/94	In contract negotiation process.
FAA-Imatron Federal Systems, Inc. (Proposal)	UX-FA-4-283	07/01/94	In contract negotiation process.
FAA-Nichols Research Corporation (Proposal)	UX-FA-4-313	09/09/94	In contract negotiation process.

## SEMIANNUAL OCTOBER 1, 1994-MARCH 31, 1995

USCG-Sulzer Escjer-Wyss (Proposal)	UK-CG-5-004	10/14/94	In contract negotiation process.
USCG-M&C Cumberland, Inc. (Proposal)	UK-CG-5-007	10/14/94	In contract negotiation process.
USCG-Miller-Stephenson & Associates PC (Proposal)	UK-CG-5-032	11/11/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-045	11/25/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-073	12/16/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-074	12/16/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-075	12/16/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-077	12/16/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-078	12/16/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-079	12/16/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-080	12/16/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-105	12/16/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-107	12/30/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-108	12/30/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-109	12/30/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-110	12/30/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-111	12/30/94	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-114	12/30/94	In contract negotiation process.
USCG-AlliedSignal, Inc. (Proposal)	UK-CG-5-123	01/13/95	In contract negotiation process.
USCG-National Association For Equal Opportunity (Proposal)	UK-CG-5-125	01/13/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-129	01/13/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-130	01/13/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-134	01/27/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-135	01/27/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-136	01/27/95	In contract negotiation process.
USCG-Coe Truman Technologies, Inc. (Proposal)	UK-CG-5-137	01/27/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-139	01/27/95	In contract negotiation process.
USCG-Sikorsky Aircraft Corporation (Proposal)	UK-CG-5-140	01/27/95	In contract negotiation process.
USCG-AGI Technologies (Proposal)	UK-CG-5-141	01/27/95	In contract negotiation process.
USCG-Raytheon Marine Company (Proposal)	UK-CG-5-142	01/27/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-145	02/10/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal)	UK-CG-5-152	02/10/95	In contract negotiation process.

USCG-SEB Sensitive (Proposal)	UK-CG-5-153	02/10/95	In contract negotiation process.
USCG-Pacer Systems, Inc. (Proposal)	UK-CG-5-165	03/17/95	In contract negotiation process.
USCG-Microsystems Integration, Inc. (Proposal)	UK-CG-5-166	03/17/95	In contract negotiation process.
USCG-GEC Associates, Inc. (Proposal)	UK-CG-5-170	03/17/95	In contract negotiation process.
USCG-Mariner Engineering, Inc. (Proposal)	UK-CG-5-171	03/17/95	In contract negotiation process.
USCG-AlliedSignal, Inc. (Proposal)	UK-CG-5-184	03/17/95	In contract negotiation process.
FAA-GTE Government Systems Corporation (Proposal)	UK-FA-5-027	10/28/94	In contract negotiation process.
FAA-Unisys Corporation (Proposal)	UK-FA-5-042	11/11/94	In contract negotiation process.
FAA-SEB Sensitive (Proposal)	UK-FA-5-054	11/25/94	In contract negotiation process.
FAA-SEB Sensitive (Proposal)	UK-FA-5-057	11/25/94	In contract negotiation process.
FAA-SEB Sensitive (Proposal)	UK-FA-5-058	11/25/94	In contract negotiation process.
FAA-Aeronautical Radio, Inc. (Proposal)	UK-FA-5-064	11/25/94	In contract negotiation process.
FAA-RMS Technologies, Inc. (Proposal)	UK-FA-5-083	12/16/94	In contract negotiation process.
FAA-Westinghouse Norden Systems (Proposal)	UK-FA-5-096	12/16/94	In contract negotiation process.
FAA-SEB Sensitive (Proposal)	UK-FA-5-100	12/16/94	In contract negotiation process.
FAA-SEB Sensitive (Proposed Rates)	UK-FA-5-104	12/16/94	In contract negotiation process.
FAA-Harris Corporation (Proposal)	UK-FA-5-148	02/10/95	In contract negotiation process.
FAA-Westinghouse Electric Corporation (Proposal)	UK-FA-5-175	03/17/95	In contract negotiation process.
FAA-Martin Marietta Information Group (Proposal)	UK-FA-5-183	03/17/95	In contract negotiation process.
FAA-Invision Technologies, Inc. (Proposal)	UX-FA-5-149	03/29/95	In contract negotiation process.
FHWA-Teledyne Brown Engineering (Proposal)	UX-FH-5-100	01/27/95	In contract negotiation process.

### SEMIANNUAL APRIL 1, 1995-SEPTEMBER 30, 1995

USCG-Maden Tech Consulting, Inc. (Proposed Rates CG-95-563)	UK-CG-5-196	04/14/95	In contract negotiation process.
USCG-SEB Sensitive (Proposal CG-95-566)	UK-CG-5-219	04/28/95	In contract negotiation process.
USCG-Tryck Nyman Hayes, Inc. (Proposed Rates CG-95-579)	UK-CG-5-221	04/28/95	In contract negotiation process.
USCG-Ship Analytics USA, Inc. (Proposal CG-95-572)	UK-CG-5-231	04/28/95	In contract negotiation process.
USCG-Shannon & Wilson, Inc. (Proposed Rates CG-95-580/581)	UK-CG-5-233	04/28/95	In contract negotiation process.
USCG-Security USA, Inc. (Proposal CG-95-574)	UK-CG-5-241	04/28/95	In contract negotiation process.
USCG-RMS Technologies, Inc. (Proposal CG-95-576)	UK-CG-5-253	05/12/95	In contract negotiation process.
USCG-Delorenzo, Inc. (Proposed Rates CG-95-589)	UK-CG-5-255	05/12/95	In contract negotiation process.
USCG-Scientific Marine Services, Inc. (Proposal CG-95-585)	UK-CG-5-260	05/12/95	In contract negotiation process.
USCG-AlliedSignal Aerospace (Proposed Rates CG-95-593)	UK-CG-5-275	06/16/85	In contract negotiation process.

SECTION I - AUDIT ACTIVITY

USCG-AlliedSignal, Inc. (Proposal CG-95-554)	UK-CG-5-312	07/28/95	In contract negotiation process.
USCG-Dassault Falcon Jet Corporation (Proposal CG-95-596)	UK-CG-5-314	07/28/95	In contract negotiation process.
USCG-Quality Custodial and Maintenance Service (Proposal CG-95-600)	UK-CG-5-315	07/28/95	In contract negotiation process.
USCG-KCM, Inc. (Proposed Rates CG-95-604)	UK-CG-5-329	07/28/95	In contract negotiation process.
USCG-AlliedSignal, Inc. (Proposal CG-95-701)	UK-CG-5-357	08/25/95	In contract negotiation process.
FAA-Harris Corporation (Proposal FA-95-701)	UK-FA-5-212	04/14/95	In contract negotiation process.
FAA-Westinghouse Electric Corporation (Proposal FA-95-552)	UK-FA-5-258	02/12/95	In contract negotiation process.
FAA-Denro, Inc. (Proposal FA-95-529)	UK-FA-5-287	06/30/95	In contract negotiation process.
FAA-Westinghouse Electronic Systems Group (Proposal FA-95-556)	UK-FA-5-296	06/30/95	In contract negotiation process.
FAA-Universal Technical Resource Services (Proposal FA-95-563)	UK-FA-5-302	07/14/95	In contract negotiation process.
FAA-Fowler Enterprises International, Inc. (Proposal FA-95-554)	UK-FA-5-311	07/14/95	In contract negotiation process.
FAA-Mayflower Communications Company, Inc. (Proposal FA-95-566)	UK-FA-5-359	08/25/95	In contract negotiation process.
FAA-Counter Technology, Inc. (Proposal FA-95-030)	UX-FA-5-158	04/14/95	In contract negotiation process.
FAA-Artic Slope Consulting Group, Inc. (Proposed Rates FA-95-031)	UX-FA-5-159	04/14/95	In contract negotiation process.
FAA-RSAEngineering, Inc. (Proposed Rates FA-95-032)	UX-FA-5-160	04/14/95	In contract negotiation process.
FAA-HMS, Inc. (Proposed Rates FA-95-033)	UX-FA-5-161	04/14/95	In contract negotiation process.
FAA-Duane L. Miller & Associates (Proposed Rates FA-95-034)	UX-FA-5-162	04/14/95	In contract negotiation process.
FAA-SEB Sensitive (Proposed Rates FA-95-054)	UX-FA-5-180	04/28/95	In contract negotiation process.
FAA-SEB Sensitive (Proposal FA-95-053)	UX-FA-5-189	05/12/95	In contract negotiation process.
FAA-SEB Sensitive (Proposed Rates FA-95-059)	UX-FA-5-190	05/12/95	In contract negotiation process.
FAA-SEB Sensitive (Proposed Rates FA-95-060)	UX-FA-5-191	05/12/95	In contract negotiation process.
FAA-SEB Sensitive (Proposal FA-95-077)	UX-FA-5-195	05/12/95	In contract negotiation process.
FAA-SEB Sensitive (Proposal FA-95-061)	UX-FA-5-209	05/12/95	In contract negotiation process.
FAA-SEB Sensitive (Proposal FA-95-083)	UX-FA-5-214	05/26/95	In contract negotiation process.
FAA-SEB Sensitive (Proposed Rates FA-95-073)	UX-FA-5-215	05/26/95	In contract negotiation process.
FAA-SEB Sensitive (Proposed Rates FA-95-047)	UX-FA-5-221	05/26/95	In contract negotiation process.
FAA-SEB Sensitive (Proposal FA-95-074)	UX-FA-5-222	05/26/95	In contract negotiation process.
FAA-SEB Sensitive (Proposal FA-95-072)	UX-FA-5-226	05/26/95	In contract negotiation process.
FAA-SEB Sensitive (Proposed Rates FA-95-080)	UX-FA-5-235	06/16/95	In contract negotiation process.
FAA-Syport Systems, Inc. (Proposal FA-94-100)	UX-FA-5-276	08/11/95	In contract negotiation process.
FAA-Informatica of America, Inc. (Proposal FA-95-107)	UX-FA-5-296	09/15/95	In contract negotiation process.
RSPA-Marcor Environmental, Inc. (Proposed Rates TS-95-063)	UX-RS-5-303	09/27/95	In contract negotiation process.

**SEMIANNUAL OCTOBER 1, 1995-MARCH 31, 1996**

USCG-Coltec Industries (Proposal CG-95-613)	UK-CG-6-017	10/13/95	In contract negotiation process.
USCG-Powell Valley Iron & Equipment (Proposal CG-95-602)	UK-CG-6-025	11/10/95	In contract negotiation process.
USCG-Ocean Technical Services (Proposed Rates CG-96-505)	UK-CG-6-048	01/26/96	In contract negotiation process.
USCG-The Mitre Corporation (Proposed Rates CG-96-506)	UK-CG-6-049	01/26/96	In contract negotiation process.
USCG-AlliedSignal, Inc. (Proposal CG-96-502)	UK-CG-6-055	02/09/96	In contract negotiation process.
USCG-AlliedSignal, Inc. (Proposal CG-96-502A)	UK-CG-6-073	03/08/96	In contract negotiation process.
USCG-Giannotti Corporation (Proposal CG-96-525)	UK-CG-6-076	03/15/96	In contract negotiation process.
USCG-SEB Sensitive (Proposed Rates CG-96-519)	UK-CG-6-077	03/21/96	In contract negotiation process.
FAA-AlliedSignal, Inc. (Proposal FA-96-500)	UK-FA-6-029	11/10/95	In contract negotiation process.
FAA-Harris Corporation (Proposal FA-96-507)	UK-FA-6-050	01/26/96	In contract negotiation process.
FAA-Chugach Development Corporation (Proposed Rates FA-96-006)	UX-FA-6-057	01/26/96	In contract negotiation process.
FAA-Fairchild Aircraft, Inc. (Proposal FA-96-010)	UX-FA-6-078	03/08/96	In contract negotiation process.
FTA-Williams Adley & Company (Proposal FT-95-016)	UX-FT-6-030	11/24/95	In contract negotiation process.
FTA-Harris Consulting (Proposal FT-96-004)	UX-FT-6-088	03/15/96	In contract negotiation process.
RSPA-Froehling & Robertson, Inc. (Proposed Rates TS-95-065)	UX-RS-6-002	10/13/95	In contract negotiation process.
RSPA-Weston & Sampson Engineers, Inc. (Proposed Rates TS-96-003)	UX-RS-6-020	10/27/95	In contract negotiation process.
RSPA-CETEnvironmental Services (Proposed Rates TS-96-005)	UX-RS-6-034	11/24/95	In contract negotiation process.
RSPA-Groundwater Technical Government Services, Inc. (Proposed Rates TS-96-006)	UX-RS-6-035	11/24/95	In contract negotiation process.
RSPA-Moretrench Environmental Services, Inc. (Proposal TS-96-0007)	UX-RS-6-036	11/24/95	In contract negotiation process.

### 5. Required Reports

Section 5(a) (11) of the IG Act, as amended, requires a description and explanation of the reasons for any significant revised management decisions made during the reporting period. OIG performs secondary follow-up on significant audit reports issued in prior periods to determine the status of management actions to implement recommendations. During this follow-up, any instances where management had significantly revised a decision would be identified and reported to OIG. During this reporting period, there were no significant revisions of departmental management decisions reported to OIG.

Section 5(a)(12) requires information concerning any significant management decision with which OIG is in disagreement. At the end of this reporting period, there were no significant management decisions with which OIG was in disagreement.

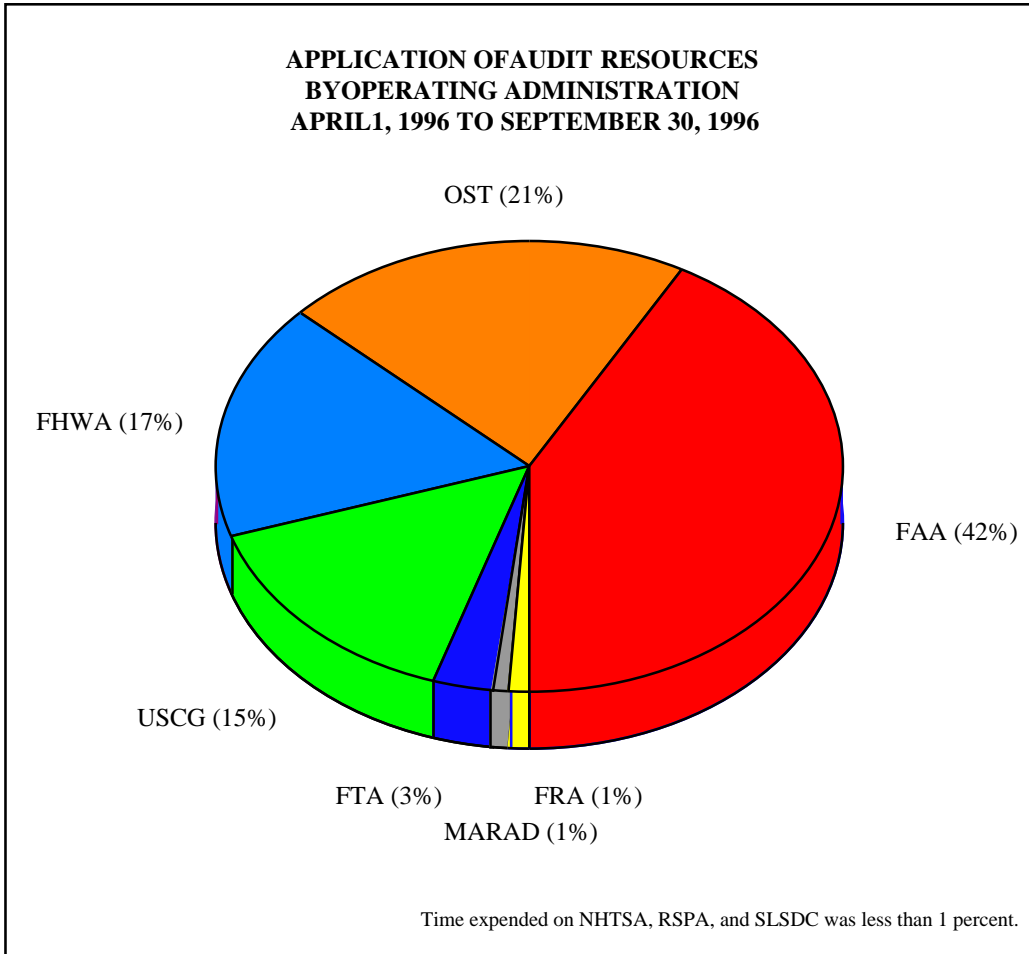
### F. APPLICATION OF AUDIT RESOURCES

At the end of the reporting period, OIG had an authorized staffing level of 290 full-time positions involved in audit operations, of which 105 positions (36 percent) were located in Washington, DC, and the remaining 185 (64 percent) were distributed among eight OIG regional offices. The organizational structure and the distribution of OIG audit staffing authorizations are shown in Table 7.

<b>Table 7</b>	
<b>Audit Staffing Authorizations as of September 30, 1996</b>	
Office	Total Personnel
Assistant Inspector General (AIG) for Auditing	2
Deputy AIG for Auditing	8
Office of Transportation Program Audits	49
Office of Information Technology, Financial, and Secretarial Audits	46
Region II (New York)	27
Region III (Baltimore)	23
Region IV (Atlanta)	27
Region V (Chicago)	21
Region VI (Ft. Worth)	26
Region VII (Kansas City)	14
Region IX (San Francisco)	28
Region X (Seattle)	19
<b>TOTAL</b>	<b>290</b>



The application of OIG audit resources by OAduring this semiannual period is shown in the following graph:



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# SECTION II - INSPECTIONS AND EVALUATIONS ACTIVITY

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## A. INTRODUCTION

This section summarizes OIG inspections and evaluations activities for the 6-month period ended September 30, 1996.

The Office of Assistant Inspector General for Inspections and Evaluations provides independent and objective inspections and evaluations of DOT programs and operations. The office reviews management, operational, policy, regulatory, and/or legislative implications of transportation-related issues, providing the Secretary, program managers within DOT, and Congress with timely feedback.

While supporting the overall OIG mission to detect fraud, waste, abuse, and mismanagement, inspections and evaluations are especially designed for cases where a full audit is unnecessary and a criminal investigation is inappropriate. The inspections and evaluations staff addresses these "in-between" issues, expending fewer resources — both in personnel and time — than required by a full audit or criminal investigation. This staff

reviews issues requiring a quick turnaround, employs interview-intensive (versus paper-intensive) data collection methods, and uses existing information as compared with conducting original research.

OIG's inspections and evaluations staff also responds to congressional requests, hotline complaints, and other referrals. Although these requests occasionally warrant a formal inspection or evaluation, most take the form of smaller studies, requiring selective research and interviews.

## B. INSPECTIONS AND EVALUATIONS ACCOMPLISHMENTS

The inspections and evaluations staff completed a total of 15 projects (1 inspection, 1 evaluation, 5 congressional requests, and 8 other referrals) resulting in 12 reports and 28 recommendations. In addition, a total of 13 projects are currently underway, including 5 inspections, 1 congressional request, and 7 referrals.

## C. SELECTED SIGNIFICANT FINDINGS AND RECOMMENDATIONS

### THE OFFICE OF AERONAUTICAL CHARTING AND CARTOGRAPHY NO LONGER FITS WITHIN NOAA.

(Report No. E1-FA-6-014)

#### OIG Findings

At the request of OMB, the Inspectors General of the Departments of Commerce (DOC) and Transportation conducted a joint review of where the AC&C function should reside. AC&C, part of NOAA, prepares aeronautical charts and maps for the Federal Government and the public based on FAA-provided information. FAA collects, validates, and disseminates aeronautical textual data as part of its mission to ensure the safe and efficient use of the nation's airspace.

The joint DOC/DOT study team analyzed several operational and organizational options to determine the best location for AC&C, including leaving it at NOAA, moving it to Defense Mapping Agency (DMA), USGS, or FAA; or allowing the private sector to perform

a greater role. The OIGs concluded AC&C fits best into the mission and organization of FAA and should be transferred to FAA where it is clearly more associated through funding, aviation safety, and program responsibility. The OIGs also concluded that by consolidating the existing AC&C and USGS printing operations, annual savings approaching \$3 million could be realized. In addition, the OIGs found: (i) current legislation unnecessarily restricts the ability of AC&C to develop, print, and distribute new products for improving air safety; (ii) FAA in the past resisted accepting the aeronautical charting program from NOAA due to the perceived risk of not receiving full funding and adequate personnel; and (iii) NOAA and DMA need to resolve problems concerning the DMA payment to support the aeronautical information database.

#### OIG Recommendations

The OIGs recommended OMB, working with NOAA and FAA: (i) transfer the responsibility for the functions currently performed by AC&C to FAA; (ii) develop legislation to permit AC&C to retain receipts from chart sales to the public, and ensure adequate funds and personnel are transferred to FAA to ensure AC&C is fully functional; (iii) transfer the AC&C printing function to USGS; and (iv) negotiate with DMA to secure its continued funding of aeronautical compilation and database management.

FAA disagreed with the recommendation to transfer the AC&C function to FAA, stating a PBO is a better alternative. The OIGs agree that AC&C could be made into a PBO, but that the appropriate location for the PBO is still within FAA. NOAA generally agreed with the recommendations, but did not agree to immediately transfer the printing operations to USGS. NOAA would instead prefer to physically relocate the printing operations to USGS, but retain management and administrative control. The OIGs reaffirmed the original recommendation, as efficiencies can only be attained through combined operations.

#### Corrective Actions

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### **FAA ALLEGEDLY PROVIDED EXCLUSIVE AIR TRAFFIC SERVICES TO A PRIVATE ENTITY NOT PROVIDED TO THE GENERAL PUBLIC.**

(Report No. E1-FA-6-011)

#### OIG Findings

OIG reviewed allegations concerning an FAA agreement with ABX to provide no-cost government equipment, staffing, and other resources needed to accommodate an ABX private radar system. OIG found FAA did not adequately justify expending government resources on supporting the ABX privately owned radar system. FAA did not demonstrate that the benefits of the radar outweighed the projected government expenditures nor that the expenditures represented the highest priority in allocating limited FAA resources. Furthermore, by not providing adequate justification, FAA placed itself in the position of appearing to offer preferential treatment to ABX in the form of a subsidy in excess of \$1 million. OIG did not substantiate allegations FAA improperly allowed the ABX non-Federal radar system to interface with the National Airspace System (NAS), or FAA allowed ABX to have its own air traffic control (ATC) specialists operate their private radar.

#### OIG Recommendations

OIG recommended FAA: (i) perform an analysis to determine if the expenditure to support the ABX non-Federal radar is justified and warrants funding; (ii) develop criteria and procedures showing how it will handle future requests for providing such services, including responsibilities for cost, to ensure preferential treatment does not occur; (iii) finalize a memorandum of understanding (MOU) before allowing the ABX non-Federal radar to interface with NAS; and (iv) update its internal order on non-Federal navigational aids and ATC facilities, to specifically include radar as non-Federally owned equipment.

#### Corrective Actions

FAA concurred with the recommendations. FAA has agreed to: (i) perform an analysis to determine if the FAA expenditure to accommodate ABX is justified, (ii) develop policy and guidance for future requests to support privately-owned radars, (iii) execute the MOU before providing any data to ABX, and (iv) update the internal FAA order on non-Federal navigational aids and ATC facilities to include radar and other systems.

**FAA OFFICIALS INAPPROPRIATELY HANDLED AN I/A WITH DITCO.**

(Report No. E1-FA-6-012)

**OIG Findings**

OIG reviewed allegations FAA abused procurement procedures, misused funds, provided inadequate project oversight, and a conflict of interest situation existed in the administration of a contract with Aeronautical Radio, Inc. This contract was awarded by FAA through an I/A with DITCO. OIG found: (i) FAA officials improperly initiated research and development projects under the I/A, (ii) about \$4.5 million of prior-year obligations under the agreement were not properly liquidated, and (iii) contractor invoices were inadequately reviewed before payment authorization.

**OIG Recommendations**

OIG recommended FAA: (i) continue to prohibit the use of the I/A with DITCO to initiate research and development work, (ii) make necessary adjustments to correct the mischarged appropriations, (iii) continue the procedures used to ensure operations dollars cover year-end unfilled orders, and (iv) ensure contracting officer technical representatives perform oversight of all contractors having projects under the DITCO I/A.

**Corrective Actions**

FAA agreed with the recommendations. Actions taken and planned met the intent of the recommendations.

**FTA PROVIDED NO-COST TRAINING TO THE PRIVATE SECTOR THROUGH A GRANT TO THE NATIONAL TRANSIT INSTITUTE (NTI).**

(Report No. E1-FT-6-006)

**OIG Findings**

OIG reviewed allegations FTA provided no-cost training to the private sector through a grant to NTI at Rutgers University. OIG found FTA provided no-cost training to the private sector on non-government premises, violating Section 29 of the Federal Transit Act of 1992 which required no-cost training be provided only to Government employees. OIG did not substantiate other allegations: (i) training provided was not competitively awarded, (ii) FTA improperly endorsed the contractor providing the training, and (iii) NTI wrongly claimed ownership of intellectual property rights for course manuals.

**OIG Recommendations**

OIG recommended FTA: (i) comply with Section 29 of the Federal Transit Act of 1992 and restrict the use of funds for appropriated purposes only, (ii) require course registration forms to be corrected and non-government employees to pay for future courses, (iii) take a more substantial role in managing course activities, (iv) direct NTI to establish procedures for verifying training attendee status, (v) reinforce management controls for the contract-award process to avoid any potential appearance of conflict-of-interest or improprieties, and (vi) require NTI only use instructor names and qualifications in Federal training course descriptions to prevent the appearance of improper contractor endorsement.

**Corrective Actions**

FTA did not agree with the first recommendation. Although OIG requested FTA reconsider their position, the FTA position has remained the same.

### **THE ASSISTANT ADMINISTRATOR FOR FAA OFFICE OF PUBLIC AFFAIRS ALLEGEDLY CREATED A HOSTILE WORK ENVIRONMENT.**

(Report No. E1-FA-6-010)

#### OIG Findings

In response to a congressional inquiry on behalf of a constituent, OIG reviewed 12 allegations concerning management practices within the FAA Office of Public Affairs. OIG substantiated two allegations: (i) Office of Public Affairs managers were compensated for work not actually performed, and compensatory time was retroactively awarded to one employee; and (ii) a hostile work environment existed in the Office of Public Affairs. OIG did not substantiate allegations concerning hiring practices, promotions, priority assignments and privileges, work hours, travel, and reduction-in-force procedures.

#### OIG Recommendations

OIG recommended: (i) FAA recoup the compensatory time (or equivalent monetary value) granted to the Office of Public Affairs managers for time not actually worked while on call, and (ii) all managers and employees in the Office of Public Affairs who prepare or approve time and attendance (T&A) records receive training in T&A procedures and recordkeeping requirements. No recommendations were made for the allegation concerning the hostile work environment because the problem was largely attributed to the management practices of the former Assistant Administrator for Public Affairs.

#### Corrective Actions

OIG is awaiting FAA response for implementing the recommendations.

### **FAA IMPROPERLY REVERSED INFORMAL INVESTIGATION FINDINGS.**

(Report No. E5-FA-6-005)

#### OIG Findings

OIG reviewed allegations FAA reversed its findings of economic discrimination against the Lansing, Michigan, Capital Region Airport Authority (CRAA) as a result of congressional influence. The Detroit Airport District Office (ADO) investigated an informal complaint and notified the complainant that CRAA was in noncompliance with its grant agreements because of economic discrimination. The ADO subsequently reversed its finding of noncompliance. The complainant assumed congressional pressure on FAA caused the reversal. Although OIG did not substantiate the allegation, it found FAA lacked guidance for communicating compliance deficiencies.

#### OIG Recommendations

OIG recommended FAA: (i) expedite issuance of a new part to the Code of Federal Regulations (C.F.R.) outlining procedures for addressing airport compliance complaints, and (ii) issue guidelines to all ADOs on communicating informal findings of compliance deficiencies to airport sponsors and complainants. OIG further recommended that guidelines require ADOs to: (i) use correct language to communicate potential compliance deficiencies, (ii) describe a final determination of compliance deficiencies can only be made by the FAA Director of Airport Safety Standards, and (iii) inform the complainant how to file a formal complaint.

#### Corrective Actions

FAA agreed with the recommendations. Actions taken and planned met the intent of the recommendations.

**IMPROPER INVESTIGATION OF PIPELINE AND LOW-FLYING AIRCRAFT COMPLAINTS.**

(Report No. E5-OS-6-006)

**OIG Findings**

In response to a congressional inquiry on behalf of a constituent, OIG reviewed allegations concerning improper investigations conducted by RSPA and FAA of a pipeline and a low-flying aircraft, respectively. OIG found: (i) RSPA did not ignore the constituent Freedom of Information Act (FOIA) requests because the requests were misdirected to the OST FOIA Division, (ii) RSPA and FAA mistakenly withheld information from the complainant's FOIA requests, and (iii) an FAA inspector investigating a complaint of low-flying aircraft correctly did not pursue an enforcement action. However, in the course of the investigation, the inspector used global positioning system (GPS) data incorrectly to validate his conclusion.

**OIG Recommendations**

OIG recommended: (i) OST ensure proper disposition of misdirected FOIA requests by including them in the current OST tracking system; and (ii) FAA provide guidance to aviation safety inspectors on the characteristics and limitations of GPS information, to include information on correcting altitude data.

**Corrective Actions**

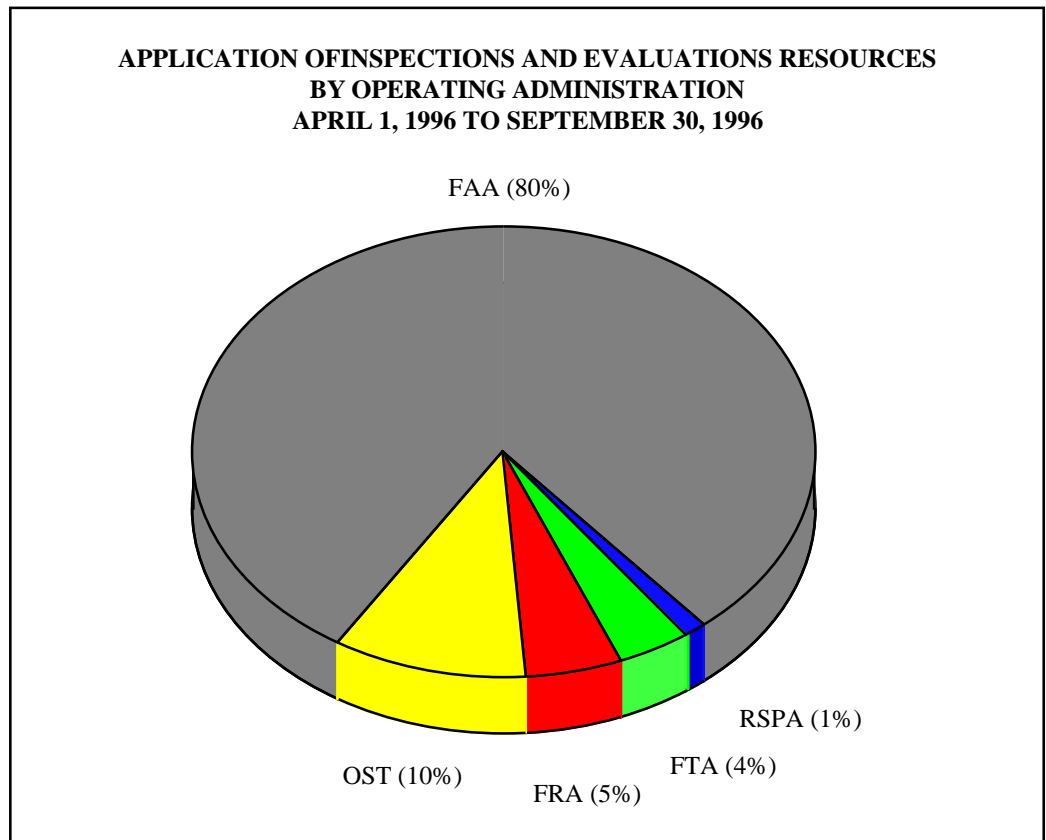
OST concurred with the recommendation and has taken steps to include misdirected FOIA requests in the OST tracking system. FAA also concurred with the recommendation and has developed computer-based and video training on GPS. In addition, the FAA Satellite Operational Implementation Team is comprised of GPS experts who can respond to questions from aviation safety inspectors. Since the FAA actions are only partially responsive to the recommendation, OIG requested FAA specifically notify aviation safety inspectors about: (i) the legal limitations of using GPS information in investigations, and (ii) the GPS expertise within FAA.

**D. APPLICATION OF INSPECTIONS AND EVALUATIONS RESOURCES**

At the end of the reporting period, OIG had an authorized staffing level of 26 full-time positions involved in inspections and evaluations operations, of which 3 (12 percent) were located in Headquarters, Washington, DC, and the remaining 23 (88 percent) were distributed between 2 regional offices. The organizational structure and the distribution of OIG inspections and evaluations staffing authorizations are shown in Table 8.

Office	Total Personnel
Assistant Inspector General (AIG) for Inspections and Evaluations	2
Deputy AIG for Inspections and Evaluations	1
Region I (Washington)	12
Region V (Chicago)	11
<b>TOTAL</b>	<b>26</b>

The application of OIG inspections and evaluations resources by OA during this semiannual period is shown in the following graph:





# SECTION III - INVESTIGATIONS ACTIVITY

## A. INTRODUCTION

This section summarizes OIG investigative activities for the 6-month period ended September 30, 1996.

The Office of Assistant Inspector General for Investigations conducts four types of investigations: reactive, proactive, preliminary inquiries, and hotlines. Reactive investigations focus primarily on individuals or companies identified as subjects at the outset of the investigation. Proactive investigations are OIG-initiated efforts which focus on DOT operations or activities vulnerable to fraud, waste, and abuse. Preliminary inquiries are limited reviews where a factual basis for full investigation does not yet exist. Hotlines consist of the receipt, evaluation, and referral of complaints provided through various sources and offer anonymity to the complainant. Hotline activity is outlined in Section IV. During this 6-month period, 76 percent of direct investigative staff hours was devoted to reactive investigations, 18 percent to proactive investigations, and 6 percent to hotline activities.

## B. INVESTIGATIVE ACCOMPLISHMENTS

During the second half of FY 1996, OIG continued to emphasize specific proactive initiatives such as OIG's SUPs Program, motor fuel excise tax (MFET) evasion, and hazardous materials (HAZMAT) violations.

OIG investigations during this reporting period resulted in \$4,799,776 in monetary recoveries which included fines, court-ordered restitutions, civil judgments/settlements, and Federal and state recoveries. Monetary recoveries are collected by the Federal treasury and, in some instances, are returned to the Department. State monetary recoveries are retained by the states.

### 1. Results of Reactive Investigations

OIG reactive investigations were directed toward specific individuals or companies based on alleged or suspected violations of law. Statistical summaries of reactive investigations and synopses of selected significant investigations are presented as follows:

#### a. Reactive Investigation Activity

The pending inventory of reactive investigations as of April 1, 1996, was 433. Seventy-nine cases were opened and 58 cases were closed during the reporting period, resulting in a pending reactive caseload of 454 as of September 30, 1996.

#### b. Profile of Pending Reactive Cases

Table 9 shows the types of cases pending and the affected OAs.

#### c. Prosecutive Referrals

During this 6-month period, 112 cases were accepted and 10 were declined for prosecution. The number of cases pending before prosecutive authorities as of September 30, 1996, was 77.

**Table 9**  
**Profile of Pending Reactive Investigations**

DOT Operating Administrations	Number of Cases	Types of Cases			
		Contracts	Employees	Grants	Other*
FAA	204	17	61	6	120
FHWA	112	7	8	25	72
FRA	4	1	3	0	0
FTA	29	6	2	17	4
MARAD	16	3	9	1	3
NHTSA	5	1	2	0	2
OST	20	1	14	1	4
RSPA	17	2	5	0	10
SLSDC	1	0	1	0	0
USCG	46	10	19	1	16
<b>TOTALS</b>	<b>454</b>	<b>48</b>	<b>124</b>	<b>51</b>	<b>231</b>
Percent of Total	100%	11%	27%	11%	51%

\* Includes companies and individuals making false statements to departmental program elements.

**d. Judicial and Administrative Actions**  
Investigative efforts resulted in the following actions during the reporting period ended

September 30, 1996. Table 10 shows judicial actions.

<b>Table 10</b> <b>Judicial and Administrative Dispositions</b> <b>April 1, 1996 to September 30, 1996</b>	
Judicial Action	Number
Indictments	67
Convictions	63
Years Sentenced	51
Years Probation	112
Fines	\$1,616,941
Court-ordered Restitutions/Civil Judgments	\$1,367,502
Federal Recovery	\$446,876
State Recovery	<u>\$1,368,457</u>
<b>TOTAL</b>	<b>\$4,799,776</b>

During this reporting period, OIG was advised of 27 administrative actions taken by the various DOT elements as a result of investigative activity. Shown in Table 11 below are administrative actions, including debarments, taken during this reporting period.

<b>Table 11</b> <b>Administrative Actions</b> <b>April 1, 1996 to September 30, 1996</b>	
Administrative Action	Number
Employee Suspension	2
Employee Reprimand	1
Employee Resignation/Retirement	3
Employee Restitution	1
Employee Terminated	2
Counseling/Other Employee Action	9
Debarment/Suspension of Individuals	2
Debarment/Suspension of Corporations/Companies	3
Not Substantiated	1
Other Remedial Action	2
Audit Scheduled	<u>1</u>
<b>TOTAL</b>	<b>27</b>

**e. Selected Reactive Investigations**

The investigations described below reflect the wide range of investigative efforts during this reporting period.

**FORMER FAA AIR TRAFFIC CONTROLLER INDICTED IN LARGEST WORKERS' COMPENSATION FRAUD EVER.**

In a joint investigation conducted with DOL OIG, a former FAA air traffic controller was indicted in the Eastern District of New York, on counts of mail fraud and false statements related to fraudulently receiving workers' compensation benefits of \$325,000.

The investigation disclosed that the defendant repeatedly filed reports with DOL's Office of Workers' Compensation stating he was neither employed nor self-employed. Through the use of covert investigative techniques, special agents established the defen-

dant operated a shelving business for a number of years as a self-employed businessman. A search warrant resulted from the evidence gathered during the covert operations phase and was executed upon the defendant's place of business during 1996. A review of compensation records revealed that since 1973, the defendant has received more than \$830,000 in Federal Employees' Compensation Act benefits which are chargeable to DOT's funds. This is believed to be the largest workers' compensation case ever. Trial is scheduled for November 1996.

**CIVIL COMPLAINT FILED AGAINST CORPORATION AND TWO OFFICERS FOR MISCHARGING ON GOVERNMENT CONTRACTS.**

As a result of a hotline complaint received by OIG, an investigation into alleged contract mischarging was opened in 1991. OIG review of contract materials disclosed that other agencies were potentially impacted and thus, a joint investigation was coordinated with special agents from NASAOIG and Defense Criminal Investigative Service (DCIS) with audit assistance from DCAA. As a result of the ensuing extensive multi-agency investigation, a civil complaint was filed in Maryland Federal District Court charging the corporation and two of its officers with violations of the False Claims Act.

The civil complaint alleged the defendants conspired to shift costs from fixed-price government contracts that were over budget to other government contracts with USCG, DoD, and NASA, by directing corporate employees to charge their time to these contracts even though the employees were actually working on other projects. The results of the misbilling were overcharges to the United States of approximately \$600,000 during a 3-year period. If found liable, the corporation will be subject to treble damages of \$1.8 million, plus civil penalties of \$5,000 to \$10,000 for every false claim. Total damages could exceed \$11 million.

**FAA FAILURE TO ADHERE TO AUDIT RECOMMENDATIONS LEADS TO EMPLOYEE EMBEZZLEMENT OVER \$90,000.**

A joint investigation conducted with FBI resulted in a former FAA employee pleading guilty to theft of over \$90,000 from the FAA Eastern Region's Imprest Fund. The investigation, conducted with assistance from OIG auditors and FAA's CAS Division, uncovered a variety of schemes utilized by the employee while acting in his capacity as the fund's

cashier. The schemes perpetrated by the defendant to accomplish and conceal the embezzlement from FAA regional officials included forgery, falsification of receipts and disbursement documents, and falsifying various accounting reports.

A review of internal documents revealed OIG had conducted an audit of the imprest fund in 1989, and FAA had been advised by the audit staff to improve its controls over the imprest fund by undertaking specific actions to improve the fund's system of checks and

balances. The investigation disclosed that despite assurances from the FAA regional office that the recommended financial controls would be implemented, they were adhered to for only a limited duration. The defendant is scheduled for sentencing in November 1996.

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#### **FOR \$63,000 EMBEZZLEMENT, DOT EMPLOYEE IS TERMINATED AND JAILED.**

In July 1995, upon referral from OST, OIG initiated an investigation into the loss of over \$63,000 from a DOT imprest fund which expended cash advances to departmental officials and processed reimbursement vouchers.

The investigation disclosed the principal fund cashier embezzled in excess of \$63,000 over a 2-year period, created false documents, and destroyed government records in order to

conceal the thefts. The cashier was terminated from Federal employment in April 1996 consequent to a felony information filed in the U.S. District Court for Washington, DC, charging her with theft. In May 1996, the former employee pled guilty to one felony count of theft of government property and was subsequently sentenced to 4 months incarceration, followed by 4 months home detention, 3 years probation, and full restitution.

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#### **LARGEST CONSTRUCTION COMPANY, SIX INDICTED IN CONSTRUCTION-RELATED FRAUD IN PUERTO RICO.**

As a result of a joint OIG/FBI investigation initiated at the request of FHWA, the largest construction company in the Commonwealth of Puerto Rico along with six individuals, were indicted for construction-related fraud and bank fraud regarding the \$13million Federally-funded Jesus T. Piñero Expressway project.

Those indicted include two employees of the Puerto Rico Highway and Transportation Authority (PRHTA) who were assigned to oversee the construction project. They were indicted for conspiracy regarding false claims and knowingly making a false statement, false representation, false report, or false claim with respect to the character, quality, quantity, or cost of work performed, or materials furnished, in connection with the construction of the project.

The corporation, its Chief Executive Officer (CEO), and its project engineer were also charged with conspiracy and construction-related fraud. In addition, the corporation, its CEO, comptroller, and one of his assistants were charged with bank fraud for submitting falsified progress payment certificates to an institution insured by Federal Deposit Insurance Corporation in support of the company's line of credit. Charges of perjury before a Federal grand jury were also filed against the company's CEO, its project engineer, and the two PRHTA employees.

All defendants have pled not guilty, and trial is tentatively scheduled for early 1997.

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#### **ENGINEERING FIRM OFFICIALS SENTENCED FOR SUBMITTING FRAUDULENT CLAIMS ON HIGHWAY DESIGN CONTRACTS.**

In a joint investigation with EPA, an engineering design firm was accused of creating false invoices to inflate their overhead rate, falsifying employee time sheets, and transferring direct costs into administrative costs on various EPA and DOT contracts. EPA and

DOT auditors, along with a contracted Certified Public Accounting firm, analyzed time sheets and expense reports obtained during a search warrant. OIG's analysis determined the firm over-billed the Government in excess of \$1 million.

The firm and its two principal owners pled guilty to conspiracy to defraud the Government with respect to claims, causing false claims to be filed with the Government, and false statements. The firm, together with the two principal owners, was fined \$1.34 million.

One of the owners was sentenced to 5 months in a half-way house, to be followed by 5 months of home detention, followed by 3 years probation. The second owner was sentenced to 3 years probation, and required to perform 500 hours community service.

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### **FAA CONTRACTOR SETTLES FALSE CLAIMS ALLEGATIONS FOR \$250,000.**

A confidential source alleged that a firm and its CEO submitted false claims to FAA on a communications contract. The information, corroborated by a second confidential source, indicated program management costs for the contract were billed at FAA-approved salary rates when, in fact, the contractor had deferred 50 percent of program management personnel's salaries, but continued to bill the FAA on monthly progress payment invoices for the total salary amounts. The contractor filed for bankruptcy and began negotiations with FAA and Department of Justice (DOJ) for the

remaining amount of its contract. The total estimated false claims amount was approximately \$170,000.

Subsequently, DOJ reached a settlement with the contractor which was approved by the bankruptcy court. As a result of negotiations, the contractor released a claim it had pending before the DOT Board of Contract Appeals pertaining to a different FAA contract in exchange for the United States not pursuing the claim under the False Claims Act. As a result, FAA received \$250,000.

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### **EXECUTIVE INDICTED FOR SELLING DEFECTIVE CHEMICAL PROTECTIVE GARMENTS TO USCG FOR OPERATIONS DESERT SHIELD AND DESERT STORM.**

A 2-year joint investigation conducted by OIG and DCIS resulted in mail fraud charges being brought against the owner of a textile corporation. The indictment charged the owner with having sold to USCG in 1991, 400 defective chemical protective suits for use by USCG personnel in Operations Desert Shield and Desert Storm.

According to the charges, the owner concealed the true condition of the suits by failing to disclose that the suits were part of a lot of 5,000 that had previously failed two inspections by DoD, and by falsely advising USCG there were only minor color flaws in some of the protective suits. The owner has pled not guilty and a trial date is undetermined.

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### **CIVIL FRAUD COMPLAINT FILED AGAINST GOVERNMENT CONTRACTOR FOR FALSIFICATION OF EMPLOYEES' EDUCATION.**

As a result of an OIG joint investigation with Naval Criminal Investigative Service (NCIS), a civil complaint was filed by a United States Attorney's Office in U.S. District Court alleging violations of the Federal False Claims Act by a software development firm and its sole proprietor. The subject firm was a subcontractor to a company under contract to

DOT and was tasked with developing computer software for DoD, including the U.S. Navy.

The complaint alleged the defendant company and its proprietor knowingly submitted claims for hours worked by employees in excess of the hours that had actually been worked. The complaint further alleged that the defendants billed for employees with no

bachelor degrees in labor categories requiring that degree per contract specification, and also billed for employees lacking advanced degrees in contractual labor categories requiring advanced degrees. Total billings to the Government for employees who were not qualified

for their labor categories were approximately \$700,000 over a 3-year period. In the complaint, the Government seeks recovery of treble damages plus civil penalties of \$5,000 to \$10,000 for each false claim submitted.

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#### **TAXI OWNER FINED \$71,000 IN TRANSIT SCAM.**

In a joint investigation with FBI, a taxicab owner and operator was sentenced in U.S. District Court, San Antonio, Texas, to 5 years probation and was ordered to make restitution of \$71,000 for submitting false claims to the San Antonio Metropolitan Transit Authority (VIA), in connection with a program to provide transportation to elderly and handicapped citizens. Taxicab owners enlisted in this program agreed to provide

transportation to those in need and submit vouchers to the city for reimbursement. In this case, the defendant admitted he billed VIA and was paid for trips he never took. The defendant acknowledged submitting thousands of vouchers over a 3-year period that included fictitious names and trips that were never taken. This is the second investigation in Texas involving taxi companies and drivers defrauding this FTA partially-funded program.

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#### **FAA AIRPORT EMPLOYEES INDICTED IN THEFT CASE.**

As a result of a joint investigation conducted with General Services Administration OIG, DCIS, NCIS, and FBI, three FAA employees based at a county airport in northern New York were charged with theft of Government property.

The employees were charged for their participation in a scheme that involved receiving large amounts of military surplus property from DoD's Defense Reutilization Marketing Organization (DRMO). DRMO allows agencies to receive surplus military property at no cost under the condition the property will be utilized

for official purposes. According to the Federal charges, the defendants received the property under the guise of legitimately transferring it to FAA for official Government use, but instead, converted the property to their own use, or to the use of others.

To date, one defendant has pled guilty to theft, awaits sentencing, and has been fired by FAA. The two remaining employees are awaiting trial on conspiracy and theft charges and have been placed on administrative leave without pay by FAA.

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#### **TRUCKING COMPANY PRESIDENT PLEADS GUILTY TO FALSE STATEMENTS CHARGE.**

As the result of a joint investigation with FHWA, Office of Motor Carriers (OMC), the president of a trucking firm entered a guilty plea, on behalf of the firm, to a false statements charge. The firm had been the subject of numerous OMC regulatory reviews and civil penalties in the past. Based on documents seized from the execution of a search warrant, it was apparent that the firm, operat-

ing in interstate commerce, had accepted false records of duty status and altered or false supporting documents from company drivers. The firm's administrative staff then prepared false trip sheets to conceal excessive mileage and hours-of-service violations. The court sentenced the company to a \$90,000 fine, 320 hours of community service, and a \$200 special assessment.

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**NATIONWIDE TEXAS TRUCKING FIRM AND THREE OFFICIALS INDICTED FOR FALSIFYING DRIVER LOGS.**

A Federal grand jury in the Northern District of Texas returned a 12-count indictment against a nationwide trucking company, headquartered in Texas, and three corporate officials, for conspiring to defraud the United States and submitting false statements in connection therewith. The defendants were charged with falsifying driver's logs, used by FHWA to monitor the activities of interstate truck drivers and to prevent accidents caused by fatigued truck drivers. The indictment alleged the defendants encouraged their dri-

vers to drive in excess of the number of hours allowed by Federal law and, in an effort to conceal this from FHWA officials, falsified the driver logs with names of "second" drivers who either did not exist or who had left the company. Federal regulations limit truck drivers to 10 hours of driving, before taking at least 8 consecutive hours off-duty. FHWA periodically reviews these records to ensure compliance with these safety regulations. This investigation was a joint effort involving OIG and Dallas FBI.

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**VIRGINIA TRUCKING COMPANY OWNER GUILTY OF FALSIFYING RECORDS.**

An investigation was initiated in November 1995 based on notification from the Office of Regional Counsel, Baltimore, Maryland, OMC, FHWA, of an ongoing enforcement effort by OMC investigators and the United States Attorney's Office, Western District of Virginia. A commercial trucking company was the subject of several OMC enforcement actions and failed to take corrective action and pay monetary penalties assessed by OMC. The most recent compliance review disclosed the company had used drivers who had tested positive for controlled substances. This, along with the company's refusal to cooperate, prompted OMC to contact the Assistant United States Attorney in Abingdon, Virginia, for assistance. OIG was notified after it was

decided the matter should be pursued criminally. This case was worked jointly with OMC and the Virginia State Police.

On December 1, 1995, OIG executed a search warrant at the company and obtained information which disclosed it falsified driver's logbooks and used drivers who had tested positive for drugs. On August 8, 1996, the owner and his company pled guilty to one count of 18 U.S.C. 371 for conspiring to conceal information from DOT. They were charged in a one-count information with systematically falsifying records relating to trucking operations. Sentencing is pending. The owner faces a maximum penalty of 5 years imprisonment and/or a fine of \$250,000.

## 2. Results of Proactive Investigations

Proactive investigations are generally directed toward DOT operations or activities vulnerable to fraud, waste, and abuse, with an emphasis on the development and refinement of preventive measures. Typically, because of the complexity of these types of investigations, the different issues involved, and the seriousness of the potential offenses, numerous agencies have committed resources to various task forces formed around the country to resolve identified problems.

# S SUPS PROGRAM

OIG continues to emphasize its SUPs program which resulted in this semiannual period in 22 indictments and 16 convictions. These judicial actions are the realization of OIG's long-term investment in the area of SUPs investigations. These investigations are labor-intensive and time-consuming, and several multi-agency task forces have been formed to cooperatively address the law enforcement aspects of the SUPs problem. Additionally, in an effort to maximize the use of limited resources, OIG has focused on the most serious SUPs investigations. Consequently, there are 108 aviation SUPs cases in our current investigative inventory as compared to 219 at one point in time. OIG anticipates continued success in the SUPs program with the likely return of additional indictments.

A listing of incarceration years, probation years, fines, restitution, and Federal recoveries for the previous and current reporting periods follows:

<u>October 1, 1995 to March 31, 1996</u>		<u>April 1, 1996 to September 30, 1996</u>	
Indictments	14	Indictments	22
Convictions	16	Convictions	16
Incarceration Years	12	Incarceration Years	16
Probation Years	43	Probation Years	38
Fines	\$1,806,376	Fines	\$179,441
Restitution	\$788,584	Restitution	\$677,970
Federal Recoveries	\$0	Federal Recoveries	\$0
<b>Dollar Recovery Total</b>	<b>\$2,594,960</b>	<b>Dollar Recovery Total</b>	<b>\$857,411</b>

Examples of SUPs investigations follow:

### **MAJOR JET ENGINE REPAIR STATION CORPORATE OFFICERS FOUND GUILTY BY JURY.**

This joint investigation with FBI, with assistance from FAA's CAS Division, was opened in August 1992 to investigate allegations a major FAA-certified repair station was conducting improper repairs on jet engine parts.

Two former executive vice presidents were charged in 1995 with mail and wire fraud, false statements, and conspiracy, and faced Federal trial in April 1996. An ensuing 5-week trial, in the Southern District of New York, focused on the illegal and improper repair of an aircraft engine's low-pressure turbine case for an international airline, and on several hundred bearing seals for various airlines. A Federal

jury convicted one of the officers on counts of mail and wire fraud and false statements, and obstruction of justice. The other executive vice president was found guilty of wire fraud.

At the time of the jury verdict, the lengthy investigation had already resulted in a general manager in charge of turbine blade repair pleading guilty to felony charges relating to the improper repairs, the company making a \$5 million remedial payment to FAA, and placing an additional \$5 million in escrow for parts testing in support of the investigation. Sentencing for the former executive vice presidents is pending.



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**COMPANY OWNERS JAILED IN DEFECTIVE BOEING 727 PARTS INVESTIGATION.**

A joint undercover investigation in the Northern District of Texas involving OIG, FBI, and DCIS resulted in the sentencing of two corporations and two corporate officials for manufacturing and selling defective and unapproved flight-control parts for Boeing 727 aircraft. The owner of the manufacturing company was sentenced to 37 months in prison, followed by 36 months probation. The company was fined \$8,000. The owner of the company who sold the defective parts was sentenced to 48 months in prison, followed by 36 months probation. His company was fined

\$150,000, placed on probation for 60 months, and ordered to submit to inspections by both FAA and OIG during the period of this probation. Approximately 1,350 bogus slat track roller bolt assemblies were manufactured and distributed by these defendants. A slat track roller bolt helps hold the leading edge slats in place, which extend and retract during take-off and landing by the Boeing 727. Over 1,000 of these bolt assemblies were purchased by a major air carrier operating in the United States, and over 400 had to be removed from their aircraft.

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**AVIATION PARTS SUPPLY COMPANY FORMER OFFICER JAILED FOR WIRE FRAUD AND ARSON.**

In an investigation with the Bureau of Alcohol, Tobacco, and Firearms involving the alleged arson of a warehouse containing a large inventory of aircraft parts, it was discovered that those same parts were being offered for sale to airlines. The resulting joint investigation determined the vice president of sales was bribing airline purchasing agents to purchase aircraft parts at inflated prices from his company. The vice president of sales also "torched" the parts warehouse in order to collect the insurance proceeds on the value of the parts.

The vice president was charged with arson, conspiracy to commit wire fraud, and mail fraud, in an indictment returned by a special Federal grand jury. The vice president pled guilty and admitted to providing cash kickbacks to purchasing agents in the airline industry in an effort to induce business for his company, and to setting fire to the warehouse by pouring gasoline through the interior, and by igniting the gasoline with an open flame and time-delay device. He was recently sentenced to 6 months incarceration, 6 months home detention, and a fine of \$150,000.

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**FAA-CERTIFIED REPAIR STATION OWNER JAILED FOR MAKING FALSE STATEMENTS.**

The owner of an FAA-certified repair station was sentenced in U.S. District Court, Wichita, Kansas, to 24 months in prison, followed by 72 months probation, and was ordered to make restitution of \$15,000 for making false statements regarding the repair of aircraft parts. The defendant admitted that he knowingly and willfully signed FAA-required maintenance reports reflecting that authorized

repairs had been made to flow control valves when, in fact, he knew he was not authorized to make such repairs. He also altered his certificate to falsely represent he was authorized to make such repairs. The FAA subsequently revoked his license. Flow control valves are considered flight-critical parts because they control air-cabin pressure. This was a joint investigation with FBI and DCIS.

### **COMPANY EXECUTIVES SENTENCED FOR SUBSTITUTING COMMERCIAL GRADE FOR MILITARY SPECIFICATION FASTENERS.**

The former president and vice president of a now-defunct fastener company were sentenced in Federal court as a result of their convictions for mail fraud in connection with the sale of substandard aviation fasteners to Federal Government contractors. The defendants had supplied the parts to contractors whose customers included FAA, USCG, DoD, and NASA.

The former president was sentenced to 15 months incarceration and 2 years supervised release. The former vice president was sentenced to 21 months incarceration, 2 years supervised release, and was ordered to pay \$120,000 in restitution.

The defendants, including the now-defunct company, had pled guilty in April 1995, admitting that the company had substituted commercial grade fasteners for military specification fasteners ordered by Government contractors for DoD-related projects. The defendants prepared documents which falsely certified the fasteners met all applicable specifications. The 4-year investigation was conducted by a multi-agency area task force composed of OIG, FBI, DCIS, Air Force Office of Special Investigations, NCIS, and NASA/OIG.

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### **TWO JAILED FOR SALE OF BOGUS GENERAL AIRCRAFT PARTS.**

Two men were convicted on state charges of theft by deception for the sale of 14 unserviceable aircraft engine crankshafts in the Southeastern United States. The men had made unauthorized repairs and attached false maintenance release tags to unserviceable crankshafts representing that the parts were serviceable and ready for installation into gen-

eral aviation aircraft engines. A failure of these crankshafts could cause engine failure and an imminent threat to public safety. One defendant received a 2-year jail sentence with 3 years probation, while the other defendant was sentenced to 10 months jail, followed by probation.

## EVASION

The investigation of cases involving suspected evasion of MFET remains an OIG priority. OIG's involvement in multi-agency task forces demonstrates its commitment to this program. Of the nine task forces formed around the country to combat the problem of MFET evasion, OIG is participating in eight. OIG currently has 36 pending proactive and reactive MFET investigations in its inventory. OIG investigative efforts in the MFET area resulted in 12 indictments and 15 convictions, with total sentences of 27 years jail and 25 years probation during this period. Examples of OIG MFET investigations follow:

### THREE DEFENDANTS RECEIVE LONG PRISON TERMS IN MFET EVASION SCHEME.

A 4-year joint investigation ("Operation Red Daisy") conducted by OIG, Internal Revenue Service (IRS)-Criminal Investigative Division, FBI, and state agencies, resulted in three defendants receiving lengthy prison terms for their involvement in the evasion of over \$60 million in MFET. The three defendants were sentenced in the District of New Jersey to 90 months, 45 months, and 33 months of incarceration, respectively. The three convicted felons, along with nine others, had been charged in May 1993 with evading

over \$60 million in MFET on sales of hundreds of millions of gallons of diesel fuel and gasoline. Earlier in this case, an organized crime figure was sentenced in New Jersey to 20 years in Federal prison for his role in orchestrating the conspiracy to evade the taxes. The MFET were earmarked for ultimate deposit into the Federal Highway Trust Fund and into the state's highway funds. Several other cases resulting from this major joint investigation are awaiting trials, or are pending sentencing.

### INTERNATIONAL TAX EVASION SCHEME BROKEN BY JOINT UNDERCOVER OPERATION.

An undercover operation was initiated in 1994 as a joint effort by OIG, FBI, IRS, state police, and Canadian provincial authorities to identify entities in a north-central state who were evading MFET. Various schemes were used to avoid U.S./Canadian import/export duties and to blend non-taxed fuel with taxed fuel. The undercover operation purchased and sold motor fuels to individuals suspected of evading the excise taxes. The undercover operation was terminated with the execution

of 14 simultaneous search warrants. Recently, Canadian officials prosecuted one of the involved individuals for violations of Canadian environmental and tax laws. The individual was sentenced to 4 years and 3 months incarceration, and a fine of \$1 million. Three U.S.-based individuals have been sentenced in Federal and state courts for a combined 6 months of incarceration, 74 months of probation, and \$261,000 in fines.

### OIL COMPANY OWNER PLEADS GUILTY TO DIESEL FUEL INCOME TAX EVASION SCHEME.

The owner of an oil company operating in Louisiana and Mississippi pled guilty in the Eastern District of Louisiana to tax evasion for failing to report on his Federal income tax return the sale of over 500,000 gallons of diesel fuel. The defendant admitted he knowingly and willfully evaded more than \$86,000 in excise taxes by failing to report these diesel fuel sales on his Federal excise tax return. The defendant evaded these taxes by buying the fuel at the refinery "tax free", and selling the

diesel fuel to retailers, representing that the tax had been paid. The invoices and bills of lading falsely represented that he sold the fuel to another entity, for other than highway use, when in fact, he sold it to retailers and should have paid excise taxes on the purchases. Sentencing in this joint OIG/IRS investigation is scheduled for October 1996. The defendant faces a maximum sentence of 5 years imprisonment and a fine not to exceed \$250,000.

## VIOLATIONS

Increased emphasis by OIG involving the investigation of violations of HAZMAT laws and regulations has resulted in an increase of investigative results during this semiannual period. OIG anticipates such increases will continue as OIG involvement in these types of investigations grows. HAZMAT issues affect nearly every aspect of transportation including air, rail, highway, water, and pipelines. OIG is currently conducting several HAZMAT investigations, mostly in joint task force operations with EPA, FBI, and other Federal and state investigative organizations. OIG also intends to closely coordinate its efforts with DOJ to ensure criminal violations are prosecuted whenever possible. OIG HAZMAT investigations resulted in the return of 17 indictments and 8 convictions during this reporting period. Examples of OIG HAZMAT investigations follow:

### HAZMAT TRANSPORT COMPANY CHARGED IN CONNECTION WITH FATAL ACCIDENT.

A fatal motor carrier accident occurring in July 1994 in the state of New York resulted in an investigation being conducted jointly with FHWA's OMC and FBI. As a result of the ensuing investigation, a felony information was filed in Federal court against a corporation engaged in the business of transporting and selling propane gas.

The information charged the company with making approximately 93 false driver daily logs in violation of Federal motor carrier safety regulations applicable to carriers of HAZ-

MAT. A number of those false logs were prepared by the driver who was killed in July 1994, when the propane transport trailer he was driving struck a guard rail and exploded. The information charged that at the time of his death, the driver had been on duty approximately 35 hours without the required 8 consecutive hours off-duty. Several civil suits have also been filed against the corporation by private citizens as a result of the explosion and fire, which occurred in a suburban neighborhood. Prosecution is pending.

### FIVE GUILTY PLEAS AND \$22 MILLION IN FINES OFFERED IN NATURAL GAS PIPELINE CASE.

In a complex and lengthy joint investigation conducted in concert with a multi-agency task force consisting of Department of Energy OIG, FBI, DCIS, EPA-Office of Criminal Investigations, Army Corps of Engineers, and state agencies, informations and guilty pleas were entered in Federal court against a natural gas pipeline operating company and four of its officers and employees.

The investigation involved the execution of several search warrants to inspect sections of natural gas pipelines covering expansive tracts of land in the Northeast. The search warrants were executed for purposes of gathering evidence of the company's failure to install the required number of proper supports, called trench-breakers, on slopes and at the edges of wetlands, and its failure to remove fill from wetlands and streams and to adequately control sediment. The search warrants and ensu-

ing investigation disclosed the company failed to comply with terms of construction permit specifications, and had violated the Clean Water Act.

The company pled guilty to four felony violations of the Clean Water Act and agreed to four civil consent decrees in four judicial districts and to two administrative orders by DOT and the Federal Energy Regulatory Commission. The plea agreement, if accepted by the court, calls for \$22 million in fines, approximately \$20 million in lost consumer "pass along costs" related to the construction of the pipeline, and several administrative remedies to ensure that the pipeline is monitored over the next 20 years. Four officials of the pipeline company were also charged by informations with violations of the Clean Water Act and have pled guilty. Sentencing of the corporation and the individuals is pending.

## TWO CONVICTIONS OBTAINED FOR HAZMAT TRANSPORTATION VIOLATIONS.

As a result of a joint Federal and state task force investigation, an officer and a West Coast company were convicted of violating HAZMAT transportation laws. The official used the trucking firm, which was not a registered HAZMAT transporter, to haul between 70 and 90 tons of HAZMAT containing asbestos. This trucking firm illegally transported the HAZMAT to a landfill. When the landfill rejected the materials, the trucking

firm transported the materials back to the original property where the materials were illegally dumped, buried, and covered with concrete. The corporation and officer were prosecuted by the state for the violations, and approximately \$212,000 in criminal and civil penalties were obtained. In addition, the company and the official were each sentenced to 36 months probation.

## LOUISIANA FIRM FINED \$250,000 FOR POLLUTING GULF OF MEXICO.

A Louisiana firm was indicted, convicted, and sentenced in U.S. District Court for the Southern District of Texas for knowingly discharging harmful quantities of oil into the waters of the United States and into contiguous areas that may affect the natural resources of the United States, in violation of the Oil Pollution Act. This conviction was the result of a task force effort in Louisiana involving OIG, FBI, EPA, USCG, and Louisiana State Police. The evidence to support this conviction was gathered initially through an informant and subsequently through an undercover

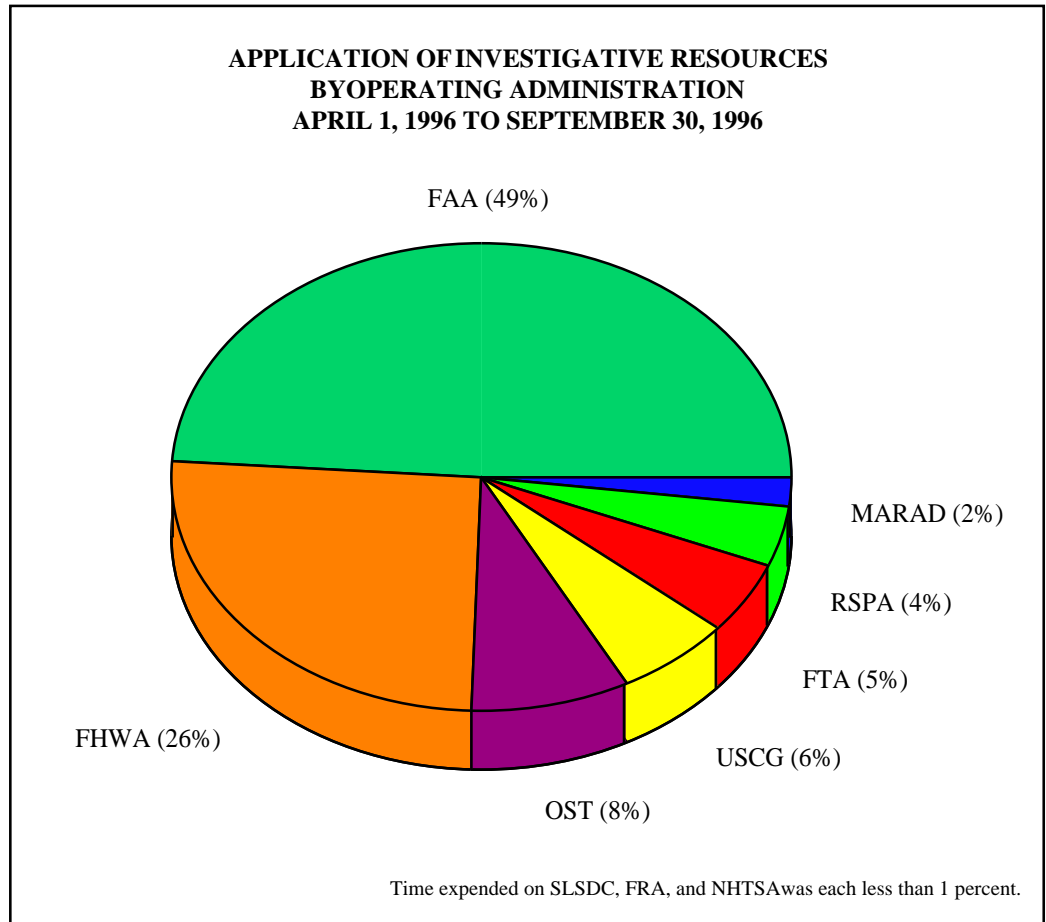
operation, and interviews that followed. The company owned nine vessels in the Southern Louisiana and Texas area that were used to carry supplies to oil rigs in the Gulf of Mexico. Instead of legally disposing of the waste oil, the defendant company dumped the oil overboard into the Gulf of Mexico. The company was ordered to pay a fine of \$250,000 and make restitution of \$100,000 to the Gulf Coast Conservation Association. These are the largest penalties levied to date against violators of the Oil Pollution Act.

## C. APPLICATION OF INVESTIGATIVE RESOURCES

At the end of the reporting period, OIG had an authorized staffing level of 92 full-time positions involved in investigative operations, of which 13 positions (14 percent) were located in Headquarters, Washington, DC, and the remaining 79 (86 percent) were distributed among five regional offices. The organizational structure and the distribution of OIG investigative staffing authorizations are shown in Table 12.

Office	Total Personnel
Assistant Inspector General (AIG) for Investigations	2
Deputy AIG for Investigations	11
Region II (New York)	23
Region IV (Atlanta)	14
Region V (Chicago)	15
Region VI (Fort Worth)	8
Region IX (San Francisco)	19
<b>TOTAL</b>	<b>92</b>

The application of OIG investigative resources by OAduring this semiannual period is shown in the following graph:



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# SECTION IV - OIG HOTLINE

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## A. OIG HOTLINE COMPLAINT CENTER ACTIVITIES

During this reporting period, OIG Hotline Complaint Center processed 299 telephone, letter, and/or walk-in complaints. Of these complaints, 241 were entered into the hotline

control system. The remaining 58 complaints required no action because they were either misdirected or lacked specificity or applicability. A statistical summary of the hotline complaints and their disposition is shown in the following table:

Disposition of Complaint	Number
No Action Required	58
Referred for Audit Inquiry	2
Referred for Inspections and Evaluations Inquiry	4
Referred for Investigative Inquiry	36
Referred to Program Management	175
Referred to Other Agencies	6
Preliminary Investigative Review	18
<b>TOTAL</b>	<b>299</b>

## B. SELECTED HOTLINE COMPLAINTS

### DISCLOSURE OF PRICING DISCREPANCY LEADS TO SAVING OF FEDERAL FUNDS.

#### Hotline Complaint

An anonymous complaint to the Hotline Complaint Center alleged that a helicopter fuel pressure regulator could be purchased cheaper from the manufacturer than through the Federal stock system. The complainant claimed the regulator could be purchased from the manufacturer for \$358.60, whereas the Federal stock system charges \$1,046.64.

#### OIG Results

The hotline complaint was referred to USCG, the OAI in possession of the helicopter in question, for action. USCG's inquiry substantiated the allegation, and the appropriate officials responsible for procuring this part were notified of the pricing discrepancy.

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### CHRISTMAS PARTY EXPENSES BILLED TO FAA BY CONTRACTOR.

#### Hotline Complaint

Allegations were made through the Hotline Complaint Center that an FAA contractor charged to an FAA contract the cost of two employees to attend a company Christmas party.

#### OIG Results

The hotline complaint was referred to FAA for action. FAA's inquiry disclosed travel expenses by the contractor were billed in error to the FAA contract and, as a result, FAA will subtract the total of \$342.26 from the next invoice.

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**ALLEGATIONS REGARDING AN FAA SOLE-SOURCE CONTRACT.**

## Hotline Complaint

The Hotline Complaint Center received a complaint on FAA's Voice Switching and Control System (VSCS), alleging FAA was unnecessarily sole-sourcing a contract for backup switches to a losing bidder at \$10 million a switch, as part of the existing contract. VSCS provides air traffic personnel simultaneous access to many types of air and ground communications.

## OIG Results

An OIG audit disclosed FAA may sole-source the switch contract as a result of a cost-benefit analysis which evaluates reasonable alternatives. OIG's review further disclosed the cost per switch will be less than \$1 million, and that the proposed sole-source contractor's switch satisfies a number of FAA requirements which are currently not being met. OIG's review concluded FAA was performing the necessary analyses to make an informed decision, and FAA concurred with an OIG recommendation that, if FAA makes a sole-source award to the contractor, it should be a firm-fixed-price contract.

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**MISUSE OF GOVERNMENT TIME AND EQUIPMENT RESULTS IN DISCIPLINARY ACTION.**

## Hotline Complaint

The Hotline Complaint Center received a complaint alleging an FAA employee was using government time and equipment to send inappropriate messages over the government electronic mail system (E-mail) using the Internet.

## OIG Results

The hotline complaint was referred to FAA for action. FAA's inquiry substantiated the allegations. The employee was given a verbal reprimand by his supervisor and directed to cease misusing the E-mail system and the Internet on government time and equipment.

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**ABUSES IN FAA'S OFFICE AUTOMATION TECHNOLOGY AND SERVICES (OATS) PROGRAM.**

## Hotline Complaint

An anonymous hotline complaint alleged the FAAOATS program is inefficient and ineffective, and it offers a selection of overpriced, defective products.

## OIG Results

An OIG audit fully or partially substantiated 8 of 10 allegations included in the complaint, which resulted in FAA: (i) strengthening and expanding delivery of quality products, (ii) allowing cost-based waivers from the contract, (iii) taking steps to reduce reliance on the OATS contract, (iv) cancelling an OATS follow-on acquisition, and (v) consideration of cancelling the designation of the OATS contract as the mandatory source for office automation procurements.



**CONTRACTOR FOUND IN VIOLATION OF LEASE AGREEMENT.**

**Hotline Complaint**

A complaint was made to the Hotline Complaint Center that a Midwestern city had been defrauding FAA regarding contract/lease obligations to maintain the old FAA flight services building at the local municipal airport.

**OIG Results**

The hotline complaint was referred to FAA for appropriate handling. FAA's inquiry disclosed the city was not in compliance with the terms of the lease agreement, and corrective action was taken.

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# SECTION V - LEGISLATION AND REGULATIONS

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Section 4(a)(2) of the IG Act provides that the IG shall ". . . review existing and proposed legislation and regulations relating to programs and operations . . ." of DOT, and make recommendations in the semiannual report regarding: (i) the impact on the economy and efficiency in the administration of programs and operations administered or financed by DOT, or (ii) the prevention and detection of fraud, waste, and abuse in such programs and operations. During the reporting period, OIG reviewed 12 legislative proposals and 44 proposed regulations.

Highlights of existing and proposed legislation and regulations reviewed during the reporting period follow:

## A. LEGISLATION

### FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996.

OIG continues to nonconcur with this proposal based upon the bill's requirement that each audit report produced by OIG contain the names and positions of those individuals responsible for any noted substantive noncompliance. Noting that such reporting is not required by any other Act, including the IG Act, OIG expressed concern that such a requirement

could significantly, and adversely, affect OIG's ability in obtaining agreement on audit findings and recommendations and in obtaining cooperation in future audits. OIG also expressed concern that the Department would probably be unable to comply with the provisions of the Act requiring increased audit coverage of automated financial management systems.

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## B. REGULATIONS

### CIVIL AVIATION SECURITY USER FEE.

OIG nonconcurred with FAA's proposal to amend 14 C.F.R. Part 187, relating to a fee to be charged passengers enplaning in the United States for security services provided by the FAA, allowing FAA to reasonably recover the costs it incurs in performing security services. OIG's concern is that such a user fee when added to the user fee for airport and air carrier costs will create a perception of "double taxation" and would, in fact, duplicate the excise

tax, frequently referred to as the "ticket tax." Second, since FAA is currently funded for such activities by the Aviation Trust Fund and direct appropriations, the users, those choosing to purchase airline tickets, are therefore already paying a user fee. OIG would support a fee to be used by airports and air carriers for security costs and increased levels of airport security effectiveness.

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# SECTION VI - ORGANIZATION AND MANAGEMENT

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## A. ORGANIZATION AND STAFFING

DOT OIG was created as a result of the IG Act of 1978 (P.L. 95-452) in order to create an independent and objective unit:

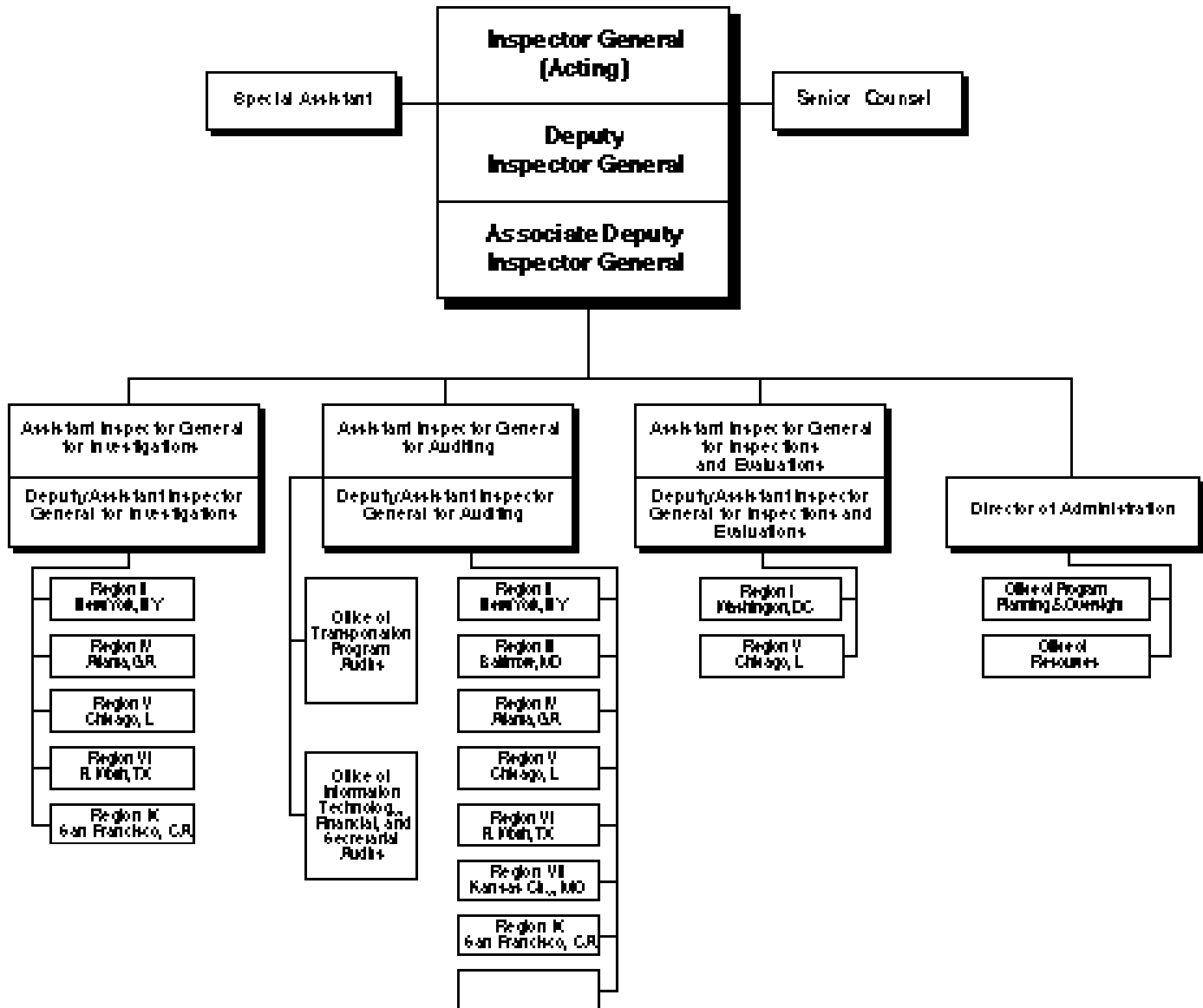
- to conduct and supervise audits and investigations relating to the programs and operations of the Department;
- to provide leadership and coordination, and to recommend policies for the Department designed to promote economy, efficiency, and effectiveness in the administration of programs and operations and also prevent and detect fraud, waste, and abuse in such programs and operations;
- to keep the Secretary and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective actions; and
- to recommend policies for, and to conduct, supervise, or coordinate relationships between DOT and other

agencies and entities with respect to matters relating to the promotion of economy and efficiency in the administration of, or for the prevention and detection of fraud, waste, and abuse in programs and operations administered or funded by DOT, or the identification and prosecution of participants in such fraud and abuse.

The IG Act Amendments of 1988 (P.L. 100-504) provided certain technical amendments designed to strengthen the independence and effectiveness of OIGs and required the reporting of management decisions on OIG audit reports regarding final action by management officials for those reports.

OIG is divided into three major functional units: Office of Assistant Inspector General for Auditing, Office of Assistant Inspector General for Inspections and Evaluations, and Office of Assistant Inspector General for Investigations; and two support units: Office of Legal Counsel and the Directorate of Administration. Nationwide, the Assistant Inspector General for Auditing, Assistant Inspector General for Inspections and Evaluations, and Assistant Inspector General for Investigations are supported by Headquarters and regional staffs.

The organization of OIG follows:



To perform its mission, OIG onboard staffing as of September 30, 1996 was 421 employees.

**Table 14**  
**Onboard Staffing as of September 30, 1996**

	Headquarters	Field	Total
Auditors	95	153	248
Inspectors	0	22	22
Investigators	5	69	74
Other Professionals	36	0	36
Administrative/Clerical	18	23	41
<b>TOTALS</b>	<b>154</b>	<b>267</b>	<b>421</b>

## B. CONGRESSIONAL TESTIMONY

OIG testified before several congressional committees during FY 1996, highlighting activity in areas which included diversion of airport revenues, and the assessment of FAA inspections of commercial aircraft.

### 1. Diversion of Airport Revenues

Testifying before the Senate Subcommittee on Aviation, Committee on Commerce, Science, and Transportation (May 1996), OIG addressed the issue of the effectiveness of FAA oversight of airport revenue and the use of these revenues by 65 airports and their 43 sponsors. OIG audits identified prohibited diversions totaling \$170 million by 23 airport sponsors. OIG testified FAA has been reluctant to act expeditiously, aggressively, or reasonably in bringing grantees into compliance with regulations, in getting diverted revenues returned, or in penalizing grantees for illegal diversions. OIG made several recommendations to Congress to address the revenue diversion issue. On September 18, the Senate passed legislation aimed at eliminating the types of fund diversions identified in OIG audits.

### 2. Assessment of FAA Inspections

In testimony before the Senate Subcommittee on Oversight of Government Management and the District of Columbia (April 1996), OIG focused on FAA inspection procedures for commercial aircraft. OIG testified FAA inspection resources were not being targeted to entities having the greatest risk, that significant differences existed between repair stations, and that FAA did not target major or safety-critical repair stations for higher levels of surveillance. OIG concluded significant improvements in FAA's safety inspection programs are necessary, and FAA management can do much to improve the effectiveness of its safety inspectors. On September 18, a special study group established by the FAA Administrator made 30 recommendations to improve FAA's oversight of airlines.

## C. PROCESSING FOIA REQUESTS

The pending inventory of FOIA requests as of April 1, 1996, was 82. During this reporting period, OIG received 145 new FOIA requests. As of September 30, 1996, 112 requests are still awaiting processing. In addition, OIG received 12 administrative appeals of FOIA determinations. As of September 30, two appeals are awaiting processing.

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# GLOSSARY OF ACRONYMS AND TERMS USED IN THIS REPORT

## ACRONYMS

AAP	Advanced Automation Program
ABX	Airborne Express
AC&C	Aeronautical Charting and Cartography
ADO	Airport District Office
AIG	Assistant Inspector General
AIP	Airport Improvement Program
ATC	Air Traffic Control
C.F.R.	Code of Federal Regulations
CAS	Civil Aviation Security Division
CA/THH	Central Artery/Third Harbor Tunnel
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRAA	Capital Region Airport Authority
CY	Calendar Year
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DITCO	Defense Information Technology Contracting Office
DMA	Defense Mapping Agency
DOC	Department of Commerce
DoD	Department of Defense
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
DRMO	Defense Reutilization Marketing Organization
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FHWA	Federal Highway Administration
FMVS	Federal Motor Vehicle Safety
FOIA	Freedom of Information Act
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FY	Fiscal Year
GPS	Global Positioning System

HAB TCC	High Availability Basic Tower Control Computer Complex
HAZMAT	Hazardous Material
HDOT	Hawaii Department of Transportation
I/A	Interagency Agreement
IG	Inspector General
IRS	Internal Revenue Service
MARAD	Maritime Administration
MFET	Motor Fuel Excise Tax
MMS	Minerals Management Service
MOU	Memorandum of Understanding
NAS	National Airspace System
NASA	National Aeronautics and Space Administration
NCIS	Naval Criminal Investigative Service
NHTSA	National Highway Traffic Safety Administration
NOAA	National Oceanic and Atmospheric Administration
NPRM	Notice of Proposed Rulemaking
NTI	National Transit Institute
OA	Operating Administration
OATS	Office Automation Technology and Services
ODS	Operating Differential Subsidy
OHA	Office of Hawaiian Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMC	Office of Motor Carriers
OST	Office of the Secretary of Transportation
PBO	Performance-Based Organization
PCIE	President's Council on Integrity and Efficiency
P.L.	Public Law
PRHTA	Puerto Rico Highway and Transportation Authority
RSPA	Research and Special Programs Administration
SHA	State Highway Agency
SLSDC	Saint Lawrence Seaway Development Corporation
SMA	Surface Movement Advisor
STURAA	Surface Transportation and Uniform Relocation Assistance Act of 1987
SUPs	Suspected Unapproved Parts
T&A	Time and Attendance
TAP	Tower Automation Platform

U.S.C. .... United States Code  
USCG .... United States Coast Guard  
USGS .... United States Geological Survey  
VIA .... San Antonio Metropolitan Transit Authority  
VSCS .... Voice Switching and Control System  
WCF .... Working Capital Fund

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## TERMS

**COSTS QUESTIONED** - Costs that are questioned by OIG because of: (i) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (ii) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (iii) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**COSTS UNSUPPORTED** - Costs that are questioned by OIG because it found, at the time of the audit, such costs were not supported by adequate documentation.

**DISALLOWED COSTS** - Questioned costs that management, in managerial decisions, has sustained or agreed should not be charged to the Government.

**ECONOMY AND EFFICIENCY AUDITS** - These audits include determining: (i) whether the entity is acquiring, protecting, and using its resources economically and efficiently; (ii) the causes of inefficiencies or uneconomical practices; and (iii) whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

**FINAL ACTION** - The completion of all actions management has concluded, in its decision, are necessary with respect to the findings and recommendations included in an audit report; and in the event management concludes no action is necessary, final action occurs when a management decision has been made.

**FINANCIAL STATEMENT AUDITS** - These audits determine: (i) whether the financial statements of an audited entity present fairly, in all material respects, the financial position, results of operations and changes in net position, cash flows, and budget and actual expenses in accordance with generally accepted accounting principles; (ii) whether the associated internal controls are adequate to ensure the integrity of financial transaction processing; and (iii) whether the entity has complied with laws and regulations for those transactions and events that may have a direct and material effect on the principal financial statements.

**FINANCIAL-RELATED AUDITS** - These audits include reviews of accounting records and other financial information for purposes of assisting DOT management in determining if amounts claimed or billed as indirect rates are reasonable and allowable, and, if appropriate, financial regulations were followed.

**INVESTIGATIVE RECOVERIES** - The recoveries of money or property of the Federal Government as a result of OIG investigations. The amounts shown represent: (i) recoveries which management has committed to achieve as the result of investigations during the reporting period; (ii) recoveries where a contractor, during the reporting period, agrees to return funds as a result of investigations; and (iii) actual recoveries during the reporting period not previously reported in this category. These recoveries are the direct result of investigative efforts of OIG.

**INVESTIGATIVE REFERRALS** - These cases require additional investigative work, civil or criminal prosecution, or disciplinary action. These cases are also referred by OIG to investigative and prosecutive agencies at the Federal, state, or local level, or to agencies for management or administrative action. An individual case may be referred for disposition in one or more of these categories.

**MANAGEMENT DECISIONS DURING THE PERIOD** - The evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

**OIG HOTLINE COMPLAINT CENTER** - Activities consist of the receipt, evaluation, and referral of complaints for additional investigation, audit, inspection and evaluation, or administrative action.

**PROACTIVE INVESTIGATIONS** - OIG-initiated efforts which focus on DOT operations or activities that are vulnerable to fraud, waste, and abuse. They may be narrow in scope and test a specific activity or broader-based, systemic reviews with an emphasis on the development and refinement of preventive measures. Proactive investigations can be initiated upon prior indications or, as in most cases, based on analysis showing a particular vulnerability. Quite often, during the course of the assignments, specific targets (companies and/or individuals) are identified and reactive cases are initiated. Most of these cases are complex, sensitive, and of a protracted nature which require a substantial amount of investigative resources.

**PROGRAM AUDITS** - These audits include determining: (i) the extent to which the desired results or benefits established by Congress or other authorizing body are being achieved; (ii) the effectiveness of organizations, programs, activities, or functions; and (iii) whether the entity has complied with laws and regulations applicable to the program.

**QUESTIONED COSTS FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE** - Costs questioned by OIG on which management has not made a determination of eligibility for reimbursement, or on which there remains disagreement between OIG and management. The Department has formally established procedures for determining the ineligibility of costs questioned. Because this process takes considerable time, this category may include costs that were questioned in both this and prior reporting periods.

**REACTIVE INVESTIGATIONS** - These investigations primarily focus on specific individuals or companies that are usually targets at the outset of an investigation based on some alleged or suspected violation of the law. Reactive investigations continue to be the area of greatest emphasis and dedication of staff effort.

**RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE** - Recommendations by OIG that funds could be more efficiently used if management took actions to implement and complete the recommendations, including: (i) reductions in outlays; (ii) deobligations of funds from programs or operations; (iii) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (iv) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (v) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (vi) any other savings which are specifically identified. (Note: Dollar amounts identified in this category may not always allow for direct budgetary actions, but generally allow the Department to use the amounts more effectively in accomplishment of program objectives.)

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**FEDERAL AVIATION ADMINISTRATION**

**INTERNAL AUDITS - 9 Reports**

REPORT	DATE	SUBJECT	LOCATION	RECOMMENDATIONS MADE
ASFA6009	96/04/04	Voice Switching and Control System Hotline Complaint	Washington, DC	Procedural
ASFA6010	96/08/29	Advisory Memorandum on Advanced Automation Program	Washington, DC	Procedural
R0FA6005	96/08/13	Advisory Memorandum on Disposal of Stapleton International Airport	Denver, CO	No Recommendations
R4FA6026	96/04/09	Suspected Unapproved Parts Program	Washington, DC	Procedural
R7FA6002	96/04/22	Aging Commuter Airplane Program	Washington, DC	Procedural
R9FA6011	96/05/17	Management Advisory on Los Angeles Airport Transfer of \$58.8 Million to City of Los Angeles	Los Angeles, CA	Procedural
R9FA6014	96/07/03	Airport Security Federal Aviation Administration	Washington, DC	Procedural
R5FA6011	96/09/19	Cable Looping Program	Washington, DC	Procedural
R9FA6015	96/09/19	Airport Improvement Program Grants Provided to Hawaii Department of Transportation Procedural	Honolulu, HI	\$3,000,000 Questioned \$36,400,000 Better Use

**GRANT AUDIT - POSTAWARD - 17 Reports**

REPORT	DATE	SUBJECT	LOCATION	RECOMMENDATIONS MADE
R2FA6020	96/06/05	Port Authority of New York and New Jersey	New York, NY	No Recommendations
Y4FA6031	96/04/02	Port of Portland	Portland, OR	No Recommendations
Y4FA6032	96/04/02	City of Springfield	Springfield, MO	No Recommendations
Y4FA6034	96/04/03	City of Albuquerque	Albuquerque, NM	No Recommendations
Y4FA6042	96/04/18	Port Authority of New York and New Jersey	New York, NY	No Recommendations
Y4FA6044	96/04/30	City of Dubuque, Iowa	Dubuque, IA	No Recommendations
Y4FA6048	96/05/15	St. Mary's County	Leonardtown, MD	No Recommendations
Y4FA6050	96/05/15	New Mexico State Highway and Transportation Department	Santa Fe, NM	\$103,372 Questioned
Y4FA6062	96/07/16	Rhode Island Airport Corporation	Providence, RI	No Recommendations
Y4FA6064	96/08/07	Massachusetts Port Authority	Boston, MA	No Recommendations
Y4FA6069	96/08/19	State of Hawaii, Department of Transportation, Airport Division	Honolulu, HI	No Recommendations
Y4FA6070	96/08/19	City of Dallas, Texas	Dallas, TX	No Recommendations
R4FA6072	96/08/27	Birmingham Airport Authority	Birmingham, AL	No Recommendations
Y4FA6073	96/08/27	Palm Beach County	West Palm Beach, FL	No Recommendations
Y4FA6075	96/09/03	Pitkin County	Aspen, CO	No Recommendations
R6FA6013	96/09/16	City of San Antonio	San Antonio, TX	No Recommendations
R7FA6005	96/06/19	City and County of Denver	Denver, CO	No Recommendations

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**FEDERAL AVIATION ADMINISTRATION**

**CONTRACT PROPOSAL AUDITS - 23 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UKFA6085	96/04/05	Proposal FA-96-509 Ohio University	Athens, OH	\$186,049 Better Use
UKFA6086	96/04/05	Proposal FA-96-510 SEB Sensitive	Washington, DC	\$157,924 Better Use Procedural
UKFA6096	96/04/19	Proposal FA-96-512 Northrop Grumman Electronic Sensors	Baltimore, MD	\$546,007 Better Use Procedural
UKFA6097	96/04/19	Proposal FA-96-513 Northrop Grumman Electronic Sensors	Baltimore, MD	\$369,146 Better Use Procedural
UKFA6125	96/05/31	Proposal FA-96-515 Northrop Grumman Electronic Sensors	Baltimore, MD	\$108,992 Better Use
UKFA6129	96/06/14	Proposed Rates FA-96-518 Computer Sciences Corporation	Moorestown, NJ	No Recommendations
UKFA6136	96/06/28	Proposal FA-96-516 Motorola, Inc.	Scottsdale, AZ	No Recommendations
UKFA6137	96/06/28	Proposal FA-96-519 PRC, Inc.	McLean, VA	No Recommendations
UKFA6138	96/06/28	Proposal FA-96-520 Raytheon Electronic Systems	Bedford, MA	\$399,488 Better Use \$73,616 Unsupported
UKFA6139	96/06/28	Proposal FA-96-521 Northrop Grumman Corporation	Baltimore, MD	\$109,741 Better Use
UKFA6143	96/06/28	Proposal Lockheed Martin Federal Systems	Gaithersburg, MD	No Recommendations
UKFA6162	96/08/09	Proposal FA-96-522 Infotech Enterprises, Inc.	Arlington, VA	No Recommendations
UKFA6183	96/08/23	Proposal FA-96-517 Lockheed Martin Corporation	Philadelphia, PA	\$57,750 Better Use \$28,549 Unsupported
UKFA6194	96/08/23	Proposed Rates FA-96-523 GIS/Trans, Ltd.	Cambridge, MA	Procedural
UXFA6113	96/05/03	Proposal FA-96-024 Rail Company	Towson, MD	No Recommendations
UXFA6118	96/05/17	Proposal FA-96-026 Analytical Technological Applications Company	Sunnyvale, CA	No Recommendations
UXFA6119	96/05/17	Proposal FA-96-027 Promodel Corporation	Orem, UT	\$76,619 Better Use
UXFA6135	96/06/28	Proposed Rates FA-96-031 Navcom Systems, Inc.	Manassas, VA	Procedural
UXFA6139	96/07/12	Proposed Rates FA-96-030 Sabre Decision Technologies	Fort Worth, TX	No Recommendations
UXFA6143	96/07/26	Proposed Rates FA-96-042 CSSI, Inc.	Washington, DC	No Recommendations
UXFA6144	96/07/26	Proposal FA-96-042 Nichols Research Corporation	Huntsville, AL	No Recommendations
UXFA6145	96/07/26	Proposed Rates FA-96043 JR Associates, Inc.	Plymouth, MN	No Recommendations
UXFA6158	96/08/23	Proposal FA-96-022 Mike Garcia Merchant Security, Inc.	El Paso, TX	\$75,259 Better Use

**CONTRACT AUDITS - 75 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UKFA6087	96/04/05	Progress Payment No. 18 FA-96-908 DME Corporation	Fort Lauderdale, FL	\$262,590 Questioned
UKFA6090	96/04/05	CAS 408 Compliance Loral Federal Systems Group	Gaithersburg, MD	No Recommendations
UKFA6091	96/04/05	Cost Impact Proposal Loral Federal Systems Group	Gaithersburg, MD	No Recommendations
UKFA6095	96/04/19	Revised Disclosure Statement FY 1997 Loral Federal Systems - Eagan FA-96-1512a	St. Paul, MN	Procedural
UKFA6100	96/05/03	Divisional Labor and Material Transfers Loral Federal Systems - Air Traffic Control FA-95-1510	Rockville, MD	No Recommendations

**FEDERAL AVIATION ADMINISTRATION**



**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**CONTRACT AUDITS**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UKFA6101	96/05/03	Disclosure Statement Revision FA-96-1512b Loral Federal Systems - Air Traffic Control	Rockville, MD	Procedural
UKFA6102	96/05/03	Disclosure Statement Revision FA-96-1512c Loral Federal Systems - Air Traffic Control	Rockville, MD	No Recommendations
UKFA6103	96/05/03	Final Overhead Rate Claim CY 1994 Loral Defense Systems-Eagan FA-96-1508	St. Paul, MN	No Recommendations
UKFA6104	96/05/03	Travel Costs/Variiances FY 1992 Loral Federal Systems - Air Traffic Control FA-96-1507h	Rockville, MD	No Recommendations
UKFA6105	96/05/03	Verification of Costs FA-96-903 Aero Tech Services and Associates	Herndon, VA	No Recommendations
UKFA6106	96/05/03	Corporate Wide Labor Accounting Policies/Procedures Science Applications International Corporation	San Diego, CA	No Recommendations
UKFA6110	96/05/17	Termination Proposal FA-96-910 Raytheon Electronic Systems	Sudbury, MA	\$1,299,729 Questioned
UKFA6112	96/05/17	Personal Property Taxes FY 1992 Loral Federal Systems FA-96-1507d	Rockville, MD	No Recommendations
UKFA6113	96/05/17	Incurred Provided Labor FY 1992 Loral Federal Systems FA-96-1507e	Rockville, MD	No Recommendations
UKFA6114	96/05/17	Disclosure Statement FA-96-1512d Loral Federal Systems Group	Gaithersburg, MD	No Recommendations
UKFA6115	96/05/17	Purchases Direct Adjusting Journal Entries Loral Federal Systems FA-96-1518 FYs 1992-1995	Rockville, MD	No Recommendations
UKFA6116	96/05/17	Progress Payment FA-96-1528 Lockheed Martin Tactical Sector	Rockville, MD	No Recommendations
UKFA6117	96/05/17	Direct Labor Adjusting Journal Entries Loral Federal Systems FA-96-1521 FY 1992	Rockville, MD	No Recommendations
UKFA6118	96/05/17	Cost Impact-Deferred Vacation Accounting Change, IBM Corporate Headquarters	Armonk, NY	No Recommendations
UKFA6119	96/05/17	Cost Impact QCC Cash Award Accounting Change, IBM Corporate Headquarters	Armonk, NY	No Recommendations
UKFA6120	96/05/17	Cost Impact-Adoption Assistance Accounting Change, IBM Corporate Headquarters	Armonk, NY	No Recommendations
UKFA6121	96/05/17	Cost Impact-Accrued Vacation Accounting Change, IBM Corporate Headquarters	Armonk, NY	No Recommendations
UKFA6122	96/05/31	Incurred Cost FY 1989 FA-93-819 Computer Sciences Corporation	Falls Church, VA	No Recommendations
UKFA6126	96/05/31	Contracted Purchased Services FY 1992 Lockheed Martin Federal System FA-96-1507f	Rockville, MD	No Recommendations
UKFA6127	96/05/31	Cost Accounting Standard FA-96-1504 Lockheed Martin Air Traffic Management	Rockville, MD	No Recommendations
UKFA6128	96/05/31	Incurred Cost FY 1992 FA-95-1528 Loral Federal Systems - Owego	Bethesda, MD	\$2,635,443 Questioned
UKFA6130	96/06/14	Incurred Cost 1992 Intra-Company T ransfer Lockheed Martin Air Traffic Management FA-96-1507b	Rockville, MD	No Recommendations
UKFA6131	96/06/14	Noncompliance of Cost Accounting Standards FA-96-514a Northrop Grumman	Baltimore, MD	Procedural
UKFA6133	96/06/14	Incurred Cost 1992 Summary FA-96-1529 Loral Federal Systems	Rockville, MD	No Recommendations

**FEDERAL AVIATION ADMINISTRATION**

**CONTRACT AUDITS**

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UKFA6140	96/06/28	Incurred Costs FYs 1992-1993 FA-95-806 Diversified International Sciences Corporation	Lanham, MD	No Recommendations
UKFA6141	96/06/28	Incurred Costs FYs 1993-1994 MSI Services, Inc. FA-95-808	Arlington, VA	Procedural
UKFA6142	96/06/28	Incurred Costs FYs 1992-1994 RBC, Inc.	Arlington, VA	No Recommendations
UKFA6144	96/06/28	Estimating System Survey FA-96-1500 Loral Federal Systems Company	Rockville, MD	Procedural
UKFA6145	96/07/12	Timekeeping Practices Computer Sciences Corporation	Calverton, MD	No Recommendations
UKFA6146	96/07/12	Incurred Cost FY 1990 Hughes STX Corporation	Lanham, MD	No Recommendations
UKFA6147	96/07/12	Incurred Cost FY 1995 FA-96-906a MSI Services, Inc.	Arlington, VA	No Recommendations
UKFA6148	96/07/12	Incurred Costs FY 1991 FA-91-581 Computer Sciences Corporation	Calverton, MD	\$99,750 Questioned
UKFA6152	96/07/26	Closing Statement MSI Services, Inc.	Arlington, VA	No Recommendations
UKFA6153	96/07/26	Direct Labor Adjusting Journal FY 1993 Lockheed Martin Air Traffic Management FA-96-1526	Rockville, MD	No Recommendations
UKFA6155	96/07/26	Supplement Incurred Cost FY 1990 Information Systems and Networks	Bethesda, MD	No Recommendations
UKFA6156	96/07/26	Closing Statement FA-95-826 MSI Services, Inc.	Arlington, VA	No Recommendations
UKFA6157	96/07/26	Occupancy Costs FY 1993 FA-96-1520a Lockheed Martin Air Traffic Management	Rockville, MD	No Recommendations
UKFA6161	96/08/09	Incurred Costs FYs 1992-1995 FA-94-815 Fu Associates, Ltd.	Arlington, VA	No Recommendations
UKFA6163	96/08/09	Incurred Costs FY 1992 FA-91-602 Computer Sciences Corporation	Calverton, MD	\$8,905 Questioned
UKFA6164	96/08/09	Personal Property Taxes FY 1993 Lockheed Martin Air Traffic Management FA-96-1507d1	Rockville, MD	No Recommendations
UKFA6165	96/08/09	Incurred Cost FY 1994 FA-95-807as The Mitre Corporation	Bedford, MA	No Recommendations
UKFA6166	96/08/09	Final Voucher FA-96-607 Eba, Inc.	Washington, DC	No Recommendations
UKFA6167	96/08/09	Closing Statement FA-96-906s MSI Services, Inc.	Arlington, VA	No Recommendations
UKFA6168	96/08/05	General and Administrative Bid Rates Lockheed Martin Air Traffic Management	Rockville, MD	Procedural
UKFA6169	96/08/09	Accounting System FA-95-513al Aerospace Engineering and Research Associates	Landover, MD	No Recommendations
UKFA6170	96/08/09	Financial Capability FA-96-908a DME Corporation	Fort Lauderdale, FL	No Recommendations
UKFA6184	96/08/23	Incurred Costs CY 1991 FA-94-806a Unisys Corporation	St. Paul, MN	No Recommendations
UKFA6185	96/08/23	Direct Travel System FA-94-806b Unisys Corporation	St. Paul, MN	No Recommendations
UKFA6186	96/08/23	Incurred Costs FYs 1992-1995 FA-96-811 Software Systems Associates, Inc.	Alexandria, VA	No Recommendations
UKFA6187	96/08/23	Labor Time Charging FA-96-1509a Loral Defense Systems - Eagan	St. Paul, MN	No Recommendations
UKFA6188	96/08/23	Labor Time Charging FA-96-1509b Loral Defense Systems - Eagan	St. Paul, MN	No Recommendations
UKFA6189	96/08/23	Purchase Existence and Consumption FA-96-1509c Lockheed Martin Tactical Defense	St. Paul, MN	No Recommendations

**FEDERAL AVIATION ADMINISTRATION**

**CONTRACT AUDITS**

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

REPORT	DATE	SUBJECT	LOCATION	RECOMMENDATIONS MADE
UKFA6190	96/08/23	Labor Charging and Timekeeping FA-96-1535 Lockheed Martin Tactical Defense	St. Paul, MN	No Recommendations
UKFA6191	96/08/23	Billed Costs FA-94-922 Data Transformation Corporation	New York, NY	No Recommendations
UKFA6192	96/08/23	General and Administrative Expense Rates IBM Corporate Headquarters FA-95-1508b	Armonk, NY	No Recommendations
UKFA6193	96/08/23	Labor Charging and Timekeeping FY 1996 FA-96-1519 Lockheed Martin Tactical Defense	Rockville, MD	No Recommendations
UKFA6195	96/08/23	Progress Payment No. 14 FA-95-920 Sonicraft, Inc.	Chicago, IL	No Recommendations
UKFA6196	96/08/23	Incurred Costs FYs 1991-1992 FA-95-803 Cexec, Inc.	Vienna, VA	No Recommendations
UKFA6197	96/08/23	Closing Statement FA-96-906s MSI Services, Inc.	Arlington, VA	No Recommendations
UXFA6101	96/04/19	Equitable Adjustment FA-95-019 Swagger Communications, Inc.	Angola, IN	\$59,844 Questioned
UXFA6120	96/05/17	Preaward Accounting System FA-96-027a Promodel Corporation	Orem, UT	Procedural
UXFA6146	96/07/26	Closing Statement FA-96-008 Systems Integration and Research, Inc.	Arlington, VA	No Recommendations
UXFA6147	96/07/26	Incurred Costs FYs 1992-1993 FA-96-028 Atlantic Science and Technology Corporation	Mays Landing, NJ	No Recommendations
UXFA6153	96/08/09	Incurred Labor Hours FA-96-012 Raytheon Support Services Company	Oklahoma City, OK	No Recommendations
UXFA6154	96/08/09	Final Incurred Costs FA-93-046 Aviall, Inc.	Dallas, TX	No Recommendations
UXFA6165	96/08/23	Billing System and Internal Controls Atlantic Science and Technology Corporation	Mays Landing, NJ	No Recommendations
UXFA6169	96/08/23	Equitable Adjustment FA-95-099 Q.B. Construction S.E.	San Juan, PR	\$16,923 Questioned
UXFA6170	96/08/23	Incurred Costs FYs 1992-1994 FA-95-014 TVR Communications, Inc.	Oklahoma City, OK	No Recommendations
UXFA6178	96/08/23	Incurred Costs FYs 1991-1992 FA-95-041 Thermedics Detection, Inc.	Chelmsford, MA	No Recommendations
UXFA6179	96/08/23	Billing System Stanford University	Stanford, CA	No Recommendations

**CONTRACT MODIFICATIONS - 3 Reports**

REPORT	DATE	SUBJECT	LOCATION	RECOMMENDATIONS MADE
UKFA6088	96/04/05	Modification Price Adjustment FA-96-909 Westinghouse Electric Corporation	Baltimore, MD	\$19,535 Questioned
UKFA6109	96/05/17	Modification FA-96-514 Northrop Grumman Electronic Sensors	Baltimore, MD	\$510,237 Questioned
UKFA6154	96/07/26	Modification No. 256 FA-96-1534 Lockheed Martin Air Traffic Management	Rockville, MD	No Recommendations

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**FEDERAL HIGHWAY ADMINISTRATION**

**INTERNAL AUDITS - 4 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
R2FH6015	96/05/16	Personal Property Management Central Artery/Third Harbor Tunnel Project Region 1	Boston, MA Procedural	\$2,600,000 Better Use
R4FH6052	96/06/03	Controls Over Federal-Aid Highway Construction Projects GA Division	Atlanta, GA	No Recommendations
R4FH6065	96/08/16	Controls Over Federal-Aid Highway Construction Projects NC Division	Raleigh, NC	Procedural
R4FH6068	96/09/19	Control Over Federal-Aid Highway Construction Projects TN Division	Nashville, TN	Procedural

**GRANT AUDIT - POSTAWARD - 13 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
Y4FH6030	6/04/01	South Carolina Department of Transportation	Columbia, SC	No Recommendations
Y4FH6035	96/04/09	Idaho Transportation Department	Boise, ID	\$1,114,112 Questioned
Y4FH6040	96/04/17	Michigan Department of Transportation	Lansing, MI	\$2,907,228 Questioned
Y4FH6053	96/06/04	Commonwealth of Massachusetts	Boston, MA	\$3,614,135 Questioned
Y4FH6054	96/06/05	State of Alabama	Montgomery, AL	No Recommendations
Y4FH6059	96/06/20	Hawaii Department of Transportation Highways Division	Honolulu, HI	No Recommendations
Y4FH606	96/06/24	Arkansas State Highway and Transportation Department	Little Rock, AR	No Recommendations
Y4FH6061	96/06/27	State of Maryland	Annapolis, MD	No Recommendations
Y4FH6066	96/08/13	State of Oklahoma	Oklahoma City, OK	\$116,824 Questioned Procedural
Y4FH6071	96/08/23	District of Columbia Department of Public Works	Washington, DC	No Recommendations
Z4FH6076	96/09/03	State of North Carolina	Raleigh, NC	No Recommendations
R5FH6004	96/04/02	Illinois Department of Transportation	Springfield, IL	No Recommendations
R7FH6004	96/06/27	Wyoming Department of Transportation	Cheyenne, WY	No Recommendations

**CONTRACT PROPOSAL AUDITS - 3 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXFH6121	96/05/17	Proposed Rates FH-96-012 Parsons Brinckerhoff Farradyne, Inc.	New York, NY	No Recommendations
UXFH6131	96/05/31	Proposal FH-96-011 JHK and Associates, Inc.	Emeryville, CA	Procedural
UXFH6148	96/07/26	Supplemental Proposal FH-96-011s JHK and Associates, Inc.	Emeryville, CA	Procedural

**FEDERAL HIGHWAY ADMINISTRATION**

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**CONTRACT AUDITS - 13 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXFH6092	96/04/05	Incurred Cost FY 1991 FH-93-014a Parsons Brinckerhoff Quade and Douglas	New York, NY	No Recommendations
UXFH6093	96/04/05	Incurred Cost FY 1992 FH-93-014 Parsons Brinckerhoff Quade and Douglas	New York, NY	No Recommendations
UXFH6094	96/04/05	Incurred Cost CYs 1989-1991 Vaughn and Melton Engineers FH-93-011	Middlesboro, KY	No Recommendations
UXFH6095	96/04/05	Government Caused Delay Claim FH-96-006 Archer-Western Contractors, Ltd.	Fort Lauderdale, FL	No Recommendations
UXFH6102	96/04/19	Incurred Costs FYs 1993-1994 Eltech Research Corporation	Fairport Harbor, OH	No Recommendations
UXFH6122	96/05/17	Incurred Cost FY 1995 Midwest Research Institute	Kansas City, MO	No Recommendations
UXFH6132	96/05/31	Accounting System Audit FH-96-011a JHK and Associates, Inc.	Emeryville, CA	Procedural
UXFH6136	96/06/28	Accounting System FH-96-008a ATA Foundation	Alexandria, VA	Procedural
UXFH6140	96/07/12	Incurred Costs FY 1992 FH-90-008d Golder Associates, Inc.	Atlanta, GA	No Recommendations
UXFH6141	96/07/12	Incurred Costs FY 1993 FH-90-008e Golder Associates, Inc.	Atlanta, GA	No Recommendations
UXFH6149	96/07/26	Timekeeping FH-96-011b JHK and Associates, Inc.	Emeryville, CA	No Recommendations
UXFH6171	96/08/23	Equitable Adjustment FH-95-006 Three O Construction, S.E.	Naranjito, PR	\$262,376 Questioned Procedural
UXFH6175	96/08/23	Incurred Costs FYs 1989-1990 FH-94-002 The Scientex Corporation	Arlington, VA	\$22,301 Questioned

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**FEDERAL RAILROAD ADMINISTRATION**

**CONTRACT AUDITS - 2 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>LOCATION</u>	<u>RECOMMENDATIONS MADE</u>
UXFR6096	96/04/05	Incurring Cost CY 1993 FR-94-012 Compuchem Laboratories, Inc.	Research Triangle, Park, NC	Procedural
UXFR6103	96/04/19	Incurring Cost Vehicle Track Dynamics Association of American Railroads FR-96-001a	Chicago, IL	No Recommendations

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**MARITIME ADMINISTRATION**

**GRANT AUDIT - POSTAWARD - 1 Report**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
R4MA6058	96/06/12	Gulfcoast Transit	Tampa, FL	No Recommendations

**CONTRACT PROPOSAL AUDITS - 24 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXMA6098	96/04/05	Proposal MA-96-017 Pragmatics, Inc.	McLean, VA	\$106,659 Better Use \$2,490,009 Unaudited
UXMA6099	96/04/05	Proposal MA-96-018 Seta Corporation	McLean, VA	\$34,566 Better Use
UXMA6105	96/04/19	Proposal MA-96-020 Shepard-Patterson, Inc.	Conshohocken, PA	No Recommendations
UXMA6106	96/04/19	Proposal MA-96-021 International Management, Development and Training, Inc.	Springfield, VA	Procedural
UXMA6107	96/04/19	Proposal MA-96-023 Technology, Management and Analysis Corporation	Arlington, VA	No Recommendations
UXMA6108	96/04/19	Proposal MA-96-026 Information Network Systems, Inc.	Bensalem, PA	\$200,664 Better Use
UXMA6109	96/04/19	Proposal MA-96-028 Trandes Corporation	Lanham, MD	Procedural
UXMA6110	96/04/19	Proposal MA-96-030 Soza and Company, Ltd.	Fairfax, VA	Procedural
UXMA6111	96/04/19	Proposal MA-96-032 Computer Sciences Corporation	Moorestown, NJ	No Recommendations
UXMA6112	96/04/19	Proposal MA-96-037 Madentech Consulting, Inc.	Arlington, VA	No Recommendations
UXMA6114	96/05/03	Proposal MA-96-016 Automated Business Systems and Services Inc.	Landover, MD	No Recommendations
UXMA6115	96/05/03	Proposal MA-96-029 PRC, Inc.	McLean, VA	\$125,951 Better Use
UXMA6116	96/05/03	Proposal MA-96-027 Mitech, Inc.	Rockville, MD	\$3,194,420 Unaudited
UXMA6123	96/05/17	Proposal MA-96-031 North American Telecommunications, Inc.	Washington, DC	\$496,803 Better Use
UXMA6124	96/05/17	Proposals MA-96-033 Systems Integration Group, Inc.	Lanham, MD	No Recommendations
UXMA6125	96/05/17	Proposal MA-96-036 Advanced Information Network Systems	Rockville, MD	Procedural
UXMA6126	96/05/17	Proposal MA-96-041 Cexec, Inc.	Vienna, VA	No Recommendations
UXMA6127	96/05/17	Proposal MA-96-042 Information Systems and Services, Inc.	Silver Spring, MD	Procedural
UXMA6128	96/05/17	Proposal MA-96-045 Systems Resources Corporation	Burlington, MA	Procedural
UXMA6138	96/06/28	Proposal MA-96-047 Software Control International	Arlington, VA	\$3,354,066 Unaudited
UXMA6142	96/07/12	Proposal MA-96-043 Advanced Management Technology	Washington, DC	No Recommendations
UXMA6150	96/07/26	Proposal MA-96-049 Peterson Builders, Inc.	Sturgeon Bay, WI	No Recommendations
UXMA6155	96/08/09	Proposal MA-96-012 United Marine Enterprise, Inc.	Beaumont, TX	\$1,695 Better Use \$160,189 Unsupported Procedural
UXMA6176	96/08/23	Proposal MA-96-028a, Technology Management and Analysis Corporation	Arlington, VA	No Recommendations

**MARITIME ADMINISTRATION**

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**CONTRACT AUDITS - 12 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXMA6097	96/04/05	Termination Settlement MA-96-015 All Marine Services, Ltd.	Middle Island, NY	\$264,310 Questioned
UXMA6137	96/06/28	Incurred Costs CYs 1992-1993 Omi Ship Management MA-96-008	New York, NY	\$122,572 Questioned
R2MA6017	96/06/06	Protection and Indemnity Deductible Costs For Asbestosis Claims Farrell Lines CY 1995	New York, NY	\$9,566 Questioned
R2MA6018	96/06/06	Farrell Lines Inc. Subsidizable Costs Protection and Indemnity and Maintenance and Repair Deductibles	New York, NY	Procedural
R2MA6019	96/06/06	NPR, Inc. Construction Subsidy Refund	Edison, NJ	Procedural
R2MA6021	96/06/19	OMI Corporation Subsidizable Costs For Per Diem Calculations CY 1996	New York, NY	Procedural
R2MA6024	96/07/12	Mormac Marine Transport, Inc. Maintenance and Repair Costs	Stamford, CT	\$166,397 Questioned Procedural
R2MA6025	96/07/15	Elko Marine Corporation Bulk Preference Cargo Rates	Staten Island, NY	Procedural
R3MA6009	96/07/09	Keystone Shipping Company General Agent Agreement	Philadelphia, PA	\$43,705 Unsupported
R3MA6010	96/07/24	Maintenance and Repair Expenses Chesnut Shipping Company	Bala Cynwyd, PA	No Recommendations
R3MA6012	96/08/29	Officer and Crew Wage Expenses Chestnut Shipping Company	Bala Cynwyd, PA	No Recommendations
R3MA6013	96/09/13	Protection and Indemnity Deductible Expenses Chestnut Shipping Company	Bala Cynwyd, PA	No Recommendations



**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION**

**CONTRACT AUDITS - 6 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXNH6129	96/05/17	Incurred Cost FY 1994 NH-96- 001 Advanced Systems Development, Inc.	Arlington, VA	No Recommendations
UXNH6133	96/05/31	Incurred Cost FYs 1990-1994 Planning Analysis Corporation NH-95-002a	McLean, VA	No Recommendations
UXNH6161	96/08/23	Incurred Costs FY 1991 NH-93-005d Khri, Inc.	Orlando, FL	No Recommendations
UXNH6162	96/08/23	Incurred Costs FY 1991 NH-93-005c Khri, Inc.	Orlando, FL	No Recommendations
UXNH6174	96/08/23	Incurred Costs FY 1994 Frontier Engineering, Inc.	Stillwater, OK	No Recommendations
R2NH6022	96/07/03	Advisory Memorandum on Printing of Traffic Technical Publication	Washington, DC	Procedural

**CONTRACT OVERHEAD AUDITS - 1 Report**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXNH6160	96/08/23	Indirect Expense Rates NH-92-004 Technology Center	Buffalo, NY	No Recommendations

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**OFFICE OF THE SECRETARY OF TRANSPORTATION**

**INTERNAL AUDITS - 1 Report**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
ADOT6008	96/09/19	Lobbying Activities in FY 1995 Departmentwide	Washington, DC	Procedural

**GRANT AUDIT - POSTAWARD - 1 Report**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
Y4OT6056	96/06/05	Howard County	Ellicott City, MD	No Recommendations

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION**

**INTERNAL AUDITS - 1 Report**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
ADRS6007	96/09/19	Supplementary Report on Internal Control Systems Related to Volpe Center FYs 1994-1995 Financial Statements	Cambridge, MA	Procedural

**CONTRACT PROPOSAL AUDITS - 7 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXRS6100	96/04/05	Proposed Rates TS-96-030 CDC/ESI Joint Venture	Lake Oswego, OR	Procedural
UXRS6130	96/05/17	Proposed Rates TS-96-032 Datacom Sciences, Inc.	Oklahoma City, OK	No Recommendations
UXRS6156	96/08/09	Proposal RS-96-002 Battelle Memorial Institute	Columbus, OH	No Recommendations
UXRS6157	96/08/09	Proposal TS-96-014 Reebie Associates	Greenwich, CT	No Recommendations
UXRS6159	96/08/23	Proposed Rates TS-96-022 Orbital Technologies Corporation	Madison, WI	Procedural
UXRS6166	96/08/23	Proposed Rates TS-96-016 Smith Environmental Technologies Corporation.	Plymouth Meeting, PA	No Recommendations
UXRS6167	96/08/23	Proposed Rates TS-96-027 The Colography Group, Inc.	Marietta, GA	\$366,981 Unaudited \$195,300 Unsupported Procedural

**CONTRACT AUDITS - 7 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXRS6117	96/05/03	Incurred Costs FY 1994 Omar McCall and Associates, Inc.	Beltsville, MD	No Recommendations
UXRS6151	96/08/09	Incurred Costs FY 1993 TS-96-024 PRC, Inc.	McLean, VA	No Recommendations
UXRS6152	96/08/09	Incurred Costs FY 1993 TS-96-024a	McLean, VA	No Recommendations
UXRS6168	96/08/23	Preaward Accounting System TS-96-027a The Colography Group, Inc.	Marietta, GA	No Recommendations
UXRS6172	96/08/23	Closing Statement TS-94-006 Charles River Associates	Boston, MA	No Recommendations
UXRS6173	96/08/23	Incurred Costs FY 1994 TS-95-018 Massachusetts Institute of Technology	Cambridge, MA	No Recommendations
UXRS6177	96/08/23	Costs Claimed FY 1995 TS-96-026a Booz-Allen and Hamilton, Inc.	McLean, VA	No Recommendations

**RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION**

OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996

CONTRACT MODIFICATIONS - 1 Report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>LOCATION</u>	<u>RECOMMENDATIONS MADE</u>
UXRS6163	96/08/23	Modification TS-96-020 Earth Tech, Inc.	Concord, MA	\$20,585 Questioned

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**UNITED STATES COAST GUARD**

**INTERNAL AUDITS - 5 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
R3CG6011	96/08/08	Internal Control Systems and Compliance FY 1994 Coast Guard Financial Statement	Washington, DC	Procedural
R3CG6006	96/04/19	Coast Guard Procurement Activities Supply Center Baltimore	Baltimore, MD	Procedural
R3CG6007	96/04/19	Advisory Memo on Inspection of Foreign Flagged Vessels	Washington, DC	Procedural
R6CG6011	96/06/06	Inspection of Waterfront Facilities United States Coast Guard	Washington, DC	Procedural
R6CG6012	96/08/28	Inspection of Offshore Facilities	Washington, DC	Procedural

**CONTRACT PROPOSAL AUDITS - 11 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UKCG6084	96/04/05	Proposed Rates CG-96-513 SEB Sensitive	Washington, DC	No Recommendations
UKCG6092	96/04/19	Proposal CG-96-524 Piquiniq Management Corporation	Anchorage, AK	\$5,804,078 Better Use
UKCG6094	96/04/19	Proposed Rates CG-96-521 SEB Sensitive	Washington, DC	Procedural
UKCG6099	96/05/03	Proposal CG-96-526 Seattle Security Services, Inc.	Seattle, WA	\$122,227 Better Use
UKCG6123	96/05/31	Proposed Rates CG-96-529 Tra Architect Engineering Planning	Kansas City, MO	Procedural
UKCG6159	96/07/26	Proposal CG-96-535 IQ Management Corporation	Arlington, VA	\$60,477 Better Use
UKCG6171	96/08/09	Proposal CG-96-542 Sonalysts, Inc.	Waterford, CT	No Recommendations
UKCG6172	96/08/09	Proposal CG-96-543 Microsystems Integration, Inc.	West Mystic, CT	No Recommendations
UKCG6173	96/08/09	Proposed Rates CG-96-540 Cadd Production Services	Seattle, WA	No Recommendations
UKCG6176	96/08/23	Proposed Rates CG-96-548 Micro Analysis and Design, Inc.	Boulder, CO	No Recommendations
UKCG6182	96/08/23	Proposal CG-96-523 Space Mark, Inc.	Colorado Springs, CO	\$16,920,825 Better Use \$15,852,062 Unaudited

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**UNITED STATES COAST GUARD**

**CONTRACT AUDITS - 23 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UKCG6089	96/04/05	Forward Pricing Rate CYs 1995-1998 AlliedSignal Inc.	Phoenix, AZ	No Recommendations
UKCG6093	96/04/19	Accounting System CG-96-516 Scientific Systems and Software International	Columbia, MD	Procedural
UKCG6098	96/05/03	Revised Cost of Money Factors CY 1996 AlliedSignal Inc.	Phoenix, AZ	No Recommendations
UKCG6107	96/05/17	Billed Contract Costs CG-96-508 University of Pennsylvania	Philadelphia, PA	No Recommendations
UKCG6108	96/05/17	Forward Pricing Rates CYs 1996-1998 AlliedSignal Inc.	Phoenix, AZ	No Recommendations
UKCG6111	96/05/17	Incurred Costs FYs 1989-1992 Ultra Technologies, Inc. CG-90-570	Falls Church, VA	No Recommendations
UKCG6124	96/05/31	Equitable Adjustment Claim CG-96-530 System Resources Corporation	Burlington, MA	\$148,384 Questioned
UKCG6132	96/06/14	Termination Claim CG-96-531 Linder Construction, Inc.	Anchorage, AK	\$32,700 Questioned
UKCG6134	96/06/28	Supplemental Termination Claim Linder Construction, Inc. CG-96-531.S	Anchorage, AK	\$40,399 Questioned
UKCG6135	96/06/28	Billing System System Resources Corporation	Burlington, MA	No Recommendations
UKCG6149	96/07/12	Incurred Cost FY 1992 CG-96-510a Dynamic Resources, Inc.	Dunwoody, GA	No Recommendations
UKCG6150	96/07/12	Incurred Costs FY 1993 CG-96-510b Dynamic Resources, Inc.	Dunwoody, GA	No Recommendations
UKCG6151	96/07/12	Incurred Costs FY 1994 CG-96-510c Dynamic Resources, Inc.	Dunwoody, GA	No Recommendations
UKCG6158	96/07/26	Financial Capability CG-96-533 National Automotive Corporation	Oakland, CA	No Recommendations
UKCG6160	96/07/26	Incurred Costs FY 1995 Southwest Research Institute	San Antonio, TX	No Recommendations
UKCG6174	96/08/09	Timekeeping and Floorcheck CG-96-510a Dynamic Resources, Inc.	Dunwoody, GA	No Recommendations
UKCG6175	96/08/23	Post Award CG-96-522 MCI Industries, Inc.	Albuquerque, NM	No Recommendations
UKCG6177	96/08/23	Progress Payment CG-96-538 Marinette Marine Corporation	Marinette, WI	No Recommendations
UKCG6178	96/08/23	Progress Payment CG-96-539 Marinette Marine Corporation	Marinette, WI	No Recommendations
UKCG6179	96/08/23	Incurred Costs FY 1994 CG-96-510b Dynamic Resources, Inc.	Dunwoody, GA	No Recommendations
UKCG6180	96/08/23	Incurred Costs FY 1993 CG-96-510a Dynamic Resources, Inc.	Dunwoody, GA	No Recommendations
UKCG6181	96/08/23	Incurred Costs FY 1992 CG-96-510 Dynamic Resources, Inc.	Dunwoody, GA	No Recommendations
R2CG6023	96/07/03	Advisory Memorandum on Printing of Local Notice To Mariners, USCG	Washington, DC	Procedural

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**FEDERAL TRANSIT ADMINISTRATION**

**INTERNAL AUDITS - 2 Reports**

REPORT	DATE	SUBJECT	LOCATION	RECOMMENDATIONS MADE
R3FT6008	96/07/26	Bus Manufacturer Compliance with Technical Requirements	Washington, DC	Procedural
R5FT6008	96/07/02	Memorandum on Issues Affecting Termination of Chicago Central Area Circulator Project	Washington, DC	\$59,900,000 Better Use \$20,200,000 Unsupported

**GRANT AUDIT - POSTAWARD - 26 Reports**

REPORT	DATE	SUBJECT	LOCATION	RECOMMENDATIONS MADE
R2FT6026	96/09/11	Niagara Frontier Transportation Authority	Buffalo, NY	No Recommendations
Z4FT6033	96/04/02	City of Racine	Racine, WI	No Recommendations
Y4FT6036	96/04/09	Sacramento Regional Transportation District	Sacramento, CA	\$1 Questioned
Y4FT6037	96/04/15	City of Madison, Wisconsin	Madison, WI	No Recommendations
Y4FT6038	96/04/15	City of Phoenix	Phoenix, AZ	No Recommendations
Y4FT6039	96/04/15	City of Pueblo	Pueblo, CO	No Recommendations
Y4FT6041	96/04/17	Long Beach Public Transportation Company	Long Beach, CA	No Recommendations
Y4FT6043	96/04/30	City of Cedar Rapids, Iowa	Cedar Rapids, IA	No Recommendations
Z4FT6045	96/04/30	City of Tallahassee, Florida	Tallahassee, FL	No Recommendations
Y4FT6046	96/05/15	City of Lincoln, Nebraska	Lincoln, NE	No Recommendations
Y4FT6047	96/05/15	City of Roanoke, Virginia	Roanoke, VA	No Recommendations
Y4FT6049	96/05/15	Pierce County Public Transportation Benefit Area Authority	Tacoma, WA	No Recommendations
Y4FT6051	96/05/22	Niagara Frontier Transportation Authority	Buffalo, NY	No Recommendations
Y4FT6055	96/06/05	Greater Portland Transit District	Portland, ME	\$7,783 Questioned
R4FT6057	96/06/05	City of Tallahassee	Tallahassee, FL	No Recommendations
Y4FT6063	96/07/31	City of Baltimore, Maryland	Baltimore, MD	No Recommendations
Y4FT6074	96/08/29	Northern Indiana Commuter Transit	Chesterton, IN	No Recommendations
R5FT6005	96/04/24	City of Detroit, Michigan	Detroit, MI	No Recommendations
R5FT6006	96/05/31	Pace, The Suburban Bus Division of the Regional Transportation Authority	Arlington, IL	No Recommendations
R5FT6007	96/06/18	Regional Transportation Authority	Chicago, IL	No Recommendations
R5FT6009	96/08/15	City of Racine	Racine, WI	No Recommendations
R5FT6010	96/08/19	Central Ohio Transit Authority	Columbus, OH	No Recommendations
R7FT6006	96/07/03	Pitkin County	Aspen, CO	No Recommendations
R7FT6007	96/08/05	Bi-State Development Agency of Missouri-Illinois Metro. District	St. Louis, MO	No Recommendations
R9FT6012	96/06/28	Sacramento Regional Transit District	Sacramento, CA	No Recommendations
R9FT6013	96/06/27	Long Beach Public Transportation Company	Long Beach, CA	No Recommendations

**CONTRACT PROPOSAL AUDITS - 1 Report**

REPORT	DATE	SUBJECT	LOCATION	RECOMMENDATIONS MADE
UXFT6104	96/04/19	Proposal FT-96-005 R-E Systems Corporation	Largo, MD	No Recommendations

**FEDERAL TRANSIT ADMINISTRATION**

**OFFICE OF INSPECTOR GENERAL  
LISTING OF AUDIT REPORTS  
APRIL 1, 1996 THROUGH SEPTEMBER 30, 1996**

**CONTRACT AUDITS - 3 Reports**

<b>REPORT</b>	<b>DATE</b>	<b>SUBJECT</b>	<b>LOCATION</b>	<b>RECOMMENDATIONS MADE</b>
UXFT6091	96/04/05	Incurred Cost FY 1990 FT-93-051 Parsons, Brinckerhoff, Quade and Douglas	New York, NY	No Recommendations
UXFT6134	96/05/31	Billing System Parsons, Brinckerhoff, Quade and Douglas	New York, NY	No Recommendations
UXFT6164	96/08/23	Final Voucher No. 29 FT-94-003 Interactive Elements, Inc.	New York, NY	No Recommendations



# REPORTING REQUIREMENTS

To facilitate the reader's understanding of OIG's compliance with the specific statutory reporting requirements prescribed in the IG Act of 1978, as amended, the following list is provided.

<b>REQUIREMENTS</b>	<b>Page</b>
Section 4(a)(2) - Review of Existing and Proposed Legislation and Regulations.....	51
Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies .....	3
Section 5(a)(2) - Recommendations for Corrective Actions..... with Respect to Significant Problems, Abuses, and Deficiencies	3
Section 5(a)(3) - Prior Recommendations Not Yet Implemented .....	14
Section 5(a)(4) - Matters Referred to Prosecutive Authorities.....	34
Section 5(a)(5) - Summary of Instances Where Information Was Unreasonably Refused.....	iv
Section 5(a)(6) - List of Audit Reports.....	B-1
Section 5(a)(7) - Summary of Particularly Significant Reports.....	3
Section 5(a)(8) - Statistical Table of Management Decisions on Questioned Costs.....	12
Section 5(a)(9) - Statistical Table on Management Decisions on..... Recommendations That Funds Be Put To Better Use	12
Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old..... for Which No Management Decision Has Been Made	15
Section 5(a)(11) - Description and Explanation for Any Significant..... Revised Management Decisions	24
Section 5(a)(12) - Information on Any Significant Management Decisions .....	24
with Which the IG Disagrees	

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# WANT TO KNOW MORE ?

To meet the needs of readers who wish to know more about a particular audit, inspection, or evaluation discussed in this report, OIG has provided a tear-out card at the bottom of this page that folds into a self-mailer (postage required). Please identify those reports (by report number) you would like to receive and include your name and mailing address. The reports will be sent to you as soon as possible.

Thank you for your interest in the work of OIG. OIG will continue to explore ways to make these reports responsive to the readers' needs within the parameters of OIG's statutory requirements. Please address any questions or comments to OIG, U.S. Department of Transportation, Room 7422, 400 Seventh Street, S.W., Washington, DC 20590.

## Please send me the following report(s):

<input type="checkbox"/> <b>AD-RS-6-007</b>	<input type="checkbox"/> <b>E5-FA-6-005</b>	<input type="checkbox"/> <b>R4-FH-6-068</b>
<input type="checkbox"/> <b>AS-FA-6-010</b>	<input type="checkbox"/> <b>E5-OS-6-006</b>	<input type="checkbox"/> <b>R5-FT-6-008</b>
<input type="checkbox"/> <b>E1-FA-6-010</b>	<input type="checkbox"/> <b>R2-FH-6-015</b>	<input type="checkbox"/> <b>R6-CG-6-012</b>
<input type="checkbox"/> <b>E1-FA-6-011</b>	<input type="checkbox"/> <b>R3-CG-6-011</b>	<input type="checkbox"/> <b>R7-FA-6-002</b>
<input type="checkbox"/> <b>E1-FA-6-012</b>	<input type="checkbox"/> <b>R3-FT-6-008</b>	<input type="checkbox"/> <b>R9-FA-6-014</b>
<input type="checkbox"/> <b>E1-FA-6-014</b>	<input type="checkbox"/> <b>R4-FA-6-026</b>	<input type="checkbox"/> <b>R9-FA-6-015</b>
<input type="checkbox"/> <b>E1-FT-6-006</b>	<input type="checkbox"/> <b>R4-FH-6-065</b>	

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U.S. Department of Transportation  
Room 7422  
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Staple