

U.S. Department of Transportation

OFFICE OF INSPECTOR GENERAL

S E M I
A N N U
A L R E
P  R T

October 1, 2015 - March 31, 2016

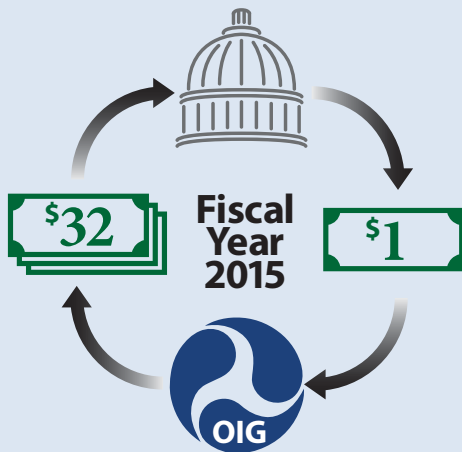
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DOT OIG

Accomplishments

Return on Investment



DOT OIG returned \$32 for every appropriated dollar.

108.7M

funds put to better use

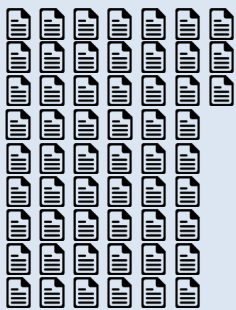
8.2M

questioned costs

22.7M

finances, restitution, recoveries, and forfeitures

Summary of Performance



57

audit reports issued



188

recommendations

Our investigations resulted in:

39 convictions

60 indictments

36 years of incarceration



2,657

contacts received at OIG's Hotline Complaint Center

FROM THE INSPECTOR GENERAL

I am pleased to present the U.S. Department of Transportation (DOT) Office of Inspector General's Semiannual Report to Congress for the first half of fiscal year 2016. Our audits and investigations provide independent and objective reviews and aim to detect and prevent fraud, waste, and abuse throughout the Department. This report demonstrates the breadth of our work—with reviews of DOT programs and operations as diverse as the Federal Railroad Administration's (FRA) enforcement of hazardous materials regulations to the National Highway Traffic Safety Administration's (NHTSA) oversight of vehicle safety defects.

Over the past 6 months, we have issued 57 audit reports with a total of 188 recommendations. We issued financial recommendations totaling about \$116.8 million, including about \$108.7 million in funds put to better use and \$8.2 million in questioned costs. Highlights of important reviews conducted during this period include the following:

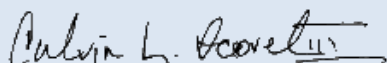
- We found weaknesses in how the Federal Aviation Administration (FAA) determines the number of controllers needed at the Nation's most critical air traffic facilities. Controllers can retire with little notice, and it can take more than 3 years to train replacements.
- FAA may be unable to locate approximately 15,000 personal property assets on record (such as personal computers, digital cameras, utility vehicles, and tools), with a combined acquisition value of more than \$32.5 million.
- We made recommendations to improve the Federal Transit Administration's (FTA) oversight of a grantee procurement practices for the \$310-million Salt Mitigation of Tunnels Project, which aims to repair salt water damage caused by Hurricane Sandy.
- In response to our recent audit, NHTSA agreed to implement stronger internal controls and a robust training program to better position the Agency to identify and investigate vehicle safety issues and ensure that automakers conduct recalls in the interest of public safety.
- In a congressional testimony, we discussed the Maritime Administration's (MARAD) efforts to address its program management challenges and actions needed to prevent sexual assault and sexual harassment at the U.S. Merchant Marine Academy.
- We reported that multiple DOT Operating Administrations lack effective information system disaster recovery plans and exercises to ensure that their systems can effectively handle operations during unexpected events.

FROM THE INSPECTOR GENERAL

Our investigative work during the past 6 months has resulted in 60 indictments; 39 convictions; and a total of about \$22.7 million in fines, restitution, recoveries, and forfeitures. Highlights of important investigations we conducted during this period include the following:

- Two fugitives fleeing from justice were arrested in connection with our investigations. One was charged with producing hundreds of fraudulent driver's licenses. The other was convicted of defrauding the Government of millions of dollars in motor fuel excise taxes.
- As a result of our investigation, a New York air traffic controller was sentenced to 1 year of probation; \$200,000 in restitution; and forfeiture of \$100,000 for manipulating time and attendance reports to receive pay for unworked overtime, nightshift, and holiday hours.
- Our special agents successfully reunited 20 victims of household goods moving fraud with the majority of their possessions. As a result of our investigation a moving company owner was sentenced to prison and ordered to pay restitution to the victims.
- Our investigation resulted in the sentencing of an Arizona man whose company fraudulently acquired "willed-to-science" cadaver parts from nonconsenting donors, and shipped undeclared infectious human tissue without disclosing hazards and safety risks.
- To protect taxpayer dollars, our investigators continued to pursue those who defrauded the Government through disadvantaged business enterprise (DBE) fraud—including a scheme involving over \$87 million in Federal- and State-funded contracts.

Our audit and investigative work continues to reflect our commitment to fully inform Congress, the Department, and the public of pressing transportation concerns and to aggressively pursue individuals intent on putting the public at risk. I commend our hard-working staff for their outstanding efforts and dedication to our critical mission. I would also like to thank Secretary Foxx for his strong leadership. I look forward to continuing to work with the Secretary, his team, and the modal administrators to provide Americans with a safe transportation system that meets the national objectives of general welfare, economic growth and stability, and security.



Calvin L. Scovel III
Inspector General

April 29, 2016

COMPLETED AUDITS AND INVESTIGATIONS **FEDERAL AVIATION ADMINISTRATION**

AUDIT

October 15, 2015

FAA LACKS AN EFFECTIVE STAFFING MODEL AND RISK-BASED OVERSIGHT PROCESS FOR ORGANIZATION DESIGNATION AUTHORIZATION

Requested by Representative Peter DeFazio

FAA delegates to private individuals or organizations certain oversight functions, such as approving new aircraft designs and certifying aircraft components, to help ensure our Nation's vast aviation industry operates safely and effectively. FAA created the Organization Designation Authorization (ODA) program in 2005 to standardize its oversight of organizations approved to conduct these activities on its behalf.

However, FAA lacks a comprehensive process for determining staffing levels needed to provide ODA oversight. While the Agency uses a staffing model to aid in identifying overall staffing needs, the model does not include detailed ODA data on important workload drivers, such as a company's size and location, type of work performed, and project complexity. In addition, FAA's oversight of ODA program controls is not fully systems- and risk-based, as recommended by an aviation rulemaking committee. This is largely because FAA inspectors and engineers lack adequate guidance and risk-based tools, and do not conduct robust analyses of ODA data. Furthermore, FAA does not conduct sufficient oversight of ODA personnel conducting certification work at companies that supply components to other manufacturers. FAA concurred with our nine recommendations aimed at improving FAA's staffing and oversight of the ODA program.

November 3, 2015

NEW DISADVANTAGED BUSINESS ENTERPRISE FIRMS FACE ADDITIONAL BARRIERS TO OBTAINING WORK AT THE NATION'S LARGEST AIRPORTS

Required by the FAA Modernization and Reform Act of 2012

Each year, FAA distributes more than \$3 billion in Federal grants for airport projects. In accepting these grants, airports are required to establish DBE and airport concession DBE (ACDBE) programs. These programs provide small businesses owned and controlled by socially and economically disadvantaged

individuals with opportunities to compete for construction, professional services, and concession contracts.

Congress directed our office to report annually on new DBE participation at the Nation's largest airports and to identify reasons why some have been more successful. Our second review determined that new DBE/ACDBE firms represent a small percentage of disadvantaged firms working at the Nation's 65 largest airports. In fiscal year 2013, the number of new participants declined by nearly 50 percent from fiscal year 2012, from 83 to 42 firms. The 42 new entrants represent about 2.5 percent of the 1,685 total DBE/ACDBE firms doing business at these airports. The three major barriers that hampered new entrants in fiscal year 2012—limited opportunities, high entry costs, and inexperience with the airport bidding process—continued to be key challenges in fiscal year 2013. In addition, we identified two additional barriers in the areas of car rental operations and prompt payment that limit DBE/ACDBE firms' opportunities to obtain airport work. FAA concurred with our six recommendations to strengthen FAA's oversight of airport implementation of the DBE/ACDBE program and to help ensure that new and existing DBE/ACDBE firms compete fairly at the Nation's largest airports.

November 13, 2015

QUALITY CONTROL REVIEW OF FAA'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

Required by the Chief Financial Officers Act of 1990

We conducted a quality control review of KPMG LLP's audit of FAA's financial statements for fiscal years 2015 and 2014. The audit's objective was to determine whether FAA's consolidated financial statements were fairly presented in accordance with accounting principles generally accepted in the United States. KPMG issued an unmodified audit opinion on FAA's consolidated financial statements. KPMG's report did not include any significant deficiencies in internal controls over financial reporting or instances of reportable noncompliance with laws and regulations. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.

December 10, 2015

QUALITY CONTROL REVIEW ON THE SINGLE AUDIT OF THE CITY OF LAKELAND, LAKELAND, FL

Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

We conducted a quality control review on Crowe Horwath LLP's single audit of the City of Lakeland, Lakeland, FL, for the City's fiscal year ended September 30, 2014. During this period, the City expended approximately \$7.5 million from DOT grant programs. Crowe Horwath determined that DOT's major program was the Airport Improvement Program. Based on our quality control review, we assigned an overall rating of pass to Crowe Horwath's work. Therefore, Crowe Horwath met the requirements of the Single Audit Act, Office of Management and Budget (OMB) Circular A-133, and DOT's major program. We found nothing to indicate that Crowe Horwath's opinion on DOT's major program was inappropriate or unreliable.

December 10, 2015

FAA HAS NOT SUFFICIENTLY ADDRESSED KEY WEAKNESSES RELATED TO ITS ATCOTS CONTRACT

Required by the Explanatory Statement Accompanying the Consolidated and Further Continuing Appropriations Act of 2015

FAA plans to hire more than 11,000 air traffic controllers through fiscal year 2021 to replace the large number of controllers eligible to retire. To help train the influx of new controllers, in 2008, FAA awarded the \$859-million, 10-year Air Traffic Control Optimum Training Solution (ATCOTS) contract to Raytheon. Since 2010, we have identified numerous problems regarding FAA's oversight of the ATCOTS contract, and in December 2013, we made 10 recommendations for improvement. This audit assessed FAA's progress in addressing those recommendations.

FAA did not fully implement our 2013 recommendations before awarding its new Controller Training Contract (CTC)—the successor contract to ATCOTS—with 7 of the 10 recommendations now closed. While FAA addressed weaknesses we found with contract administration practices and oversight, it has not made sufficient progress to implement our recommendations on defining training requirements and validating training costs. These recommendations were designed to improve FAA's ability to develop a comprehensive understanding of its training needs that could have been used to create a more reliable estimate of the Agency's training costs before it awarded CTC. However, because FAA awarded CTC without fully addressing these recommendations, it may encounter many of the same issues that compromised the success of the ATCOTS contract. Our report did not contain any recommendations requiring a formal response. FAA stated that it continues to work towards providing our office with the necessary information needed for closure of the remaining 2013 recommendations.

January 7, 2016

ENHANCED FAA OVERSIGHT COULD REDUCE HAZARDS ASSOCIATED WITH INCREASED USE OF FLIGHT DECK AUTOMATION

Requested by the Former Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation

While airlines have long used aircraft automation safely to improve efficiency and reduce pilot workload, recent accidents have shown that pilots who typically fly with automation can make errors when confronted with an unexpected event or transitioning to manual flying. Reliance on automation is a growing concern among industry experts, who have also questioned whether pilots are provided enough training and experience to maintain manual flying proficiency. We conducted this review to evaluate the effectiveness of FAA's oversight of pilot training for using and monitoring automated flight deck systems.

FAA has established certain requirements governing the use of flight deck automation during commercial operations. In particular, FAA has developed limitations regarding minimum altitudes at which autopilot can be engaged and how automated systems within the cockpit are configured to provide ease of use. FAA also requires that pilots be trained, tested, and proficient in all aircraft they operate, including any onboard automated flight deck systems. However, FAA does not have a sufficient

process to assess a pilot's ability to monitor flight deck automation systems and manual flying skills, both of which are important for identifying and handling unexpected events during flight. In addition, FAA is not well positioned to determine how often air carrier pilots manually fly aircraft. FAA has also not ensured that air carrier training programs adequately focus on manual flying skills. We made two recommendations to enhance FAA's ability to ensure that air carriers sufficiently address pilot monitoring and manual flying skills. FAA concurred with one recommendation and partially concurred with the other.

January 11, 2016

FAA CONTINUES TO FACE CHALLENGES IN ENSURING ENOUGH FULLY TRAINED CONTROLLERS AT CRITICAL FACILITIES

Required by the Consolidated Appropriations Act of 2014

Ensuring adequate staffing and training for air traffic controllers is essential to maintain the efficiency of the National Airspace System, especially at the Nation's most critical air traffic facilities. Our 2012 report found that FAA needed to enhance oversight of staffing and training to maintain continuity of air traffic operations at these facilities. We also reported that these facilities were facing a potential shortage of certified professional controllers.

Our follow-up review found that FAA's controller staffing levels at many of its most critical facilities are generally consistent with the Agency's Controller Workforce Plan (CWP); however, concerns exist about the validity of the staffing plan. Some facilities appear overstaffed, while others have fewer controllers than the CWP states they need. This is partially because FAA's CWP contains weaknesses in how it determines the number of controllers needed, particularly for en route centers. In addition, FAA has not yet established an effective process for balancing training requirements with pending retirements when managing its controller resources at its critical facilities. FAA relies on historical retirement data to anticipate retirements, but controllers can retire with little notice, leaving an individual critical facility facing an unexpected shortage. Moreover, training outcomes vary widely, and it can take more than 3 years to train a replacement controller for these complex facilities. We made two recommendations to improve FAA's ability to ensure adequate staffing at its most critical air traffic control facilities. FAA concurred with one recommendation and partially concurred with the other.

January 15, 2016

FAA REFORMS HAVE NOT ACHIEVED EXPECTED COST, EFFICIENCY, AND MODERNIZATION OUTCOMES

Requested by the Chairman of the House Committee on Transportation and Infrastructure and the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation

Over the past 2 decades, Congress has enacted legislation aimed at making FAA a performance-based organization that would operate effectively and efficiently while improving the delivery of air traffic services and expediting modernization efforts. However, while FAA has implemented the requirements of past reform legislation, completed several reorganizations, and implemented cost-

cutting measures, these efforts have not slowed the Agency's escalating operating costs or improved its productivity. In fact, FAA's total budget, operations account, and total personnel compensation and benefits costs doubled while air traffic facility productivity declined. In addition, FAA reports that acquisition and organizational reforms have improved the delivery of technologies and capabilities on newer acquisitions through its Next Generation Air Transportation System (NextGen) efforts. However, several NextGen-critical programs remain over budget and behind schedule due to overambitious plans, unresolved requirements, software development problems, ineffective contract management, and unreliable cost and schedule estimates. FAA concurred with our three recommendations to improve the Agency's management of major acquisitions and better meet the goals of its reforms.

January 20, 2016

FAA LACKS EFFECTIVE INTERNAL CONTROLS FOR OVERSIGHT OF ACCOUNTABLE PERSONAL PROPERTY

Self-Initiated

The effective, efficient use of property is the responsibility of all FAA employees. As of March 31, 2014, FAA reportedly owned approximately \$733 million of non-capitalized accountable personal property, such as personal computers, servers, digital cameras, utility vehicles, heavy equipment, and tools. We initiated this audit as a follow up to our 2013 purchase card audit, which found that FAA purchase cardholders and property control officials did not always follow Agency policy for tracking personal property acquired with Government purchase cards, increasing the risk that Government property could be lost or stolen.

FAA has not fully implemented effective internal controls for managing personal property. In addition, FAA did not perform required inventories, record newly acquired information technology (IT) equipment, or update records upon transfer from property records. As a result, we estimate that FAA may be unable to locate approximately 15,000 personal property assets on record, with a combined acquisition value of more than \$32.5 million. FAA concurred with our eight recommendations to improve the Agency's controls for safeguarding and tracking personal property.

January 29, 2016

INSPECTOR GENERAL REVIEW OF FAA'S FISCAL YEAR 2015 DRUG CONTROL FUNDS AND PERFORMANCE SUMMARY REPORTING

Required by ONDCP's Circular on Accounting of Drug Control Funding and Performance Summary

Our review of FAA's fiscal year 2015 drug control obligation summary report found that FAA reported \$16,038,000 for a aviation safety/aerospace medicine unit when the correct amount was \$16,308,000—an understatement of \$270,000. FAA agreed and attributed the understatement to a transposition error made during report development. Other than this exception, no information came to our attention that would reverse FAA's assertions that its fiscal year 2015 drug control obligation summary and

performance summary reports complied, in all material respects, with the requirements of the Office of National Drug Control Policy's (ONDCP) Circular on Accounting of Drug Control Funding and Performance Summary.

February 3, 2016

STATEMENT FOR THE RECORD: FAA'S EFFORTS TO MAINTAIN AND SECURE PILOT RECORDS

Hearing Before the House Oversight and Government Reform Subcommittee on Transportation and Public Assets

Air carriers and FAA are responsible for maintaining a robust and secure information system on pilot training, medical, and performance records. To ensure these records are retained for the life of the pilot and that air carriers review those records when making hiring decisions, the 2010 Airline Safety and Extension Act mandated that FAA create a pilot records database (PRD). However, a robust, centralized database for pilot records remains years away, as FAA has not yet issued a PRD rulemaking or made critical decisions about the PRD's design and implementation. We have also reported concerns regarding the availability of pilot data and aircraft information—especially as it relates to aircraft owned under non-U.S. citizen trusts—and the security of pilot data maintained by FAA. Our investigations have uncovered numerous fraud schemes—many of which focus on airmen certificate fraud and involve falsified FAA medical certificates—that demonstrate the ways in which gaps in airman data oversight can be exploited and can compromise safety.

February 4, 2016

FAA'S SECURITY CONTROLS ARE INSUFFICIENT FOR LARGE TERMINAL RADAR APPROACH CONTROL FACILITIES

Self-Initiated

To help manage the most complex air traffic system in the world, FAA operates approximately 160 Terminal Radar Approach Control (TRACON) facilities, which provide air traffic control services to pilots in the airspace immediately surrounding major airports. FAA's 11 largest TRACON facilities handle about 33 percent of all U.S. TRACON traffic; as such, effective security controls and contingency plans are critical to maintaining the safety and efficiency of the National Airspace System. Because the air traffic controllers at these facilities rely heavily on information systems to keep aircraft safely separated, we initiated this audit to determine if FAA is identifying security risks within TRACON information systems and properly mitigating them, and FAA's contingency plans for these facilities limit the effects of the loss of availability.

Note: The Department has determined that this report contains sensitive security information (SSI). No part of this record may be disclosed to persons without a "need to know," as defined in Title 49 Code of Federal Regulations Parts 15 and 1520, except with the written permission of the Administrator of the

Transportation Security Administration or the Secretary of Transportation. Unauthorized release may result in civil penalty or other action. For U.S. Government agencies, public disclosure is governed by Title 5 U.S. Code Section 552 and Title 49 Code of Federal Regulations Parts 15 and 1520. If you would like a copy of this report with SSI redacted, please contact our Freedom of Information Act Office.

February 25, 2016

QUALITY CONTROL REVIEW OF THE MANAGEMENT LETTER FOR FAA'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

Required by the Chief Financial Officers Act of 1990

We conducted a quality control review of KPMG LLP's management letter for the audit of FAA's financial statements for the years ended September 30, 2015, and September 30, 2014. KPMG previously issued an unmodified opinion on these financial statements in its independent audit report. The management letter identified 12 additional financial reporting and IT internal control weaknesses that were not required to be reported in KPMG's independent audit report.

INVESTIGATIONS

November 19, 2015

FUGITIVE CONVICTED FOR MAKING FALSE STATEMENTS TO DOT OIG, FAA, AND DHS

Ricardo Amador Ballesteros-Garcia was convicted at trial in U.S. District Court, Miami, FL, for making false statements to DOT OIG, FAA, and the U.S. Department of Homeland Security (DHS). Ballesteros-Garcia was also convicted of making false statements to a financial institution.

In May 2007, Ballesteros-Garcia, a native of Cuba, operated a U.S. registered aircraft as an airman private pilot and landed the aircraft at a private airstrip in Miami. When questioned by DHS special agents, he falsely identified himself as Alejandro Alvarez-Abreu. Subsequently, Ballesteros-Garcia falsely identified himself as Alvarez-Abreu to the local FAA office. In April 2008, a DOT OIG agent questioned Ballesteros-Garcia, who again falsely identified himself as Alvarez-Abreu. Fingerprint and photographic analysis showed that Alvarez-Abreu is a fraudulent identity of Ballesteros-Garcia.

On May 3, 2012, Ballesteros-Garcia was indicted on charges of operating an aircraft without a valid FAA airman certificate, and making false statements to several law enforcement and Government officials as to his true identity. He was also charged with conspiracy and bank fraud in an unrelated large-scale mortgage fraud scheme. Ballesteros-Garcia fled after charges were filed against him. He was apprehended on May 29, 2015, at his Miami Beach condominium after a tip alerted law enforcement of his whereabouts.

November 30, 2015

CONNECTICUT AEROSPACE MANUFACTURER AGREES TO PAY \$280,000 TO SETTLE CIVIL FRAUD ALLEGATIONS

Aero Gear—a Connecticut-based company that designs, engineers, and manufactures gears and gearbox assemblies for the commercial and military aerospace industry—agreed to pay \$280,000 as part of a civil settlement agreement with the U.S. Attorney's Office in New Haven, CT.

In 2006 and 2009, the Army awarded Aero Gear two contracts, valued at over \$5.8 million, to develop technology to manufacture and extend the life of gears for the Army's legacy aircraft fleet. The United States contends that it has certain civil claims against Aero Gear arising from improper conduct associated with the two Army contracts. The United States alleges that Aero Gear used equipment purchased with contract funds to conduct commercial work that was unrelated to the contracts. Aero Gear denies the Government's allegations and enters into the settlement in compromise of the disputed claims.

January 21, 2016

COMPANY OWNERS SENTENCED FOR UNAPPROVED AIRCRAFT PARTS IN CONNECTICUT

Jeffrey Warga, the president and owner of the Rhode Island-based Bay Components LLC, was sentenced in U.S. District Court, Hartford, CT, to 3 years of probation, 80 hours of community service, a \$10,000 fine, and prohibited from selling components to the Government or to aircraft manufacturers. In December 2015, Jeffrey Krantz, chief executive officer and owner of New York-based Harry Krantz LLC, was sentenced to 3 years of probation, ordered to pay a \$100,000 fine, and prohibited from being involved in buying or selling electronic parts for 2 years. The sentences related to their roles in supplying customers with falsely re-marked microprocessor chips—many of which were used in U.S. military and commercial helicopters.

Between 2005 and 2008, Krantz LLC sold more than 1,000 falsely re-marked military microprocessor chips to Bay Components, which it then sold to a Connecticut company that wanted new and original chips. Warga and Krantz knew that the chips, sourced from a parts supplier in China, had a high probability of being falsely re-marked to appear as if they were from the original manufacturer. The investigation revealed that many of the chips were used in the assembly of U.S. military and commercial helicopters, but the chips were determined not to be the root cause of any mechanical problems experienced by the helicopters to date.

January 29, 2016

TEXAS MAN PLEADS GUILTY AND IS SENTENCED FOR MAKING FALSE STATEMENTS TO FAA

Larry D. Morgan was sentenced in U.S. District Court, Oklahoma City, OK, for making false statements to FAA. He was sentenced to 60 months of probation, 180 days of home confinement, \$43,120 in restitution, and forfeiture of \$42,000.

Morgan, a pilot who owned and operated several aircraft in Cushing, OK, fraudulently induced a fellow pilot from Ovid, NY, to trade the man's Cessna 421A aircraft for Morgan's Beechcraft Bonanza aircraft. Morgan knew that the Beechcraft Bonanza was not worth the \$123,500 he had represented in email communications. Morgan made multiple false and fraudulent entries in the aircraft's logbooks, and failed to disclose an existing lien on the aircraft when he executed the bill of sale, which is executed on an FAA form.

March 23, 2016

NEW YORK AIR TRAFFIC CONTROLLER SENTENCED FOR TIME AND ATTENDANCE FRAUD SCHEME

Asif Ali, an FAA air traffic controller from John F. Kennedy Airport, was sentenced in U.S. District Court, Brooklyn, NY, to 1 year of probation; more than \$200,000 in restitution; and forfeiture of almost \$100,000.

Ali admitted that he and former air traffic controller Jeffrey Evagues gained access to FAA's Cru-X system and fraudulently altered labor distribution reports—causing FAA to pay Ali and Evagues for overtime, nightshift work, Sunday premium pay, and holiday work that they did not perform. Ali also admitted that he altered labor distribution reports to make it appear as though he had worked on vacation and sick days.

In December 2014, a Federal grand jury indicted Ali and Evagues, and charged each with conspiracy to commit wire fraud related to their roles in this fraud scheme. On June 4, 2015, Ali pleaded guilty to a conspiracy to commit wire fraud charge. In February 2016, Evagues was sentenced to 1 year in prison and forfeiture of over \$135,000. FAA indefinitely suspended Ali in April 2015; Evagues retired shortly after his post-indictment arrest in November 2014.

March 23, 2016

FORMER FAA DEPUTY REGIONAL ADMINISTRATOR SENTENCED TO 18 MONTHS OF PROBATION FOR THEFT

Joyce B. Scott, a former FAA Deputy Regional Administrator, Great Lakes Region, Des Plaines, IL, was sentenced in U.S. District Court, Chicago, IL, to 18 months of probation and restitution of \$24,259.

Scott previously pleaded guilty to theft related to fraudulently collecting her grandmother's Social Security benefits for several years after the grandmother had passed away. At the time of the grandmother's death on November 5, 2004, Scott shared a joint checking account with her grandmother, where her grandmother's Social Security benefits were deposited. Following her death, the benefits continued to be deposited monthly into the account, as Scott did not close the account or remove her grandmother's name from the account. The benefits continued until October 2010 when the Social Security Administration discovered that Scott's grandmother was deceased. Scott had spent the approximately \$24,000 of benefits deposited into the account.

IN FOCUS: MONITORING FAA'S ORGANIZATIONAL REFORM EFFORTS TO ACHIEVE OPERATIONAL EFFICIENCIES AND REDUCE COSTS

Over the past 2 decades, Congress has enacted legislation to grant the Federal Aviation Administration unique authorities to implement personnel, acquisition, and organizational reforms. The reform legislation was aimed at transforming FAA into a performance-based organization that would increase operational efficiency, improve acquisition practices, expedite delivery of new technologies, and reduce the Agency's costs. In response, FAA has implemented new personnel, acquisition, and management systems; undergone several reorganizations; and implemented measures intended to improve its internal operations and reduce costs. For example, FAA established the Air Traffic Organization to apply performance-based, business-like practices to the delivery of air traffic services. The Agency also implemented several cost-cutting measures and instituted new performance-based compensation systems for its workforces and a new cost accounting system.

While FAA achieved costs savings through some efforts—such as contracting out flight service station operations—the Agency's total budget, operations budget, and compensation costs doubled since 1996, while operational productivity at its air traffic facilities decreased substantially. These outcomes are largely the result of the Agency's failure to take full advantage of its authorities when implementing new personnel and acquisition systems, and not using business-like practices to improve its operational efficiency and cost effectiveness.

FAA's reforms have also fallen short in responding to legislation calling for improved delivery of new technologies and capabilities. The reform authorities FAA received 2 decades ago were intended to provide the flexibilities needed to resolve longstanding weaknesses in its programs and acquisitions—and ultimately, to bring costs and schedules under control. Despite implementing a new Acquisition Management System and other actions to make use of these flexibilities, FAA continues to develop overambitious plans, change and add system requirements, experience software development problems, ineffectively manage contracts and programs, and develop unreliable cost and schedule estimates.

IN FOCUS: FAA REFORM

These problems have delayed the implementation of new programs and the introduction of new capabilities—including those critical to NextGen such as performance-based navigation. Ultimately, these delays postpone benefits to users and defer the retirement of costly legacy systems. Meanwhile, FAA continues to implement major modernization systems first introduced in the 1990s—such as the Standard Terminal Automation Replacement System (STARS) and Wide Area Augmentation System, both of which continue to experience cost growth and delays.

Since creating the ATO in 2004, FAA data show with some recent exceptions that the Agency has slowed cost growth and schedule slips by taking a more incremental or segmented approach to its major acquisitions. However, FAA only reports on the progress of segments with active baselines, which can mask cost, schedule, and performance problems. As a result, FAA's reporting on overall program costs, schedules, and benefits has been unclear and inconsistent. In addition, FAA has been slow to adopt other best practices for managing major system acquisitions, such as clearly defining requirements, using modular contracting, incrementally pricing components of acquisitions, and applying the results of risk assessments to positively affect acquisition outcomes.

Our review of foreign air navigation service providers can help inform FAA as it continues to examine possible organizational reforms. In contrast with FAA, the foreign air navigation service providers we reviewed do not embark on large-scale modernization efforts or conduct extensive aviation research and development. Rather, they implement new technologies incrementally, using a variety of methods, such as purchasing commercial-off-the-shelf technologies.

We continue to monitor FAA's efforts to more fully leverage its reform authorities to achieve the large-scale cost savings, efficiencies, and productivity enhancements envisioned to meet the Nation's future aviation needs.

COMPLETED AUDITS AND INVESTIGATIONS

FEDERAL HIGHWAY ADMINISTRATION

INVESTIGATIONS

September 25, 2015

FUGITIVE CAPTURED IN TEL AVIV, ISRAEL, AND EXTRADITED TO THE UNITED STATES RELATED TO A MOTOR FUEL TAX EVASION SCHEME

The 6-year flight from justice for Yousef Abuteir ended on September 25, 2015, when he was apprehended in Tel Aviv, Israel, and extradited to the United States for State and Federal convictions related to a motor fuel tax evasion scheme.

The United States imposes a Federal excise tax on the sale of all fuel used by cars, trucks, and buses on the Nation's roadways. The Internal Revenue Service (IRS) collects these excise taxes, which are deposited into DOT's Highway Trust Fund to fund the construction and repair of U.S. highways and bridges. From October 2001 to November 2003, Abuteir and others defrauded the United States and the State of Texas out of millions of dollars in motor fuel excise taxes by obtaining tax-exempt kerosene under false pretenses. Utilizing the company Mid-Coast International, Abuteir and others purchased in excess of 13 million gallons of kerosene from a refinery in Louisiana and falsely stated that the kerosene was purchased for export to Mexico, exempting it from motor fuel excise taxes. However, Abuteir instructed drivers to deliver the untaxed fuel to retail gas stations throughout Houston, TX. Abuteir and his co-conspirators then pocketed the millions of dollars in unpaid taxes.

In June 2007, the State of Texas charged Abuteir with evading motor fuel taxes and engaging in a motor fuel tax scheme. In July 2007, the United States charged him with conspiracy and motor fuel tax evasion. Abuteir pleaded guilty to the Federal charges in April 2008; in December 2008, Abuteir was found guilty on State charges. In 2009, after failing to appear for sentencing, Abuteir fled to Israel. After being captured in Tel Aviv in 2015, Abuteir was transported to Texas, where he awaits sentencing.

November 6, 2015

YONKERS CONTRACTING INC. TO PAY \$2.6 MILLION TO RESOLVE DBE CONTRACT FRAUD ALLEGATIONS

A civil settlement between Yonkers Contracting Inc. and the U.S. Attorney's Office for the Southern District of New York was approved in U.S. District Court, Manhattan, NY. Yonkers agreed to pay

\$2.6 million to resolve alleged False Claims Act violations of Federal DBE regulations. A total of \$1,295,000 has been earmarked for FHWA from the settlement amount.

On November 4, 2015, a civil complaint, detailing the nature of the fraudulent conduct, was filed. Yonkers admitted that it had engaged in fraudulent conduct designed to take advantage of DBE regulations. The fraud was committed in order to secure a \$141-million FHWA-funded New York State DOT project known as the I-287/Cross-Westchester Expressway Bridges and Noise Barriers Replacement/Refurbishment Project. Between approximately 2006 and 2010, Yonkers falsely represented that a DBE company, Global Marine Supply Co., performed a commercially useful function on a \$6.4-million subcontract when, in fact, it did not.

Separately, the U.S. Attorney's Office for the Southern District of New York, Criminal Division, entered into a non-prosecution agreement with Yonkers requiring the company to create and maintain internal policy that addresses DBE program compliance and related training for employees.

November 23, 2015

OWNER OF LANDSCAPING COMPANY SENTENCED IN CONNECTION WITH DBE FRAUD SCHEMES ON MULTIPLE CONSTRUCTION PROJECTS

Adriano Lott, owner of now-defunct DBE company Landsite Contracting Company, was sentenced in U.S. District Court, Central Islip, NY, to 3 years of probation and a \$5,100 fine in connection with a conspiracy to defraud the Federal Government and State agencies on numerous public contracts.

Between 1998 and the early 2000s, Lott allowed Seneca Contracting Inc., a non-DBE subcontractor, to use Landsite as a "pass-through" DBE on two FHWA-funded New York State DOT projects. The projects were the \$29-million FHWA-funded Westside Highway-Route 9A Project and the \$13.4-million FHWA-funded Williamsburg Bridge/BQE Connector Project. Seneca performed the actual landscaping work and made it appear as if Landsite performed the work. The value of Landsite's fraudulent DBE subcontracts exceeded \$4.8 million. Additionally, fraudulent minority business enterprise subcontracts exceeded \$4.6 million. In January 2008, Lott pleaded guilty to conspiracy to launder money and agreed to forfeit \$100,000 paid to the Government.

November 23, 2015

NORTH CAROLINA PAVING COMPANY AND SIX OFFICIALS SENTENCED IN DBE FRAUD SCHEME

Boggs Paving Inc., Carl "Drew" Boggs, Kevin Hicks, Greg Miller, Greg Tucker, and John Cuthbertson were sentenced in U.S. District Court, Charlotte, NC, for their roles in a DBE scheme involving over \$87 million in Federal- and State-funded contracts. Arnold Mann was sentenced on November 10, 2015, for his role in the scheme.

Boggs Paving and the co-defendants used Styx Cuthbertson Trucking Company Inc., a road construction hauler and a certified DBE, to help obtain Government-funded construction contracts. From June 2004 to July 2013, Boggs Paving was the prime contractor for 35 federally funded contracts and a subcontractor for 2 additional contracts, worth \$87.6 million. Boggs Paving claimed approximately

\$3.7 million of DBE credits on these contracts for payments purportedly made to Styx, which only received \$378,000 of these payments. The co-defendants took steps to conceal the fraud by routing payments through a bank account in Styx's name and using magnetic decals bearing the Styx company logo to cover the Boggs logo on company trucks. Cuthbertson, owner of Styx, received kickbacks for this scheme.

In 2014, all charges were dismissed against Styx. Boggs Paving was ordered to pay a \$500,000 fine. The co-defendants were sentenced to terms of prison, probation, and/or home confinement, and fines ranging from \$1,000 to \$15,000.

January 28, 2016

LANDSCAPING EXECUTIVE PLEADS GUILTY IN SCHEME TO AVOID PAYING UNION BENEFITS ON FHWA PROJECT

Steven Pagliarini, of Johnston, RI, pleaded guilty in U.S. District Court, Providence, RI, to falsification of documents and mail fraud in connection with his role in a scheme to avoid paying contractually obligated union benefits for employees who worked on federally funded projects. These employees worked on the \$610-million FHWA-funded I-Way (Interstate 95) Relocation Project and the federally funded Hartford Park Project in Providence.

Pagliarini—the executive vice president and treasurer for Central Landscape Construction Company and the executive vice president of Central Nurseries Inc.—allegedly orchestrated a scheme to avoid paying contractually obligated union benefits for employees of two unions by paying a portion of the employees' wages through Central Nurseries, a non-union company. In addition, Pagliarini allegedly provided false information to the Rhode Island Department of Labor and Training regarding the employment status of some of his employees, so that they would be paid unemployment compensation while still performing work on behalf of Central Nurseries and Central Landscape.

February 1, 2016

NEW YORK STATE CONTRACTORS PAY OVER \$1 MILLION TO SETTLE DBE FRAUD ALLEGATIONS

On February 1, 2016, ING Civil Inc. and its owner, Corey Ingerson; James Beaudoin, former owner of Rexford Albany Municipal Supply Company Inc. (RAMSCO); and former RAMSCO salesman John Leary agreed to pay \$1,012,000 to resolve DBE contract fraud allegations.

In 2009, Ingerson and Leary agreed to an illegal pass-through scheme in connection with the Bridge Avenue Bridge Reconstruction Project in Cohoes, NY, valued at over \$6.3 million and funded by the American Recovery and Reinvestment Act of 2009 (ARRA). RAMSCO, a non-DBE, would provide the materials and bill ING Civil, the prime contractor, through American Indian Builders & Suppliers Inc. (AIB), a now-defunct DBE. Ingerson admitted that he made a false filing indicating that materials for the BABRP were supplied by AIB when, at the time he made that filing, he knew the materials were provided by RAMSCO. Beaudoin and Leary admitted that they took steps to aid ING Civil in making that false filing.

February 3, 2016

JUDGE ORDERS PENNSYLVANIA CONTRACTORS TO PAY \$1.33 MILLION IN RESTITUTION TO FHWA FOR DBE FRAUD SCHEME INVOLVING HUNDREDS OF BRIDGE PROJECTS

Judy Noll, owner of Karen Construction Inc. of Kutztown, PA, was sentenced in U.S. District Court, Philadelphia, PA; and Dennis Weber, Dale Weber, and Weber Steel Service Inc. of Kutztown were also sentenced. In October 2015, each pleaded guilty to conspiracy charges related to a complex DBE fraud scheme that ran for more than 16 years, totaled almost \$19 million, and involved hundreds of Pennsylvania bridge projects. Dennis and Dale Weber were each sentenced to 6 months of home confinement and 5 years of probation, and Weber Steel was placed on 3 years of probation. Additionally, the Court ordered these three defendants to jointly pay \$1 million in restitution to FHWA. Judy Noll was sentenced to 3 years of probation and ordered to pay \$336,219 in restitution to FHWA.

From April 1995 through November 2011, Weber Steel used Karen Construction to obtain over \$18.7 million from 224 federally funded highway contracts throughout Pennsylvania. Noll created and submitted false reports, certifications, invoices, and correspondence, misrepresenting that Karen Construction complied with DBE certification requirements. Although the company was required to be an independent business under the DBE program, Karen Construction and Weber Steel shared a computer network, office space, construction equipment, materials, and employees. Additionally, the Webers were in charge of the sham DBE's sales, marketing, project supervision, and hiring. Karen Construction shared its profits with Dennis and Dale Weber through year-end bonuses disguised by phony invoicing. Noll did not receive any bonuses or share in the profits of Weber Steel.

March 8, 2016

HIGHWAY CONTRACTOR SENTENCED FOR FRAUD SCHEME RELATED TO THE CENTRAL ARTERY TUNNEL PROJECT IN BOSTON

Modern Continental Corporation (MCC)—a contractor involved in the construction of highways, bridges, and tunnels—was sentenced in U.S. District Court, Boston, MA to a term of probation not to exceed 1 year or until the final distribution in the company's bankruptcy proceeding is completed—whichever is sooner. The sentence also ordered MCC to pay an assessment of \$15,600.

In May 2009, MCC pleaded guilty to 39 counts of false statements related to the Central Artery/Tunnel (CA/T) Project. CA/T, also known as the Big Dig, was a multibillion-dollar highway construction project to build or reconstruct approximately 7.5 miles of highways in Boston. MCC, the general contractor on one of the CA/T mainline tunnel contracts, knowingly submitted false certification for the project that contained false information on the quality of work performed on a concrete slurry wall panel. Additionally, MCC routinely submitted false and inflated claims for work done by apprentice workers but charged at the higher journeymen rates. MCC paid the apprentice workers at apprentice rates and kept the difference.

In March 2010, the Government and MCC agreed upon a cost of \$750,000 for MCC overbilling apprentices at journeyman rates and \$1.1 million to repair a CA/T tunnel panel. No monies were to be

turned over to the Government due to MCC being irretrievably insolvent. MCC is in the process of being dissolved in bankruptcy court.

March 25, 2016

FORMER FEDERAL HIGHWAY ADMINISTRATION ENGINEER SENTENCED TO 5 YEARS IN PRISON FOR CHILD PORNOGRAPHY

Eric Worrell, a former FHWA civil engineer, was sentenced in U.S. District Court, Sacramento, CA, to 5 years in prison, to be followed by 20 years of supervised release. In December 2015, Worrell pleaded guilty to receiving child pornography. Worrell will be required to register as a sex offender.

DOT OIG initiated its investigation after a thumb drive was found in a hallway outside FHWA's Sacramento offices. Investigators conducted a forensic examination of the thumb drive and Worrell's Government-owned computer, which revealed hundreds of images of child erotica and child pornography. A search of his personal computer also revealed additional images of child pornography.

COMPLETED AUDITS AND INVESTIGATIONS **FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION**

INVESTIGATIONS

October 13, 2015

TRUCK DRIVER SENTENCED FOR MAKING THREATS TO FMCSA SAFETY INSPECTOR

Ronald Mockelman, a commercial truck driver, was sentenced in U.S. District Court, Lincoln, NE, to 9 months of incarceration, 40 hours of community service, and 12 months of supervised release for threatening a Federal Motor Carrier Safety Administration (FMCSA) employee.

On January 10, 2015, Mockelman made several telephone calls to FMCSA's Nebraska Division Offices, threatening bodily injury in retaliation for a fine FMCSA issued to Mockelman for failing to adhere to motor carrier safety regulations. On the same day, Mockelman made several threatening telephone calls to FMCSA's Midwestern Service Center in Illinois.

December 15, 2015

SOUTH CAROLINA MAN SENTENCED FOR FALSE STATEMENTS IN CONNECTION WITH THIRD-PARTY COMMERCIAL DRIVER'S LICENSE TESTING

Thomas Lindsey was sentenced to 2 years of probation in U.S. District Court, Greenville, SC, for making false statements related to the unauthorized administering of commercial driver's license (CDL) tests.

Although Lindsey was approved as a third-party tester to administer CDL testing to employees of the North Spartanburg Fire Department; he administered CDL tests to drivers who were not employed by the fire department. Additionally, he did not require all drivers to perform vehicle pre-trip inspections, or basic controls or road tests, and he conducted testing at unapproved locations. Lindsey collected fees for the unauthorized CDL tests and instructed drivers to deliver the fraudulent skills test forms to multiple South Carolina Department of Motor Vehicle (DMV) licensing facilities.

February 2, 2016

OWNER OF DEFUNCT CALIFORNIA-BASED BOND COMPANY ORDERED TO PAY \$96,000 IN RESTITUTION

Bonnie Warren, owner of Oasis Capital Inc., was ordered to pay \$96,000 in restitution in U.S. District Court, Los Angeles, CA. In May 2015, Warren pleaded guilty to wire fraud and was sentenced in December 2015 to 4 months of home confinement and 2 years of probation.

FMCSA referred allegations that Oasis was violating FMCSA regulations by accepting money from property brokers to establish trust funds for the purpose of providing payments to shippers or motor carriers in cases where the broker fails to carry out its contract to provide transportation services by authorized motor carriers. Instead, Oasis used the payments from brokers for other purposes. In January 2010, FMCSA suspended Oasis' privileges to file trust funds on behalf of brokers. FMCSA also began the process of revoking the approximately 500 Oasis trust funds on file.

February 16, 2016

DOT OIG FUGITIVE ARRESTED AT MIAMI INTERNATIONAL AIRPORT RELATED TO A WIDESPREAD CDL FRAUD SCHEME

Adrian Salari was apprehended by Federal agents at Miami International Airport after a tip alerted law enforcement that he was flying into the United States from Moscow, Russia.

In August 2015, Salari, along with Ellariy Medvednik and Natalia Dontsova, were charged in U.S. District Court, Orlando, FL, with conspiracy to unlawfully produce hundreds of fraudulent Florida driver's licenses and CDLs. Medvednik and Dontsova pleaded guilty to conspiracy charges in 2015. In January 2016, Medvednik was sentenced to 1 year in prison and a \$30,000 fine; in December 2015, Dontsova was sentenced to 10 months in prison.

The Florida Highway Patrol and the Orange County, FL, Tax Collector's Office discovered several hundred people applying for CDLs using the same residential address in Seminole County, FL—which is registered as the place of business for Larex Incorporated, a trucking school owned and operated by Medvednik.

Larex allegedly marketed itself to Russian language speakers and charged students approximately \$1,800 to \$5,000 for services in obtaining a Florida CDL. Medvednik, Dontsova, and Salari used covert communications to supply answers to students taking CDL written exams. They also provided students with false documents to satisfy Florida CDL residency requirements. Larex paid Davis \$75 per student he passed on the road skills test. At least 400 students obtained fraudulent Florida CDLs through this scheme.

March 2, 2016

HOUSEHOLD GOODS MOVING COMPANY OWNER SENTENCED FOR TRANSPORTATION OF STOLEN PROPERTY

Shedrick Giles was sentenced in U.S. District Court, Atlanta, GA, for transportation of stolen property related to a household goods theft scheme involving multiple moving companies. Giles was sentenced to 12 months and 2 days of imprisonment, 40 hours of community service, and restitution of \$144,007 to his victims. On January 6, 2016, Tasheen “Ty” R. Pickett was sentenced in U.S. District Court, Atlanta, GA, for conspiracy to transport stolen property related to a household goods theft scheme. Pickett was sentenced to 48 months of imprisonment followed by 36 months of supervised release and restitution of almost \$428,000 to his victims.

Pickett owned and operated J and P Moving Inc. (J&P), a company that purported to provide moving services, even though it lacked authority from FMCSA to transport household goods. During moving jobs, J&P would load the household goods into a moving truck but never returned the goods to the rightful owner. In some instances, Pickett and other representatives of J&P would provide excuses for the failure to deliver and promised to deliver the household goods at a later date, but the goods would never be delivered. DOT OIG agents identified 34 victims and successfully reunited 20 of those victims with the majority of their possessions.

Giles was identified as a co-conspirator with Pickett, doing business as Fast Movers Delivery Service. Giles used the same scheme to obtain money and household goods from unsuspecting victims. In December 2015, Giles pleaded guilty to transportation of stolen property.

March 3, 2016

MOVING COMPANY OWNER PLEADS GUILTY TO BAIT-AND-SWITCH MOVING FRAUD SCHEME

Louis Massaro was sentenced in U.S. District Court, Boston, MA, to 12 months and 1 day in prison, 3 years of supervised release, and restitution of \$80,000. Massaro previously pleaded guilty to wire fraud, money laundering, failure to return household goods, and aiding and abetting. He operated a fraud scheme that defrauded 52 victims of over \$112,000 over a 26-month period.

From approximately August 2010 to October 2012, Massaro and his co-conspirators operated a bait-and-switch operation. Neighbors Moving and Storage (NM&S) would provide customers with low-ball estimates for moving their household goods and tell customers the price would be guaranteed upon payment of a deposit and a binding fee. The customers were never told that the actual move would be completed by another motor carrier. Massaro and his co-conspirators obtained additional money above the quoted prices in several ways. These included raising the price by claiming that there were more items to move than originally quoted—forcing customers to choose between canceling the contract and losing their deposit fees, or paying the higher amount. Drivers would also increase the price by thousands of dollars by claiming that customers’ goods weighed more than originally quoted. At that point, the price of the move would sometimes double or triple the quoted estimate. When a customer refused to pay the inflated price, they were informed that their household goods would

be placed in storage until they paid in full, including additional storage and re-delivery fees. If the customer did not pay, their goods would be sold at auction.

March 9, 2016

MICHIGAN MAN PLEADS GUILTY TO FALSELY CERTIFYING AND MARKING CARGO TANKS

Garald Bennett—the manager of LPG Service and Leasing LLC, a cargo tank testing facility in Cass City, MI—pleaded guilty to false certifications in U.S. District Court, Bay City, MI. In February 2015, Bennett was charged with falsely certifying and marking cargo tanks as having passed tests required by the Hazardous Materials Transportation Safety Act.

DOT regulations require that cargo tanks used to transport explosive materials be tested and re-certified for structural integrity every 5 years. These required tests include hydrostatic pressure tests and wet fluorescent magnetic particle tests. However, Bennett admitted that he had provided false certifications and tank markings to indicate that the cargo tanks had passed hydrostatic pressure tests and wet fluorescent magnetic particle tests, when the tanks had not been tested.

March 30, 2016

NEW YORK MAN SENTENCED IN WIDESPREAD FRAUDULENT CDL TEST-TAKING SCHEME

On July 17, 2015, after a 3-day trial, a Federal jury found Tanael Daniel, Luc Desmangles, and four other defendants guilty of charges related to cheating on CDL tests. In March 2015, Daniel was sentenced to time served, 2 years of supervised release, and a \$100 special court assessment. Daniel was also ordered to leave the country within 60 days. In December 2015, Desmangles was sentenced to 18 months of incarceration.

CDL applicants paid New York State DMV facilitators between \$1,800 and \$2,500 for CDL exam answers and assistance with DMV processes. Fraud schemes, which occurred at five New York DMVs, included the use of pencils containing miniaturized encoded test answers, a Bluetooth headset to relay CDL test answers, and an external test-taker to take exams on behalf of the applicants. The investigation's surveillance operations, including remote observation posts and pole cameras, uncovered the CDL fraud scheme.

COMPLETED AUDITS AND INVESTIGATIONS

FEDERAL RAILROAD ADMINISTRATION

AUDITS

February 24, 2016

FRA'S OVERSIGHT OF HAZARDOUS MATERIALS SHIPMENTS LACKS COMPREHENSIVE RISK EVALUATION AND FOCUS ON DETERRENCE

Self-Initiated

In July 2013, a train carrying crude oil derailed in Lac-Mégantic, Quebec, Canada, resulting in fatalities and significant damage. Due to the public safety risks that transporting hazardous materials by rail pose, we initiated this audit to assess FRA's use of inspections and other tools to enforce its hazardous materials regulations.

We identified three areas of concern in FRA's enforcement of its hazardous materials regulations. First, FRA has not conducted an evaluation of risks associated with hazardous materials transportation that includes national level risks to target inspection resources. Second, while the Agency provides guidance and training for inspectors who enforce hazardous materials regulations, the inspectors do not have easy access to inspection data from other regions. They also frequently cannot access updated information in the Pipeline and Hazardous Materials Safety Administration's (PHMSA) information system regarding special permits. Third, the civil penalties that FRA pursues for violations of hazardous materials regulations do not account for variations in the severity of violations. Furthermore, despite departmental requirements in several DOT orders, FRA does not refer cases to DOT OIG for criminal investigation. FRA concurred with our seven recommendations to help FRA improve risk assessments associated with allocating inspection resources and address concerns about the use of civil penalties and lack of criminal case referrals to DOT OIG.

INVESTIGATIONS

February 23, 2016

ENGINEERING AND CONSTRUCTION FIRM AGREES TO PAY \$580,000 TO SETTLE CIVIL FRAUD ALLEGATIONS IN CONNECTICUT

URS Corporation AES—an engineering, construction, and technical services firm—agreed to pay \$580,000 as part of a civil settlement agreement with the U.S. Attorney’s Office, Hartford, CT, to settle claims with respect to DOT and the National Railroad Passenger Corporation (Amtrak).

In 2007, Amtrak awarded a contract to the Washington Group International Inc. (WGI), an Ohio-based engineering firm, to provide construction management services for the replacement of the Niantic River rail bridge in Niantic, CT. In 2008, URS acquired WGI and assumed responsibility for the contract. The Government contends that in most instances during the term of the contract, URS charged firm fixed labor rates rather than the actual labor rates for employees and, as a result, overbilled the United States. The settlement agreement is neither an admission of wrongdoing or liability by URS, nor a concession by the United States that its contentions and claims are not well founded. URS expressly denies the allegations.

COMPLETED AUDITS AND INVESTIGATIONS

FEDERAL TRANSIT ADMINISTRATION

AUDITS

March 28, 2016

FTA DID NOT ADEQUATELY VERIFY PATH'S COMPLIANCE WITH FEDERAL PROCUREMENT REQUIREMENTS FOR THE SALT MITIGATION OF TUNNELS PROJECT

Self-Initiated

In response to the widespread damage caused by Hurricane Sandy, Congress enacted the Disaster Relief Appropriations Act of 2013 (DRAA), appropriating over \$10 billion for FTA's Emergency Relief Program for relief, recovery, and resiliency efforts in the affected areas. Under this authority, FTA awarded a grant in June 2014 to the Port Authority Trans-Hudson Corporation (PATH) for Hurricane Sandy-related repair, recovery, and resiliency projects. To date, the total value of the grant, including amendments, is \$678 million—including about \$310 million for a Salt Mitigation of Tunnels Project, which aims to repair salt water damage caused by Hurricane Sandy. As part of our DRAA mandate to support oversight of FTA's Hurricane Sandy relief funds, we reviewed FTA's oversight of PATH's procurement practices for the Salt Mitigation of Tunnels Project.

FTA did not adequately verify that PATH's procurement practices for the Salt Mitigation Project complied with Federal requirements. Our assessment determined that FTA did not enforce its requirement that PATH have a project management plan (PMP) for the Salt Mitigation Project before the grantee began drawing down Federal funds. PATH also completed critical work for the project without a PMP. Additionally, FTA did not conduct any oversight reviews of PATH until August 2015, despite rating PATH's procurement area as "high" risk over 2 years earlier. Consequently, FTA missed opportunities to identify and possibly prevent areas of noncompliance with FTA requirements. Finally, while FTA utilizes a Project Management Oversight Contractor to assist in its oversight of PATH's Salt Mitigation Project, the Agency lacks effective processes for tracking and following up on the grantee and project-specific issues identified by the contractor. FTA concurred with our three recommendations to improve FTA's oversight of PATH's procurement practices for the Salt Mitigation of Tunnels Project.

INVESTIGATIONS

November 24, 2015

NEW YORK CONSTRUCTION FIRM AGREES TO FORFEIT \$8.25 MILLION FOR DBE FRAUD SCHEME

Granite Construction Inc., a nationwide public works company traded on the New York Stock Exchange, agreed to pay more a \$7.25 million civil forfeiture to the Federal Government and \$1 million to the Metropolitan Transportation Authority (MTA) to resolve a criminal investigation of a DBE fraud scheme.

Granite was the prime contractor on a federally funded bus depot project in Queens, NY, for which the company was paid approximately \$222 million. Granite admitted that it conspired with a DBE front company who was awarded a \$22-million subcontract to perform the DBE work on the project. Granite falsified project records and payroll documents to make it appear as though the DBE performed the work and paid the DBE a \$500,000 fee, even though the company did not perform a commercially useful function. As a result, Granite deprived legitimate DBE companies of the opportunity to win the subcontracts and perform the specified work.

The U.S. Attorney's Office, New York, NY, agreed not to prosecute Granite due to the company's comprehensive internal investigation, cooperation with the Government, and implementation of a broad compliance program that includes project compliance monitors and extensive training.

December 3, 2015

CONNECTICUT CONSTRUCTION FIRM SENTENCED TO 3 YEARS OF PROBATION AND A \$200,000 FINE

Cherry Hill Construction Inc. was sentenced in U.S. District Court, New Haven, CT, to 3 years of probation and a \$200,000 fine for underfunding its retirement plan and filing a false tax return. In January 2015, Cherry Hill pleaded guilty to filing a false tax return and making a false statement in relation to documents required by the Employee Retirement Income Security Act of 1974.

Cherry Hill—a subcontractor on the \$101-million, FHWA- and FTA-funded New Haven Line Catenary and Five Bridges project—submitted falsified certified payrolls that overstated Cherry Hills' pension plan contributions. Cherry Hill also submitted falsified certified payrolls on three ARRA-funded municipal projects.

February 3, 2016

FORMER COLORADO REGIONAL TRANSPORTATION DISTRICT CIVIL RIGHTS MANAGER CONVICTED OF ACCEPTING BRIBES

Kenneth Hardin, a former Colorado Regional Transportation District (RTD) employee, was found guilty of bribery charges after a trial in U.S. District Court, Denver, CO. Hardin was a senior manager in RTD's Civil Rights Division, whose duties included directing regulatory compliance, investigating complaints,

community outreach, program strategy development, and overseeing compliance with DOT's DBE program. In 2014, FTA provided an estimated \$218 million in grants to RTD. On November 5, 2014, Hardin was indicted on Federal charges alleging he solicited, demanded, and accepted four bribes totaling \$5,100 with the intent to influence RTD transactions involving federally funded contracts. At trial, a Federal jury found Hardin guilty on three of the four bribery counts.

March 2, 2016

WISCONSIN ARCHITECTURAL FIRM TO PLEAD GUILTY AND IS SENTENCED FOR FALSE STATEMENTS

Novum Structures LLC, a Wisconsin-based architectural firm, agreed pleaded guilty and was sentenced in U.S. District Court, Milwaukee, WI, for making false statements pertaining to the improper use of foreign materials on construction projects involving Federal funds.

Novum previously agreed to pay \$2.5 million to resolve civil allegations under the False Claims Act that its conduct caused the submission of false claims for payment. The civil settlement resolves allegations that from January 2004 through July 2013, Novum improperly used foreign materials on federally funded construction projects, violating contractual obligations intended to implement domestic preference statutes, often referred to as Buy America requirements. The agreement also resolves a criminal information alleging that Novum repackaged materials and falsified documents relating to federally funded construction projects to hide the company's use of noncompliant foreign materials. Novum will plead guilty to concealing a material fact and pay a \$500,000 fine.

COMPLETED AUDITS AND INVESTIGATIONS

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

AUDITS

January 29, 2016

INSPECTO GENERAL REVIEW OF NHTSA'S FISCAL YEAR 2015 DRUG CONTROL FUNDS AND PERFORMANCE SUMMARY REPORTING

Required by ONDCP's Circular on Accounting of Drug Control Funding and Performance Summary

This report presents the results of our review of NHTSA's drug control funds and performance summary reports for fiscal year 2015, required by ONDCB. During our review, we found exceptions in NHTSA's reports. Specifically, NHTSA reported \$2,688,000, but the correct amount was \$5,519,000, an understatement of \$2,831,000. NHTSA agreed and attributed the understatement to a misunderstanding of the reporting requirements. Other than these exceptions, no information came to our attention that would reverse NHTSA's assertions that its fiscal year 2015 drug control obligation summary and performance summary reports complied, in all material respects, with the requirements of ONDCP's Circular on Accounting of Drug Control Funding and Performance Summary.

February 24, 2016

ADDITIONAL EFFORTS ARE NEEDED TO ENSURE NHTSA'S FULL IMPLEMENTATION OF OIG'S 2011 RECOMMENDATIONS

Self-Initiated

In October 2011, we issued an audit of NHTSA's oversight of vehicle safety, which made 10 recommendations to enhance the ability of NHTSA's Office of Defects Investigation (ODI) to identify and address potential vehicle safety defects. In March 2014, the Secretary of Transportation requested that we assess NHTSA's vehicle safety procedures related to NHTSA's handling of the February 2014 General Motors Corporation recall. Our subsequent review determined that ODI's inadequate processes for collecting and analyzing vehicle safety data resulted in significant safety concerns being overlooked.

Because of the importance of highway safety, we also reviewed NHTSA's efforts to address recommendations from our 2011 report. While NHTSA completed all agreed-to actions from our 2011 review, we have concerns with the implementation of some actions—especially NHTSA's lack

of mechanisms to ensure that staff consistently apply the actions. Specifically, ODI adequately implemented the actions it proposed for three recommendations but did not consistently apply the actions it implemented for six recommendations. In addition, ODI developed a training plan in response to recommendation 9, but it has not executed the program to ensure its investigators have the needed skills and expertise to carry out ODI's mission. As a result, ODI's staff may not be sufficiently trained to identify and investigate potential vehicle defects or ensure that vehicle manufacturers take prompt and effective action to remediate issues. NHTSA concurred with our two recommendations to enhance ODI's quality control mechanisms for complying with the policies and plans established to address our 2011 recommendations.

COMPLETED AUDITS AND INVESTIGATIONS
NATIONAL TRANSPORTATION SAFETY BOARD

AUDITS

November 10, 2015

QUALITY CONTROL REVIEW OF NTSB'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

Required by the Accountability of Tax Dollars Act of 2002

We conducted a quality control review of Acuity Consulting Inc.'s audit of the National Transportation Safety Board's (NTSB) financial statements for fiscal years 2015 and 2014. The audit's objective was to determine whether NTSB's financial statements were presented in accordance with accounting principles generally accepted in the United States. Acuity issued an unmodified audit opinion on NTSB's financial statements. Acuity's report did not include any significant deficiencies in internal controls over financial reporting or instances of reportable noncompliance with laws and regulations. Our quality control review disclosed no instances in which Acuity did not comply, in all material respects, with auditing standards.

COMPLETED AUDITS AND INVESTIGATIONS

MARITIME ADMINISTRATION

AUDITS

December 10, 2015

WEAKNESSES IN MARAD'S MANAGEMENT CONTROLS FOR RISK MITIGATION, WORKFORCE DEVELOPMENT, AND PROGRAM IMPLEMENTATION HINDER THE AGENCY'S ABILITY TO MEET ITS MISSION

Self-Initiated

In recent years, MARAD has restructured its organization to better coordinate programs that have a direct impact on the Agency's Federal and commercial sealift missions. MARAD has also taken on oversight for a significant number of Transportation Investment Generating Economic Recovery grant funds for port development projects. These significant changes point to the need for enhanced attention to MARAD's management controls intended to help managers achieve desired results through effective stewardship of public resources. Accordingly, we assessed MARAD's management controls for (1) planning, performance measurement, and risk management; (2) organizational structure and workforce development; and (3) program implementation, monitoring, and oversight.

MARAD's strategic plan and performance measures are aligned with Federal standards but did not thoroughly document its risk mitigation strategies, so the Agency cannot be assured it is prepared to address risks to meet its mission. MARAD also assessed its organizational structure but has not fully implemented workforce plans and development policies. Finally, MARAD's controls for program implementation, monitoring, and oversight are deficient. Specifically, MARAD's policies and procedures are largely outdated Agency-wide, and MARAD has not established comprehensive mechanisms for overseeing implementation of corrective actions. MARAD concurred with our 16 recommendations to improve the Agency's management controls.

March 8, 2016

MARAD'S EFFORTS TO ADDRESS PROGRAM MANAGEMENT CHALLENGES

Testimony Before the Senate Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security

The Assistant Inspector General for our Office of Surface Transportation Audits testified on MARAD's efforts to address its program management challenges. The testimony highlighted findings from our most recent report on MARAD's management challenges and our 2014 report on the U.S. Merchant Marine Academy's (USMMA) actions to address sexual assault and sexual harassment.

The Assistant Inspector General noted that in December 2015, we reported that weaknesses in MARAD's management controls for risk mitigation, workforce development, and program implementation hindered the Agency's ability to meet its mission. MARAD has since implemented 5 of our 16 recommendations to improve its risk management process, refine program implementation in two areas, and enhance oversight mechanisms. However, weaknesses remain in workforce development and program implementation. The Assistant Inspector General also noted that in October 2014, we reported that USMMA had not made progress in implementing needed actions to prevent sexual assault and sexual harassment on its campus. Weaknesses in the Academy's biennial surveys of midshipmen, staff, and faculty further limited USMMA's efforts to target and make progress in critical areas. Finally, the Assistant Inspector General stated that MARAD implemented our nine recommendations from our 2014 report, and that we continue to monitor the Academy's actions to address sexual assault and harassment in light of ongoing congressional interest.

COMPLETED AUDITS AND INVESTIGATIONS

OFFICE OF THE SECRETARY OF TRANSPORTATION

AUDITS

November 5, 2015

DOT HAD MAJOR SUCCESS IN PIV IMPLEMENTATION, BUT PROBLEMS PERSIST IN OTHER CYBERSECURITY AREAS

Required by the Federal Information Security Management Act of 2002, as Amended

This report presents the results of our annual audit of DOT's information security program and practices required by the Federal Information Security Management Act of 2002 (FISMA), as amended. Consistent with FISMA and OMB requirements, our audit objective was to determine the effectiveness of DOT's information security program and practices. DOT has made significant progress in implementing the use of personal identity verification (PIV) cards. However, the Department's information systems remain vulnerable to serious security threats due to deficiencies in policies and procedures, enterprise controls, system controls, and management of known security weaknesses. We made recommendations to address these issues. We have redacted sensitive information from the report posted on our Web site.

November 5, 2015

LETTER TO CHAIRMAN RON JOHNSON AND CHAIRMAN CHARLES GRASSLEY ON THE STATUS OF OIG OPEN AUDIT RECOMMENDATIONS

Requested by the Chairman of the Senate Committee on Homeland Security and Governmental Affairs and the Chairman of the Senate Committee on Judiciary

We sent our response to Senator Ron Johnson and Senator Charles E. Grassley regarding their February 27, 2015, request that we provide the status of DOT OIG open audit recommendations. Specifically, they requested the following: (1) the current number of open recommendations, their dates, and cumulative estimated cost savings; (2) a description of all audits and investigations provided to the Agency for comment that did not receive a response within 60 days; (3) a report on each investigation involving GS-15 level employees (or equivalent) and above where misconduct was found but no prosecution resulted; (4) a description of any instances of whistleblower retaliation and any consequences imposed by the Agency; (5) a description of any attempts to interfere with our

independence, including restricting our communications with Congress and budgetary constraints designed to limit our capabilities; (6) a description of any instances where the Department restricted or significantly delayed our access to information; and (7) a description of all closed audits and investigations that were not disclosed to the public.

November 16, 2015

DOT'S FISCAL YEAR 2016 TOP MANAGEMENT CHALLENGES

Required by the Reports Consolidation Act of 2000 and OMB Circular A-136

We issued our annual report on the top management challenges facing the Department. For fiscal year 2016, DOT faces eight major challenges: (1) addressing the increasing public safety risks posed by the transportation of hazardous materials, (2) integrating unmanned aircraft systems safely into the National Airspace System, (3) enhancing NHTSA's efforts to identify and investigate vehicle safety defects, (4) protecting the Department against more complex and aggressive cyber security threats, (5) adopting effective practices for managing FAA acquisitions, (6) improving oversight of FHWA's and FTA's surface infrastructure programs, (7) removing high-risk motor carriers from the Nation's roads, (8) developing and sustaining an effective and skilled DOT workforce. This report was included in the Department's annual financial report, as required by law.

November 16, 2015

QUALITY CONTROL REVIEW OF DOT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

Required by the Chief Financial Officers Act of 1990

This report presents the results of our quality control review of KPMG LLP's audit of DOT's consolidated financial statements for fiscal years 2015 and 2014. The audit's objective was to determine whether DOT's financial statements were presented in accordance with accounting principles generally accepted in the United States of America. KPMG issued an unmodified audit opinion on DOT's financial statements. KPMG reported one material weakness and one significant deficiency in internal controls over financial reporting. KPMG also found instances of reportable noncompliance with laws and regulations tested. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.

November 19, 2015

QUALITY CONTROL REVIEW OF DOT'S AUDITED CLOSING PACKAGE FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

Required by the Chief Financial Officers Act of 1990

This report presents the results of our quality control review of the DOT's closing package financial statements for fiscal years 2015 and 2014. KPMG LLP, under contract to DOT OIG, issued an unmodified audit opinion on DOT's closing package financial statements. KPMG reported one material weakness in internal controls over financial reporting for the closing package financial statements. Specifically, DOT omitted certain contingencies and heritage assets from module GF006 FR, All Notes Report. These omissions were corrected prior to the submission of the closing package financial statements to the U.S. Department of the Treasury.

January 21, 2016

LETTER TO CHAIRMAN THUNE AND RANKING MEMBER NELSON ON THE STATUS OF OIG OPEN AUDIT RECOMMENDATIONS

Requested by the Chairman and Ranking Member of the Senate Committee on Commerce, Science, and Transportation

We issued a letter to Chairman John Thune and Ranking Member Bill Nelson of the Senate Committee on Commerce, Science, and Transportation regarding the status of DOT OIG's open audit recommendations. Specifically, the Chairman and Ranking Member requested the following: (1) a list of all outstanding DOT OIG recommendations that DOT has yet to implement fully; (2) for each such outstanding recommendation, an indication whether DOT has concurred with the recommendation, whether there is an expected date by which the recommendation will be implemented, and if applicable, either the cost of fully implementing the recommendation or the cost savings that could be obtained if it were fully implemented; (3) highlight the highest priority open recommendations or those that pose the highest risk if not implemented; and (4) any Agency attempts to interfere with DOT OIG independence, deny access to information or documents, or any objections or delays in cooperating with DOT OIG oversight or investigations.

As of December 31, 2015, we identified 569 open recommendations, which were included in 176 audit reports issued between July 18, 2007, and December 31, 2015. Of these, 29 recommendations (from 24 reports) carry an estimated monetary benefit or cost savings totaling over \$1.9 billion. We have identified 33 open recommendations that are the highest priority or which present the highest risk if not implemented.

January 28, 2016

LETTER TO OMB ON DOT OIG CHARGE CARD RECOMMENDATIONS

Required by the Government Charge Card Abuse Prevention Act of 2012

The Government Charge Card Abuse Prevention Act of 2012 requires us to report to OMB on the implementation of recommendations we have made to address findings from audits of the DOT's charge card programs. During fiscal year 2014, we issued one report on the DOT's travel card program. We made four recommendations to strengthen program controls and reduce program costs. DOT agreed to implement our four recommendations.

February 25, 2016

QUALITY CONTROL REVIEW OF THE MANAGEMENT LETTER FOR DOT'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

Required by the Chief Financial Officers Act of 1990

We conducted a quality control review of KPMG LLP's management letter for the audit of DOT's consolidated financial statements for the years ended September 30, 2015, and September 30, 2014. KPMG previously issued an unmodified opinion on these financial statements in its independent audit report. The management letter identified eight additional financial reporting and IT internal control weaknesses that were not required to be reported in KPMG's independent audit report.

March 3, 2016

MULTIPLE DOT OPERATING ADMINISTRATIONS LACK EFFECTIVE INFORMATION SYSTEM DISASTER RECOVERY PLANS AND EXERCISES

Self-Initiated

DOT relies on more than 450 information systems, many of which provide fundamental capabilities for keeping the Nation's transportation system safe and operational. Effective disaster recovery planning is critical to maintain information system safety and efficiency for DOT and its Operating Administrations during an unexpected event.

However, the disaster recovery plans for 4 of the Department's 12 Operating Administrations—FHWA, FRA, FMCSA, and PHMSA—were not in compliance with DOT policy. In addition, the Operating Administrations have not all effectively tested their plans to ensure they will work in the event of a disruption. For example, FAA did not conduct annual contingency plan testing for certain high-impact systems, as required. Furthermore, FAA, FMCSA, PHMSA, and FRA did not conduct required functional disaster recovery testing to ensure that their systems comply with DOT policy and can effectively handle operations during unexpected events. The Department concurred with our nine recommendations to improve the effectiveness of information systems contingency planning and testing.

March 15, 2016

TOP MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF TRANSPORTATION

Hearing Before the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

The Inspector General testified before the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies on the top management challenges facing DOT. The Inspector General focused on three cross-cutting areas: (1) addressing new and longstanding safety challenges, (2) continuing diligent stewardship over DOT's critical investments, and (3) enhancing DOT's IT security and preparedness.

March 16, 2016

BUDGET AND MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF TRANSPORTATION

Hearing Before the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies

The Inspector General testified before the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies on budget and management challenges facing the Department of Transportation. The Inspector General focused on three cross-cutting areas: (1) addressing new and longstanding safety challenges, (2) continuing diligent stewardship over DOT's critical investments, and (3) enhancing DOT's IT security and preparedness.

March 22, 2016

THE VOLPE CENTER'S INFORMATION TECHNOLOGY INFRASTRUCTURE IS AT RISK FOR COMPROMISE

Self-Initiated

The Volpe Center—operating under DOT's Assistant Secretary for Research and Technology—provides research, development, and IT services to Federal and State agencies, local entities, and partners abroad. To prevent unauthorized access to its customers' data and its own data, Volpe's information network must be properly protected. Accordingly, we assessed whether: (1) Volpe's local area network (LAN) and Web sites are secure from compromise, and (2) security weaknesses exist in Volpe's IT infrastructure.

Volpe's LAN was not secure from compromise because the Center did not follow the National Institute of Standards and Technology's (NIST) guidance on information security and DOT's cybersecurity policy. Some Volpe management practices also created security weaknesses that made its IT infrastructure vulnerable to compromise. Furthermore, Volpe's oversight practices for the network space it contracts out created risks for compromise. Finally, Volpe did not maintain a complete inventory of its network

devices. NIST's guidance and DOT's policy require Operating Administrations to maintain up-to-date inventories of their systems' components and devices. However, Volpe's administrators did not have a complete inventory and could not identify unauthorized devices. Consequently, Volpe's IT infrastructure and the systems and data on it are at risk for compromise. Volpe concurred with our eight recommendations to help secure the Center's IT infrastructure.

Note: Sensitive information exempt from public disclosure under the Freedom of Information Act, Title 5 U.S. Code Section 552, has been redacted. We have marked the document as for official use only. The redacted version is posted to our Web site.

COMPLETED AUDITS AND INVESTIGATIONS

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

INVESTIGATIONS

October 29, 2015

CALIFORNIA MAN SENTENCED FOR FALSELY CERTIFYING OXYGEN CYLINDERS FOR AIRCRAFT

Daniel Allen Hoose was sentenced in U.S. District Court, Sacramento, CA, related to falsely certifying oxygen cylinders for aircraft. He was sentenced to 36 months of probation and a \$3,000 fine. He pleaded guilty in July 2015 to one count of falsely certifying more than 570 oxygen cylinders for reuse, including reuse in aircraft.

In the spring of 2013, Hoose represented that he performed hydrostatic testing on a special permit oxygen cylinder installed in an aircraft. However, Hoose's re-qualification equipment was in disrepair, so he was unable to test the cylinders in accordance with PHMSA regulations. Hoose falsified the cylinder hydrostatic testing certifications and returned the cylinders to their owners for use.

December 11, 2015

ARIZONA MAN SENTENCED IN CONTAMINATED BODY PARTS SCHEME

Stephen Gore was sentenced in Maricopa County Superior Court, Phoenix, AZ, to a 12-month suspended sentence, 48 months of probation, and restitution of \$122,000. Gore previously pleaded guilty to State charges related to a scheme to obtain donated body parts under false pretenses and provide unsuspecting customers with contaminated or infectious human tissue. Our investigation focused on allegations that Gore's company violated DOT regulations and shipped undeclared infectious human tissue without disclosing the hazards and safety risks associated with the cargo.

Gore owned and operated Biological Resource Center of Arizona, a business that specialized in providing donated human bodies, organs, and tissue to foreign and domestic universities, researchers, and/or medical device companies for medical research. Gore admitted to fraudulently acquiring "willed-to-science" cadaver parts from unwitting and nonconsenting donors—many of which were known by Gore to be infectious or diseased before being improperly packaged, transported, and sold to unsuspecting buyers without proper declaration that the shipment contained hazardous biological

substances. Additionally, Gore provided unknowing vendors with donated body parts for unauthorized uses contrary to the donors' wishes.

December 22, 2015

VIRGINIA CHEMICAL COMPANY PLEADS GUILTY TO ILLEGAL TRANSPORTATION OF HAZARDOUS WASTE

CHEM-SOLV, operator of a chemical blending and distribution facility, pleaded guilty in U.S. District Court, Roanoke, VA, to illegal transportation and storage of hazardous waste.

In June 2012, CHEM-SOLV contacted an environmental cleanup company after CHEM-SOLV employees spilled several hundred gallons of ferric chloride. Approximately 4,500 pounds of ferric chloride mixture were vacuumed and put into five 275-gallon containers. The ferric chloride mixture was not properly tested to determine if it exhibited hazardous characteristics. At the direction of CHEM-SOLV employees, the material was then classified as non-hazardous and transported to a waste disposal facility that was not permitted to handle hazardous wastes. As a result, the containers and the transporting vehicle were not properly placarded as containing hazardous waste.

In December 2013, CHEM-SOLV was notified that the U.S. Environmental Protection Agency (EPA) would conduct an inspection. At that time, CHEM-SOLV was storing numerous containers of chemical waste at its facility, and the company had been told that it was a violation to store chemical waste there. CHEM-SOLV directed its employees to load three trailers with the chemical waste to be taken off site to prevent EPA inspectors from discovering the containers. Two of the three trailers were transported off site. The third trailer, which was not road worthy, was stored on the CHEM-SOLV property. The investigation revealed that the third trailer remained on CHEM-SOLV's property from December 2013 until November 2014, when agents executed a search warrant on the third trailer and found the hazardous waste containers stored inside.

February 3, 2016

PRESIDENT OF PENNSYLVANIA HAZMAT PACKAGING FIRM SENTENCED AND ORDERED TO PAY \$300,000 IN RESTITUTION

Frank Menichini, the operator of DVG Packaging, was sentenced in U.S. District Court, Philadelphia, PA, to 6 months of home confinement, 36 months of probation, 100 hours of community service, and restitution of \$300,000. In November 2015, Menichini pleaded guilty to falsifying certifications related to hazardous material packaging with the intent to obstruct an investigation.

DVG manufactured flexible plastic packaging used to transport infectious substances related to the health care industry. The packaging was often used in air transportation and PHMSA required that these packages pass required strength and pressure tests to ensure the packaging withstood the internal pressure associated with aircraft transport. To ensure transportation safety, PHMSA sets mandatory standards for hazardous materials packaging, including packaging designed to carry infectious substances. In addition, PHMSA regulations require manufacturers to demonstrate and certify that the associated packaging meets those pressure test standards. Menichini admitted that he falsified

documents and records related to the package pressure tests. In addition, he admitted that he supplied false reports to both PHMSA inspectors and DVG customers that incorrectly showed the packages met PHMSA requirements. Menichini also admitted that he falsified test result documents to impede and obstruct a PHMSA inspection.

March 21, 2016

MICHIGAN WOMAN PLEADS GUILTY TO WIRE FRAUD IN RELATION TO INFECTIOUS HUMAN REMAINS FRAUD SCHEME

Elizabeth Rathburn, former manager of International Biological Inc. (IBI), pleaded guilty to wire fraud in U.S. District Court, Detroit, MI. She was indicted in January 2016 for her involvement in a fraud scheme involving the distribution of infectious human remains.

Rathburn and her husband Arthur Rathburn participated in a scheme to defraud buyers of “willed-to-science” donor cadaver parts. The Rathburns obtained bodies and body parts from suppliers, which IBI would then typically dismember before renting out to customers for medical or dental training. On more than one occasion, the Rathburns withheld medical facts surrounding the death of certain donors, failed to inform customers that some cadaver body parts were considered infectious and falsely represented the body parts were free of diseases, such as human immunodeficiency virus (HIV) and hepatitis B. In addition, Arthur Rathburn willfully caused regulated hazardous materials to be delivered in violation of Federal transportation regulations.

IN FOCUS: WORKING WITH CONGRESS, DOT, AND LAW ENFORCEMENT PARTNERS TO ENHANCE PIPELINE SAFETY

Since 2011, pipeline incidents in the United States have resulted in 59 fatalities, nearly 300 injuries, and over \$1.6 billion in damages. Recovery from such incidents can be long term. Five years after the September 2010 San Bruno, CA, pipeline explosion—which killed 8 people and destroyed dozens of homes—the neighborhood continues to rebuild.

In partnership with DOT's Pipeline and Hazardous Materials Safety Administration—which regulates the Nation's more than 1.7 million miles of pipelines that carry hazardous liquid and gas—DOT OIG investigates suspected violations of PHMSA regulations and Federal laws governing the safe, reliable, and environmentally sound operation of pipelines. Since 2011, PHMSA's Office of Pipeline Safety has initiated more than 1,100 civil enforcement cases for pipeline safety violations and closed 1,139 cases.

During that time, DOT OIG opened 13 criminal pipeline safety investigations as a result of cases referred by PHMSA, outreach with Federal and State law enforcement partners, or DOT OIG's Hotline. As a result of these investigations, we referred 14 subjects accused of violating pipeline safety law to the U.S. Department of Justice for prosecution; 5 cases were accepted and resulted in 4 indictments, 3 convictions, 10 years of probation, and over \$19 million in financial penalties. For example:

- **Randy Jones, former Corrosion Control Coordinator for Shell Pipeline Company, L.P.**
In the last 2 years of his 20-year career with Shell, Jones was responsible for testing Shell pipelines servicing General Mitchell International Airport in Milwaukee, WI, and Chicago O'Hare International Airport. In 2011, Jones failed to take bi-monthly voltage readings from the pipeline rectifiers, which apply a negative current to the soil surrounding the buried pipes to help keep them from corroding. At the end of the year, Jones submitted fraudulent survey data and false bi-monthly voltage readings to PHMSA. Following a spill at the Milwaukee airport—which involved 9,000 gallons of jet fuel—PHMSA contacted DOT OIG. Jones was found guilty of making false statements to PHMSA, and in April 2015 was ordered to pay over \$19.3 million in restitution—roughly the cost of the response and cleanup—and sentenced to 5 years of probation.

IN FOCUS: PIPELINE INCIDENTS

- **Frank Hopf, Jr., and Ronald D. Brentson, Olympic Pipeline Executives.** In June 1999, a rupture of the Olympic petroleum pipeline and subsequent gasoline explosion in Bellingham, WA, resulted in the release of approximately 236,000 gallons of gasoline into two nearby creeks, where the gasoline ignited leading to three deaths and causing extensive damage to the waters, shorelines, and other natural resources. In December 2002, Hopf, former Olympic manager; Brentson, former Olympic control room supervisor; and control operator Kevin S. Dyvig pleaded guilty to criminal charges. Hopf was sentenced to 6 months in prison and a \$1,000 fine; Brentson was sentenced to 30 days in prison and a \$1,000 fine; and Dyvig was placed on probation for 1 year. Under the terms of a plea agreement reached in December 2002, Olympic Pipeline Company and Equilon Pipeline Company (now operated by Shell Pipeline Company) were ordered to pay \$36 million in combined fines and penalties. The criminal fines were the largest imposed in a pipeline rupture case, and the jail terms were the first imposed on pipeline managers in a pipeline rupture case.
- **Colonial Pipeline Company.** Following a 5-year investigation, Colonial Pipeline Company, based in Atlanta, GA, pleaded guilty to the February 1999 rupture of one of its pipelines that spilled an estimated 1,275 barrels of diesel fuel into the Tennessee River. The rupture caused diesel fuel to spew into the air and onto nearby houses before it flowed down a hillside into Goose Creek, then into Fort Loudoun Lake, and subsequently the Tennessee River. The company was ordered to pay \$400,000 in penalties, including a \$50,000 fine and \$350,000 to be used for environmental education, protection, and incident response.
- **Eric Barnes and Edna Stoner, former Acuren Inspection, Inc. Level II Radiograph Technicians.** Barnes and Stoner were responsible for conducting non-destructive testing on a portion of the Rockies Express Pipeline. The testing results, which include data such as weld numbers and the acceptability of the pipeline weld radiographs (a type of x-ray), are recorded on reader sheets maintained by the pipeline owner, as required by PHMSA. Barnes confirmed that welds of the pipeline at the compressor station in Bainbridge, IN, had been radiographed, when only one weld was radiographed. Barnes loaded multiple pieces of film into one cassette, which is used to radiograph the welds, intentionally mislabeled the film, and reported this false information on reader sheets. Stoner falsely stated on reader sheets that all pipeline welds had been radiographed and tested at

IN FOCUS: PIPELINE INCIDENTS

the compressor station in Blue Mound, IL, when they had not. Stoner also mislabeled the radiograph film to give the impression that multiple pipeline welds had been radiographed when she had only tested one. In October 2013, Barnes was sentenced to 24 months of probation and a \$500 special assessment for submitting false statements. In April 2014, Stoner was sentenced to 3 years of probation and a \$5,400 fine for submitting false statements on documentation associated with pipeline safety testing.

While these cases demonstrate how the actions of a few individuals can substantially compromise public safety, certain laws make it difficult to prosecute such cases. Over the past 5 years, we have brought Federal charges against 24 individuals under Title 49 U.S. Code Section 5124, which establishes the penalty for violating hazardous materials transportation laws and regulations. Prosecution under Section 5124 became more feasible in 2005 when language was added to penalize reckless violations as well as willfulness. In contrast, Federal charges for pipeline safety violations under Title 49 United States Code Section 60123(a) have only been brought four times over the past 2 decades. A significant obstacle to bringing more prosecutions under Section 60123(a) is the need to prove the violation was committed “knowingly and willfully”—a requirement generally reserved for criminal violations such as tax evasion where ordinary citizens who fail to comply with a complex set of rules, not for sophisticated regulatory industries that have professional legal and regulatory affairs staff. Given the burden of proof, the U.S. Department of Justice has declined to prosecute numerous pipeline safety cases under Section 60123(a). Moreover, PHMSA has opted not to refer many cases to DOT OIG for criminal investigation because Agency officials concluded that available evidence is insufficient to establish a willful violation.

In 2016, we met with staff from various congressional committees and subcommittees to discuss enhancing the Federal Government’s ability to prosecute criminal violations of Section 60123(a) by amending the statute. By working with Congress, PHMSA, and our law enforcement partners, we continue to pursue DOT’s number one priority: safety.

COMPLETED AUDITS AND INVESTIGATIONS
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

AUDITS

November 4, 2015

QUALITY CONTROL REVIEW OF SLSDC'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

Required by the Chief Financial Officers Act of 1990

This report presents the results of our quality control review of Chiampou Travis Besaw & Kershner LLP's (CTB&K) audit of the Saint Lawrence Seaway Development Corporation's (SLSDC) financial statements for fiscal years 2015 and 2014. The audit's objective was to determine whether SLSDC's financial statements were presented in accordance with accounting principles generally accepted in the United States of America. CTB&K, under contract to SLSDC, issued an unmodified audit opinion on SLSDC's financial statements. CTB&K's report did not include any significant deficiencies in internal controls over financial reporting or instances of reportable noncompliance with laws and regulations. Our quality control review disclosed no instances in which CTB&K did not comply, in all material respects, with auditing standards.

COMPLETED AUDITS AND INVESTIGATIONS

OTHER

INVESTIGATIONS

March 8, 2016

LETTER TO RANKING MEMBER CAPUANO ON ENHANCING IMPLEMENTATION AND OVERSIGHT OF DOT'S PIPELINE SAFETY PROGRAM

Requested by the Ranking Member of the House Transportation and Infrastructure Subcommittee on Railroads, Pipelines, and Hazardous Materials

We issued a letter to Ranking Member Michael E. Capuano with our input on ways to enhance implementation and oversight of DOT's pipeline safety program. Specifically, Ranking Member Capuano requested that we provide an overview of any challenges or impediments our office has experienced to successful prosecution of criminal pipeline safety violations, as defined in Title 49 U.S. Code Section 60123, and any recommendations for addressing these challenges or impediments. A significant obstacle to bringing more successful prosecutions is the language of Section 60123(a) itself, which requires that the violation be committed "knowingly and willfully." A requirement of willfulness is fairly unusual in criminal statutes, and we have had far more success prosecuting cases under Title 49 U.S. Code Section 5124, which also penalizes reckless violations. We believe that Section 60123(a) should be amended by changing "knowingly and willfully" to "recklessly" to mirror Section 5124. Another obstacle to successful prosecution of criminal pipeline safety violations is that the employees of pipeline operators and other persons with knowledge of violations rarely come forward. We believe that a whistleblower incentive provision, such as the one recently enacted by the Fixing America's Surface Transportation (FAST) Act, would greatly enhance DOT's ability to identify safety violations and take appropriate action before a pipeline rupture or explosion occurs.

WORK PLANNED AND IN PROGRESS
FEDERAL AVIATION ADMINISTRATION

IN PROGRESS

FAA'S OVERSIGHT OF AIRCRAFT RESCUE AND FIRE FIGHTING PROGRAM

Self-Initiated

In July 2013, Asiana Flight 214 crashed on final approach at San Francisco International Airport, resulting in three fatalities and drawing widespread attention to the importance of effective emergency response at the Nation's airports. FAA requires commercial airport operators to develop plans and procedures to respond to aircraft incidents and accidents, fires, and hazardous materials incidents. FAA also requires all rescue and firefighting personnel to be fully trained to perform their duties and to receive training every 12 months. However, NTSB's July 2013 report on the Asiana crash highlighted safety issues related to aircraft rescue and firefighting (ARFF) training and staffing, and FAA oversight of emergency response plans. Given the criticality of ARFF operations to airport safety, we are assessing FAA's policies and guidance for implementing ARFF requirements, and its oversight and enforcement of airports' adherence to ARFF requirements.

FAA OVERSIGHT OF COCKPIT SAFETY

Requested by the Vice Chairman of the Senate Select Committee on Intelligence

The crash of Germanwings Flight 9525 in March 2015, which killed all 150 people onboard, and the JetBlue Airways Flight 191 diversion in March 2012 due to the captain's erratic behavior drew worldwide attention to the issue of flight deck safety, including securing cockpit doors. Since 1994, at least four other incidents have been identified in which a pilot was either suspected or confirmed to have intentionally caused a crash. After the September 11, 2001, terrorist attacks, FAA required all U.S. and foreign commercial aircraft flying to the United States to be equipped with fortified cockpit doors. We are assessing the effectiveness of FAA's actions to identify vulnerabilities to flight deck security and mitigate identified flight deck vulnerabilities.

FAA'S OVERSIGHT OF AIR CARRIER CHECK PILOTS

Self-Initiated

U.S. commercial airlines providing scheduled passenger service employ approximately 71,500 pilots who are responsible for the safe transport of more than 760 million people annually. FAA plays an important role in ensuring that these pilots have the knowledge and skills to fly safely. To do so, FAA authorizes qualified air carrier employees to evaluate other pilots' flying proficiency. FAA must review the qualifications of check pilot candidates, oversee their performance, and ensure they meet recurrent training requirements. In addition, FAA authorizes a limited number of check pilots to act on behalf of the Agency to oversee pilot certifications and conduct check pilot observations. While check pilots are critical to FAA's oversight of pilot safety, in 2011 our office found that FAA lacked standardized training for its inspectors on how to evaluate check pilots. In addition, we highlighted differences in the certification and renewal process of both positions. In this follow-up audit, we are assessing the effectiveness of FAA's processes for approving and overseeing air carrier check pilots.

FAA'S OVERSIGHT OF SUSPECTED UNAPPROVED PARTS

Requested by the Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation

Since 2007, FAA has issued 70 notifications to the aviation industry specifically related to suspected unapproved parts (SUP), aircraft parts that are suspected of being manufactured without FAA approval or parts that have been intentionally misrepresented, such as counterfeit parts. Additionally, in the last 5 years, our office has investigated 118 SUP cases, which resulted in 63 indictments and 51 convictions. We are assessing the effectiveness of FAA's process for monitoring and investigating SUPs and oversight of industry actions to remove unapproved parts from the aviation supply chain.

NEXTGEN LONG-TERM PLANNING

Requested by the Chairman and Ranking Member of the House Science, Space, and Technology Subcommittee on Space

Over 10 years ago, Congress mandated that FAA establish the Joint Planning and Development Office (JPDO) to develop a plan for implementing NextGen by 2025 and to coordinate the research efforts of other Federal agencies such as the U.S. Department of Defense and National Aeronautics and Space Administration. Early last year, FAA reallocated JPDO's functions and responsibilities to the Agency's NextGen Office. We are determining how FAA has reallocated JPDO's responsibilities for identifying high-priority research and development, and whether FAA has developed an effective structure to coordinate high-priority research and development with other Federal agencies.

UPDATE ON NEXTGEN TRANSFORMATIONAL PROGRAMS

Requested by the Chairman and Ranking Member of the Senate Committee on Commerce, Science, and Transportation

FAA has invested nearly \$3 billion in six transformational programs that are expected to provide the foundational technologies and infrastructure needed for NextGen. In fiscal year 2015, FAA was expected to receive an additional \$523 million for these programs. In April 2012, we reported that FAA's progress in implementing the programs has been impacted by a lack of finalized requirements, complex interdependencies with other FAA modernization programs, and integration issues with controller automation systems. Given the importance of these transformational programs to NextGen, the Chairman and Ranking Member of the Senate Committee on Commerce, Science, and Transportation requested that we update our April 2012 report. Accordingly, we are identifying any formal changes FAA has made to its programs' scope, including costs and schedules, and any adjustments to FAA's anticipated benefits with respect to reducing Agency costs and improving air traffic flow.

FAA'S OVERSIGHT OF ADS-B

Required by the FAA Modernization and Reform Act of 2012

The Automatic Dependent Surveillance-Broadcast (ADS-B) system is a new satellite-based air traffic surveillance system and a key component of FAA's transition to NextGen. In 2007, FAA awarded a \$1.8-billion contract to ITT Corporation through 2025 to develop and deploy ADS-B's ground infrastructure and start broadcasting services. We are determining whether the ADS-B contract provides FAA the ability to monitor whether the contractor is providing required ADS-B products and services, and evaluating FAA's procedures for determining payments to the contractor.

FAA'S FLIGHT SERVICE STATION PROGRAM

Self-Initiated

Flight service stations provide information and services to general aviation, such as weather briefings, flight planning assistance, and information on runway closures or flight restrictions. In February 2005, FAA awarded a 5-year, fixed-price incentive contract with 5 additional option years to Lockheed Martin to operate the Agency's 58 flight service stations. FAA anticipated that this contract would provide approximately \$2 billion in savings and avoidances over the next 10 years. In 2007, we reported that FAA implemented effective controls for the initial transition of flight service stations to contract operations. However, we identified barriers that could impact full realization of FAA's anticipated savings and opportunities for FAA to better ensure that users' needs are met. We are conducting a follow-up review to determine whether FAA achieved the anticipated cost savings and avoidances, and assess FAA's oversight of the program.

FAA'S APPROVAL AND OVERSIGHT PROCESSES FOR CIVIL UNMANNED AIRCRAFT SYSTEMS

Self-Initiated

Unmanned Aircraft Systems (UAS) technology is rapidly advancing with a vast array of potential commercial applications, such as filmmaking, precision agriculture, and package delivery. Some analysts have predicted that as much as \$91 billion will be invested in UAS technology worldwide over the next decade. Until recently, FAA has prohibited commercial UAS operations, with limited exceptions, due to the lack of regulations governing their use. Recognizing the need to address the growing demand for commercial UAS operations, Congress granted FAA the authority to determine whether some UAS could operate prior to establishing regulations and without an airworthiness certificate. Since September 2014, FAA has approved over 1,200 commercial UAS to operate by exempting them from certification requirements. However, UAS operations present new safety oversight challenges for FAA, and the Agency is averaging over 60 UAS-related incident reports per month. We are assessing FAA's process for exempting civil UAS from certification requirements and the safety oversight process for civil UAS operations.

FAA'S MANAGEMENT OF NEXTGEN PRE-IMPLEMENTATION FUNDING

Self-Initiated

Since 2008, Congress has provided over \$6 billion for FAA's NextGen programs, including over \$1.5 billion in developmental projects funded through the Facilities and Equipment, or capital, account. These projects are intended to explore new concepts and evaluate alternatives to reduce uncertainty and risks associated with NextGen programs. However, unlike major acquisition programs, these projects do not have formally approved cost and schedule milestones and do not receive the degree of program oversight given to other procurement programs. We are assessing FAA's procedures for selecting, justifying, and measuring outcomes of projects that received developmental funding, and overseeing the execution of these projects.

FAA'S CONTROLLER HIRING POLICIES

Requested by the Ranking Member of the Senate Committee on Commerce, Science, and Transportation

For more than 2 years, FAA has been evaluating the end-to-end process for hiring, training, and placing air traffic controllers. In February 2014, FAA made several changes to the controller hiring process, including introducing the use of biographical assessments to evaluate applicants for characteristics that have been shown to predict success as an air traffic controller. FAA's stated goals are to recruit better qualified candidates and reduce the costs associated with testing and training controllers. We are determining the impact of FAA's new hiring practices on the hiring pool of qualified candidates and the initial training program for newly hired controllers.

IMPLEMENTING NEXTGEN INVESTMENT PRIORITIES

Requested by the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation

FAA's NextGen is a multibillion-dollar transportation infrastructure project to modernize the Nation's aging air traffic system. The success of FAA's efforts to implement NextGen depends on the Agency's ability to set priorities, deliver benefits, and maintain stakeholder support. FAA recently responded to a September 2013 report from the NextGen Advisory Committee (NAC)—a joint Government-industry committee—on industry's highest priorities for NextGen. In October 2014, FAA published a plan that includes commitments from FAA and industry for the next 3 years. The plan identifies locations for delivery, timelines, metrics, and cost estimates for four prioritized capabilities. In November 2014, we issued an interim report that identified steps FAA was taking to address NAC's recommended investment priorities, and the Chairman and Ranking Member of the House Aviation Subcommittee requested that we continue to monitor FAA's progress. Accordingly, we are evaluating FAA's for identifying risks to implementing the four prioritized NextGen capabilities and actions to mitigate any identified risks.

PASSENGER FACILITY CHARGES PROGRAM

Self-Initiated

FAA's Passenger Facility Charge Program allows commercial airports controlled by public agencies to collect up to \$4.50 in fees for every boarded passenger. Airports use these fees to fund FAA-approved projects that enhance safety, security, and capacity; reduce noise; and increase air carrier competition. As of February 1, 2015, FAA has approved for collection approximately \$90 billion in passenger facility charges. We are reviewing FAA's oversight of air carrier compliance with collection and remittance of PFC funds and airport operator compliance with the use of Passenger Facility Charge Program funds.

FAA'S RESPONSE TO ERAM OUTAGES AND ABILITY TO MANAGE CRISIS

Requested by the Chairman of the House Committee on Transportation and Infrastructure and the Chairman of the Senate Committee on Commerce, Science, and Transportation

FAA's \$2.7-billion En Route Automation Modernization (ERAM) system is integral to achieving benefits from key NextGen initiatives. In March 2015, FAA declared the ERAM system operational at the Nation's 20 en route facilities responsible for managing high-altitude traffic. However, a series of ERAM outages have raised concerns about the stability of the system and what trade-offs were made to field the system. We are assessing the causes of the recent ERAM outages and FAA's actions to address them and determining whether trade-offs were made to ERAM's design requirements to meet revised schedules and assess the delivery of new NextGen capabilities called for in FAA plans.

TERMINAL AUTOMATION AT LARGE TRACONS

Requested by the House Committee on Appropriations

To support the NextGen goals of increased capacity and reduced delays, FAA is in process of deploying STARS at 11 large TRACONS. To date, FAA has deployed STARS at 4 of the 11 facilities and plans to complete the deployment phase by October 2017. However, in March 2015, FAA received approval to reprogram about \$38 million for terminal modernization from FAA facility maintenance accounts due to unanticipated new requirements and their impact on system development and design. In addition, FAA is requesting a formal cost baseline increase at its August 2015 Joint Resource Council decision meeting. We are assessing FAA's progress in implementing STARS and how STARS will support future NextGen capabilities.

FAA'S ABILITY TO MANAGE AIR TRAFFIC CONTROL SYSTEM DISRUPTIONS

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

In recent years, FAA has been confronted with several system failures that have impacted air travel, inconvenienced passengers, and cost airlines and businesses millions of dollars in lost revenue. For example, on August 15, 2015, FAA experienced a problem with its ERAM system at Washington Air Route Traffic Control Center, which disrupted air travel on the East Coast for several days. This disruption, as well as the September 2014 incident at Chicago Center, underscores the importance of ensuring the operational integrity and resiliency of all air traffic control systems and the need for effective contingency plans. We are assessing effectiveness of FAA's operational contingency plans and the actions taken to mitigate the impact of recent air traffic control system disruptions, and FAA procedures for updating operational contingency plans in light of recent disruptions.

FAA'S OVERSIGHT OF REGIONAL AIRLINES

Requested by the Ranking Minority Member of the House Transportation and Infrastructure Subcommittee on Aviation

Regional airlines are undergoing substantial changes to adapt to an evolving business environment. Between 2010 and 2014, consolidation within the industry and the introduction of larger regional jets has led to a period of rapid growth and change for some carriers. In addition, regional carriers have reported difficulties hiring qualified pilots following a recent increase in the minimum flight hours required to fly commercial aircraft. We are evaluating whether FAA has an effective process to identify periods of transition and growth at regional air carriers and whether FAA adjusts its oversight to quickly respond to changes in regional air carrier operations.

NEW PARTICIPANTS IN FAA'S AIRPORT DBE PROGRAM FOR FISCAL YEAR 2014

Required by the FAA Modernization and Reform Act of 2012

Each year, FAA distributes more than \$3 billion in Federal grants for airport projects. In accepting these grants, airports are required to establish DBE and airport concession DBE programs. These programs provide small businesses owned and controlled by socially and economically disadvantaged individuals with opportunities to compete for construction, professional services, and concession contracts. The FAA Modernization and Reform Act of 2012 directed our office to report annually for 3 years on new DBE participation at the Nation's largest airports. This audit is the third and final review on airport DBE programs and will build upon our two prior reviews. We are determining the number of new and existing DBE/ACDBE firms receiving contracts or leases at the Nation's largest airports in fiscal year 2014 and assessing certification factors that aided or hampered new DBE/ACDBE firms that pursued contracts or leases at these airports.

FAA'S AWARD AND USE OF SOLE-SOURCE CONTRACTS

Self-Initiated

In March 2009, the President issued a memorandum directing OMB and all Federal agencies to reduce the amount of dollars obligated on noncompetitive contracts, including sole-source contracts. Sole-source contracts can be used when only one contractor is capable of delivering the goods or services needed and, therefore, it is not feasible to obtain competitive bids. However, these types of contracts are considered high-risk and can result in wasted taxpayer resources, poor contractor results, and inadequate accountability. According to the DOT's annual reports to Congress on sole-source contracts, FAA—which awards more contract dollars annually than any other Operating Administration in the Department—accounted for approximately 65 percent of the value of DOT's sole-source awards between fiscal years 2008 and 2013. We are assessing FAA's actions since OMB's 2009 directive to reduce the use of sole-source contracts, including follow-on contracts to sole-source awards, and determining whether FAA's practices prior to award of sole-source contracts comply with FAA's Acquisition Management System requirements.

QUALITY CONTROL REVIEW OF FAA'S FINANCIAL STATEMENTS

Required by Chief Financial Officers Act of 1990

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

PLANNED

COMMERCIAL PASSENGER AIRCRAFT EMERGENCY EVACUATION

Self-Initiated

FAA's evacuation standards for passenger aircraft require aircraft manufacturers and airlines to certify and demonstrate that aircraft (with more than 44 passenger seats) can be fully evacuated in 90 seconds or less. Aircraft that have undergone modifications, such as seat reconfigurations and cabin space adjustments, may pose challenges with meeting FAA's evacuation standards. For example, tighter seat configurations may impede the ability of passengers to assume a head-down position in the event of a hard landing or other emergency event. We plan to review FAA's oversight of aircraft manufacturers' and airlines' compliance with aircraft evacuation regulations.

REVIEW OF FAA'S OVERSIGHT AND ENFORCEMENT PRACTICES FOR THE FLIGHT STANDARDS SERVICE

Self-Initiated

Multiple airline mergers, increases in domestic code sharing, and expansion of carrier operations outside their original areas of operation have dramatically changed the aviation landscape for FAA inspectors. Further, a series of events and breakdowns in the overall regulatory framework and oversight highlight the need for a review of FAA's flight standards service to assess its current approach to oversight and enforcement. We plan to evaluate FAA's flight standards service's ability to respond to employee whistleblower complaints, and to assess the Agency's oversight and enforcement philosophy.

NEXTGEN DEMONSTRATION PROJECTS

Self-Initiated

NextGen Demonstration and Infrastructure Development generally supports four to five projects a year. Demonstrations normally last about 24 to 30 months. Despite the millions of dollars of investment in Next Gen, industry officials have raised concerns whether NextGen demonstration projects are reducing risk and delivering benefits. We plan to assess FAA's criteria for selecting demonstration projects and its plan for transitioning to new operational capabilities to the National Airspace System. We also plan to review the current portfolio of NextGen demo projects and determine whether anticipated benefits of the current projects will improve the future performance of the National Airspace System.

FAA OVERSIGHT OF GRANDFATHERED AIRPORTS

Self-Initiated

FAA is responsible for overseeing airport sponsors' compliance with the Federal obligations they assume when they accept Federal grants. When airport owners and operators accept Federal grants, they agree to preserve and operate their facilities in a safe and efficient manner and to comply with certain conditions and assurances. One key assurance is that all revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended for the capital and operating costs of the airport. There are 12 grandfathered airport sponsors that may use airport revenue for non-airport purposes. An airport operator was deemed grandfathered if, prior to the enactment of the Airport and Airway Improvement Act of 1982, certain financial arrangements existed between the airport and sponsor. Grandfathered financial arrangements—which include payments on debt obligations or local taxes on aviation fuel—come with a statutory not-to-exceed limit amount. We plan to assess FAA's oversight and enforcement of the airport operators' compliance with their grandfathered financial agreements and their statutory limit.

AIRCRAFT REGISTRATION FOR SMALL UNMANNED AIRCRAFT

Self-Initiated

According to FAA, reported UAS sightings have increased significantly, with more than 1,100 reports in 2015, compared to just 238 reported in 2014. In December 2015, FAA began requiring owners to register their small unmanned aircraft through a new online system. As of February 5, 2016, over 300,000 operators had registered their small unmanned aircraft. We plan to assess FAA's efforts to develop metrics to track UAS registration compliance, and the reliability and effectiveness of FAA's UAS registration program.

FAA'S ENVIRONMENTAL REVIEW PROCESS FOR NEW PERFORMANCE-BASED NAVIGATION FLIGHT PROCEDURES

Self-Initiated

Since 2010, FAA has been developing and deploying new performance-based navigation (PBN) flight procedures. There have been several recent complaints and an ongoing Federal lawsuit regarding FAA's process for assessing the environmental impacts of PBN flight procedures—specifically, the increased noise and lack of community outreach. We plan to examine FAA's processes for conducting environmental reviews and community outreach for new PBN flight procedures.

FAA'S SECURITY CONTROLS FOR ERAM

Requested by the Senate Committee on Commerce, Science, and Transportation

We plan to evaluate how FAA is addressing ERAM security issues that led to the recent outages in the overall design and implementation of its program, and to determine whether FAA addressed security weaknesses identified in prior DOT OIG audits.

FAA'S EFAST SMALL BUSINESS PROCUREMENT VEHICLE

Self-Initiated

FAA's preferred procurement vehicle for small business awards is the electronic FAA Accelerated and Simplified Tasks (eFAST), offering a broad range of professional and support services categorized into eight functional areas. Currently, there are over 600 small businesses that hold ordering agreements under eFAST to provide prime contractor services in one or more of the functional areas. The combined total ceiling of all ordering agreements under eFAST is \$7.4 billion over 15 years, including options. We plan to evaluate FAA's processes for awarding and overseeing eFAST procurements.

FAA'S OVERSIGHT OF SYSTEMS ENGINEERING 2020 CONTRACTS

Self-Initiated

In 2010, FAA awarded a portfolio of seven Systems Engineering 2020 (SE-2020) base contracts for technical and professional support services to accomplish NextGen and efforts related to maintaining the National Airspace System. Each of these contracts has a 10-year period of performance, and their cumulative potential value is \$7.3 billion—the largest award in FAA's history. As of December 2015, FAA has awarded 289 task orders with a total value of \$697 million. In 2011, we made 12 recommendations to improve FAA's cost management and contracting practices for SE-2020 contracts. We plan to determine whether FAA's oversight of the SE-2020 contracts is adequate to ensure effective use of Federal funds to meet the program's objectives.

WORK PLANNED AND IN PROGRESS
FEDERAL HIGHWAY ADMINISTRATION

IN PROGRESS

FHWA'S OVERSIGHT OF PRELIMINARY ENGINEERING ON HIGHWAY PROJECTS

Self-Initiated

In 2013, FHWA authorized approximately \$1.7 billion for preliminary engineering on State highway and bridge projects. Preliminary engineering includes the costs of preparing environmental documents, project plans, specifications, and cost estimates, and conducting related studies. Highway projects using Federal funds for preliminary engineering are generally expected to proceed to the right-of-way or construction phases. For projects that do not proceed within 10 years after funds were first made available, Federal law requires States to reimburse the Highway Trust Fund for Federal funds spent on preliminary engineering. However, FHWA may allow States to extend the preliminary engineering phase. We are assessing whether FHWA has effective processes in place to account for Federal funds used for preliminary engineering on highway projects and ensure States reimburse the Highway Trust Fund for Federal funds spent on preliminary engineering when required by Federal law.

FHWA'S OVERSIGHT OF FEDERAL-AID HIGHWAY PROJECT AGREEMENTS

Self-Initiated

Each year, FHWA oversees States' management of over \$40 billion in Federal financial assistance for the construction, maintenance, and operations of the Nation's 3.9 million-mile highway network. Federal law requires FHWA to enter into a project agreement with State Departments of Transportation for each Federal-aid highway project. Project agreements are key internal control mechanisms to ensure that funds are obligated and spent in accordance with Federal requirements. The project agreement can also be modified to reflect additional costs that occur over the lifetime of the project. We are assessing FHWA's controls for reviewing and authorizing project agreements and modifications to project agreements.

FHWA'S OVERSIGHT OF STATE TRANSPORTATION IMPROVEMENT PROGRAMS

Self-Initiated

Congress requires States to submit State Transportation Improvement Programs (STIP) to FHWA to ensure States appropriately budget and plan for the use of Federal funds on transportation projects. States develop STIPs in coordination with metropolitan planning organizations and non-metropolitan local officials. STIPs include projects planned for implementation over a 4-year period. FHWA is required to review and approve STIPs to determine project eligibility for Federal funds, assess State compliance with Federal requirements, and evaluate whether program funding is reasonably available. We are assessing FHWA's policies, procedures, and guidance for ensuring that STIPs receive comprehensive, consistent reviews and meet Federal requirements.

WORK PLANNED AND IN PROGRESS

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

IN PROGRESS

FMCSA'S COMMERCIAL MOTOR VEHICLE DRIVERS HOURS-OF-SERVICE RESTART STUDY

Required by the Consolidated and Further Continuing Appropriations Act of 2015

To help prevent crashes caused by driver fatigue, FMCSA issued hours-of-service regulations to establish daily and weekly driving limits and required periods of rest for commercial vehicle drivers. Effective 2013, FMCSA's new hours-of-service regulations required drivers to comply with a revised 34-hour restart rule to reset the weekly driving limit. The revised rule required a driver to be off-duty for 34 consecutive hours, which must include two 1:00 a.m. to 5:00 a.m. periods. After the rule went into effect, concerns were raised about increased daytime traffic congestion and other unintended consequences. In the Consolidated and Further Continuing Appropriations Act of 2015, Congress suspended FMCSA's enforcement of the 34 hour restart rule so the Agency can conduct a study of the operational, safety, health, and fatigue impacts of the rule. The act also requires the Department to submit a final report on the restart study to DOT OIG. Within 60 days of receipt of the final report, we must report to the Secretary and the House and Senate Appropriations Committees on whether the study complies with the act. Accordingly, we are determining whether FMCSA's design and implementation of the restart study complies with the requirements of the act.

FMCSA'S INVESTIGATIVE PRACTICES

Required by the Consolidated and Further Continuing Appropriations Act of 2015 and Requested by Senator Richard Durbin

NTSB's investigations of commercial vehicle crashes have identified pre-existing risk factors that should have prompted strong interventions by FMCSA and State authorities. The Consolidated and Further Continuing Appropriations Act of 2015 directed, and Senator Richard Durbin requested, that we conduct an audit of FMCSA's investigative practices to ensure motor carriers are being investigated in a timely manner and whether the type of investigations FMCSA conducts are adequate to detect violations. Accordingly, we are assessing FMCSA's processes for ensuring that reviews of motor carriers flagged for investigation are timely and adequate.

PLANNED

DELAYS IN GOODS MOVEMENT

Required by the Fixing America's Surface Transportation Act

We plan to report on the average length of time that operators of commercial motor vehicles are delayed before the loading and unloading of such vehicles and at other points in the pick-up and delivery process. Specifically, we plan to assess the impact of delays on the economy, efficiency of the transportation system, motor carrier safety, and livelihood of motor carrier drivers.

WORK PLANNED AND IN PROGRESS **FEDERAL HIGHWAY ADMINISTRATION**

IN PROGRESS

FRA'S OVERSIGHT OF RAILROAD BRIDGE SAFETY

Self-Initiated

FRA records show that 24 train accidents caused by misalignment or failure of railroad bridges resulted in 392 injuries over the last 10 years. In recent years, railroad traffic has increased significantly, including the transport of hazardous materials such as crude oil. In accordance with the Rail Safety Improvement Act of 2008, FRA issued a rule that requires railroad track owners to implement bridge management programs to ensure safety. Bridge management programs include performing annual inspections of railroad bridges and protecting bridges from overweight and oversize loads. Due to the potential destructive effects of bridge failures, we are assessing FRA's oversight for ensuring that track owners' bridge management programs comply with FRA's rule on bridge safety standards.

FRA'S COLLECTION AND MANAGEMENT OF RAILROAD SAFETY DATA

Self-Initiated

According to FRA, the Agency uses this accident and incident data to target inspection resources, monitor how regions are meeting their inspection goals, and support its safety program budget requests to Congress. However, much of FRA's safety data are self-reported by railway operators, which raises particular challenges in ensuring data quality. Our audit objective will be to assess FRA's collection and management of railroad safety data.

PLANNED

FRA'S ACQUISITION AND USE OF MONITORING AND TECHNICAL ASSISTANCE CONTRACTORS FOR HIGH SPEED AND INTERCITY PASSENGER RAIL GRANT OVERSIGHT

Self-Initiated

Since 2009, Congress has appropriated over \$10 billion for FRA's High Speed Intercity Passenger Rail (HSIPR) program—a grant program that supports development of high-speed and intercity passenger rail networks. As of November 2015, FRA has expended \$4.6 billion on over 149 HSIPR grants. Since 2012, FRA has used Monitoring and Technical Assistance Contractors (MTACs)—obtained through an interagency agreement with the Volpe Center—to help perform technical oversight and manage HSIPR grants. Given the importance of grant oversight to ensure proper stewardship of taxpayer dollars, we assessing (1) FRA's acquisition of MTACs through the Volpe Center, and (2) FRA's management and use of oversight services provided by MTACs for HSIPR projects.

WORK PLANNED AND IN PROGRESS **FEDERAL TRANSIT ADMINISTRATION**

IN PROGRESS

FTA'S OVERSIGHT OF CORRECTIVE ACTIONS FOR AT-RISK GRANTEES

Self-Initiated

FTA administers multiple grant programs to more than 1,200 State and local grantees, providing more than \$10.6 billion of Federal assistance in 2014 to help plan, build, and operate transit systems nationwide. From October 2010 through March 2014, FTA restricted 35 grantees' access to Federal funds for a variety of reasons, including unallowable use of grant funds and inadequate competition for major procurements. FTA requires grantees to take corrective actions before Federal funding restrictions are lifted. We are assess whether FTA has effective oversight procedures to ensure that at-risk transit agencies take corrective actions to address internal control weaknesses identified in financial management reviews.

FTA'S OVERSIGHT OF MAJOR CAPITAL PROJECTS IN THE WESTERN REGIONS

Self-Initiated

Under FTA's Capital Investment Grant program, the Agency's three western regions oversee major capital projects awarded almost \$9 billion in Federal funds. Currently, transit agencies with major projects must submit financial plans to FTA prior to grant award and quarterly financial reports after award. Because of the considerable Federal investment in major capital projects, we are evaluating FTA's processes for identifying and assessing major capital projects' financial risks, and reviewing and evaluating financial plans and reports; and its oversight of grantees' mitigation of financial risks.

FTA'S SAFETY OVERSIGHT PROGRAM

Self-Initiated

Under the State Safety Oversight (SSO) program created in 1991, FTA oversees the SSO agencies (SSOA) that monitor the safety of rail transit agencies. In 2012, we identified challenges and priority actions for FTA if the Agency was granted enhanced rail transit safety oversight and enforcement authority. Shortly thereafter, FTA's safety authority increased under the Moving Ahead for Progress in the 21st Century

Act, which allows FTA to assume SSO responsibilities in the absence of an effective SSOA. In addition, in October 2015, the Secretary of Transportation determined that FTA would assume safety oversight for Metrorail until Washington DC, Maryland, and Virginia establish a fully functioning and capable SSOA. Given the challenges identified by our previous work, we are assessing FTA's actions to assume and relinquish direct safety oversight of a transit agency.

FTA'S OVERSIGHT OF HURRICANE SANDY FUNDS FOR RESPONSE, RECOVERY, AND REBUILDING

Self-Initiated

In October 2012, Hurricane Sandy caused widespread damage in the mid-Atlantic and northeastern sections of the United States, particularly to the area's transportation infrastructure. DRAA provided over \$10 billion to FTA's Public Transportation Emergency Relief Program for Hurricane Sandy relief. The act also directed our office to provide oversight of FTA's Hurricane Sandy relief funds. On December 3, 2013, we issued our initial assessment of FTA's efforts to meet DRAA's requirements and implement the Emergency Relief Program. In this audit, we are determining whether FTA provides effective oversight of grantees' contracting practices using DRAA funds.

PLANNED

CONTROLS OVER FTA'S NETWORK SECURITY

Self-Initiated

Our prior audit of DOT's fiscal year 2015 consolidated financial statements revealed control deficiencies in FTA's IT environment—specifically, in its grant systems. In addition, FTA's procedures and controls were not sufficient to ensure compliance with the Department's cybersecurity policies. These deficiencies pose a significant risk to the integrity of FTA's data that are consolidated into DOT's financial statements. Accordingly, we plan to assess the effectiveness of FTA systems' security controls and whether FTA is identifying security risks and properly mitigating them.

WORK PLANNED AND IN PROGRESS

NATIONAL TRANSPORTATION SAFETY BOARD

PLANNED

QUALITY CONTROL REVIEW OF NTSB'S FINANCIAL STATEMENTS

Required by the Chief Financial Officers Act of 1990

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

WORK PLANNED AND IN PROGRESS

OFFICE OF THE SECRETARY OF TRANSPORTATION

IN PROGRESS

DOT'S OVERSIGHT OF AIRLINE FREQUENT FLYER PROGRAMS

Requested by Representative Alan Grayson

For more than 30 years, major airlines have offered frequent flyer programs to encourage travel on their respective airlines and to secure customer loyalty. DOT requires that airlines disclose their frequent flyer program rules and provide guidance to airlines for disclosing costs related to booking frequent flyer award travel. Airlines' failure to comply with DOT's guidance could constitute an unfair and deceptive practice that subjects airlines to enforcement actions. We are reviewing DOT's oversight of air carriers' compliance with frequent flyer program disclosure requirements, its process for reviewing passenger complaints regarding unfair and deceptive practices, and airlines' practices regarding the availability of award seats and valuation of frequent flyer miles.

CYBERSECURITY ACT OF 2015

Required by the Cybersecurity Act of 2015

The Cybersecurity Act of 2015 requires the Inspector General to submit a report to Congress, no later than 240 days after the enactment of the act, that contains the security posture of covered systems such as national security systems and the Federal computer systems that provide access to personally identifiable information. We are assessing whether DOT has security controls and data security management practices in place to safeguard the information stored in DOT's covered systems.

CONTROLS OVER CYBERSECURITY FUNDING

Self-Initiated

DOT's Office of the Chief Information Officer (OCIO) serves as the principal advisor to the Secretary of Transportation on matters involving information and technology, including cyber security. The OCIO is responsible for responding to cyber threats and ensuring DOT implements Federal cybersecurity initiatives. From fiscal year 2012 through 2015, Congress appropriated almost \$29 million in discretionary funding to the OCIO to support a number of cyber security initiatives, of which about \$20 million has

already been expended. We are evaluating whether DOT expended the funds to support cybersecurity initiatives.

DOT'S COMPLIANCE WITH THE REDUCING OVER-CLASSIFICATION ACT

Required by the Reducing Over-Classification Act of 2010

The Reducing Over-Classification Act of 2010 requires Federal agencies that classify information to administer programs promoting compliance with laws regarding the proper use of classification authority and to reduce over-classification. The act requires our office to conduct two evaluations of the Department's classification program by September 30, 2016. In September 2013, we issued our first report and found that not all DOT classification related policies and procedures were effective or complied with Federal requirements, including the National Archives and Records Administration's Information Security Oversight Office's regulations. In this review, we are conducting the second required evaluation of the Department's classified program.

DOT CONFERENCE-RELATED ACTIVITIES AND EXPENSES

Self-Initiated

OMB's memorandum, Eliminating Excess Conference Spending and Promoting Efficiency in Government, instructed all agencies to conduct a thorough review of the policies and controls associated with conference-related activities and expenses. DOT reported spending about \$18.9 million on conference-related activities and expenses from March 2013 to September 2014. We are evaluating whether DOT has implemented effective policies, procedures, and controls on conference-related activities and expenses.

DOT'S IMPLEMENTATION OF THE IMPROPER PAYMENTS AND ELIMINATION RECOVERY ACT OF 2010 FOR FISCAL YEAR 2015

Required by the Improper Payments and Elimination Recovery Act of 2010

We are performing an annual review of DOT's fiscal year 2015 annual financial report to determine its accuracy and compliance with IPERA's requirements.

DOT'S INFORMATION SECURITY PROGRAM AND PRACTICES FOR FISCAL YEAR 2016

Required by the Federal Information Security Modernization Act of 2014

As mandated by FISMA, we are performing an annual review of DOT's information security program and practices to determine their effectiveness.

EFFECTIVENESS OF DOT'S CYBERSECURITY INCIDENT HANDLING AND RESPONSE

Self-Initiated

As mandated by FISMA, agencies are required to establish incident response capabilities for their information systems. We are evaluating whether DOT has effective cyber security monitoring in place for its networks and information systems; an effective process to detect incidents affecting agency systems; and established practices that reasonably contain, eradicate, and report those cyber incidents.

QUALITY CONTROL REVIEW OF ATTESTATION ENGAGEMENT: REVIEW OF DOT'S ENTERPRISE SERVICES CENTER

Required by OMB Bulletin 14-02, Audit Requirements for Federal Financial Statements

DOT offers a wide range of business services to its Operating Administrations and other Federal organizations through its Enterprise Services Center. OMB requires Federal service providers to give client agencies annual independent auditor's reports describing associated internal controls. DOT OIG has contracted with an independent public accounting firm to conduct a review of the Enterprise Services Center. We are performing a quality control review of the audit to determine whether the description of the service organization's systems is fairly presented; controls are suitably designed; and controls operated effectively from October 1, 2015, to June 30, 2016.

QUALITY CONTROL REVIEW OF DOT'S FISCAL YEARS 2016 AND 2015 CONSOLIDATED FINANCIAL STATEMENTS

Required by the Chief Financial Officers Act of 1990

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

QUALITY CONTROL REVIEWS OF SINGLE AUDITS ON DOT GRANTEEES

Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

We are performing quality control reviews of the audits performed by independent public accounting firms on grant recipients' use of DOT funds.

IMPACT OF DOT'S TARMAC DELAY RULE

Required by the FAA Modernization and Reform Act of 2012

In 2010, DOT issued a rule that prohibits aircraft operating domestic flights from remaining on the tarmac for more than 3 hours without deplaning passengers, with some exceptions. DOT's Office of the Secretary (OST) recently conducted a study on the rule's impact. We are assessing the effect of the tarmac delay rule on air carriers' decisions to delay or cancel flights and evaluate OST's analysis of this issue.

DOT'S IMPLEMENTATION OF MAP-21'S ACCELERATION OF PROJECT DELIVERY PROVISIONS

Mandated by the Moving Ahead for Progress in the 21st Century Act

Subtitle C of the Moving Ahead for Progress in the 21st Century Act of 2012 (MAP-21) calls for DOT to implement several initiatives to accelerate highway and bridge project delivery, including a rulemaking regarding the environmental review process and reports to Congress on environmental actions. MAP-21 also requires DOT OIG to conduct two assessments of the Department's implementation of these requirements and submit a final report to Congress within 4 years of enactment. In May 2013, we issued our first report. The FAST Act, which the President signed in December 2015, continues the MAP-21 Subtitle C initiatives. For this final audit, we are providing a status of the Department's actions to carry out MAP-21 Subtitle C provisions, and identifying possible vulnerabilities in the Department's implementation of these actions.

DOT'S CREDIT COUNCIL

Self-Initiated

DOT established the DOT Credit Council in 2004 to ensure the application of consistent credit policies and management practices across the Department's credit programs. These programs—the Transportation Infrastructure Finance and Innovation Act of 1998 program; the Railroad Rehabilitation and Improvement Financing program; the Federal Ship Financing program; and the Minority Business Resource Center Short-Term Lending program—currently have a portfolio totaling roughly \$30 billion. The Credit Council sets credit policies, oversees the programs, and reviews financial analyses of credit applications and private activity bond allocations and recommends approval or disapproval to the programs. Because of the importance of the Credit Council's role, we are assessing the Council's policies and procedures for carrying out its responsibilities.

DOT'S USE OF OTHER TRANSACTION AGREEMENTS

Self-Initiated

Congress has granted several of DOT's Operating Administrations, including FAA and PHMSA, the authority to enter into other transaction agreements (OTA), which enable entities to work with the Government that would otherwise not wish to due to the complexity of the laws and regulations that cover contracts, grants, and cooperative agreements. DOT has used OTAs for projects ranging from construction of air traffic control towers to management of demonstration activities for emerging technologies. While Congress granted OTA authority to some Operating Administrations for specific purposes, such as research and development at PHMSA, no restrictions were put on FAA's use. We are evaluating DOT's use and management of OTAs.

VOLPE'S ACCOUNTING PRACTICES FOR ADMINISTERING THE V-TRIPS CONTRACT

Self-Initiated

The Volpe National Transportation Systems Center relies on Volpe's Transportation Information Project Support (V-TRIPS) contract—a 5-year, \$234-million, multi-award contract—to provide IT support services to its DOT and non-DOT sponsors. Because Volpe operates on a fee for service basis and charges all work to its sponsors, it is critical that Volpe's cost accounting and financial reporting systems track costs by project and charge sponsors accurately. In our August 2004 review of Volpe's cost accounting system, we reported that the Center's treatment of indirect costs (such as overhead) did not comply with generally accepted accounting principles. During our most recent review of the V-TRIPS contract, we identified weaknesses in the Center's practices for allocating indirect costs among its sponsors. In this follow-up review, we are assessing the reliability of Volpe's accounting practices for administering the V-TRIPS contract.

PLANNED

OSDBU'S MONITORING OF SMALL BUSINESS TRANSPORTATION RESOURCE CENTERS ACTIVITIES AND COMPLIANCE WITH COOPERATIVE AGREEMENTS

Self-Initiated

DOT's Office of Small and Disadvantaged Business Utilization's (OSDBU) is responsible for ensuring the Secretary of Transportation's small business policies and goals are implemented in a fair, efficient, and effective manner. OSDBU partners with 13 DOT Small Business Transportation Resource Centers nationwide to provide an array of technical assistance and support services. These efforts are intended to build the capacity of small and disadvantaged businesses and make them more competitive when bidding on federally funded contracts. OSDBU funds each center through cooperative agreements that specify the requirements for carrying out this partnership with the Small Business Transportation Resource Centers. We are assessing OSDBU's monitoring of each center's activities and their compliance with the cooperative agreement.

DOT'S IMPLEMENTATION OF THE IMPROPER PAYMENTS AND ELIMINATION RECOVERY ACT OF 2010 FOR FISCAL YEAR 2016

Required by the Improper Payments and Elimination Recovery Act of 2010

As required by the Improper Payments and Elimination Recovery Act of 2010 (IPERA), we are performing an annual review of DOT's fiscal year 2016 annual financial report to determine its accuracy and compliance with IPERA's requirements.

DOT'S COMPLIANCE WITH THE DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014

Required by the Digital Accountability and Transparency Act of 2014

In May 2014, President Obama signed the Digital Accountability and Transparency Act of 2014 into law. The act is intended to standardize Federal spending data to make it more accessible, searchable, and reliable and to serve as a tool for better oversight and decision making. Accordingly, we are planning to assess the completeness, timeliness, quality, and accuracy of DOT's standardized spending data and its implementation of the Digital Accountability and Transparency Act.

WORK PLANNED AND IN PROGRESS

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

IN PROGRESS

PHMSA'S PROGRESS IN IMPLEMENTING CONGRESSIONAL MANDATES AND OTHER SAFETY RECOMMENDATIONS

Requested by the Ranking Member of the House Committee on Transportation and Infrastructure

PHMSA develops and enforces regulations for the safe, reliable, and environmentally sound operation of the Nation's 2.6 million mile pipeline transportation system and the nearly 1 million daily shipments of hazardous materials by land, sea, and air. In a February 2015 letter to the Inspector General, the Ranking Member of the House Committee on Transportation and Infrastructure highlighted the length of time PHMSA has taken to establish new regulations for railroad tank cars carrying crude oil and to implement mandates from the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011. Accordingly, we are assessing PHMSA's progress in addressing congressional mandates and recommendations from NTSB, GAO, and DOT OIG issued since 2005; process for implementing mandates and recommendations, including any impediments to Agency action; and efforts to coordinate and address Operating Administrations' safety concerns.

WORK PLANNED AND IN PROGRESS

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

IN PROGRESS

QUALITY CONTROL REVIEW OF SLSDC'S FINANCIAL STATEMENTS

Required by the Chief Financial Officers Act of 1990

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

STATISTICAL PERFORMANCE DATA

AUDIT

COMPLETED OIG REPORTS

October 1, 2015 – March 31, 2016

Category	Number of Reports	Number of Recommendations	Questioned Costs	Funds To Be Put to Better Use
Internal Audits				
Performance audits	15	90	\$0	\$0
Financial audits	7	39	\$0	\$108,687,594
Attestation engagements	2	0	\$0	\$0
Other OIG reports	1	0	\$0	\$0
Total for internal audit reports	25	129	\$0	\$108,687,594
Grant Audits				
Audits under Single Audit Act	32	59	\$8,151,845	\$0
Total completed OIG reports	57	188	\$8,151,845	\$108,687,594

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

OIG REPORTS WITH RECOMMENDATIONS THAT QUESTIONED COSTS

October 1, 2015 – March 31, 2016

	Number of Reports	Number of Recommendations	Questioned Costs
A For which no management decision had been made by the start of the reporting period	3	3	\$527,941
B Which were issued during the reporting period	12	14	\$8,151,845
Totals (A+B)	15	17	\$8,679,786
C For which a management decision was made during the reporting period	6	7	\$3,646,592
(i) dollar value of recommendations that were agreed to by management (disallowed costs)*	1	1	\$493,070
(ii) dollar value of that were not agreed to by management*	5	6	\$3,153,522
D For which no management decision had been made by the end of the reporting period	9	10	\$5,033,194

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

OIG REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

October 1, 2015 – March 31, 2016

	Number of Reports	Number of Recommendations	Funds To Be Put to Better Use^a
A For which no management decision had been made by the start of the reporting period	1	1	\$853,000,000
B Which were issued during the reporting period	1	1	\$108,687,594
Totals (A+B)	2	2	\$961,687,594
C For which a management decision was made during the reporting period	2	2	\$961,687,594
(i) dollar value of recommendations that were agreed to by management	1	1	\$108,687,594
(ii) dollar value of recommendations that were not agreed to by management	1	1	\$853,000,000
D For which no management decision had been made by the end of the reporting period	0	0	\$0

OIG REPORTS RECOMMENDING CHANGES FOR SAFETY, ECONOMY, OR EFFICIENCY

October 1, 2015 – March 31, 2016

	Number of Reports	Number of Recommendations
A For which no management decision had been made by the start of the reporting period	40	93
B Which were issued during the reporting period	48	173
Totals (A+B)	88	266
C For which a management decision was made during the reporting period*	53	206
D For which no management decision had been made by the end of the reporting period*	36	60

*Includes reports where management both made and did not make decisions on recommendations.

MANAGEMENT DECISIONS REGARDING OIG RECOMMENDATIONS

October 1, 2015 – March 31, 2016

	Number of Reports	Number of Recommendations	Questioned Costs	Funds To Be Put to Better Use
Unresolved as of 10/01/2015	42	97	\$527,941	\$853,000,000
Audits with recommendations during current period	48	188	\$8,151,845	\$108,687,594
Total to be resolved	90	285	\$8,679,786	\$961,687,594
Management Decisions				
Prior period audits ^a	34	80	\$527,941	\$853,000,000
Current period audits ^a	21	135	\$3,118,651	\$108,687,594
Total resolved	55	215	\$3,646,592	\$961,687,594
Age of Unresolved Audits^b				
Less than 6 months old	27	53	\$5,033,194	\$0
6 months to 1 year	1	1	\$0	\$0
1 year to 18 months	1	4	\$0	\$0
18 months to 2 years	3	4	\$0	\$0
Over 2 years old	4	8	\$0	\$0
Unresolved as of 03/31/2016	36	70	\$5,033,194	\$0

^a Includes reports and recommendations where costs were both allowed and disallowed.

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

PUBLISHED OIG REPORTS

October 1, 2015 – March 31, 2016

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance – 8 Reports

FAA Lacks an Effective Staffing Model and Risk-Based Oversight Process
for Organization Designation Authorization
AV-2016-001
10/15/2015

New Disadvantaged Business Enterprise Firms Face Additional Barriers To
Obtaining Work at The Nation’s Largest Airports
ZA-2016-002
11/3/2015

FAA Has Not Sufficiently Addressed Key Weaknesses Related to Its
ATCOTS Contract
ZA-2016-010
12/10/2015

Enhanced FAA Oversight Could Reduce Hazards Associated With
Increased Use of Flight Deck Automation
AV-2016-013
1/7/2016

FAA Continues To Face Challenges in Ensuring Enough Fully Trained
Controllers at Critical Facilities
AV-2016-014
1/11/2016

FAA Reforms Have Not Achieved Expected Cost, Efficiency, and
Modernization Outcomes
AV-2016-015
1/15/2016

FAA Lacks Effective Internal Controls for Oversight of Accountable
Personal Property
FI-2016-016
1/20/2016

FAA's Security Controls Are Insufficient for Large Terminal Radar Approach
Control Facilities
FI-2016-019
2/4/2016

Internal Audits: Attestation Engagement – 1 Report

Inspector General Review of FAA's Fiscal Year 2015 Drug Control Funds
and Performance Summary Reporting
FI-2016-018
1/29/2016

Internal Audits: Financial – 2 Reports

Quality Control Review of FAA's Financial Statements for Fiscal Years 2015
and 2014
QC-2016-007
11/13/2015

Quality Control Review of the Management Letter for FAA's Financial
Statements for Fiscal Years 2015 and 2014
QC-2016-023
2/25/2016

Grant Audits: Performance – 5 Reports

Quality Control Review on the Single Audit of the City of Lakeland,
Lakeland, FL
QC-2016-012
12/10/2015

Single Audit of the City and Borough of Juneau, AK
SA-2016-026
3/8/2016

Single Audit of the City of Kansas City, KS
SA-2016-033
3/8/2016

Single Audit of the Federated States of Micronesia National Government, \$49,760 questioned
Palikir, Micronesia
SA-2016-036
3/11/2016

Single Audit of Kansas City, MO *(also listed under Federal Transit
Administration and Office of the Secretary)*
SA-2016-038
3/11/2016

FEDERAL HIGHWAY ADMINISTRATION

Grant Audits: Performance – 9 Reports

Single Audit of the Regional Transportation District, Denver, CO \$255,194 questioned
 SA-2016-027
 3/8/2016

Single Audit of the Government of Guam, Hagatna, Guam
 SA-2016-037
 3/11/2016

Single Audit of the Crow Tribe of Indians, Crow Agency, MT \$2,773,489 questioned
 SA-2016-039
 3/11/2016

Single Audit of the Klawock Cooperative Association, Klawock, AK \$89,221 questioned
 SA-2016-047
 3/16/2016

Single Audit of the Jicarilla Apache Nation Government Services
 Department, Dulce, NM
 SA-2016-049
 3/16/2016

Single Audit of the State of New York, Albany, NY
 SA-2016-050
 3/16/2016

Single Audit of the Joint Programs of the Shoshone and Arapaho Tribes of
 the Wind River Reservation, Fort Washakie, WY
 SA-2016-051
 3/16/2016

Single Audit of the Nanwalek IRA Council, Nanwalek, AK \$255,941 questioned
 SA-2016-053
 3/16/2016

Single Audit of the State of Hawaii, Department of Transportation,
 Highways Division, Honolulu, HI *(also listed under National Highway Traffic
 Safety Administration)*
 SA-2016-054
 3/16/2016

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance – 1 Report

FRA's Oversight of Hazardous Materials Shipments Lacks Comprehensive Risk Evaluation and Focus on Deterrence
 ST-2016-020
 2/24/2016

Grant Audits: Performance – 2 Reports

Single Audit of the North Coast Railroad Authority, Ukiah, CA
 SA-2016-028
 3/8/2016

Single Audit of the National Railroad Passenger Corporation and Subsidiaries (AMTRAK), Washington, DC
 SA-2016-031
 3/8/2016

FEDERAL TRANSIT ADMINISTRATION

Internal Audits: Performance – 1 Report

FTA Did Not Adequately Verify PATH's Compliance With Federal Procurement Requirements for the Salt Mitigation of Tunnels Project
 ZA-2016-057
 3/28/2016

Grant Audits: Performance – 16 Reports

Single Audit of the Metropolitan Transportation Commission, Oakland, CA
 SA-2016-025
 3/8/2016

Single Audit of the Lehigh Northampton Transportation Authority, Allentown, PA
 SA-2016-029
 3/8/2016

Single Audit of the Neponset Valley Transportation Management Association, Woburn, MA \$14,003 questioned
 SA-2016-030
 3/8/2016

Single Audit of the State of Delaware *(also listed under National Highway Traffic Safety Administration)* \$1,422,095 questioned
 SA-2016-032
 3/8/2016

Single Audit of the Cambria County Transit Authority, Johnstown, PA
 SA-2016-034
 3/8/2016

Quality Control Review on the Single Audit of Miami-Dade Transit, Miami, FL
 QC-2016-035
 3/9/2016

Single Audit of Kansas City, MO *(also listed under Federal Aviation Administration and Office of the Secretary)*
 SA-2016-038
 3/11/2016

Single Audit of the Green County Transit Board, Xenia, OH SA-2016-040 3/11/2016	\$19,989 questioned
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Single Audit of Westchester County, White Plains, NY
 SA-2016-041
 3/11/2016

Single Audit of the Washington Metropolitan Area Transit Authority, Washington, DC SA-2016-042 3/11/2016	\$729,610 questioned
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Single Audit of the Jacksonville Transportation Authority, Jacksonville, FL SA-2016-043 3/11/2016	\$289,870 questioned
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Single Audit of the City of Phoenix, AZ
 SA-2016-044
 3/11/2016

Single Audit of PACE, the Suburban Bus Division of the Regional Transportation Authority, Arlington Heights, IL SA-2016-045 3/11/2016	\$222,972 questioned
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Single Audit of the Metropolitan Transportation Authority, New York, NY SA-2016-046 3/11/2016	\$2,029,701 questioned
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Single Audit of the City of Port Arthur, TX
 SA-2016-048
 3/16/2016

Single Audit of the Dallas Area Rapid Transit, Dallas, TX
SA-2016-052
3/16/2016

MARITIME ADMINISTRATION

Internal Audits: Performance – 1 Report

Weaknesses in MARAD's Management Controls for Risk Mitigation, Workforce Development, and Program Implementation Hinder the Agency's Ability To Meet Its Mission
ST-2016-011
12/10/2015

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Internal Audits: Performance – 1 Report

Additional Efforts Are Needed To Ensure NHTSA's Full Implementation of OIG's 2011 Recommendations
ST-2016-021
2/24/2016

Internal Audits: Attestation Engagement – 1 Report

Inspector General Review of Fiscal Year 2015 Drug Control Funds and Performance Summary Reporting – National Highway Traffic Safety Administration
FI-2016-017
1/29/2016

Grant Audits: Performance – 2 Reports

Single Audit of the State of Delaware (*also listed under Federal Transit Administration*)
SA-2016-032
3/8/2016

Single Audit of Kansas City, MO (*also listed under Federal Transit Administration and Office of the Secretary*)
SA-2016-038
3/11/2016

Single Audit of Kansas City, MO (*also listed under Federal Transit Administration and Office of the Secretary*)
SA-2016-038
3/11/2016

Single Audit of the State of Hawaii, Department of Transportation,
Highways Division, Honolulu, HI *(also listed under Federal Highway
Administration)*
SA-2016-054
3/16/2016

NATIONAL TRANSPORTATION SAFETY BOARD

Internal Audits: Financial – 1 Report

Quality Control Review of NTSB's Audited Financial Statements for Fiscal
Years 2015 and 2014
QC-2016-006
11/10/2015

Grant Audits: Performance – 2 Reports

Single Audit of Kansas City, MO *(also listed under Federal Aviation
Administration and Federal Transit Administration)*
SA-2016-038
3/11/2016

Single Audit of the City of Charlotte, Charlotte, NC
SA-2016-055
3/16/2016

OFFICE OF THE SECRETARY OF TRANSPORTATION

Internal Audits: Performance – 3 Reports

DOT Has Major Success in PIV Implementation, But Problems Persist in
Other Cybersecurity Areas
FI-2016-001
11/5/2015

Multiple DOT Operating Administrations Lack Effective Information
System Disaster Recovery Plans and Exercises
FI-2016-024
3/3/2016

The Volpe Center's Information Technology Infrastructure Is at Risk for
Compromise
FI-2016-056
3/22/2016

Internal Audits: Financial – 3 Reports

Quality Control Review of DOT's Audited Financial Statements for Fiscal Years 2015 and 2014
QC-2016-008
11/16/2015

Quality Control Review of the Audited Closing Package Financial Statements for Fiscal Years 2015 and 2014
QC-2016-009
11/19/2015

Quality Control Review of the Management Letter for DOT's Financial Statements for Fiscal Years 2015 and 2014 \$108,687,594 funds be put to better use
QC-2016-022
2/25/2016

Internal Audits: Other – 1 Report

DOT's Fiscal Year 2016 Top Management Challenges
PT-2016-005
11/16/2015

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Internal Audits: Financial – 1 Report

Quality Control Review of SLSDC's Audited Financial Statements for Fiscal Years 2015 and 2014
QC-2016-003
11/4/2015

OIG CONGRESSIONAL TESTIMONIES

October 1, 2015 – March 31, 2016

<p>Statement for the Record: FAA's Efforts To Maintain and Secure Pilot Records CC-2016-004 2/3/2016</p>	<p>Before the House Oversight and Government Reform Subcommittee on Transportation and Public Assets</p>
<p>MARAD's Efforts To Address Program Management Challenges CC-2016-005 3/8/2016</p>	<p>Before the Senate Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security</p>
<p>Top Management Challenges Facing the Department of Transportation CC-2016-006 3/15/2016</p>	<p>Before the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies</p>
<p>Budget and Management Challenges Facing the Department of Transportation CC-2016-077 3/16/2016</p>	<p>Before the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies</p>

UNRESOLVED RECOMMENDATIONS OVER 6 MONTHS OLD

October 1, 2015 – March 31, 2016

Cited in Semiannual Report for October 1, 2010 - March 31, 2011	
FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance–Broadcast Program and Realizing Benefits (AV-2011-002)	10/12/2010
FAA Did Not Ensure Revenue Was Maximized at Denver International Airport (AV-2011-057)	2/28/2011
Cited in Semiannual Report for April 1, 2012 - September 30, 2012	
Long Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency (AV-2012-152)	7/19/2012
Cited in Semiannual Report for October 1, 2012- March 31, 2013	
FAA and Industry Are Advancing the Airline Safety Act, but Challenges Remain To Achieve Its Full Measure (AV-2013-037)	1/31/2013
Cited in Semiannual Report for April 1, 2014- September 30, 2014	
Further Actions Are Needed To Improve FAA's Oversight of the Voluntary Disclosure Reporting Program (AV-2014-036)	4/10/2014
ADS-B Program Benefits Are Limited Due to a Lack of Advanced Capabilities and Delays in User Equipage (AV-2014-105)	9/11/2014
Management Limitations May Hinder FAA's Ability To Fully Implement and Assess the Effectiveness of Its Runway Safety Initiatives (AV-2014-130)	9/25/2014
Cited in Semiannual Report for October 1, 2015 - March 31, 2016	
Quality Control Review of DOT's Audited Closing Package Financial Statements for Fiscal Years 2015 and 2014 (QC-2016-009)	11/19/2015
Enhanced FAA Oversight Could Reduce Hazards Associated With Increased Use of Flight Deck Automation (AV-2016-013)	1/7/2016
Metropolitan Transportation Commission Oakland, CA (SA-2016-025)	3/8/2016
City of Borough of Juneau, Juneau, AK (SA-2016-026)	3/8/2016

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

Regional Transportation District, Denver, CO (SA-2016-027)	3/8/2016
North Coast Railroad Authority, Ukiah, CA (SA-2016-028)	3/8/2016
Lehigh Northampton Transportation Authority, Allentown, PA (SA-2016-029)	3/8/2016
Neponset Valley Transportation Management Association Inc., Woburn, MA (SA-2016-030)	3/8/2016
National Railroad Passenger Corporation and Subsidiaries (Amtrak), Washington, DC (SA-2016-031)	3/8/2016
State of Delaware, Dover, DE (SA-2016-032)	3/8/2016
City of Kansas City, Kansas City, KS (SA-2016-033)	3/8/2016
Cambria County Transit Authority, Johnstown, PA (SA-2016-034)	3/8/2016
Federated States of Micronesia National Government, Palikir, Micronesia (SA-2016-036)	3/11/2016
Government of Guam, Hagatna, Guam (SA-2016-037)	3/11/2016
City of Kansas City, Kansas City, MO (SA-2016-038)	3/11/2016
Greene County Transit Board, Xenia, OH (SA-2016-040)	3/11/2016
Westchester County, White Plains, NY (SA-2016-041)	3/11/2016
Washington Metropolitan Area Transit Authority, Washington, DC (SA-2016-042)	3/11/2016
Jacksonville Transportation Authority, Jacksonville, FL (SA-2016-043)	3/11/2016
City of Phoenix, Phoenix, AZ (SA-2016-044)	3/11/2016

PACE, the Suburban Bus Division of the Regional Transportation Authority, Arlington Heights, IL (SA-2016-045)	3/11/2016
Metropolitan Transportation Authority, New York, NY (SA-2016-046)	3/11/2016
City of Port Arthur, Port Arthur, TX (SA-2016-048)	3/16/2016
State of New York, Albany, NY (SA-2016-050)	3/16/2016
Dallas Area Rapid Transit, Dallas, TX (SA-2016-052)	3/16/2016
State of Hawaii, Department of Transportation, Highways Division, Honolulu, HI (SA-2016-054)	3/16/2016
City of Charlotte, Charlotte, NC (SA-2016-055)	3/16/2016

INVESTIGATIONS

FINANCIAL IMPACT

October 1, 2015 – March 31, 2016

Type	Amount
Fines (and special assessments)	\$4,028,498
Restitution	\$3,927,935
Recoveries	\$6,125,682
Forfeitures	\$8,627,467
Total	\$22,709,582

OIG HOTLINE CONTACTS

October 1, 2015 – March 31, 2016

Method of Contact	Number
Email	1,133
Letters	106
Web	17
Telephone	1,401
Total	2,657

JUDICIAL AND ADMINISTRATIVE ACTIONS

October 1, 2015 – March 31, 2016

Type of Action	Number	Type of Action	Number
Indictments	60	Employee reassignment/transfer	1
Convictions	39	Employee removal	1
Years incarceration	36	Employee reprimand	2
Years supervised release	47	Employee suspension	2
Years probation	78	Certificate/License/Permit retested	3,569
Hours community service	1,590	Certificate/License/Permit revoked/ terminated	11
Business debarment	6	Certificate/License/Permit suspended	1
Business suspension	13	Compliance agreement	5
Individual debarment	8	Federal funds reduced	1
Individual suspension	25	Regulation/Rule revised	1
Employee counseling	2		

INVESTIGATIVE WORKLOAD AND JUDICIAL REFERRALS

October 1, 2015 – March 31, 2016

Investigative Workload	
Current investigations	465
Investigations/Complaints opened	145
Investigations closed	142
Judicial Referrals	
Referred for criminal prosecution	167
Accepted for criminal prosecution	99
Declined for criminal prosecution	127
Referred for civil prosecution	19
Accepted for civil prosecution	15
Declined for civil prosecution	7

PROFILE OF ALL PENDING INVESTIGATIONS BY CASE TYPE

As of March 31, 2016

	Number of Investigations	Aviation Safety	Hazmat	Motor Carrier	Transportation Safety	Grant Fraud	Procurement Fraud	Workforce Protection	Employee Integrity	Other
FAA	127	58	12	0	0	20	4	1	31	1
FHWA	106	0	1	0	0	95	1	5	3	1
FMCSA	103	0	11	62	0	0	0	19	10	1
FRA	5	0	0	0	1	4	0	0	0	0
FTA	55	0	0	0	1	48	2	3	1	0
MARAD	7	0	0	0	0	1	1	0	5	0
MWAA	1	0	0	0	0	0	1	0	0	0
NHTSA	7	0	0	0	5	2	0	0	0	0
OIG	1	0	0	0	0	0	0	0	1	0
OST	13	0	0	0	2	3	2	1	5	0
PHMSA	37	0	34	0	0	0	0	0	3	0
No DOT element	1	0	0	0	0	1	0	0	0	0
Other	1	0	0	0	0	0	1	0	0	0
Departmentwide	1	0	0	0	0	0	0	0	1	0
Totals	465	58	58	62	9	174	12	29	60	3
Percentage	100%	12%	12%	13%	2%	38%	3%	6%	13%	1%

CLOSED OIG INVESTIGATIONS RESULTING IN ADMINISTRATIVE ACTIONS ONLY

October 1, 2015 – March 31, 2016

Case type	Allegation	Number
Aviation	Certificate fraud – flight instructor/school	1
Aviation	SUP parts – maintenance	2
Aviation	SUP parts – sale	1
Employee	Abuse of authority	4
Employee	Conflict of interest (public corruption, current employee)	2
Employee	Ethics violation (misconduct)	1
Employee	Gross mismanagement	1
Employee	Time and attendance fraud	1
Employee	Violation of law, rule, or regulation	1
Grant	DBE fraud	1
Grant	Other	1
Grant	Overbilling	1
Grant	Product substitution/Substandard work or materials	1
Grant	Public corruption/extortion	1
Hazmat	Carriage by vessel	1
Hazmat	Illegal transportation of stolen hazmat (motor fuel)	1
Motor Carrier	Fraudulent registration filings (reincarnated carriers)	1
Procurement	FAR/FAA Acquisition Management System violation	1
Workforce Protection	Prevailing wage violations	1

CLOSED OIG INVESTIGATIONS WITH ALLEGATIONS UNSUBSTANTIATED AND/OR DECLINED FOR PROSECUTION WITH NO OTHER ACTION TAKEN

October 1, 2015 – March 31, 2016

Case type	Allegation	Number
Aviation	Certificate fraud, aircraft	1
Aviation	SUP parts – maintenance	2
Aviation	SUP parts – dale	1
Employee	Ethics violation (misconduct)	2
Grant	ARRA whistleblower	1
Grant	Buy America Act	2
Grant	DBE fraud	3
Grant	DBE Pass-through fraud	1
Grant	False claims	2
Grant	False statements	1
Grant	Small Business Innovative Research (SBIR) Grant Fraud	3
Hazmat	Carriage by motor vehicle/public highway	1
Hazmat	PHMSA cylinders and packaging	2
Hazmat	Pipelines	1
Motor Carrier	Falsification/Alteration of inspection records	1
Motor Carrier	Fraudulent registration filings (reincarnated carriers)	1
Motor Carrier	Log books	1
Workforce Protection	Broker, freight forwarder, carrier registration	1
Workforce Protection	Household goods/Moving companies	2
Workforce Protection	Prevailing wage violations	1

PEER REVIEW

OIG's auditing and investigations functions are subject to peer reviews in accordance with Government Auditing Standards and the Attorney General Guidelines for Federal Office of Inspectors General with statutory law enforcement authority. These peer reviews provide a formal, objective assessment of OIG's adherence to prescribed standards, regulations, and legislation. OIG was the subject of two Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer reviews during this reporting period.

OIG's Office of Audits was the subject of a CIGIE peer review by the U.S. Department of Energy (Energy) OIG. Energy OIG concluded that the system of quality control for our audit organization has been suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Accordingly, Energy OIG provided a "pass" rating, and no recommendations were made. The report was released on March 31, 2016.

OIG's Office of Investigations was the subject of a CIGIE peer review by the U.S. Department of the Treasury, Treasury Inspector General for Tax Administration (TIGTA). TIGTA OIG concluded that the system of internal controls and management procedures for our investigative function was in compliance with quality standards established by CIGIE and Attorney General guidelines, and no recommendations were made. The report was released on February 4, 2016.

For the reports of the peer reviews conducted on our office, go to our Web site at: <http://www.oig.dot.gov/peerreview>.

MISSION AND ORGANIZATION

The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978. The act sets several goals for OIG:

- To conduct or supervise objective audits and investigations of the Department's programs and operations;
- To promote economy, effectiveness, and efficiency within the Department;
- To prevent and detect fraud, waste, and abuse in the Department's programs;
- To review existing and proposed laws or regulations affecting the Department and make recommendations about them;
- To keep the Secretary of Transportation and Congress fully informed about problems in Departmental programs and operations.

The Inspector General is committed to fulfilling its statutory responsibilities and assisting members of Congress, the Secretary, senior Department officials, and the general public in achieving a safe, efficient, and effective transportation system. OIG's audits and investigations offices and three support offices work together to fulfill its mission:

The Office of the Principal Assistant Inspector General for Auditing and Evaluation

supervises and conducts all audit activities related to DOT programs and operations through its four suboffices: Aviation, Financial and Information Technology, Surface Transportation, and Acquisition and Procurement.

The Office of the Principal Assistant Inspector General for Investigations supervises and conducts OIG investigative activities related to DOT programs and operations through its headquarters and seven major regional offices. The headquarters office conducts nationwide special investigations and analyses as well as manages the OIG Hotline Complaint Center and activities generated by complaints.

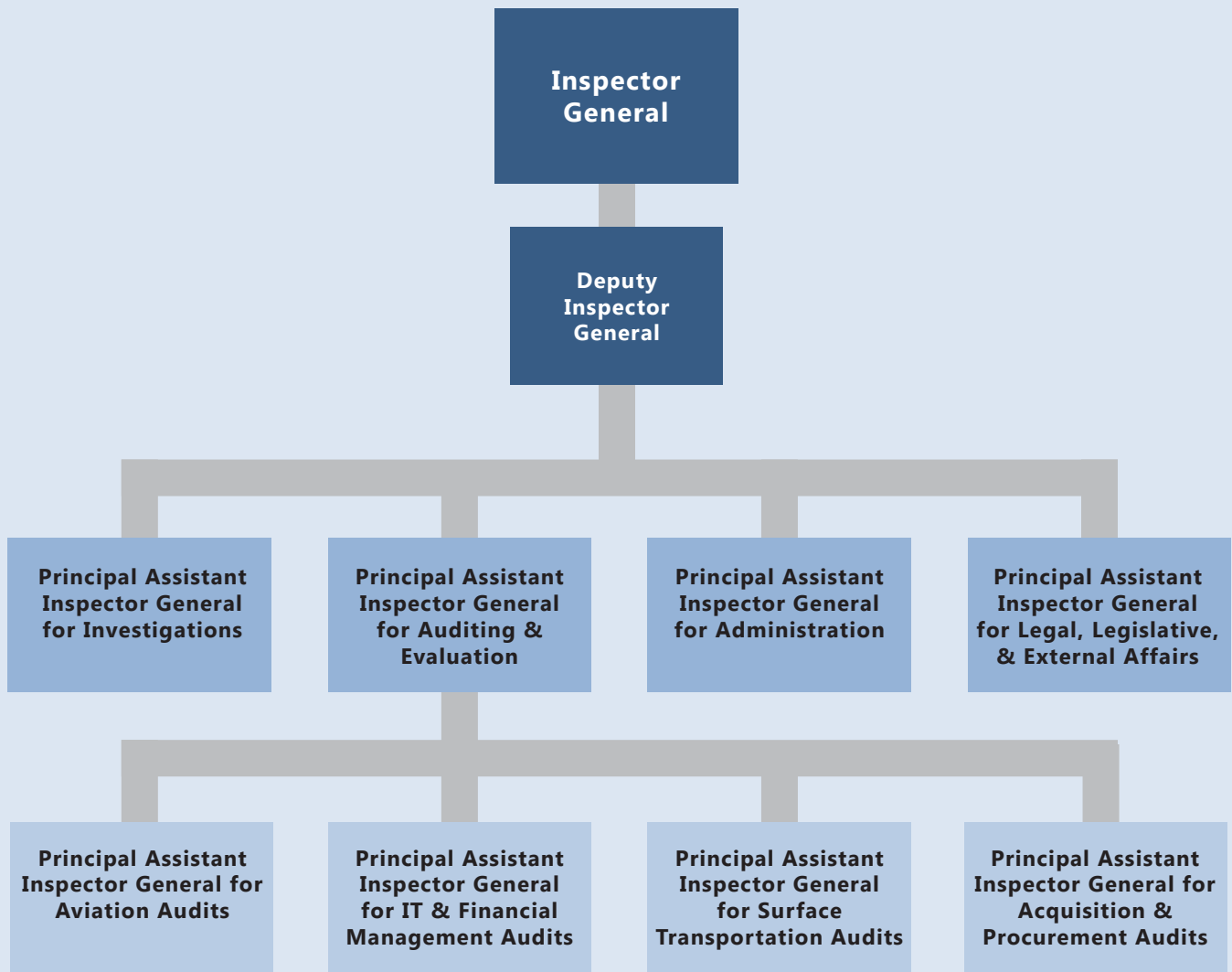
MISSION AND ORGANIZATION

The Office of the Assistant Inspector General for Legal, Legislative, and External Affairs provides a full range of professional legal services and advice, facilitates communications with Congress, and manages public and external affairs.

The Office of the Assistant Inspector General for Administration is divided into four suboffices: the Office of Procurement and Administrative Services, the Office of Budget and Financial Management, the Office of Human Resources, and the Office of Information Technology Management.

The Office of Quality Assurance Reviews and Internal Affairs, under the direction of the Deputy Inspector General, ensures that internal operations and functions are performed objectively and in an efficient and effective manner.

OIG ORGANIZATION CHART



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