

U.S. DEPARTMENT OF
TRANSPORTATION
OFFICE OF
INSPECTOR
GENERAL
04.01.2015 – 09.30.2015

SEMI
ANNUAL
REPORT

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FROM THE INSPECTOR GENERAL

I am pleased to present the Department of Transportation (DOT) Office of Inspector General's Semiannual Report to Congress for the second half of fiscal year 2015. 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 Aviation Administration's (FAA) airman and medical certificate program to the National Highway Traffic Safety Administration's (NHTSA) oversight of vehicle safety defects and automakers' recalls.


Over the past 6 months, we have issued 75 audit reports with a total of 217 recommendations, including financial recommendations totaling about \$1.38 billion. Some important reviews conducted during this period include the following:

- In a congressional testimony, we discussed the procedural weaknesses that impeded NHTSA's handling of the General Motors ignition switch defect, which has been linked to more than 110 fatalities and 220 injuries.
- According to our review, the fire at Chicago Center—which delayed or cancelled thousands of flights and reportedly cost aviation stakeholders over \$350 million—demonstrated that FAA's contingency plans and security protocols are insufficient to prevent or mitigate the impact of similar events in the future.
- We made recommendations to help DOT gain control over its delinquent debt. From fiscal year 1999 to September 30, 2013, the Department's reported delinquent debt increased over 300 percent—from approximately \$170 million to \$737 million.
- Our review found that FAA's air traffic control towers function at considerably different levels of efficiency relative to each other—with the relatively inefficient towers costing an average of \$142 million more annually from fiscal years 2008 to 2013.
- Our audit work determined that DOT's contracting officers—who obligated \$2 billion in contracts on behalf of the Federal Government in fiscal year 2014—did not fully meet Federal qualifications and training requirements.

Our investigative work during the past 6 months has resulted in 37 indictments; 36 convictions; and a total of about \$963 million in fines, restitutions, recoveries, costs avoided, and forfeitures. Highlights of investigations we conducted during this period include the following:

- To protect taxpayer dollars, our investigators pursued those who defrauded the Government through disadvantaged business enterprise fraud—including one case that resulted in a nearly \$5 million civil settlement by the Nation’s largest supplier of water, sewer, fire protection, and storm drain products.
- Our investigation led to the sentencing of a former chief executive officer of a bonding company that offered prospective Federal contractors approximately \$1.2 million in fraudulent surety bonds used to secure bids and insure work on Federal contracts.
- Several of our investigations that resulted in recent sentencing demonstrate the extreme measures that unscrupulous individuals will take to secure and misuse FAA-issued airman and medical certificates—and the risks they pose to air safety.
- Special agents from our office and the Department of Homeland Security uncovered a trafficking scheme involving dangerous counterfeit air bags, which were found to discharge shrapnel and flames into test dummies during NHTSA’s safety testing.
- As a result of our investigation, a former Shell employee was sentenced to 5 years of probation and ordered to pay more than \$19 million in restitution for failing to properly service pipelines, resulting in a costly 9,000-gallon jet fuel spill.

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 and thank our hardworking 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

October 26, 2015

AUDITS AND INVESTIGATIONS

FEDERAL AVIATION ADMINISTRATION

AUDITS

April 8, 2015

Delays in Meeting Statutory Requirements and Oversight Challenges Reduce FAA's Opportunities To Enhance HEMS Safety

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

The Helicopter Emergency Medical Services (HEMS) industry safely transports over 400,000 patients in the United States each year, frequently in challenging conditions. The industry has grown significantly in the last few decades and so has the number of accidents. The Federal Aviation Administration (FAA) and Congress continue to seek ways to enhance safety in the HEMS industry. The FAA Modernization and Reform Act of 2012 required that FAA take specific actions to reduce the HEMS accident rate, and FAA issued a final HEMS rule in February 2014.

While FAA's HEMS rule is a good first step toward realizing the goals of the act, continued delays in finalizing the remaining congressional mandates affect FAA's ability to focus its accident reduction efforts and limit the effectiveness of safety initiatives. Additionally, until FAA updates key oversight policies and obtains meaningful safety data to analyze for trends, it will not be well positioned to effectively oversee a rapidly expanding HEMS

industry. FAA concurred with two recommendations and partially concurred with three recommendations we made to strengthen FAA's oversight of HEMS operators.

July 16, 2015

FAA Has Not Effectively Implemented Repair Station Oversight in the European Union

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

As international air service expands, U.S. air carriers increasingly rely on foreign repair stations to meet their maintenance needs. Currently, more than 400 FAA-certificated repair stations in Europe perform work on U.S.-registered aircraft and components. The United States and the European Union (EU) signed an aviation safety agreement on May 1, 2011, to permit foreign authority safety inspectors to inspect EU repair stations on the behalf of FAA. While FAA met the agreement's deadline to transfer its oversight responsibilities to foreign aviation authorities, it did so without ensuring that the authorities were fully prepared to accept their new roles. In addition, FAA did not follow its processes to assess foreign authority capabilities or ensure that these authorities completed their initial training on the agreement prior to the transfer. Training, procedural, and data weaknesses further hinder FAA's ability to monitor EU repair stations. FAA did not train its inspectors on

how to conduct inspections on foreign authorities or provide them with written guidance on how to complete new inspection forms, leading to inaccurate reporting and insufficient information needed to ensure that FAA standards are being met. FAA concurred with our 12 recommendations to enhance the Agency's oversight of repair stations.

August 13, 2015

Quality Control Review on the Single Audit of the City and County of Denver, CO

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

We conducted a quality control review of BKD LLP's single audit of the City and County of Denver for Denver's fiscal year ended December 31, 2013. During this period, Denver expended approximately \$48 million from DOT grant programs. BKD 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 BKD's work. Therefore, BKD 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 BKD's opinion on DOT's major program was inappropriate or unreliable.

August 13, 2015

Quality Control Review on the Single Audit of the Tucson Airport Authority, Tucson, AZ

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

We conducted a quality control review of BeachFleischman PC’s (BFC) single audit of the Tucson Airport Authority of Tucson, AZ, for the Authority’s fiscal year ended September 30, 2014. During this period, the Authority expended approximately \$24 million from a DOT grant program. BFC 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 BFC’s work. Therefore, BFC met the requirements of the Single Audit Act, OMB Circular A-133, and DOT’s major program. We found nothing to indicate that BFC’s opinion on DOT’s major program was inappropriate or unreliable.

August 20, 2015

FAA Has Not Effectively Deployed Controller Automation Tools That Optimize Benefits of Performance-Based Navigation

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

A cornerstone of FAA’s Next Generation Air Transportation System (NextGen) is its initiative to enhance efficiency and capacity at airports through the use of performance-based navigation (PBN). However, FAA lacks the automated tools air traffic controllers need to increase PBN use and achieve benefits. While FAA deployed Time Based Flow Management (TBFM)—an automation tool to help controllers optimize PBN operations at high altitude—it has not effectively implemented TBFM or deployed a key tool to help optimize PBN operations near airports. In addition, TBFM is not adequately meeting controllers’ needs, due in part to a lack of training and coordination, and other longstanding problems. As a result, controllers have experienced significant operational problems that hinder systemwide use of the tool. FAA concurred with three recommendations and partially concurred with one recommendation to improve its implementation of controller automation tools and help optimize PBN operations.

August 20, 2015

FAA Delays in Establishing a Pilot Records Database Limit Air Carriers’ Access to Background Information

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

Ensuring air carriers have all available information on a pilot’s training and performance remains a critical safety area for FAA. The 2010 Airline Safety and Extension Act mandated that FAA create a pilot records database to ensure pilot records are retained for the life of the pilot and that air carriers review those records when making hiring decisions. FAA’s progress in developing and implementing the pilot records database remains limited, and its completion remains uncertain. The Agency does not expect to issue a related rulemaking until 2017, and the database will likely not be fully implemented until more than a decade after Congress mandated its creation in 2010. Moreover, FAA has yet to make key decisions regarding how to incorporate historical records or how air carriers will transition to and access the database. In the meantime, air carriers, in large part, do not have all relevant pilot records available to fully evaluate prior performance when deciding whether to hire a pilot. FAA concurred with all three recommendations we made to help FAA better manage its implementation of the pilot records database and

ensure air carriers have all available information on a pilot’s training performance.

August 20, 2015

Efficiency of FAA’s Air Traffic Control Towers Ranges Widely

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

Total air traffic operations handled by FAA facilities declined 19 percent between 2004 and 2013, yet FAA’s operations budget increased slightly during that time. Our prior audit of FAA’s controller productivity initiatives found that the Agency did not achieve expected benefits or regularly analyze information in its numerous databases to determine if it could reduce costs.

For this audit, we found that FAA air traffic control towers function at considerably different levels of efficiency relative to one another. The least efficient towers used from 42 percent to 98 percent more resources than those of comparable relatively efficient towers. We estimated that the additional costs associated with the relatively inefficient towers averaged \$142 million annually over fiscal years 2008 through 2013, for a total of \$853 million. FAA partially concurred with our recommendation to identify factors contributing to greater

resource use by the least efficient towers and develop a plan for addressing them.

September 2, 2015

There Are Significant Differences Between FAA’s and Foreign Countries’ Processes for Operating Air Navigation Systems

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

As Congress, the Administration, and other stakeholders examine possible changes to FAA’s organization and financing structures, we were asked to compare those structures to those of foreign nations. Each of the four nations we examined—Canada, the United Kingdom, Germany, and France—has maintained government control of safety and regulatory functions but has commercialized their air traffic operations via independent air navigation service providers. Unlike FAA, these providers are financially self-supporting, and do not embark on large modernization efforts or conduct extensive aviation research and development. While several differences make comparisons between the U.S. aviation system and other countries’ systems difficult—such as the size and complexity of the U.S. system—there are several lessons that can be learned from examining other nations’ experiences in separating their aviation

functions, including issues related to maintaining safety oversight and transitioning to the new organization.

September 15, 2015

Quality Control Review on the Single Audit of the Memphis-Shelby County Airport Authority, Memphis, TN

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

We conducted a quality control review of Dixon Hughes Goodman LLP’s (DHG) single audit of the Memphis-Shelby County Airport Authority of Memphis, TN, for the Authority’s fiscal year ended June 30, 2014. During this period, the Authority expended approximately \$21 million from DOT grant programs. DHG determined that DOT’s major program was the Airport Improvement Program. Based on our quality control review, we assigned an overall rating of Pass With Deficiency to DHG’s work. Therefore, DHG generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT’s major program. While we found nothing to indicate that DHG’s opinion on DOT’s major program was inappropriate or unreliable, we identified a deficiency in the audit documentation in the area of internal controls related to special tests and provisions. This deficiency will need to be corrected in future audits, but it does not alter the overall results of the audit report.

September 29, 2015

FAA’s Contingency Plans and Security Protocols Were Insufficient at Chicago Air Traffic Control Facilities

Requested by Senator Richard J. Durbin and Representatives Bill Foster, Mike Quigley, Tammy Duckworth, Jan Schakowsky, and Dan Lipinski

On September 26, 2014, an FAA contract employee deliberately started a fire that destroyed critical equipment at FAA’s Chicago Air Route Traffic Control Center in Aurora, IL. As a result of the damage, Chicago Center was unable to control air traffic for more than 2 weeks, thousands of flights were delayed or cancelled, and aviation stakeholders reportedly lost over \$350 million.

FAA’s contingency plans did not adequately address redundancy or resiliency and were insufficient to quickly restore operations after the Chicago fire. Moreover, the damage highlighted weaknesses in FAA’s current air traffic control infrastructure, which has limited flexibility to respond to system failures. In addition, the security protocols in effect at the time of the fire were insufficient to identify, counter, or mitigate the impact of an insider threat. While FAA has completed reviews of its contingency plans and security protocols following the incident, significant work remains to prevent or mitigate the impact of similar events in the future. FAA concurred with all seven of our recommendations to

help improve redundancy and resiliency in the National Airspace System and implement improvements to its operational contingency plans and security protocols.

September 30, 2015

Actions Needed To Address Insufficient Maintenance of Potentially Unsafe Aircraft Rescue and Fire Fighting Vehicles at Luis Munoz Marin International Airport, San Juan, PR

Management Advisory to the Federal Aviation Administrator

During our ongoing audit of FAA’s oversight of aircraft rescue and firefighting (ARFF) vehicle requirements, we identified prolonged maintenance issues with ARFF vehicles at the Luis Munoz Marin International Airport in San Juan, PR, that could directly impact the airport’s ability to fight fires and respond to other emergencies on runways and taxiways. These issues suggest that the airport’s ARFF vehicles may not be able to spray water and firefighting agent at the required rate during an emergency. We informed FAA of this safety concern, and FAA officials stated that they are working with the airport to address the vehicle maintenance issues. However, the airport has not yet provided us with evidence that it has completed all repairs or conducted a comprehensive assessment of all its ARFF vehicles. Consequently, we issued a management advisory to FAA

regarding insufficient maintenance of potentially unsafe ARFF vehicles at Luis Munoz Marin International Airport.

INVESTIGATIONS

May 7, 2015

FAA Suspended Puerto Rico Asphalt Companies and Principals for Fraud Scheme

FAA suspended former BTB Corporation and its president, Juan Vazquez, and as well as R&F Asphalt Unlimited Inc. and its operations manager, Juan Raul Robles, from participating in Federal procurement and non-procurement transactions. On March 18, 2015, BTB, Vazquez, R&F Asphalt, and Robles entered into a civil settlement agreement with the United States in U.S. District Court, San Juan, PR, and agreed to pay more than \$7 million related to a fraud scheme involving an airport construction project in Puerto Rico.

The investigation was based on a civil qui tam complaint filed by Betterroads Asphalt LLC. BTB and R&F Asphalt allegedly conspired to knowingly and willfully defraud FAA and made false representations in connection with a taxiway rehabilitation project at the Rafael Hernandez International Airport in Aguadilla, PR. BTB and R&F Asphalt allegedly submitted falsified certificates of compliance to conceal the fact that they substituted a different asphalt binder than required on

the airport taxiway. The project, managed by the Puerto Rico Ports Authority, was paid for with FAA grant funds under the Airport Improvement Program. Under the terms of the settlement, BTB and R&F Asphalt agreed to return to the Government \$3.6 million each.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the System for Award Management "Sam.gov" should be consulted to determine whether a company is currently excluded.

May 14, 2015

Colorado Physician Sentenced for Conduct Relating to a Counterfeit FAA Medical Certificate

Dr. David Lawrence Rhodes, also known as Larry Rhodes, was sentenced in U.S. District Court, New Orleans, LA, to 12 months of probation for conduct related to a fraudulent FAA medical certificate.

On April 19, 2014, Rhodes, the pilot in command of a Mooney M20B (a propeller-driven general aviation plane), presented the fraudulent FAA airman medical certificate to a U.S. Customs and Border Protection agent during a pilot compliance check at Lakefront Airport in New Orleans. Rhodes' most recent authenticated FAA medical certificate had expired on October 31, 2007, but Rhodes' falsified certificate had an issue date of June 14, 2013.

We are conducting this investigation with U.S. Customs and Border Protection and U.S. Department of Homeland Security (DHS) Homeland Security Investigations, with assistance from FAA.

May 28, 2015

Civil Judgment of \$5.8 Million Entered Against Sound Solutions for Defrauding FAA

A civil judgment was entered in U.S. District Court, Chicago, IL, against Sound Solutions Windows & Doors LLC in the amount of \$5.8 million, resulting from an OIG investigation. On December 28, 2009, the Chicago Regional Council of Carpenters filed a civil qui tam complaint alleging Sound Solutions violated the False Claims Act. The qui tam alleged that in 2008, Sound Solutions used a Disadvantaged Business Enterprise (DBE), FCJ Real Estate Development Company Inc., as a "pass-through" to create the appearance of DBE participation on the O'Hare International Airport's Residential Sound Insulation Program contracts funded by FAA Airport Improvement Program grants. Sound Solutions submitted 10 claims for payment on the O'Hare Airport contract for window replacement, each certifying that all work was performed and all materials were supplied in accordance with the construction contract between the City of Chicago and Sound Solutions. The final two claims in 2009 and 2010 each contained a DBE status

report signed by the president of Sound Solutions, falsely certifying that over \$2.3 million had been paid under the contract to valid DBE subcontractors.

June 5, 2015

Commercial Pilot Sentenced in Federal Court for Making False Statements to FAA

Steven Michael Demaria was sentenced in U.S District Court, Miami, FL, to 3 years of probation and ordered to pay \$1,300 in fines for making false statements on an FAA airman medical certificate application. In addition, the court ordered Demaria to complete 360 hours of community service.

In May 2004, Demaria tested positive for marijuana, a prohibited drug, in connection with prospective employment as a pilot for a Ft. Lauderdale air taxi service. In July 2004, as a result of the positive drug test, FAA issued an Emergency Order of Revocation and revoked Demaria's first class airman medical certificate. Each year from 2012 to 2014, Demaria submitted three airman medical certificate applications, falsely answering that he had never failed a drug test. Demaria was employed as a Pilot in Command for a regularly scheduled air carrier at the time of his arrest in November 2014.

We conducted this investigation with assistance from FAA's Security Division.

June 19, 2015

Former Carson Helicopter Vice President Sentenced to Over 12 Years in Federal Prison

Steven Metheny, former vice president of Carson Helicopters Inc., Grants Pass, OR, was sentenced in U.S. District Court, Medford, OR, to 151 months of incarceration for making false statements and conspiracy to defraud the U.S. Forest Service (USFS) related to helicopter services for firefighting operations. Levi Phillips, former director of maintenance at Carson, cooperated with the investigation. He was sentenced to 2 years in prison for his role in the scheme.

In December 2008, the National Transportation Safety Board (NTSB) briefed us regarding its ongoing safety investigation of the Carson helicopter that crashed in August 2008 in Northern California while performing contracted firefighting services for USFS. Nine people died, and four others were seriously injured in the crash.

In 2008, Metheny admitted that he submitted bid proposals with falsified weight and balance records to misrepresent that Carson helicopters met the USFS firefighting contract minimum payload specifications. Carson subsequently won over \$20 million in USFS contracts. Metheny also allowed the falsified information to be included in Carson aircraft flight manuals. Pilots used this false information to calculate the maximum

payload capacity of their helicopters during firefighting operations, which endangered the pilots' and their passengers' safety.

We conducted this investigation with the U.S. Department of Agriculture OIG, the Federal Bureau of Investigations (FBI), and the Internal Revenue Service (IRS) Criminal Investigation Division.

June 24, 2015

Maryland Man Sentenced for Flying Without a Pilot's Certificate Involving a Crash Landing

Randolph Lee Beauchamp pleaded guilty and was sentenced in U.S. District Court, Baltimore, MD, for flying without a pilot's certificate. He received 3 years of probation and was ordered to forfeit \$4,364 to the United States, representing his interest in the Piper PA-28-140 aircraft he used to commit the offense.

On May 4, 2014, Beauchamp flew his plane from Hanover County Municipal Airport in Virginia to Maryland without an active medical certificate and valid pilot's certificate. His airplane ran out of fuel, and he made an emergency landing in a field short of the Ocean City-Wicomico Regional Airport, Salisbury, MD. FAA requested DOT OIG's assistance after the crash when it was discovered that Beauchamp's FAA airman's certificate was revoked in 2012 due to several alcohol-related driving offenses.

We are conducting this investigation with assistance from FAA.

June 25, 2015

FAA Inspector Pleads Guilty and Sentenced After Carrying a Firearm on a Flight

Ernest E. Abbott, an aviation safety inspector for FAA's Atlanta Division, pleaded guilty in U.S. District Court, Atlanta, GA, for knowingly entering an aircraft and airport area in violation of Federal security requirements. He was sentenced to 12 months of probation and ordered to pay a \$1,000 fine. He remains on bond in the State of New York for local firearms violations. FAA also suspended him from his position.

In January 2015, Abbott used an Atlanta airport security identification badge to bypass the Transportation Security Administration (TSA) screening checkpoint at the Atlanta International Airport. Abbott subsequently flew in the aircraft cockpit jump seat to LaGuardia International Airport, Queens, NY, with an undeclared firearm in carry-on baggage. The following day, TSA officials at LaGuardia detained Abbott at a security checkpoint and prevented him from entering the airport sterile area, as he did not have a New York airport security identification badge. The weapon was discovered in his carry-on baggage. Following this incident, FAA officials temporarily restricted its employees from using

airport security identification badges to access airport sterile areas.

We conducted this investigation with TSA, with assistance from the FBI and FAA.

July 22, 2015

Air Traffic Controller Pleads Guilty to Employment Pay Fraud

Jeffrey Evagues, a former FAA air traffic controller, pleaded guilty in U.S. District Court, Brooklyn, NY, to wire fraud related to his role in a complex fraud scheme to alter employee time and attendance records. In December 2014, a Federal grand jury indicted Evagues and Asif Ali, another former controller, and charged each with conspiracy to commit wire fraud. Ali pleaded guilty in June 2015.

Evagues, who worked at the air traffic control tower in Jamaica, NY, admitted that he and Ali gained access to FAA’s Cru-X system and fraudulently altered labor distribution reports. Their conduct caused FAA to pay Ali and Evagues for overtime and nightshift work, Sunday premium pay, and holiday work they did not perform. Evagues also admitted he altered labor distribution reports to make it appear as though he had worked on

vacations or sick days, allowing him to retain unentitled vacation and sick leave credits and receive payment for time not worked. As part of the plea agreement, the court will mandate at sentencing that Evagues pay \$235,467 in restitution. Evagues retired shortly after his arrest in November 2014. FAA suspended Ali indefinitely in April 2015.

We are conducting this investigation with assistance from FAA.

July 28, 2015

Long Island CEO Pleads Guilty to Wire Fraud Involving Unapproved Aircraft Parts

Jeffrey Krantz, chief executive officer (CEO) and owner of Harry Krantz LLC, New York, NY, pleaded guilty in U.S. District Court, Hartford, CT, to wire fraud for his role in the sale of unapproved aircraft parts.

Krantz knowingly sold unapproved microprocessors to a Rhode Island-based parts broker, who in turn sold the parts to a Connecticut-based aerospace manufacturer. These unapproved microprocessors were ultimately installed on a full authority digital engine control unit that controls all aspects of engine and hydraulic controls for Bell helicopters. The Intel Corporation confirmed that

the circuit chip marked “Intel” that was installed within the control unit was not manufactured by Intel.

We are conducting this investigation with the Defense Criminal Investigative Service.

September 1, 2015

Former FAA Airway Transportation System Specialist Sentenced for Criminal Conversion

Justin D. Weese, former FAA Airway Transportation System Specialist, Rochester System Support Center, Rochester, NY, was sentenced in U.S. District Court to time served and 1 year of supervised release for criminal conversion in connection with theft of FAA property.

On May 7, 2015, Weese pleaded guilty to stealing a six-wheeled all-terrain vehicle, a lawn mower, and a trailer that belonged to the Rochester System Support Center, which is responsible for maintaining environmental systems in support of air traffic control facilities and towers in upstate New York. In June 2014, Weese falsely represented to FAA management that the all-terrain vehicle and other FAA property were taken to a scrap yard for destruction. DOT OIG agents later discovered the property at Weese’s residence. Weese resigned from Federal service during the investigation.

September 23, 2015

Chief Financial Officer for Public Charter Operator Pleads Guilty to Multi-Million Dollar Wire Fraud

Robert Keilman of Marlboro, NJ, was charged and pleaded guilty in U.S. District Court, Newark, NJ, to conspiracy to commit wire fraud and bank fraud in connection with his role in a multi-million dollar public air charter fraud scheme.

After Direct Air ceased its public charter operations and filed for bankruptcy protection in March 2012, DOT's Office of the Secretary (OST) learned that Direct Air officials may have misappropriated pre-booked ticket revenue that was supposed to be kept in an escrow account per DOT regulations. DOT regulations require charter operators to protect passengers financially by posting a security or by keeping passenger payments for future flights in a designated bank account. Accordingly, Direct Air set up an escrow account with a bank headquartered in Wayne, NJ.

From January 2010 through September 2011, Keilman admitted to conspiring with others in a "double-dipping"

scheme. The conspirators submitted fraudulent release requests for passenger payments from escrow accounts disguised as "membership fees" prior to completion of the flights. After the flights were completed, the conspirators submitted release requests for the same funds. Keilman also admitted that they submitted release requests containing inflated passenger revenue figures, causing the bank to release millions of dollars in revenues for fictitious passengers. The conspirators concealed the shortfall in Direct Air's bank account by sending fraudulent financial statements to creditors.

September 28, 2015

Former WECO Managers Sentenced for Conspiracy Related to Aircraft Parts Fraud

Michael Dennis Maupin, former quality assurance manager at WECO Aerospace Systems, was sentenced in U.S. District Court, Sacramento, CA, to 12 months of probation and ordered to pay a \$2,500 fine in connection with an aircraft parts scheme. He pleaded guilty to submitting an aviation quality assurance manual to FAA that contained false documents. In May 2015, Anthony Vincent Zito, former WECO repair station manager, was

sentenced in U.S. District Court, Sacramento, CA, to 24 months of probation and ordered to pay a \$2,500 fine. On April 28, 2015, Jerry Edward Kuwata a former WECO operations manager, was sentenced to 1 year and 1 day in prison and 2 years of supervised release.

Between October 2006 and February 2008, Zito conspired with Kuwata to conceal facts from customers and FAA about WECO's fraudulent aircraft repairs. WECO was an FAA-certified repair business with facilities in Lincoln and Burbank, CA, permitted to repair certain types of aircraft parts—including starter generators and converters, used on various types of aircraft, such as small helicopters used by tour companies and law enforcement agencies. However, WECO employees regularly failed to comply with FAA regulations when repairing and overhauling the aircraft parts. WECO employees also falsely certified the parts had passed tests and had been repaired in accordance with FAA standards.

We conducted this investigation with the FBI, Defense Criminal Investigative Service, U.S. Army Criminal Investigation Command, DHS OIG, with assistance from FAA.

IN FOCUS: Combating Pilot and Airmen Certification Fraud To Help Ensure Aviation Safety

In 2014, over 590,000 pilots held active U.S. airman certificates issued by FAA; another 1.1 million aviation-related professionals—such as mechanics, flight attendants, flight engineers, and other aviation technicians—held U.S. airman certificates. To exercise the privileges of their airman certificate, airplane pilots, rotorcraft pilots, flight navigators, and flight engineers must also have a valid medical certificate verifying their fitness to fly.

While FAA's certification program aims to better ensure air safety, a number of oversight weaknesses diminish FAA's ability to meet this goal, including backlogs of applications and delays in establishing a useful pilot records database—weaknesses OIG has identified through its recent audits. The safety risks inherent in these weaknesses are further exacerbated by unscrupulous individuals who fraudulently obtain airmen certificates—fraudsters that OIG investigators rigorously pursue.

Common airmen fraud schemes and violations involve falsifying medical certificates, aircraft

maintenance records, or training records; impersonating a pilot or identify theft; and operating aircraft under the influence of alcohol and drugs. Airmen who operate under fraudulently obtained or renewed certificates often lack the knowledge and skills or are physically or mentally unqualified to operate or work on aircraft. Fraudulent certificates have also been used to conduct criminal activities, such as smuggling and human trafficking.

OIG partners with FAA to obtain referrals of suspected criminal violations of FAA regulations and Federal laws related to pilot and airmen certification, and with the U.S. Department of Justice to prosecute offenses. Since 2011, OIG has opened 196 aviation safety investigations, resulting in 32 indictments and 26 convictions. Of the 196 investigations, 73 have primarily focused on certificate fraud involving commercial airmen, mechanics, repair stations, flight instructors, and air carriers.

Several OIG cases that resulted in recent sentences demonstrate the extreme measures

fraudsters will take to secure and misuse FAA-issued airman and medical certificates—and the risks they pose to air safety:

- A foreign national hacked into FAA's Airman Services Records System—an online database used by FAA to monitor and regulate persons authorized to fly aircraft—and stole a pilot's personally identifiable information. He used this information to illegally obtain an airman certificate and flight instructor certificate, as well as a bank account and a U.S. passport, in the pilot victim's name. After charges were filed, he fled the country. While in possession of the fraudulent certificates, he crashed an airplane in Bornholm, Denmark; he returned to Iran to evade criminal charges in Denmark and Germany, and later resurfaced in Indonesia. In 2014, he was finally arrested in Panama and extradited back to the United States and in 2015, was sentenced to 27 months of incarceration for stealing the identity of a U.S. pilot.

- While flying his plane from Virginia to Maryland, a Maryland man was forced to make an emergency landing after the aircraft ran out of fuel, and crashed in a field near a major roadway and the University of Maryland Eastern Shore campus. After FAA determined his airman certificate had been revoked due to several alcohol-related offenses, FAA referred the investigation to OIG. In 2015, the man was sentenced to 3 years of probation and other penalties for flying without a pilot certificate.
- Over several years, a New York man used fraudulent airman and medical certificates to obtain employment as a television news helicopter pilot in California, and later as a helicopter pilot for an air ambulance service in New York. To gain employment as a television news helicopter pilot, he used his real name but submitted fraudulent temporary airman and medical certificates. To gain employment with the air ambulance service in New York, he stole the identity of a former co-worker; he also created a fraudulent U.S. passport using the former co-worker's identity. By obscuring his true identity, he prevented FAA from knowing that he had previously been convicted of making false statements to FAA regarding his medical certificate and student pilot certificate. In 2014, he was sentenced to 24 months of incarceration, \$42,000 in restitution, and other penalties for identity theft and using a fraudulent airman and medical certificate to operate aircraft.
- In 2004, FAA issued an emergency revocation of a Florida man's airman certificate after he tested positive for the presence of marijuana, a prohibited drug, while seeking employment as an air taxi pilot in Fort Lauderdale. However, OIG's investigation revealed that from 2012 to 2014, while he was employed as an air carrier Pilot in Command, he falsely attested to FAA that he had never failed a drug test. In 2015, he was convicted by a Federal jury and sentenced to 3 years of probation and other penalties for making false statements on an FAA airman medical certificate application.
- A commercial pilot from Washington State failed to establish contact with the FAA Seattle Air Route Traffic Control Center and lined up for the wrong runway on approach. The local airport police administered a breathalyzer test, which resulted in a reading of 0.109, more than twice the legal limit of 0.04. In 2013, the pilot was sentenced to 4 months of incarceration, 2 years of probation, and other penalties for flying a commercial aircraft while under the influence of alcohol.

In addition to significant jail time and fines imposed against individuals involved in fraudulent airmen certificate schemes, OIG investigations have resulted in specific FAA regulatory enforcement actions—including the suspension, disqualification, and cancellation or revocation of airmen certificates—which serve as deterrents to this type of fraud.

By working with FAA and our law enforcement partners, we continue to pursue our number one priority: safety.

FEDERAL HIGHWAY ADMINISTRATION

AUDITS

August 13, 2015

Quality Control Review on the Single Audit of the South Carolina Department of Transportation, Columbia, SC

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

We conducted a quality control review of Scott and Company LLC's single audit of the South Carolina DOT of Columbia, SC, for its fiscal year ended June 30, 2014. During this period, South Carolina DOT expended approximately \$640 million from DOT grant programs. Scott determined that DOT's major programs were the Highway Planning and Construction Cluster, the Federal Transit Capital Investments Grants program, and the Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions. Based on our quality control review, we assigned an overall rating of Pass to Scott's work. Therefore, Scott met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that Scott's opinion on DOT's major programs were inappropriate or unreliable.

September 1, 2015

FHWA's FIRE Program Is Addressing State Vulnerabilities, but Opportunities Exist To Make Improvements

Self-Initiated

The Federal Highway Administration (FHWA) oversees States' use of approximately \$40 billion in Federal funds provided annually for thousands of projects. In 2004, we reviewed \$1.3 billion in Federal-aid highway obligations and concluded that \$284 million were no longer needed because they were associated with canceled, reduced scope, or completed projects. In response to that report, FHWA established the Financial Integrity Review and Evaluation (FIRE) Program in 2005. FHWA Division Offices conduct annual FIRE reviews that assess States' management of Federal funds in key areas, such as inactive obligations and improper payments.

The five FHWA Division Offices' FIRE reviews we assessed generally complied with Agency policies and procedures. However, four of the five Division Offices used outdated guidance to define materiality for reviews; Division Offices did not consistently document decisions made in identifying risk areas and planning required financial management reviews; and none of the five Division Offices maintained complete records for staff

financial management training. While Division Offices generally used the FIRE program as a tool to address financial management vulnerabilities, all five offices had outdated, incomplete, or missing follow-up information on the status of their review recommendations. FHWA concurred with our four recommendations to improve FIRE program implementation.

INVESTIGATIONS

April 1, 2015

Georgia Contractor Agrees To Pay \$1 Million To Settle Civil False Claims Related to the DBE Program

C.W. Matthews Contracting Inc., a general contractor located in Marietta, GA, entered into a civil settlement agreement with the United States in U.S. District Court, Atlanta, GA. C.W. Matthews agreed to pay \$1 million for making false claims on federally funded highway construction projects involving FHWA's DBE program.

From approximately 2007 to 2010, C.W. Matthews submitted false DBE reports to Georgia DOT by representing that Longoria Trucking, a certified DBE, had completed the required DBE construction work for DOT-funded construction contracts. However, GE Robinson, a non-DBE firm, had actually completed the work.

On April 2, 2015, C.W. Matthews and FHWA agreed to an administrative settlement and compliance agreement for 3 years. Among other requirements, C.W. Matthews agreed to appoint a corporate compliance officer, establish a compliance program, retain an independent firm to monitor its compliance with the DBE Program, and submit periodic reports to FHWA. Violation of the agreement could subject C.W. Matthews to suspension and debarment action by FHWA.

This investigation was conducted with assistance from FHWA and Georgia DOT.

April 9, 2015

Cherry Hill Construction Company and Company Officials Suspended by FHWA

FHWA suspended Cherry Hill Construction Company Inc., a construction firm based in North Branford, CT—as well as the firm’s president, Ivan Sachs; vice president, Rita Sachs; and treasurer, Robert Sachs—from doing business with the Federal Government.

On January 13, 2015, Cherry Hill pleaded guilty in U.S. District Court, New Haven, CT, with filing a false tax return and making a false statement in relation to documents required by the Employee Retirement Income Security Act of 1974. Specifically, Cherry Hill—a subcontractor for the \$101 million New Haven Line Catenary and Five Bridges project funded by FHWA and

the Federal Transit Administration (FTA)—submitted falsified certified payrolls that overstated Cherry Hill’s pension plan contributions. Cherry Hill also submitted falsified certified payrolls on three American Recovery and Reinvestment Act (ARRA) municipal projects.

We are conducting this investigation with the IRS Criminal Investigation Division and the U.S. Department of Labor OIG.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the System for Award Management “Sam.gov” should be consulted to determine whether a company is currently excluded.

April 16, 2015

Chicago Man Pleads Guilty to Manufacturing Defective Bridge Bearings for North Carolina Highway Projects

Joel De La Torre of Chicago, IL, pleaded guilty in U.S. District Court, Raleigh, NC, on charges of making false statements and aggravated identity theft related to the manufacturing of defective bridge bearings for highway projects.

Delgado’s Elastomeric Bearings Corporation manufactured defective elastomeric bridge bearings that were used on bridges in 25 North Carolina highway projects between May 2009 and October 2011. The elastomeric bearings are load bearing and provide support for

bridges. FHWA, which funded the projects, determined that a total of 1,270 of Delgado’s elastomeric bearings were defective. The associated costs are expected to exceed \$5 million due to the difficulty of replacing the bearings on existing bridge structures, engineering costs, and traffic control.

Delgado also submitted a falsified North Carolina application to supply bridge bearings to local contractors, which listed the name of a teenager as the vice president of the firm. The teenager’s identify had been stolen and also used on all certificates sent to North Carolina highway contractors certifying the bearings’ conformity with applicable State and Federal regulations.

We are working this case jointly with the FBI.

June 30, 2015

Pennsylvania DBE Permanently Debarred From State-Funded Contracts

The Pennsylvania DOT permanently debarred WMCC Incorporated for its role in a DBE fraud scheme. In November 2014, WMCC’s owner, Watson Maloy, pleaded guilty in U.S. District Court, Pittsburgh, PA, in relation to the scheme.

In 2012 and 2013, Maloy and co-conspirators employed by Century Steel Erectors Co. LP (CSE) agreed to use WMCC as a DBE front to profit from federally funded

DBE contracts. WMCC failed to perform a commercially useful function, while CSE negotiated and managed the DBE subcontracts and completed all DBE work—including negotiating crane rentals, ordering supplies and materials, and recruiting union employees.

To conceal the scheme, CSE officials used WMCC's letterhead and email accounts when communicating with general contractors and Pennsylvania DOT officials. CSE personnel possessed WMCC business cards, shirts, and hard hats, as well as magnetic WMCC placards to conceal CSE logos on construction vehicles. Maloy received approximately \$1.8 million in illicit proceeds for his participation in the scheme.

We are conducting this investigation with the FBI and the Pennsylvania Turnpike Commission OIG.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the System for Award Management "Sam.gov" should be consulted to determine whether a company is currently excluded.

June 30, 2015

Washington Contractor Pays More Than \$140,000 To Settle DBE Fraud

Tri-State Construction, Bellevue, WA, entered into a civil settlement agreement with the Federal Government. Tri-State agreed to pay \$142,440 to settle allegations that false claims for payment were submitted on

the federally funded I-5 high occupancy vehicle lane project in Tacoma, WA. Tri-State does not admit any misconduct.

Tri-State owned and operated a chitosan—stormwater treatment system—and submitted invoices to the Washington State DOT, falsely representing that it was renting the treatment system from a DBE firm named OMA Construction for the I-5 project. Tri-State also submitted reports, falsely certifying that the rental invoice amounts were eligible for DBE credit on the project.

We conducted this investigation with the FBI.

July 7, 2015

South Carolina Contractor Agrees To Repay \$77,000 Related to False Claims for DBE Work

Premier Constructors, a South Carolina-based highway company, and its president, Freeman Bell, entered into a civil settlement agreement with the United States related to allegations that Premier submitted false claims for work performed under the DBE program.

The investigation alleged that Premier falsely certified it had completed DBE work on the federally funded Stenhouse Road project in Greenville, SC, knowing that the work was actually performed by a non-DBE contractor. Premier also allegedly submitted false payroll

certifications for the project that included employees of the non-DBE company and used equipment and other resources from the non-DBE contractor.

According to the terms of the agreement, Premier agreed to repay the Federal Government \$77,335 to settle the allegations but does not admit wrongdoing. In May 2015, Premier and Bell entered into a 3 year administrative settlement agreement with FHWA, accepting responsibility for the alleged misconduct. In the agreement, they agreed to implement a corporate compliance program, appoint a corporate compliance officer, and retain an independent monitor to evaluate the company's adherence to the agreement.

July 27, 2015

Tennessee Right of Way Contractor Sentenced for Theft From a Federally Funded Program

Ricardo Colon was sentenced in U.S. District Court, Nashville, TN, to 18 months of incarceration and 36 months of supervised release, and ordered to pay \$327,679 in restitution for theft from a federally funded program.

Colon was contracted by Tennessee DOT to purchase tracts of real property for right-of-way projects involving Federal funds. He appraised the tracts of land, negotiated a sales price, and received funding from Tennessee

DOT to acquire the tracts; however, he never completed the transactions and instead deposited approximately \$330,000 into his personal bank accounts. In April 2015, FHWA suspended Colon, along with his two companies—R.J. Abstract and Translations Services and Colon Notary and Title Services—from doing business with the Government.

We conducted this investigation with the FBI.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the System for Award Management “Sam.gov” should be consulted to determine whether a company is currently excluded.

August 3, 2015

Former CEO Sentenced To Over 5 Years in Prison and Ordered To Pay \$1.2 Million for Fraudulent Bonding Scheme in California

Able Carreon, former CEO of Tripartite Escrow Corporation, was sentenced in U.S. District Court, Fresno, CA, to 65 months in prison and ordered to pay \$1,253,000 in restitution for mail fraud and aggravated identity theft related to a scheme involving surety bonds, which are required for certain Federal contracts to compensate the Government for financial loss incurred if a contractor defaults.

Under Federal regulations, the bonding company must pledge assets with a value equal to or exceeding the

amount of each bond. The bonding company must also submit a sworn affidavit disclosing the identity of the surety and verifying the existence and acceptability of the assets.

Between April 2005 and May 2011, Carreon and Tripartite defrauded the United States and private companies by offering fraudulent bonding services to prospective Federal contractors. The services included providing false bonds to secure bids and insure work on Federal contracts. To meet Federal requirements for collateral, Carreon pledged stock that did not exist, was worth substantially less than represented, or was pledged across multiple bonds without full disclosure. He also used forged notary stamps and forged signatures on the bond documents. After the Federal agency accepted the fraudulent bonds and authorized work to begin, the Federal Government would make contract payments to the contractor, which would also cover Carreon’s bond premium. Altogether, the Federal Government and contractors paid for fraudulent bonds amounting to approximately \$1.2 million.

We are conducting this investigation with the U.S. Department of Interior OIG, the Defense Criminal Investigative Service, Army Criminal Investigation Division, Air Force Office of Special Investigations, DHS OIG, the General Services Administration OIG, with assistance from FHWA Western Federal Lands.

August 11, 2015

HD Supply Waterworks To Pay Nearly \$5 Million To Resolve DBE Contract Fraud Allegations

HD Supply Waterworks Ltd.—the Nation’s largest supplier of water, sewer, fire protection, and storm drain products—agreed to pay \$4,945,000 to the United States under the civil False Claims Act to resolve allegations that Waterworks participated in a scheme to defraud the DBE program. According to the U.S. Attorney’s Office, this civil settlement is the largest of its kind involving a third-party supplier in a DBE fraud case.

It was alleged that prime contractors falsely represented that they were using American Indian Builders & Suppliers Inc. (AIB), a now-defunct DBE, as a subcontractor on federally funded projects. Instead, these contractors were allegedly obtaining supplies from Waterworks who passed marked up invoices through AIB to make it appear that the DBE had completed the work. One of the impacted projects was the \$6.38 million New York State DOT Bridge Avenue Bridge Replacement Project funded by ARRA.

We conducted this investigation with the U.S. Environmental Protection Agency (EPA) OIG and the FBI.

August 14, 2015

FHWA Suspends Connecticut Consulting Company

FHWA suspended Garg Consulting Services Inc., Rocky Hill, CT. Garg had entered into a civil settlement agreement with the Federal Government and the State of Connecticut, agreeing to pay \$390,000 to resolve allegations that the company had failed to authenticate an employee's purported educational credentials and professional certification before assigning him to work on Federal- and State-funded Connecticut DOT highway projects and a bridge reconstruction project funded by Amtrak. The Federal Government will receive \$312,706 of the settlement amount, and the State of Connecticut will receive \$77,294.

When seeking employment at Garg, Barry Kenneth Purnell, Jr., falsely represented he was a qualified engineer. Garg did not ensure that appropriate employee screening was completed, yet it submitted proposals for contracts with Connecticut DOT and Amtrak, maintaining that Purnell met qualified personnel standards. Garg also submitted payroll invoices for work performed by Purnell. In August 2015, he was sentenced to 8 years in prison, suspended after serving 9 months to be followed by 5 years of probation.

This investigation was conducted jointly with Amtrak OIG with assistance from Connecticut DOT.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the System for Award Management "Sam.gov" should be consulted to determine whether a company is currently excluded.

August 21, 2015

FHWA Suspends Connecticut Man and Disadvantaged Business Enterprise

FHWA suspended Richard Negro, Joslyn F. Chance, and JFC Construction LLC based on the results of a DOT OIG investigation.

On April 7, 2014, Manafort Brothers Inc., a construction company based in Plainville, CT, agreed to pay \$2.4 million as part of a civil settlement agreement with the U.S. Attorney's Office, New Haven, CT, to settle false claims allegations. Manafort submitted reports to the Connecticut DOT, falsely certifying that JFC Construction performed certain useful functions as a DBE on a federally funded Connecticut DOT project. Manafort also

entered into a non-prosecution agreement to resolve the company's corporate criminal liability.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the System for Award Management "Sam.gov" should be consulted to determine whether a company is currently excluded.

August 21, 2015

Former Project Manager at Southern Illinois University Sentenced for Lying to Federal Agents

Kwa Mister was sentenced in U.S. District Court, East St. Louis, IL, to 3 years of probation and ordered to pay \$2,700 in fines for lying to Federal agents. Mister was the program manager for the Highway Construction Preparatory Training Program (HCPTP) at Southern Illinois University, Edwardsville, IL (SIUE). SIUE had entered into an intergovernmental agreement with the Illinois DOT to be the fiscal agent for HCPTP, a program designed to help ensure that a diversified, properly trained workforce is available for road construction projects in Illinois. Mister previously pleaded guilty in April 2015.

Mister initiated the procurement of the sole-source contracts with Phoenix Support Services, a company owned by his mother, and he concealed the family relationship and potential conflict of interest from SIUE. SIUE billed

Illinois DOT for \$85,500 in services procured from Phoenix Support Services, and Illinois DOT paid SIUE for these costs. Mister also lied to SIUE officials about whether the owner of Phoenix Support Services was his mother. Mister also lied to a DOT OIG agent about whether he had provided false information to SIUE.

We conducted this investigation jointly with the U.S. Department of Labor OIG, with assistance from the FBI.

August 28, 2015

Former Connecticut Bridge Inspector Sentenced for Falsifying Qualifications

Barry Kenneth Purnell, Jr., West Hartford, CT, was sentenced in Connecticut Superior Court, Hartford, CT, to 8 years in prison, suspended after serving 9 months to be followed by 5 years of probation. Purnell was also ordered to undergo substance abuse and mental health counseling. On February 26, 2015, Purnell pleaded guilty in Connecticut Superior Court to larceny in the first degree related to a scheme to obtain employment as a consultant bridge inspector under false pretenses.

This investigation was initiated based on a referral from the Connecticut DOT that Purnell falsified his college education and engineering certifications to gain employment. From May 2007 to February 2010, Purnell worked as an inspector and bridge inspector on many ARRA-funded Federal construction projects and

State-funded construction projects for multiple engineering firms. Purnell also continued to seek employment using the fabricated credentials. Purnell admitted to DOT OIG agents that he had falsified his credentials and fabricated a diploma.

We conducted this investigation with Amtrak OIG and the Connecticut Chief State's Attorney Office.

August 31, 2015

Pennsylvania Bridge Construction Firms and Owners Suspended by FHWA and Pennsylvania DOT Related to \$18.7 Million DBE Fraud

Pennsylvania DOT suspended Carl M. Weber Steel Service, a bridge and highway construction contractor; Karen Construction, a sham DBE; and their owners Dennis Weber, Dale Weber, and Judy Noll. In June 2015, the U.S. Attorney's Office, Philadelphia, PA, filed an information, charging each with conspiracy to commit wire fraud related to a complex DBE fraud scheme that ran for more than 16 years and totaled almost \$19 million. FHWA also suspended these parties on August 20, 2015.

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.

We are conducting this investigation with the FBI and the U.S. Department of Labor OIG.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the Pennsylvania Department of Transportation should be consulted to determine whether this company is currently excluded.

September 1, 2015

Tennessee Contractor Agrees To Repay \$400,000 for False Claims on DBE Work

Civil Constructors LLC of Franklin, TN, entered into a civil settlement agreement with the U.S. Department of Justice following our investigation, which determined that the corporation's predecessor, Civil Constructors

Inc. (CCI), falsely certified it had completed DBE work on the federally funded South Water Avenue project in Gallatin, TN, knowing that the work was actually performed by a non-DBE contractor. CCI knowingly submitted false payroll certifications for the project that included work not performed by the DBE.

In the final settlement agreement, CCI accepted responsibility for the predecessor's conduct and agreed to pay the Federal Government \$400,000.

September 2, 2015

Former FHWA Assistant Division Administrator in New Jersey Sentenced for Fraud Scheme Related to Research Grants

Lawrence F. Cullari, Jr., a former Assistant Division Administrator for FHWA's New Jersey Division Office, was sentenced in U.S. District Court, Trenton, NJ, to 21 months of incarceration and 3 years of supervised release, and ordered to pay a \$20,000 fine.

The sentencing follows his March 17, 2015, guilty plea to mail fraud resulting DOT OIG investigators identified. While in his official capacity, Cullari steered federally and State-funded contracts to Dencore Consulting LLC, a company owned by Cullari and his ex-wife.

Cullari, who was ineligible to receive FHWA-funded contracts because of his position, used his former

father-in-law's engineering company as a straw subcontractor to obtain over \$150,000 in FHWA-funded transportation-related subcontracts between approximately May 2006 and June 2013. These subcontracts were awarded by Rutgers University's Center for Advanced Infrastructure and Transportation and the New Jersey Institute of Technology.

Although the work was awarded to his former father-in-law's company, Cullari and Dencore were actually responsible for preparing the bids and work proposals and arranging for work to be completed. After the former father-in-law's company received contract payments, it cut checks to Dencore, which then issued checks to Cullari. Dencore issued one \$20,000 check to Cullari after he falsified an invoice for work performed by a non-existent company. Cullari resigned from Federal service in July 2014.

September 17, 2015

Former Pennsylvania DOT Manager Pleads Guilty to Role in Ongoing Fraud and Public Corruption

Former Pennsylvania DOT manager William Rosetti, Jr., pleaded guilty to State charges in connection with a widespread \$1.2 million corruption and fraud scheme related to 27 federally funded Pennsylvania highway construction projects. He was sentenced in the

Pennsylvania State Court to 60 months of probation and ordered to pay \$25,000 in restitution. He resigned from Pennsylvania DOT in lieu of termination.

In June 2015, FHWA suspended, pending debarment, Christopher Czop, Richard Czop, and engineering firm Czop Specter Inc. for their role in this scheme. FHWA suspended 11 other individuals and 2 companies related to this scheme in April 2015.

In April 2015, the Pennsylvania Attorney General filed a State criminal complaint charging Christopher Czop, president of Czop Specter Inc., with illegally securing more than \$1 million in profits by rigging contract bids and profiting from employees who fraudulently inflated billable hours and mileage claims to Pennsylvania DOT. In December 2014, criminal complaints were filed charging 10 individuals, including Rosetti, with widespread corruption and bribery. In July 2014, State criminal complaints were also filed against Thanh Nguyen, who allegedly stole \$3.6 million through a false invoice and bribery scheme.

We are conducting this investigation with the Pennsylvania Attorney General's Office.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the System for Award Management "Sam.gov" should be consulted to determine whether a company is currently excluded.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

INVESTIGATIONS

April 6, 2015

South Carolina Man Sentenced for False Statements on Commercial Driver Employment Application

Arnold Williams was sentenced in U.S. District Court, Raleigh, NC, for false statements on a commercial driver employment application. Williams, who had been in Federal custody for over 6 months, was sentenced to time served and 3 years of supervised release. During this time, Williams is not allowed to hold a commercial driver's license.

In January 2013, Williams was charged by the North Charleston, SC, Police Department with reckless homicide and possessing an open alcohol beverage container. The arrest followed the crash of Williams' tractor trailer, which resulted in one fatality and three injuries. As a result of the accident, Williams was terminated as a driver by his employer in February 2013. In April 2013, Williams applied to work as a truck driver for a North Carolina-based trucking company and was subsequently hired. Per the Federal Motor Carrier Safety Administration's (FMCSA) regulations, drivers are required to list all previous accidents on driver

employment applications, but Williams lied on his application when he failed to disclose the January 2013 fatal accident.

April 22, 2015

Louisiana Household Goods Moving Company Owner Sentenced

Dunwoodie McDuffie, owner and operator of Mr. Move, was sentenced in U.S. District Court, New Orleans, LA, for conducting interstate household goods moves using a revoked U.S. DOT number and without registering for DOT household goods operating authority. McDuffie was sentenced to 6 months of incarceration, 50 hours of community service, and 12 months of supervised release.

On December 3, 2008, FMCSA placed Mr. Move out of service for failing to comply with safety review requirements. Between January and August 2013, Mr. Move conducted 17 interstate household goods moves without the operating authority to conduct such moves.

We conducted this investigation with assistance from FMCSA and the Louisiana State Police.

May 4, 2015

Former Illinois Trucking Company Sentenced to 3 Years in Prison

Dragan Simovski, operator of Freedom Transportation Inc., was sentenced in U.S. District Court, Chicago, IL, to 36 months of incarceration, 36 months of supervised release, and was ordered to pay \$532,000 restitution in connection with an illegal double brokering scheme. Simovski pleaded guilty on December 12, 2014, to wire fraud in connection with the scheme.

Simovski admitted that he and other individuals were involved in a fraudulent double brokering scheme, falsely representing that Freedom Transportation would use its own trucks to transport freight, knowing that the company had no trucks. Simovski would enter into contracts with companies on behalf of Freedom, promising to transport freight for those companies. Simovski provided information about the freight loads to a co-conspirator, who found other companies to transport and deliver the freight. Freedom then billed customers as if it had delivered the freight and in many instances, did not pay the companies that actually delivered the freight—with losses for those companies totaling approximately \$532,000.

We conducted this investigation with the U.S. Postal Inspection Service.

May 13, 2015

Owners of Brooklyn CDL Driving School Sentenced To Forfeit \$175,000 in Connection With Widespread Testing Fraud

Ying Wai Phillip Ng and Pui Kuen Ng, owners-operators of a commercial driving school, N&Y Professional Service Line, were sentenced in U.S. District Court, Brooklyn, NY, for their role in a fraud scheme related to commercial driver's license (CDL) testing. The court ordered the Ngs to forfeit cash and assets totaling more than \$175,000 and sentenced Phillip Ng to 100 hours of community service. Previously in January 2015, Phillip Ng and Pui Kuen Ng each pleaded guilty to conspiracy to commit identification document fraud.

Between 2001 and 2012, the Ngs' driving school provided customers with the answers to written New York State CDL examinations. Many of the driving school's customers did not speak or write English. The school also routinely provided customers with covert camera equipment before the CDL exam to provide test answers to customers. Customers were instructed to point the camera, concealed in their jacket sleeves, at a test question, so it could be seen—and answered—remotely. We estimate that as many as 500 CDL applicants passed the exam as a result of this scheme.

We conducted this investigation with the DHS El Dorado Task Force.

May 15, 2015

Georgia Man Sentenced to Life in Prison for Murder Related to Witness in OIG Investigation

The U.S. District Court, Albany, GA, dismissed an indictment charging Devasko Lewis with conspiracy to violate an FMCSA imminent hazard out-of-service order following Lewis' sentencing in Houston County, GA, Superior Court to life in prison without parole for murdering the relative of a Federal witness. On May 13, 2015, Lacey Lewis, Devasko Lewis' half-brother, was sentenced to 24 months of probation for conspiracy to violate the FMCSA imminent hazard order.

In October 2008, Devasko Lewis, doing business as Lewis Trucking Company, was placed under an imminent hazard out-of-service order after an FMCSA compliance review revealed serious violations in the company's operations. FMCSA conducted this review in response to a crash involving the trucking company that killed seven people. Devasko Lewis, assisted by Lacey

Lewis, attempted to circumvent the out-of-service order by continuing to operate two other companies, Eagle Transport and Eagle Trans.

Devasko Lewis conspired to murder Corey Daniels, who had agreed to cooperate in our investigation of the imminent hazard order violation. Although Daniels was the actual target, Devasko Lewis killed Daniels' nephew in a case of mistaken identity. In January 2014, the Houston County District Attorney's Office charged Devasko Lewis with murder, attempted murder, and aggravated battery.

We conducted this investigation with assistance from FMCSA and the Georgia Department of Public Safety. We also assisted Houston County authorities in their murder prosecution of Devasko Lewis.

May 26, 2015

Owner of Defunct Bond Company Pleads Guilty to Wire Fraud

Bonnie Warren—owner of Oasis Capital Inc., Fullerton, CA—pleaded guilty to wire fraud in U.S. District Court, Los Angeles, CA.

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.

We are conducting this investigation with the FBI, with assistance from FMCSA.

June 24, 2015

Dispatcher of Kentucky Trucking Companies Pleads Guilty to Conspiracy To Commit Wire Fraud

Bryan Napier—a dispatcher for several trucking companies operating out of Catts Auto Sales, Chavies, KY—pleaded guilty in U.S. District Court, Loudon, KY, to conspiracy to commit wire fraud.

Between October 2010 and February 2012, Napier and others conspired to defraud shipping brokers by agreeing to transport cargo loads for a certain price. They would then hold the cargo and demand payment before delivery, essentially holding the cargo hostage. When the shipping brokers filed complaints, Napier and his co-conspirators organized new trucking companies,

used false names, and continued their scheme. They also did not reveal to FMCSA that they were associated with other FMCSA-regulated companies when opening their new trucking companies, which is a requirement when applying for new FMCSA operating authority.

We are conducting this investigation with the FBI, with assistance from FMCSA.

July 17, 2015

Five Defendants Found Guilty After Trial In Connection With Fraudulent CDL Test-Taking Schemes

After a 3-day trial, a Federal jury found Joachim Pierre, Luc Desmangles, Tanael Daniel, Dale Harper, and Beayaeh Kamara guilty in U.S. District Court, Brooklyn, NY, related to cheating on CDL tests.

On October 24, 2013, the five defendants, along with six others, were charged with conspiracy to commit honest services mail fraud and unlawful production of identification documents in connection with a widespread fraudulent CDL test-taking scheme. The other six defendants pleaded guilty, including Jose Payano who was sentenced to 28 months imprisonment and 3 years of supervised release.

CDL applicants paid New York State Department of Motor Vehicle (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.

We are conducting this investigation with the assistance from DHS, New York Police Department, New York City DMV Investigations, the New York State Attorney General's Office, and the New York State OIG.

July 21, 2015

Nebraska Truck Driver Pleads Guilty to Making Threats to FMCSA Safety Inspector

Ronald Mockelman, a commercial truck driver, pleaded guilty in U.S. District Court, Lincoln, NE, to intimidating an FMCSA employee. On January 10, 2015, Mockelman made several telephone calls to FMCSA Nebraska Division Offices, threatening bodily injury in retaliation for a fine FMCSA had issued to Mockelman for failing to adhere to motor carrier safety regulations. Mockelman also made several threatening telephone calls to the FMCSA Midwestern Service Center in Illinois on the same day.

July 21, 2015

Drug Tester Agrees to Pre-Trial Diversion for Falsifying Test Results

Andy Garr, owner of Compliance Services of East Texas, a FMCSA-registered drug collection company, agreed to pre-trial diversion in U.S. District Court, Tyler, TX, for submitting false statements to FMCSA. Garr agreed to perform 40 hours of community service and pay restitution in the amount of \$2,790 to Panola College, Carthage, TX.

Garr collected numerous drug testing samples from Rapid CDL, a truck driving school affiliated with Panola College. He indicated he would send the samples to a lab for testing and to a medical provider for review. Our investigation disclosed that Garr never sent the samples to be tested. Instead, he falsified the results using the lab's letterhead and forged the doctor's signature. An FMCSA inspection discovered the scheme.

We conducted this investigation with assistance from FMCSA.

August 6, 2015

Former Office Manager of Northern California Moving Company Sentenced for Household Goods Fraud

Moaz Kadesh, former foreman and office manager for ASAP Relocations Inc., San Jose, CA, was sentenced in Superior Court, Santa Clara County, CA, to 5 years of probation and ordered to pay \$160,000 in restitution related to a household goods fraud scheme. Kadesh previously entered a plea of no contest to insurance fraud in July 2015.

In March 2013, a grand jury in Santa Clara County, CA, charged Kadesh and seven other ASAP employees with conspiracy to commit grand theft, extortion, money laundering, tax fraud, and insurance fraud. The charges were related to a scheme to defraud customers who had hired ASAP to move their household goods. Kadesh admitted that he falsely certified insurance reports and underreported ASAP's insurance premiums and payroll taxes. In July 2014, Wayne Allen, ASAP Sales Manager pleaded guilty and was sentenced to perform 300 hours of community service and ordered to pay \$4,200 in restitution. In August 2014, Adalinda Reyna-Mendoza, ASAP Customer Service and Dispatch Manager pleaded guilty and was sentenced to 6 months incarceration and ordered to pay restitution to victims totaling over

\$200,000. The five remaining defendants are currently fugitives and are believed to have fled to Israel.

We are conducting this investigation with the District Attorney's Offices from Santa Clara County, Monterey County, and Alameda County, CA, and the FBI; with assistance from FMCSA.

August 18, 2015

Office of the Secretary of Transportation Shuts Down Pennsylvania Drug Testing Firm

OST issued a public interest exclusion ordering Elizabeth Pope to cease all operations with DOT and prohibiting employers from using Pope or Eastgate Laboratory Testing for 5 years. In addition, Pope must inform all parties that were affected by fraudulent test results provided by Eastgate.

OST initiated this action following a debarment order issued by FMCSA. Pope formerly operated Eastgate, a FMCSA-regulated drug testing firm that conducted pre-employment, random, and post-accident drug testing for Pittsburgh, PA, area trucking companies. Between 2008 and 2012, Pope forged the digital signature of a doctor, who ceased doing business with Eastgate in 2005, on all required FMCSA paperwork to give the impression that all tests received required medical oversight and review. In December 2014, Pope was sentenced to 8 months of house arrest and ordered to pay

\$109,000 in restitution for falsifying commercial vehicle driver drug and alcohol testing.

Note: Exclusion actions (suspensions and debarments) are frequently for a specific period of time, and the System for Award Management “Sam.gov” should be consulted to determine whether a company is currently excluded.

August 20, 2015

Montana Man Sentenced for Illegal Transportation of Hazardous Materials

Kelly Steen of Baker, MT, was sentenced in U.S. District Court, Billings, MT, related to the illegal transportation of hazardous materials. He was sentenced to 3 years of probation and ordered to pay \$2,100 in fines. He pleaded guilty to charges in May 2015.

On December 29, 2012, Steen—a driver for Woody’s Trucking, a Baker, MT, based company—loaded drip gas, a hazardous material, at a station for a pipeline that transports products from the North Dakota Bakken oil fields. The product was misrepresented as slop oil and water, a non-hazardous substance, on the bill of lading that accompanied the shipment. Steen hauled the drip gas from Watford City, ND, to Custom Carbon Processing Inc., a slop-oil processing and recycling company near Wibaux, MT. While Steen was pumping the contents of his truck into Custom Carbon’s facility, a fire ignited, injuring three employees. The tanks burned for 8 days until the local fire department determined

that the tanks held drip gas and not slop oil and water, as indicated on the bill of lading.

We conducted this investigation with the EPA Criminal Investigation Division.

August 31, 2015

South Carolina Third-Party Tester Convicted for Illegally Administering CDL Tests

Thomas Lindsey pleaded guilty in U.S. District Court, Greenville, SC, to false statements related to the unauthorized administering of CDL tests. Lindsey was previously indicted on June 9, 2015.

Lindsey was approved by the State of South Carolina as a third-party tester, solely for the administration of CDL testing to employees of the North Spartanburg Fire Department. However, he administered CDL testing to drivers who were not employed by the fire department. Additionally, he did not require all drivers to perform vehicle pre-trip inspections, basic controls, or road tests, and he used unapproved locations to conduct testing. Lindsey collected fees for the unauthorized CDL tests and instructed drivers to deliver fraudulently completed skills test forms to various South Carolina DMV locations.

We conducted this investigation with assistance from FMCSA and South Carolina DMV OIG.

September 24, 2015

Florida School Owner Pleads Guilty in Fraudulent CDL Testing Scheme

On September 24, 2015, Ellariy Medvednik pleaded guilty to conspiracy in U.S. District Court, Orlando, FL. In August 2015, Medvednik, Natalia Dontsova, Adrian Salari, and Clarence Davis were indicted in U.S. District Court, Orlando, FL, on conspiracy charges related to the unlawful production of Florida driver licenses and CDLs.

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.

We are conducting this investigation with the FBI and DHS Homeland Security Investigations.

FEDERAL RAILROAD ADMINISTRATION

AUDITS

April 1, 2015

FRA Improved Its Guidance on High Speed Rail Grant Agreements, but Policies and Procedures for Amending and Monitoring Grants Remain Incomplete

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

Congress has appropriated over \$10 billion for the Federal Railroad Administration's (FRA) High Speed Intercity Passenger Rail (HSIPR) program—a grant program that supports development of high speed and intercity passenger rail networks. As of December 2014, FRA had disbursed approximately \$2.8 billion in grants. However, Congress has raised concerns that HSIPR's payment arrangements allowed by the agreements, which differ from those in most grant agreements, may put Federal HSIPR funds at risk.

FRA has implemented a policy that describes requirements for grantees requesting tapered matching—an alternative method of paying matching funds that gives grantees flexibility in payment timing. However, other amendment policies are either missing or incomplete. FRA also lacks policies and procedures requiring staff to document in the Agency's electronic systems grantees' corrective actions to resolve problems identified during monitoring. Furthermore, FRA's grant monitoring policies do not require staff to report fraud, waste, and abuse to OIG. A lack of comprehensive procedures weakens FRA's internal controls and may expose Federal funds to greater risk. FRA concurred with all of our five recommendations.

FEDERAL TRANSIT ADMINISTRATION

AUDITS

May 20, 2015

Quality Control Review on the Single Audit of the San Diego Metropolitan Transit System, San Diego, CA

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

We conducted a quality control review of Pun & McGeady's single audit of the San Diego Metropolitan Transit System, San Diego, CA, for the transit system's fiscal year ended June 30, 2014. During this period, the transit system expended approximately \$61 million from DOT grant programs. Pun & McGeady determined that DOT's major program was the Federal Transit Cluster. Pun & McGeady rendered an unmodified opinion on the transit system's financial statements and compliance with DOT's major program requirements and did not question any costs. Based on our quality control review, we assigned an overall rating of Acceptable With Deficiencies to Pun & McGeady's work. Therefore, Pun & McGeady generally met the requirements of the Single Audit Act, OMB's Circular A 133, and DOT's major program. We found nothing to indicate that Pun & McGeady's opinion on DOT's major program was inappropriate or unreliable. While we identified deficiencies in the audit documentation, which need to be

corrected in future audits, they did not alter the overall results of the audit report.

May 20, 2015

Quality Control Review on the Single Audit of the Regional Transit Authority, New Orleans, LA

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

We conducted a quality control review of Silva Gurtner & Abney LLP's revised single audit of the Regional Transit Authority, New Orleans, LA, for the Authority's fiscal year ended December 31, 2012. During this period, the Authority expended approximately \$48 million from DOT grant programs. Silva Gurtner & Abney determined that the major DOT programs were the Federal Transit Cluster and the Surface Transportation-ARRA Discretionary Program. Silva Gurtner & Abney rendered an unmodified opinion on the Authority's financial statements and compliance with DOT's major program requirements and did not question any costs. Based on our quality control review, we assigned an overall rating of Acceptable With Deficiencies to Silvia Gurtner & Abney's work. Therefore, Silva Gurtner & Abney generally met the requirements of the Single Audit Act, OMB Circular A 133, and DOT's major program. We found nothing to indicate that Silva Gurtner & Abney's opinion

on each of DOT's major programs was inappropriate or unreliable. While we identified deficiencies in the audit documentation, which need to be corrected in future audits, they did not alter the overall results of the audit report.

June 8, 2015

Oversight of Major Transportation Projects: Opportunities To Apply Lessons Learned

Briefing before the House Oversight and Government Reform Subcommittee on Transportation and Public Assets

At a field briefing in New York City for the House Oversight and Government Reform Subcommittee on Transportation and Public Assets, the Deputy Principal Assistant Inspector General for Auditing and Evaluation offered remarks on Federal oversight of major transportation projects in the New York Area and nationwide, with a focus on FTA. The Deputy Principal Assistant Inspector General stated that FTA has taken steps to address cost overruns and schedule delays experienced with its major transportation projects in New York, including the East Side Access and Second Avenue Subway projects. However, opportunities remain for FTA to further target its oversight and better use the tools it has on hand to meet its project goals. These include promptly addressing identified oversight issues, strengthening stakeholder agreements, and enhancing controls to prevent and detect fraud. In addition, the

Deputy Principal Assistant Inspector General noted that other DOT-funded large transportation projects have also led to important lessons learned that can apply to both FTA and the Department at large, such as the importance of thoroughly documenting grantee actions on FRA's multibillion dollar HSIPR grant program. Finally, the Deputy Principal Assistant Inspector General described our related ongoing audits and investigations of major surface transportation projects, including ensuring effective oversight of funds issued through Hurricane Sandy relief efforts.

June 12, 2015

FTA Has Not Fully Implemented Key Internal Controls for Hurricane Sandy Oversight and Future Emergency Relief Efforts

Required by the Disaster Relief Appropriations Act of 2013

FTA has not fully implemented the processes and internal controls it established for the award and oversight of Hurricane Sandy funds, in response to the Disaster Relief Appropriations Act (DRAA) of 2013 and Federal guidelines. For example, FTA's risk-based oversight process was not adequately documented or consistently applied. Furthermore, grantees' Hurricane Sandy reports often lacked evidence of FTA review or complete and accurate information. While FTA established some controls to reduce the risk of duplicating Hurricane

Sandy reimbursements, it has not formalized these controls to effectively respond to future emergencies. FTA did implement formal reporting and tracking procedures for insurance proceeds that grantees receive, but faces years of ongoing monitoring before settlements are reached, which could impact the final amount of Hurricane Sandy funds that grantees are entitled to receive. Finally, FTA has allocated most of the \$10.2 billion in DRAA funds. However, factors—such as FTA's review process and its decision to establish a competitive resilience program of several billion dollars in Hurricane Sandy grants—have slowed the pace of relief fund awards and grantee expenditures. FTA concurred with four of our five recommendations to implement processes and document its Hurricane Sandy funding activities. FTA partially concurred with one recommendation.

July 1, 2015

Quality Control Review on the Single Audit of the Niagara Frontier Transportation Authority of Buffalo, NY

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

We conducted a quality control review of Lumsden & McCormick LLP's single audit of the Niagara Frontier Transportation Authority of Buffalo, NY, for the Authority's fiscal year ended March 31, 2014. During

this period, the Authority expended approximately \$36 million from DOT grant programs. Lumsden & McCormick determined that DOT's major program was the Federal Transit Cluster. Based on our quality control review, we assigned an overall rating of Pass to Lumsden & McCormick's work. Therefore, Lumsden & McCormick met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that Lumsden & McCormick's opinion on DOT's major program was inappropriate or unreliable.

August 13, 2015

Quality Control Review on the Single Audit of Access Services, El Monte, CA

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

We conducted a quality control review on the single audit that Rossi LLP performed for Access Services of El Monte, CA, for Access Services' fiscal year ended June 30, 2014. During this period, Access Services expended approximately \$60 million from DOT grant programs. Rossi determined that DOT's major program was the Transit Services Programs Cluster. Based on our quality control review, we assigned an overall rating of Pass to Rossi's work. Therefore, Rossi met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that

Rossi's opinion on DOT's major program was inappropriate or unreliable. However, our desk review determined that in the Schedule of Findings and Questioned Costs, Rossi incorrectly used "unqualified" as its opinion on Access Services' financial statements and compliance with DOT's major program requirements. Rossi should instead have used "unmodified." Rossi made the corrections and resubmitted its single audit report to the Federal Audit Clearinghouse.

August 13, 2015

Quality Control Review on the Single Audit of Miami-Dade Transit of Miami, FL

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

We conducted a quality control review of Crowe Horwath LLP's single audit of Miami-Dade Transit of Miami, FL, for Miami-Dade's fiscal year ended September 30, 2013. During this period, Miami-Dade expended approximately \$91 million from DOT grant programs. Crowe Horwath determined that DOT's major programs were the Federal Transit Cluster and the Job Access-Reverse Commute program. We limited the scope of our review to the Federal Transit Cluster because its expenditures were approximately 96 percent of Miami-Dade's total DOT expenditures. Based on our quality control review, we assigned an overall rating of Fail to Crowe Horwath's work. Therefore, Crowe Horwath did not meet

the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found deficiencies in Crow Horwath's work in areas such as sampling methodology, compliance testing, testing of key internal controls, and compliance testing documentation. Crowe Horwath concurred with our results, advised us that it planned to perform additional audit procedures to support the opinion on the Federal Transit Cluster, and planned to re-issue the report.

August 13, 2015

Quality Control Review on the Single Audit of the Greater Richmond Transit Company of Richmond, VA

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

We conducted a quality control review of L.P. Martin & Company P.C.'s single audit of the Greater Richmond Transit Company (GRTC) of Richmond, VA, for GRTC's fiscal year ended June 30, 2014. During this period, GRTC expended approximately \$27 million from a DOT grant program. L.P. Martin determined that DOT's major program was the Federal Transit Formula Grants program. Based on our quality control review, we assigned an overall rating of Pass to L.P. Martin's work. Therefore, L.P. Martin met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We

found nothing to indicate that L.P. Martin's opinion on DOT's major program was inappropriate or unreliable. During our desk review, however, we found that in the Schedule of Findings and Questioned Costs and the Data Collection Form, L.P. Martin did not compute the Type A and Type B threshold correctly. L.P. Martin corrected these documents and resubmitted both to the Federal Audit Clearinghouse.

August 13, 2015

Quality Control Review on the Single Audit of the Worcester Regional Transit Authority of Worcester, MA

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

We conducted a quality control review of McCarthy, Hargrave & Company's (MH&Co) single audit of the Worcester Regional Transit Authority of Worcester, MA, for the Authority's fiscal year ended June 30, 2014. During this period, the Authority expended approximately \$23 million from DOT grant programs. MH&Co determined that DOT's major programs were the Federal Transit Cluster and Clean Fuels Grant Program. Based on our quality control review, we assigned an overall rating of Pass to MH&Co's work. Therefore, MH&Co met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to

indicate that MH&Co's opinion on DOT's major program was inappropriate or unreliable. However, during our desk review, we found that in the Schedule of Findings and Questioned Costs, MH&Co incorrectly used "unqualified" as its opinion on the Authority's financial statements and compliance with DOT's major program requirements. MH&Co should have used "unmodified" as its opinion on both the financial statements and compliance with program requirements. MH&Co has made the correction and resubmitted its single audit report to the Federal Audit Clearinghouse.

September 15, 2015

Quality Control Review on the Single Audit of the Central Florida Regional Transportation Authority, Orlando, FL

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

We conducted a quality control review of Cherry Bekaert LLP's single audit of the Central Florida Regional Transportation Authority (doing business as

Lynx), Orlando, FL, for the Authority's fiscal year ended September 30, 2014. During this period, the Authority expended approximately \$49 million from DOT grant programs. Cherry Bekaert determined that DOT's major program was the Federal Transit Cluster. Based on our quality control review, we assigned an overall rating of Pass to Cherry Bekaert's work. Therefore, Cherry Bekaert met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that Cherry Bekaert's opinion on DOT's major program was inappropriate or unreliable.

September 23, 2015

Quality Control Review on the Single Audit of the Rochester-Genesee Regional Transportation Authority, Rochester, NY

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

We conducted a quality control review of Bonadio & Co. LLP's single audit of the Rochester-Genesee Regional

Transportation Authority of Rochester, NY, for the Authority's fiscal year ended March 31, 2014. During this period, the Authority expended approximately \$55 million from DOT grant programs. Bonadio determined that DOT's major programs were the Formula Grants for Other Than Urbanized Areas Program and the Federal Transit Cluster. Based on our quality control review, we assigned an overall rating of Pass With Deficiency to Bonadio's work. Therefore, Bonadio generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. While we found nothing to indicate that Bonadio's opinion on DOT's major program was inappropriate or unreliable, we identified a deficiency in Bonadio's work. Specifically, Bonadio did not document the rationale for its conclusion that certain compliance requirements were not direct and material to the two major programs tested.

INVESTIGATIONS

July 29, 2015

Former President of a Massachusetts Transit Authority Operator Sentenced to 70 Months of Imprisonment

John George, Jr., of North Dartmouth, MA, was sentenced in U.S. District Court in Boston, MA, to 70 months of imprisonment related to an embezzlement scheme. He was also ordered to pay \$688,772 in restitution to the Southeastern Regional Transit Authority (SRTA).

The sentencing follows his conviction at trial in April 2015 on charges of conspiracy and embezzlement of Federal funds. The charges were related to his role as the former president and owner of the Union Street Bus Company (USBC), which served as the operator for SRTA. From late 2007 to October 2011, SRTA paid USBC over \$1 million to manage and operate the public bus transit service and pay salaries, benefits, and other expenses. Our investigation disclosed that George had misused Federal funds to pay several employees to work on his personally owned produce farm during regular work hours. During that time, George also inflated his salary from \$75,000 to \$275,000 in an attempt to boost his yearly pension payment from SRTA. The Federal Government is seeking \$1.38 million in forfeiture.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

AUDITS

June 18, 2015

Inadequate Data and Analysis Undermine NHTSA's Efforts To Identify and Investigate Vehicle Safety Concerns

Requested by the Secretary of Transportation

Since February 2014, the General Motors Corporation (GM) has recalled 8.7 million vehicles in the United States due to an ignition switch defect that can unexpectedly shut down the engine and disable power steering, power brakes, and airbags. The defective ignition switches have been linked to more than 110 fatalities and 220 injuries. The National Highway Traffic Safety Administration's (NHTSA) Office of Defects Investigation (ODI) identified the GM airbag non-deployments as a potential safety issue but ultimately decided not to investigate the problem. The Secretary requested that we assess NHTSA's vehicle safety procedures and determine whether NHTSA had information on GM's ignition switch issues.

ODI's processes for collecting vehicle safety data are insufficient to ensure complete and accurate data. Deficiencies in ODI's vehicle safety data are due in part to the Agency's lack of detailed guidance on what information manufacturers and consumers should

report—resulting in inconsistent data that ODI investigative chiefs consider to be of little use. Weaknesses in ODI's processes for analyzing vehicle safety data further undermine ODI's efforts to identify safety defects. Specifically, ODI does not follow standard statistical practices when analyzing early warning reporting data, and ODI does not thoroughly screen consumer complaints or adequately train or supervise its staff. Collectively, these weaknesses have resulted in significant safety concerns being overlooked. Finally, ODI's process for determining when to investigate potential safety defects is insufficient to prompt needed recalls and other corrective actions. While ODI has identified factors for deciding whether an investigation is warranted, it has not developed sufficient guidance or reached consensus on how these factors should be applied. ODI's investigation decisions also lack transparency and accountability. NHTSA concurred with all 17 of our recommendations to improve ODI's processes for collecting and analyzing vehicle safety data and for determining which potential safety issues warrant investigation.

June 23, 2015

NHTSA's Efforts To Identify Safety-Related Vehicle Defects

Testimony before the Senate Committee on Commerce, Science, and Transportation

The Inspector General (IG) testified on NHTSA's vehicle safety oversight. The IG focused on our office's recent assessment of the procedures NHTSA's ODI uses to identify vehicle safety issues that warrant further investigation. First, the IG noted that ODI complete and accurate vehicle safety data, due in part to the Agency's lack of detailed guidance on what information manufacturers and consumers should report. Second, the IG noted that ODI does not follow standard statistical practices when analyzing early warning reporting data, and it does not thoroughly screen consumer complaints or adequately train or supervise its staff. Third, the IG stated that ODI's process for determining when to investigate potential safety defects is insufficient to prompt needed recalls and other corrective actions. While ODI has identified factors for deciding whether an investigation is warranted, it has not developed sufficient guidance or reached consensus on how these factors should be applied. ODI's investigation decisions also lack transparency and accountability. Finally, the IG discussed how procedural weaknesses impeded ODI's handling of the GM ignition switch defect—which has been linked to more than 110 fatalities and 220 injuries.

INVESTIGATIONS

May 14, 2015

Associate of Eagle Auto Sales Sentenced for Selling Counterfeit Airbags

Samar Ayoub, associate of Eagle Auto Sales, was sentenced in U.S. District Court, Detroit, MI, to 36 months of probation and ordered to pay \$5,100 in fines for trafficking in counterfeit airbags. Ayoub previously pleaded guilty to these charges in November 2014.

Ayoub and Hussein Jomaa, manager of Eagle Auto Sales, trafficked automobile parts they knew bore counterfeit and trademark infringing marks that were identical to and substantially indistinguishable from genuine parts. Ayoub, through Eagle Auto Sales, illegally imported counterfeit automobile airbags, purporting that they were genuine airbags of American Honda

Motor Company Inc. Ayoub also sold counterfeit Honda-branded airbags and airbag parts through Web sites such as Craigslist and eBay, to customers in Puerto Rico and over 20 States. In addition, Jomaa knowingly purchased counterfeit Honda-branded airbags, airbag covers, “H” logo emblems, and center wheel caps from various sources, including Ayoub. Jomaa would then install the counterfeit parts in used and salvaged Honda vehicles for resale. Jomaa, through Eagle Auto Sales, also illegally exported over 85 salvaged or used Honda vehicles with counterfeit Honda automobile parts. The losses related to their criminal conduct are estimated to be \$60,000 for Ayoub and \$40,000 for Jomaa. The counterfeit airbags also failed NHTSA’s testing, sending shrapnel and flames from hot gas into test dummies.

We are conducting this investigation with the DHS Homeland Security Investigations.

IN FOCUS: Holding Automakers Accountable for Unsafe Vehicles

The National Highway Traffic Safety Administration reports that in 2014, there were more than 800 vehicle safety and compliance recalls affecting nearly 64 million vehicles. NHTSA requires vehicle manufacturers to notify the Agency—as well as vehicle owners, dealers, and distributors—of any identified safety defect. In addition, NHTSA’s Office of Defects Investigation is responsible for collecting and analyzing vehicle safety data, identifying and investigating safety defect trends, and requiring recalls when warranted. Despite these safeguards, some identified safety defects go unreported. Untimely reporting of defects—particularly those related to steering, acceleration, braking, and other components that cause partial or complete loss of vehicle control—needlessly increase the risk of crash-related injuries and deaths.

Two high-profile cases of questionable safety defect notifications—one involving Toyota Motor Company and one involving General Motors Corporation—prompted several requests for OIG reviews of NHTSA’s oversight of automakers’

efforts to remediate safety defects. Our reviews have found that ODI lacked sufficient processes to identify defects, monitor recalls, and ensure automakers comply with NHTSA’s notification requirements and take swift action to recall vehicles with safety defects.

The Toyota defect—an ill-fitting floor mat that caused the gas pedal to become entrapped—gained national attention in August 2009, when a Lexus on loan from a dealership accelerated out of control and crashed into a ravine, killing the driver, an off-duty California Highway Patrol officer, and the three passengers. The crash investigation revealed that the vehicle reached 120 miles per hour before it hit another vehicle and an embankment, catapulting the vehicle into the ravine.

While Toyota subsequently recalled 5.4 million vehicles to address the pedal entrapment defect—as well as another 4.5 million vehicles to address a separate defect in the accelerator pedal—Toyota ultimately admitted that it had concealed and made deceptive statements

about safety issues affecting its vehicles. Toyota was charged with wire fraud for providing the misleading information, and in March 2014, the Department of Justice announced a criminal charge against Toyota and a deferred prosecution agreement that requires Toyota to forfeit \$1.2 billion—the largest penalty of its kind imposed on an automotive company. The deferred prosecution also imposed an independent monitor to review and assess policies, practices, and procedures relating to Toyota’s safety-related public statements and reporting obligations.

At issue in the GM case was an ignition switch that, according to a technical service bulletin that GM first issued in early 2005, could inadvertently turn off due to low ignition-key cylinder torque. However, GM and ODI failed to identify this as a potential serious safety defect, and the defect remained largely unaddressed for nearly a decade. For example, following an October 2006 accident involving a 2005 Chevrolet Cobalt that killed the two passengers and seriously injured the driver, GM met with NHTSA to discuss the air bags. However, a State Trooper

concluded in his investigation of the crash that the likely cause of the air bags' non-deployment was tied to the vehicle's ignition switch being off, possibly due to the low torque. Despite ongoing concerns related to the ignition switch, recalls did not begin until early 2014.

Following each manufacturer's recall of the defective parts, OIG audited ODI's oversight of automakers. In October 2011, OIG reported that while ODI had followed its established procedures in investigating unintended acceleration in Toyota vehicles, ODI lacked adequate procedures for identifying and addressing vehicle safety defects, failed to ensure an adequate and well-trained workforce, and had limited

information sharing and coordination with foreign countries to identify safety defects or recalls.

In June 2015, OIG similarly reported that inadequate processes for collecting and analyzing vehicle safety data have resulted in significant safety concerns being overlooked. In addition to continued workforce concerns, the audit team found that ODI does not have sufficient processes in place to (1) thoroughly screen consumer complaints, (2) follow standard statistical practices, or (3) ensure investigations of potential safety defects are conducted and prompt needed recalls and other corrective actions.

OIG made a total of 27 recommendations in the two reports to provide needed transparency and accountability in ODI's oversight of safety defects and automakers' recalls. As of April 2015, ODI had taken action on all 10 recommendations in the 2011 report. OIG is currently auditing these actions to determine whether they satisfy the intent of the recommendations. The 17 recommendations in the 2015 report aim to improve ODI's processes for collecting and analyzing vehicle safety data and for determining which potential safety issues warrant investigation. As it does with all of its recommendations, OIG will monitor ODI's actions to address these recommendations until they are closed.

OFFICE OF THE SECRETARY OF TRANSPORTATION

AUDITS

April 8, 2015

Volpe Did Not Fully Comply With Federal Requirements When Planning and Administering Its V-TRIPS Contract

Self-Initiated

The Volpe National Transportation Center uses its 5-year, \$234-million Transportation Information Project Support (V-TRIPS) contract to provide IT support services. While Volpe awarded the V-TRIPS contract under competitive procedures, it did not complete several required acquisition planning procedures. Volpe also excluded the awardee of the first task order from bidding on subsequent task orders in an effort to increase competition, but in doing so barred all contractors a fair opportunity to compete for V-TRIPS task orders. In addition, Volpe does not fully comply with Federal requirements for overseeing the V-TRIPS contract. For example, Volpe does not have a central system for maintaining and quickly locating V-TRIPS' extensive contract files. Volpe also uses two methods for allocating V-TRIPS resource costs among the various task orders, a practice contrary to Federal accounting standards. Since V-TRIPS was awarded, the Department has taken steps intended to improve its oversight of major acquisitions, such as establishing the Acquisition Strategy Review

Board. Volpe concurred with our five recommendations to improve its acquisition planning, award, and administration.

April 9, 2015

Some Deficiencies Exist in DOT's Enforcement and Oversight of Certification and Warrant Authority for Its Contracting Officers

Self-Initiated

In fiscal year 2014, DOT obligated \$2 billion on contracts. DOT's contracting officers (CO) are responsible for awarding and managing a significant portfolio of contracts. To help ensure these contracts meet Federal and departmental requirements, the Office of Federal Procurement Policy (OFPP) requires that COs be certified at the appropriate level to correspond with the dollar value of contracts they are authorized to award and administer. OFPP also directed each agency's chief acquisition officer to establish agency-specific certification and warrant requirements.

Of the 63 DOT COs we reviewed (our audit scope excluded FAA), 15 did not fully comply with these requirements. For example, 10 COs had expired certifications, yet approved over 3,000 contract actions and obligated over \$731 million. While the Department's acquisition

workforce policies align with Federal requirements, a few policy areas are unclear or do not reflect current practices. Additionally, some Operating Administrations do not always enforce these policies, as DOT lacks a clear policy for enforcing their compliance with CO certification and warrant requirements. Failure to enforce certification and warrant requirements creates risks that DOT's complex, high-dollar acquisitions may be awarded and administered by COs who lack appropriate training and experience. DOT concurred with the seven recommendations we made to improve oversight of CO warrant and certification practices.

May 15, 2015

DOT's Fiscal Year 2014 Improper Payment Reporting Generally Complies With IPERA Requirements

Required by the Improper Payments Elimination and Recovery Act of 2010

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires that agencies annually test for and report on improper payments in their programs. The act also calls for IGs to review their agency's IPERA compliance and to submit a report to their agency heads. In its fiscal year 2014 Agency Financial Report, DOT included all reporting elements required by the regulations that OMB developed to implement the act,

including assessments of programs' risks for significant improper payments. DOT also included a description and evaluation of its payment recovery audit programs and the amounts collected from these programs. In addition, DOT improved the accuracy of its improper payment testing in fiscal year 2014 by better screening payment data files and implementing procedures to ensure its reporting was complete. However, an FHWA employee and DOT's contractor did not perform sufficient work for us to determine whether DOT's conclusions were accurate for two of the nine programs we retested. According to DOT, its programs met IPERA's improper payment rate of less than 10 percent of total payments. However, FTA's Formula Grants and FRA's HSIPR programs did not achieve their fiscal year 2014 targets to reduce improper payments to 0.5 percent or less and 0.25 percent or less, respectively. Moreover, FTA reported four planned corrective actions in fiscal year 2013 to reduce the risk of future improper payments, but it did not complete them. We made four recommendations to improve the reliability of DOT's improper payment reporting and the effectiveness of corrective actions in FTA's and FRA's programs.

June 8, 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

In response to the Senators' February 27, 2015, request, we provided the status of OIG open audit recommendations, as of March 1, 2015: (1) the number of open recommendations (626), their dates (July 18, 2007, to February 25, 2015) and cumulative estimated cost savings (41 recommendations carry an estimated monetary benefit or cost savings totaling over \$1.1 billion); (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.

June 16, 2015

DOT Lacks an Effective Process for Its Transition to Cloud Computing

Self-Initiated

DOT has taken steps to transition to cloud computing, such as establishing a multi-modal Cloud Working Group, but it has not taken other actions needed to ensure an effective transition. For example, the Department has not updated its guidance on contracting for IT services to include requirements for specific contract clauses needed for cloud services. Additionally, the Department has not established standards for assessing the costs and benefits of cloud systems. As a result, Operating Administrations cannot determine whether moving to the cloud is cost effective and could achieve expected benefits. DOT's risk management and oversight of its cloud systems is also ineffective. The Department has not established an accurate inventory of cloud systems—a requirement for effective information system risk management. As a result, officials that authorize the use of cloud systems lack information needed to make informed decisions. Furthermore, the Department's cloud systems did not meet the requirements of the Federal Risk Authorization and Management Program, which provides a standardized

approach for security assessment of cloud systems and authorization of their use. The Department concurred with our four recommendations to help improve contracts covering cloud computing and the Department's oversight of the transition.

June 30, 2015

Letter to Senator Johnson Regarding DOT's Freedom of Information Act Process

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

In response to a request from Senator Ron Johnson to review the involvement of non-career officials in DOT's Freedom of Information Act (FOIA) response process, we provided the results of a previous review we conducted at the request of Congress. Specifically, in response to a request from Senator Charles Grassley and Representative Darrell Issa, we examined DOT's FOIA processes from January 2008 to September 2010 to determine whether or to what extent political appointees are made aware of information requests and have a role in reviewing requests or making decisions. Overall, we found that political appointees within the Department had a limited role in reviewing and approving FOIA requests and responses. Most FOIA responses were reviewed only by career service employees prior to release. Our survey of the Department's FOIA officers also found no evidence suggesting that political

appointees had impeded the FOIA process. Additionally, we reviewed hotline complaints made to our office over the past 8 years and found no allegations of political interference or filtering involving the review and approval of FOIA responses within the Department. Finally, we found that there had been no substantive changes to the Department's FOIA process since 2008.

July 9, 2015

Weak Internal Controls for Collecting Delinquent Debt Put Millions of DOT Dollars at Risk

Self-Initiated

In 1996, Congress enacted legislation aimed at decreasing delinquent debts that individuals and non-Federal entities owe the Federal Government. However, from fiscal year 1999 to September 30, 2013, DOT's reported delinquent debt increased over 300 percent from approximately \$170 to \$737 million. Further, underreporting and overreporting errors indicate the increase is greater than reported. The longer debts remain delinquent, the greater the risk of them going uncollected. Yet it is unknown how much delinquent debt DOT has collected. While DOT reported decreases in its delinquent debt collections from fiscal year 2008 to September 30, 2013, these reports do not include all delinquent debt DOT collects because, according to

a DOT official, the Enterprise Services Center (ESC) cannot separately track collections of accounts receivable and delinquent debts.

Ineffective internal controls underlie DOT's mounting delinquent debt and reporting errors. In one case, over \$1 million in debts were not referred to the U.S. Department of Treasury for collection until they were on average 115 days past the 180-day statutory limit for referral. Despite the identified errors and delays, DOT and Operating Administration policies do not require staff that report and collect delinquent debt to take training that would provide them the knowledge and skills needed to effectively carry out their responsibilities. A lack of clear oversight and accountability further undermine DOT's debt reduction efforts. Finally, several ESC personnel said they do not use ESC's standard operating procedures for collecting administrative debt. Others indicated that they did not know the procedures existed. The Department concurred with our six recommendations to help DOT strengthen its internal controls and improve the accuracy of reported data and its collection of delinquent debt.

July 23, 2015

The Department Does Not Fully Ensure Compliance With Contract Closeout Requirements

Self-Initiated

Contract closeout is an important contract administration procedure that involves verifying that goods and services were provided as intended, validating final costs and payments, and freeing excess funds for possible use elsewhere. Timely and effective closeout ultimately protects the Government's interests and helps agencies efficiently manage residual contract funds.

However, the Operating Administrations we reviewed—FAA, FHWA, NHTSA, and OST—did not fully comply with closeout requirements and frequently did not close out contracts in a timely manner. In total, 42 of the 58 closed contracts in our sample were not closed out within Federal timeframes. Our in-depth review of selected NHTSA and OST contracts files also found a lack of evidence that four key contract closeout steps were completed. Finally, because contract files were

not always properly maintained, FAA, FHWA, NHTSA, and OST were unable to locate the files for 21 percent of the 120 total contracts in our audit samples. The Department concurred with our five recommendations to help improve DOT's compliance with contract closeout requirements.

August 26, 2015

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

Required by OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements

We conducted a quality control review on KPMG LLP's report on ESC's description of its system and the suitability of the controls' design and operating effectiveness. KPMG conducted its attestation engagement in accordance with the American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagements Number 16 and OMB requirements. OMB requires ESC, as a management services provider, to either provide its user organizations with

independent audit reports on the design and effectiveness of its internal controls, or allow user auditors to perform tests of its controls. To meet this requirement for the period of October 1, 2014, through June 30, 2015, we contracted with KPMG. KPMG found that (1) in all material respects, from October 1, 2014, through June 30, 2015, ESC's description of controls fairly presented ESC's implemented system; (2) the controls were suitably designed to provide reasonable assurance that the controls' objectives would be achieved if the controls operated effectively throughout the period; and (3) the controls tested, which were those necessary to provide reasonable assurance that the control objectives were achieved, operated effectively throughout the period. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.

Note: The quality control review and attachment are marked "For Official Use Only" to protect sensitive information exempt from public disclosure under the Freedom of Information Act, Title 5 U.S. Code Section 552. To receive a copy of the report, please contact our Freedom of Information Act Office.

IN FOCUS: OIG Audit Calls for Strengthened Controls for Collecting the Department's Delinquent Debt

Each year, the Federal Government provides loans to individuals and non-Federal entities to help them pay for expenses such as school tuition, small business startups, and improved State infrastructure. The untimely repayment of these loans, as well as administrative debts,¹ has steadily increased over the past 4 years. In fiscal year 2013 (the most recent year for which data were available), delinquent debt totaled \$212.5 billion—an increase of almost \$50 billion, or more than 30 percent, from the previous fiscal year. According to the U.S. Department of Treasury, the longer debts remain delinquent, the greater the risk of them going uncollected.

In an effort to decrease delinquent debts owed to the Government, Congress passed the Debt Collection Improvement Act (DCIA) in 1996. Under DCIA, an agency must refer eligible delinquent debts that it cannot collect within 180 days to Treasury for further collection action.

¹ The Government provides direct and guaranteed loans, such as those provided to States for financing transportation projects; typical administrative debts include defaulted student loans, unreturned payroll overpayments, and unpaid fines and penalties.

However, delinquent debt remains a significant problem across the Government—including at DOT, which makes large loans to States to finance a range of transportation-related projects. From fiscal year 1999 to September 30, 2013, DOT's reported delinquent debt increased over 300 percent—from approximately \$170 million to \$737 million.

To help DOT gain control over its delinquent debt, we assessed the Department's management of its delinquent debt portfolio. Our review identified both underreporting (delinquent debts not captured) and overreporting (non-delinquent debts identified as delinquent)—errors that indicate the increase in DOT's delinquent debt is even greater than it reported. We also found that despite reported increases in delinquent debt, DOT's reported collections on its delinquent debt decreased. Yet by how much is unknown. According to DOT, the Enterprise Services Center² does not have the capability to

² ESC (a service provider) provides several support services, such as financial reporting to DOT's Operating Administrations and other Federal agencies.

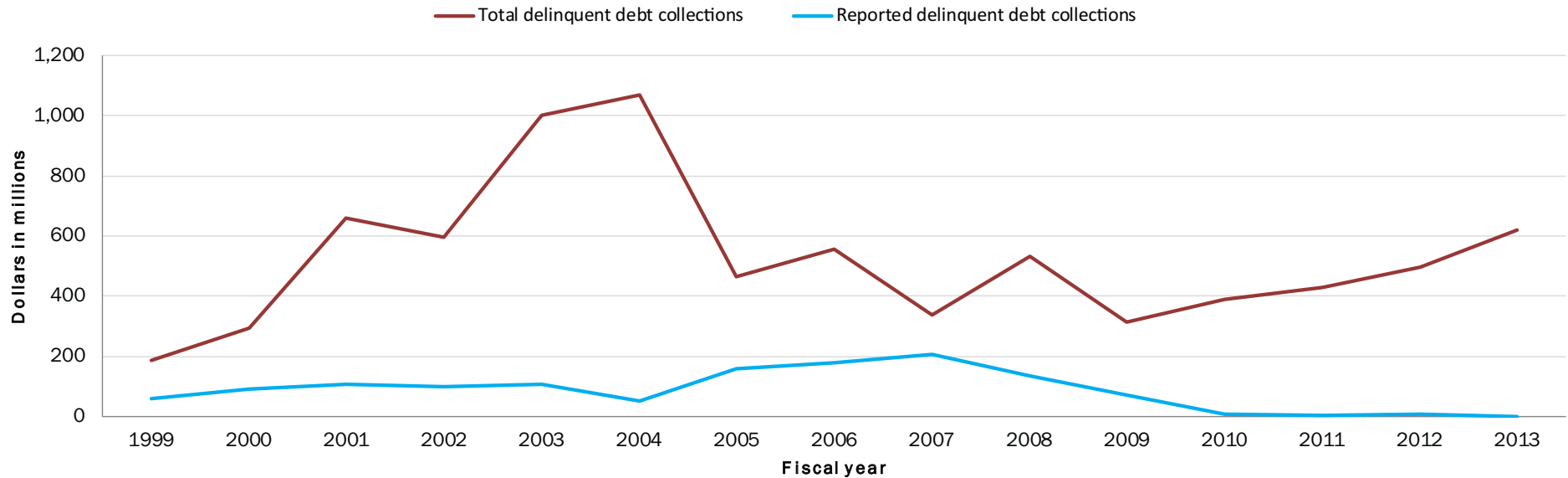
separately track collections of accounts receivable and delinquent debt. Therefore, the actual amount of DOT's collected delinquent debt is somewhere between what DOT reported to Treasury and DOT's total debt collection—a gap that ranges from \$125 million in 1999 to over \$1 billion in 2004.

The figure on the following page shows that while this gap fluctuated wildly between 1999 and 2009, it has steadily increased since 2009. DOT's mounting delinquent debt and reporting errors are the result of a number of ineffective internal controls—including inadequate debt collection policies and procedures, training, and oversight. At one Operating Administration, over \$1 million in debts were not referred to Treasury until they were on average 115 days past the 180-day statutory referral requirement for delinquent debts. Such delays would be even more glaring under current requirements to refer delinquent debt within 120 days.³ Despite the errors and delays we identified, DOT staff who

³ The 120-day statutory referral requirement went into effect in May 2015.

DOT's Total Versus Reported Delinquent Debt Collections

Source: DOT's fourth quarter Treasury Report on Receivables and Debt Collection Activities for fiscal years 1999 through 2013



report and collect delinquent debt are not required to take training that would provide them the knowledge and skills needed to effectively carry out their responsibilities—including how to define delinquent debt and interpret the law. A lack of clear oversight and accountability further undermines DOT's debt reduction efforts. For example, while DOT delegated debt collection monitoring to the Operation Administrations, a

senior official in one Operating Administration stated that ESC is responsible for collecting and tracking delinquent debts. Finally, several ESC personnel said they do not use ESC's standard operating procedures for collecting administrative debt; others indicated that they did not know these procedures existed.

To help ensure DOT fully complies with the Federal laws and regulations that were designed

to maximize delinquent debt collections—and minimize the risk of debts going uncollected—we recommended that DOT take a number of actions. If appropriately implemented, these actions should provide the accurate and timely data needed for Treasury to recoup DOT's delinquent debt, and for Congress to make informed financial decisions that impact Federal Government operations.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

INVESTIGATIONS

April 30, 2015

Former Shell Pipeline Company Corrosion Control Coordinator Sentenced

Randy Jones, former corrosion control coordinator for Shell Pipeline Company L.P., was sentenced in U.S. District Court, Milwaukee, WI, to 5 years of probation and ordered to pay \$19,337,785 in restitution.

We initiated the investigation following a referral from PHMSA, who reported that 9,000 gallons of jet fuel from the Shell pipeline at the General Mitchell International Airport (GMIA) in Milwaukee, WI, were spilled. The response and cleanup costs for the spill were approximately \$19.3 million. The Pipeline Safety Act requires that buried or submerged metal pipelines be protected from corrosion. The pipelines are to be protected using a rectifier, which applies a current near the pipeline to discourage corrosion. Jones—as corrosion coordinator responsible for Shell pipelines servicing GMIA—was required to conduct bi-monthly readings of the rectifier's voltage and an annual survey of the pipeline to ensure adequate corrosion protection. In 2011, Jones failed to take the voltage readings and to conduct a survey, and entered false voltage readings and survey data into a system that generates reports for PHMSA.

We conducted this investigation with the U.S. Coast Guard Investigative Service, EPA Criminal Investigation Division, and the FBI, with assistance from PHMSA.

July 9, 2015

California Man Pleads Guilty to Falsely Certifying Oxygen Cylinders for Aircraft

Daniel Hoose, owner of Shasta Fire Equipment Inc., pleaded guilty in U.S. District Court, Sacramento, CA, to one count of falsely certifying more than 570 oxygen cylinders for re-use, including re-use in aircraft.

In May 2015, an information was filed alleging that in the spring of 2013, Hoose falsely 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; therefore, he was unable to properly test the cylinders in accordance with PHMSA regulations. Hoose allegedly falsified the cylinder hydrostatic testing certifications and returned the cylinders to their owners for re-use. Hoose is scheduled for sentencing in September 2015.

We are conducting this investigation with assistance from PHMSA.

August 27, 2015

Former Biofuels Company Employees Plead Guilty and Are Sentenced for Conspiracy

Dean Daniels, Brenda Daniels, Richard "Ricky" Smith, and William Bradley pleaded guilty and were sentenced in the U.S. District Court, Columbus, OH, for conspiracy to defraud the United States. Dean Daniels

also pleaded guilty and was sentenced for transporting hazardous waste without required safety placards. They were each sentenced to between 12 and 63 months of incarceration as well as 36 months of supervised release. They were also jointly ordered to pay over \$23 million in restitution.

In August 2011, the Houston Police Department's Environmental Investigations Unit found that New Energy Fuels LLC (NEF), a Texas company that claimed to process animal fats and vegetable oils into bio-diesel, had illegally dumped hazardous waste. The dumping occurred in at least 13 different Houston locations, including storm drains and holding ponds. Dean Daniels owned and operated NEF, Bradley was a company officer, and Brenda Daniels and Smith were employees. NEF also defrauded EPA's Renewal Identification Numbers (RIN) program, which required petroleum refiners to produce a certain amount of renewable fuel or purchase RIN credits from renewable fuel producers. NEF later relocated to Logan, OH, and began operating under the name Chieftain Biofuels. Together, NEF and Chieftain fraudulently claimed an estimated \$20 million in bio-diesel RIN credits and associated tax credits for the production of fuel that was not bio-diesel.

We conducted this investigation with the Houston Police Department, IRS Criminal Investigation Division, and EPA Criminal Investigation Division.

AUDITS

April 22, 2015**Quality Control Review of the Metropolitan Washington Airports Authority's Audited Financial Statements for Fiscal Years 2013 and 2012***Self-Initiated*

We conducted a quality control review of the Metropolitan Washington Airports Authority's (MWAA) audited financial statements for fiscal years 2013 and 2012. PricewaterhouseCoopers LLP (PWC) completed the audit of MWAA's financial statements for these fiscal years under contract to MWAA. PWC concluded that the financial statements present fairly, in all material respects, the financial position of MWAA's Aviation Enterprise, Dulles Corridor Enterprise, total business-type activities for the years reviewed, and the respective changes in financial position and cash flows in accordance with accounting principles generally accepted in the United States. Our quality control review of PWC's report and related documentation disclosed no instances in which PWC did not comply, in all material respects, with applicable auditing standards.

OTHER ACCOMPLISHMENTS

OIG's other accomplishments and contributions are those that extend beyond the legal reporting requirements of the Inspector General Act. These accomplishments are part of our statutory responsibilities to review existing and proposed legislation and regulations; respond to congressional and departmental requests for information; and review policies for ways to promote effectiveness and efficiency and detect and prevent fraud, waste, and abuse.

OTHER ACCOMPLISHMENTS

April 22, 2015

Presentation on Grant and Procurement Fraud

The Deputy Principal Assistant Inspector General for Auditing and Evaluations, the Assistant Inspector General for our Office of Acquisition and Procurement Audits, and a Special Agent-in-Charge from our Headquarters Investigations Office made a presentation at the National Grant Management Conference in Washington, DC. The presentation was titled, “Key Lessons Learned that Grant Recipients and Grantors Can Learn from IG Audits and Investigations.” This presentation focused on how to spot grant and procurement fraud as well as provided helpful tips on how to prepare for a clean audit. The conference was attended by over 600 grant and procurement professionals from around the Nation.

June 4, 2015

Presentation on Innovative Audit Responses to Challenging Times

The Assistant Inspectors General for our Office of Surface Transportation Audits spoke at the Mid-Atlantic Intergovernmental Audit Forum in Ocean City, MD. The name of their speech was “The Art of the Design: Innovative Audit Responses to Challenging Times.” The information of the speech included discussing the

process of scoping, executing, and messaging complex audits that emerged in response to congressional mandates, natural disasters, departmental priorities, and emerging national issues that we see every day in the news. The attendees of this meeting included almost 200 State and Federal auditors.

June 12, 2015

Presentation at DOT’s Annual Procurement and Financial Management Conference

The Assistant Inspector General and several managers from our Office of Acquisition and Procurement Audits gave presentations on OIG’s work at DOT’s Annual Procurement and Financial Management Conference held in Washington, DC. The conference was attended by acquisition, procurement, and financial management officials from DOT and the Office of Federal Procurement Policy.

June 16, 2015

Presentation on Unmanned Aircraft Systems at the Civil and Commercial Unmanned Aircraft Systems Symposium

A Program Director for our Office of Aviation and Special Programs Audits was the keynote speaker at the Civil and Commercial Unmanned Aircraft Systems

Symposium in San Diego, CA. The Program Director focused on FAA’s progress and challenges with integrating UAS in the National Airspace System, highlights of the proposed rule for small UAS operations, and the FAA’s response to recommendations in our June 2014 report. The conference was attended by Government, academia, and industry representatives.

June 16, 2015

Presentation at the Airport Minority Advisory Council’s Annual Conference

A Program Director for our Office of Acquisition and Procurement Audits, along with the audit team, made a presentation at the Airport Minority Advisory Council’s Annual Conference held at Fort Lauderdale, FL. The presentation included an overview of DOT OIG and the Office of Acquisition and Procurement Audits and provided information on our audits of FAA’s airport DBE program. The conference had over 800 attendees, including DBE and airport concession DBE owners; Federal, State, and local officials; and industry groups.

OTHER ACCOMPLISHMENTS

June 23, 2015

Presentation on Unmanned Aircraft Systems at the American Institute of Aeronautics and Astronautics 2015 Forum and Exhibition

A Project Manager from our Office of Aviation and Special Program Audits spoke as part of a panel at the American Institute of Aeronautics and Astronautics 2015 Forum and Exhibition in Dallas, TX. The panel was focused on international UAS integration. The Project Manager spoke about FAA's progress and challenges with integrating UAS in the National Airspace System, highlights of the proposed rule for small UAS operations, and the Agency's response to recommendations in our June 2014 report. The conference was attended by Government, academia, and industry representatives.

June 24, 2015

Presentation on the Federal Contract Tower Program

The Assistant Inspector General for our Office of Aviation Audits spoke at the U.S. Contract Tower Association's annual meeting on our past work examining the Federal Contract Tower Program. The Assistant Inspector General noted that DOT OIG has conducted five reviews of the program since 1998 and found

that it successfully provided air traffic services to low-activity airports at lower costs than FAA could otherwise provide. The Assistant Inspector General also noted that there was little difference in safety or the quality of services provided at low-activity towers whether they were operated by FAA or by contractors. He also provided comments on our ongoing aviation audits and the current aviation landscape. The conference was attended by various aviation stakeholders, including large and small airport operators.

June 25, 2015

Presentation at the UAS Commercialization Industry Conference

The Assistant Inspector General for our Office of Aviation Audits spoke at the 2nd UAS Commercialization Industry Conference sponsored by IQPC in Arlington, VA. The Assistant Inspector General spoke about how FAA is addressing the challenges of integrating UAS in the National Airspace System, as well as progress in meeting key provisions for advancing the technology in the FAA Modernization and Reform Act of 2012. The conference was attended by leaders of U.S. and foreign aerospace firms as well as various Government agencies, including the National Space and Aeronautics Administration.

June 30, 2015

Presentation on Oversight of Hurricane Sandy Recovery Projects

A Program Director from our Office of Acquisition and Procurement Audits spoke at a meeting of the Federal Audit Executive Council in Washington, DC, on developing a comprehensive multi-year audit plan to address Hurricane Sandy transportation grants awarded by FTA under the Disaster Relief Appropriations Act. The meeting was attended by members of the Federal accountability community.

September 9, 2015

Presentation at the American Association of State Highway and Transportation Officials' Standing Committee on Rail Transportation Conference

The Assistant Inspector General for our Office of Surface Transportation Audits gave a presentation in Fort Worth, TX, at the annual American Association of State Highway and Transportation Officials' Standing Committee on Rail Transportation conference. The Assistant Inspector General discussed updates on past, current and future DOT OIG rail-related audit efforts. The conference was attended by about 200 State highway and transportation officials.

WORK PLANNED AND IN PROGRESS

This section describes OIG's work planned or in progress for October 1, 2015, through March 31, 2016. The work focuses on the Department's Strategic Plan and responds to requests by the Administration and Congress. We take into account the need to support DOT's most critical programs and to ensure that the Department's resources are protected from fraud, waste, and abuse.

FEDERAL AVIATION ADMINISTRATION

IN PROGRESS

FAA's Organizational Structure

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

The Chairmen requested that we assess FAA's organizational structure, including whether the Agency's reforms have improved its operations and implementation of new technology while reducing operating costs. The Chairmen also expressed interest in how FAA's organizational and financial structure compares with other nations' structures. On September 2, 2015, we reported that there are significant differences between FAA and foreign countries' processes for operating air navigation systems. In this audit, we are determining whether FAA reforms implemented since 1995 have resulted in improved air traffic operations, reduced costs, and expedited delivery of new technologies.

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, questions have been raised about the effectiveness of FAA's oversight of these requirements. For example, 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.

Organization Delegation Authorization

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

The civil aviation industry is important to the Nation's economy and encompasses more than 200,000 aircraft, 1,600 approved manufacturers, and 5,400 aircraft operators. Recognizing that it is not possible for FAA employees to oversee every facet of such a large industry, Federal law allows FAA to delegate certain functions—such as approving new aircraft designs and certifying aircraft components—to private individuals or organizations. In 2005, FAA created the Organizational Designation Authorization Program to consolidate the various types of organizational delegations under one

program and standardize oversight. We are assessing FAA's process for determining staffing levels needed to conduct Organizational Designation Authorization oversight and the Agency's oversight of delegated organizations' program controls.

FAA's Oversight of Cockpit Automation and Pilot Performance

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

Today's commercial airline pilots rely on sophisticated automation in the cockpit to fly aircraft in all phases of flight. According to a recent FAA study, the growing adherence to computer assisted flying—and the confusion that can result when pilots fail to keep up with computer advances—are increasingly considered major factors in airline crashes worldwide. We are determining whether FAA has established regulations governing the use of flight deck automation and identifying FAA's process for ensuring that air carrier pilots are trained to use and monitor these systems while also maintaining proficiency in manual flight operations.

FAA's 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 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 (SUPs), 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.

Controller Staffing at Critical Air Traffic Control Facilities

Required by the Consolidated Appropriations Act of 2014

FAA currently employs more than 14,000 air traffic controllers and is planning to hire over 6,200 more in the next 5 years to keep pace with expected attrition. In our 2012 report on air traffic controller staffing and training at FAA’s most critical facilities, we noted that because FAA’s most critical facilities have higher rates of retirement eligibility, the number of experienced controllers to manage and train new controllers is decreasing. As required by the Consolidated Appropriations Act of 2014, we are conducting a follow-up review to determine whether FAA’s most critical facilities are staffed in accordance with FAA’s plans, and how training needs and retirements impact controller resources.

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 2005, 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 the Automatic Dependent Surveillance-Broadcast Contract

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 contract to ITT Corporation for \$1.8 billion 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 FAA

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.

Quality Control Review of FAA's Financial Statements for Fiscal Years 2015 and 2014

Required by Chief Financial Officers Act

We are performing a quality control review of independent audits of FAA's financial statements for fiscal years 2014 and 2015 to determine whether the audits were performed in accordance with applicable auditing standards.

FAA's Accountable Personal Property

Self-Initiated

In July 2013, we reported that FAA purchase card holders under DOT's purchase card program and property delegates at the Mike Monroney Aeronautical Center in Oklahoma City, OK, did not always follow policy for recording accountable personal property, such as

computers and digital cameras. We are assessing FAA's internal controls for managing non-capitalized accountable property and determining the extent of compliance with controls.

FAA's Security Controls for Terminal Radar Approach Control Facilities

Self-Initiated

FAA's Terminal Radar Approach Control facilities (TRACON) handle air traffic 30 to 50 nautical miles from an airport. We are assessing the TRACON systems' information security controls and determining whether FAA is identifying security risks and properly mitigating them.

New Participation in FAA's Airport DBE Program for Fiscal Year 2013

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. This is the

second of three annual reviews of new participation in FAA's airport DBE program, as directed by Congress. The FAA Modernization and Reform Act of 2012 specifies that we identify best practices for encouraging new airport DBE participation, including businesses owned by veterans, at the Nation's largest airports. Our first review covered new participation during fiscal year 2012. For this second audit, we are identifying new DBE numbers for fiscal year 2013 and exploring the various factors that lead some airports to award more contracts and leases to new participants of FAA's DBE program than others. In particular, we are assessing new DBE participation in the airport car rental sector and the extent to which disadvantaged firms are receiving prompt payment in accordance with DOT regulations.

New Participants in FAA's Airport DBE Program for Fiscal Year 2014

Required by the FAA Modernization and Reform Act of 2012

This audit is the third and final review of new participation in FAA's airport DBE program, as directed by Congress. 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 2009, the President issued a memorandum directing OMB and all Federal agencies to reduce the use of 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 DOT's annual reports to Congress, FAA accounted for approximately 65 percent of DOT's sole-source awards between fiscal years 2008 and 2013. Overall, FAA annually obligates the largest amount of dollars on contracts within the Department. 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 Acquisition Management System requirements.

FAA's Progress on Addressing ATCOTS Recommendations

Directed by the Explanatory Statement accompanying the Consolidated and Further Continuing Appropriations Act of 2015

We are conducting a follow-up review of FAA's Air Traffic Control Optimum Training Solution (ATCOTS) contract. In 2008, FAA awarded the \$859 million ATCOTS contract, intended to provide up to 10 years of training support and to assist in modernizing the training program. On December 18, 2013, we reported that the ATCOTS contract continues to face challenges and made 10 recommendations for improving FAA's oversight of the ATCOTS contract. In this follow-up review, we are assessing FAA's progress on addressing the recommendations from our December 2013 report.

Terminal Automation at Large TRACONS

Directed by the House Committee on Appropriations

Modernization of FAA's TRACON automation is needed 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, as we previously reported, it is unclear whether STARS will meet all of FAA's requirements for these large facilities or how STARS will support NextGen capabilities. We are assessing FAA's progress in ensuring STARS meets FAA

requirements at the 11 large TRACONS and supports NextGen capabilities.

Review of FAA's Fiscal Year 2015 Drug Controls Funds and Performance Summary Reporting

Required by Office of National Drug Control Policy Circular, Accounting of Drug Control Funding and Performance Summary

We are conducting an attestation review to provide assurance that no information came to our attention that would impact FAA's assertions that the report submitted to the Director complied with the Office of National Drug Control Policy's (ONDCP) Circular.

Passenger Facility Charges Program

Self-Initiated

The 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 evaluating FAA's oversight of the Passenger Facility Charge Program, and assess whether funds are being used for eligible and approved purposes.

FAA's Oversight of the Safety of Commercial Airline Flight Decks

Requested by Senator Dianne Feinstein

On March 24, 2015, Germanwings Flight 9525 crashed in the Alps, killing all 150 people onboard. The crash is widely believed to be the result of intentional action by the copilot. Since 1994, at least four other incidents have been identified in which a pilot was either suspected or confirmed to have intentionally caused the crash. Additionally, in March 2012, JetBlue Airways Flight 191 was diverted after the first officer locked the captain out of the cockpit due to the captain's erratic behavior. The flight landed safely, but the captain had to be subdued by passengers during the incident and was later criminally charged with interference with a flight crew. Both the Germanwings and JetBlue Airlines incidents drew worldwide attention to the issue of flight deck safety, including securing cockpit doors. As requested by Senator Dianne Feinstein, we are assessing the effectiveness of FAA's actions to (1) identify vulnerabilities to flight deck security, and (2) mitigate identified flight deck vulnerabilities.

PLANNED

FAA Data Communications

Self-Initiated

Data Communications (DataComm), a key NextGen transformational program, is expected to provide digital communications with data link capability for routine pilot-controller communications, including air traffic clearances, advisories, and flight crew requests and reports. FAA currently plans to spend over \$700 million on the initial segment of DataComm through 2019, and the program has been identified as a top NextGen priority by a joint government-industry task force. We plan to determine whether FAA's acquisition strategy for DataComm adequately addresses the cost, schedule, and performance risks associated with FAA's NextGen plans and goals, and whether there are difficulties or uncertainties in integrating new DataComm services with existing or planned automation platforms, such as the Standard Terminal Automation Replacement System (STARS) and En Route Automation Modernization (ERAM).

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. We plan to complete our review by assessing FAA's progress on its commitments in the implementation plan, and determining how FAA is mitigating risks for any missed milestones or as commitments change.

FAA's Response to ERAM Outages

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 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 plan to review

the causes of the ERAM outages and FAA's actions to address them, and identify any trade-offs in specifications that FAA made to meet revised schedules.

FAA's 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.

Follow-Up on FAA's Automatic Dependent Surveillance-Broadcast System

Required by the FAA Modernization Reform Act of 2012

FAA's ADS-B system is a satellite-based surveillance technology that will complement radar by using aircraft avionics and ground-based systems to provide information on aircraft location to pilots and controllers. We plan to assess ADS-B security controls to include open recommendations from our prior ADS-B audits.

FAA's Controls Over SWIM Security

Self-Initiated

System Wide Information Management (SWIM) is part of the NextGen portfolio of programs and is critical to ensuring all stakeholders can communicate with one another. SWIM allows airline operations, air traffic managers and controllers, Federal air marshals, military, and other stakeholders to share information in near real time. We plan to assess SWIM's compliance with the security architecture used to guide the development, design, and implementation of NextGen system security and Federal Information Security Modernization Act of 2014 (FISMA) requirements.

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 plan to examine FAA's oversight of regional airlines and whether FAA is able to detect labor conditions that could adversely affect safety.

Quality Control Review of FAA's Financial Statements for Fiscal Years 2015 and 2016

Required by Chief Financial Officers Act

We plan to perform 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.

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 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 FHWA's processes 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 DOTs 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 life of the project. We are assessing FHWA's controls for reviewing and authorizing project agreements and modifications to project agreements.

Oversight of State Transportation Improvement Programs

Self-Initiated

Congress requires States to submit State Transportation Improvement Programs (STIP) to FHWA and FTA 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 and FTA are required to review and approve STIPs, assess State compliance with Federal requirements, and evaluate whether program funding is reasonably expected to be available. We are assessing FHWA policies, procedures, and guidance for ensuring that STIPs receive comprehensive, consistent reviews and meet Federal requirements, including coordination with the Federal Transit Administration.

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 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 motor carrier crashes have identified pre-existing risk factors that should have prompted interventions by FMCSA and State agencies. We are determining whether FMCSA and State agencies have effective processes and quality controls in place to ensure that their investigations result in complete and accurate assessments of motor carriers' safety operations.

FEDERAL RAILROAD ADMINISTRATION

IN PROGRESS

FRA's Oversight of the Transportation of Hazardous Materials by Rail

Self-Initiated

In July 2013, the fatal Bakken oil train derailment in Lac Mégantic, Quebec, highlighted the importance of oversight of rail transportation of hazardous materials. Recent increases in rail transportation of these materials—particularly crude oil shipments, which increased from 9,500 carloads in 2008 to 407,761 carloads in 2013—and other accidents in Alabama, North Dakota, and Virginia underscore the importance of addressing safety risks. Given the public safety risk posed by increased transportation of hazardous materials by rail, we are assessing FRA's enforcement of hazardous materials regulations using inspections and other tools.

FRA's Oversight of Railroad Bridge Safety

Self-Initiated

According to FRA accident data as reported by the railroads, 24 train accidents caused by misalignment or failure of railroad bridges resulted in 392 injuries over the last 10 years. Recently, railroad traffic has increased significantly, including the rail transportation 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. We are assessing FRA's oversight for ensuring that track owners' bridge management programs comply with FRA's rule on bridge safety standards.

PLANNED

FRA's Oversight of HSIPR Grantee Contracting Practices

Self-Initiated

Congress has appropriated over \$10 billion for FRA's High Speed Intercity Passenger Rail Program—a grant program that supports development of high speed and intercity passenger rail networks. As of December 2014, FRA had disbursed approximately \$2.8 billion in grants. Our prior FRA audits have found weaknesses in FRA's oversight of compliance with HSIPR grant requirements, and found that FRA's policies and procedures for monitoring HSIPR grants were incomplete. Such oversight weaknesses and a lack of comprehensive procedures weaken FRA's internal controls and may expose HSIPR funds to greater risk of misuse or fraud. We plan to initiate an audit to determine whether FRA provides effective oversight of grantees' contracting practices using HSIPR funds.

FEDERAL TRANSIT ADMINISTRATION

IN PROGRESS

FTA's Oversight of Corrective Actions for At-Risk Grantees

Self-Initiated

FTA administers grants to more than 1,200 State and local grantees and provided more than \$10.6 billion of Federal assistance in 2014 to help plan, build, and operate the Nation's transit systems. In the past 4 years, FTA's financial management reviews of transit agencies' internal controls have identified 36 at-risk grantees with significant deficiencies such as unallowable costs, inadequate competition for major procurements, and inability to reconcile actual costs with allowable budget categories. The deficiencies required FTA to place additional oversight controls on Federal disbursements to these transit agencies, including restricting agencies' drawdowns of Federal funds and requiring them to take corrective actions before lifting restrictions. We are assessing 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 that have been awarded almost \$9 billion in Federal funds. Transit agencies with major projects must submit financial plans to FTA prior to grant award, and annual financial plans and quarterly financial reports after award. The quarterly reports are part of FTA's monitoring to ensure grantees' proper use of Federal funds. We initiated an audit of FTA's oversight of these western major capital projects. Specifically, we are evaluating FTA's processes for identifying and assessing major capital projects' financial risks, and reviewing and approving grantee financial plans and reports. We are also assessing FTA's oversight of grantees' mitigation of financial risks.

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 the FTA Public Transportation Emergency Relief

Program for Hurricane Sandy relief and directed our office to provide oversight of FTA's Hurricane Sandy relief funds. Accordingly, we are determining whether FTA provides effective oversight of grantees' contracting practices using DRAA funds.

FTA's Oversight of the Port Authority Trans-Hudson Corporation's Grant Procurement Practices for the Salt Mitigation of Tunnels Project

Self-Initiated

DRAA provided over \$10 billion to the FTA Public Transportation Emergency Relief Program for Hurricane Sandy relief and directed our office to provide oversight of FTA's Hurricane Sandy relief funds. FTA awarded a grant now valued at \$479 million to the Port Authority Trans-Hudson Corporation (PATH) for a variety of repair, recovery, and resiliency projects—including an approximately \$310 million Salt Mitigation of Tunnels Project to repair salt water damage caused by the hurricane. FTA is responsible for overseeing its DRAA grantees, including PATH, to verify that grantees comply with applicable Federal regulations, use sound procurement practices, and spend Federal grant funds appropriately. We are evaluating whether FTA's oversight is adequate to verify that PATH's grant procurement practices for the Salt Mitigation of Tunnels Project are in accordance with Federal requirements.

PLANNED

Controls Over FTA's Network Security

Self-Initiated

While conducting security controls testing last year as part of our annual financial statement audit, we identified control deficiencies in FTA's IT environment—specifically in its grants systems. We found that FTA's procedures and controls were not sufficient to ensure compliance with the Department's cybersecurity policies. We plan to determine if FTA's networks are secure from external compromise and if security weaknesses exist in its IT infrastructure.

IN PROGRESS

MARAD Management Controls Review

Self-Initiated

MARAD's mission is to improve the marine transportation system to meet the Nation's economic, environmental, and security needs. The Agency's programs focus on maintaining shipbuilding and repair services, ports, water and land transportation services, and reserve shipping capacity. In recent years, MARAD has restructured its organization and taken on oversight for a significant influx of Federal funds, pointing to the need for a comprehensive review of the Agency's controls over its operations. Accordingly, we are assessing MARAD's management controls for planning, performance measurement, and risk management; organizational structure and workforce development; and program implementation, monitoring, and oversight of mission requirements.

PLANNED

Follow-Up Review on USMMA's Progress in Addressing Sexual Harassment and Sexual Assault

Directed by the Senate Committee on Appropriations

In October 2014, OIG issued its final report on the U.S. Merchant Marine Academy's (USMMA) efforts to address sexual assault and sexual harassment. After we issued our report, USMMA released its 2013-2104 annual report and biennial survey, including its Sexual Harassment and Sexual Assault Prevention Action Plan. As directed by the Senate Committee on Appropriations, we plan to assess this plan and evaluate the progress USMMA has made to address corrective actions.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

IN PROGRESS

NHTSA's Efforts To Close Prior OIG Recommendations Related to Identifying and Addressing Vehicle Safety Defects

Requested by the Secretary of Transportation

Since February 2014, GM has recalled 2.6 million vehicles for a defective ignition switch that can unintentionally shut down the engine and disable power steering, power brakes, and airbags. NHTSA's handling of issues related to the ignition switch recall prompted the Secretary of Transportation to request that OIG assess NHTSA's vehicle safety procedures related to the GM recall. We launched two separate audits in response to the request. Our first audit, issued in June 2015, assessed NHTSA's safety functions and processes related to the GM recall. In this second audit, we are assessing NHTSA's actions to implement our 2011 recommendations to strengthen its processes for identifying and addressing vehicle safety defects.

Review of NHTSA's Fiscal Year 2015 Drug Controls Funds and Performance Summary Reporting

Required by Office of National Drug Control Policy Circular, Accounting of Drug Control Funding and Performance Summary

As mandated by ONDCP's Circular on Accounting of Drug Control Funding and Performance Summary, we plan to conduct an attestation review to provide assurance that no information came to our attention that would reverse NHTSA's assertions that the report submitted to the ONDCP Director complied with ONDCP's Circular.

NATIONAL TRANSPORTATION SAFETY BOARD

IN PROGRESS

Quality Control Review of NTSB's Financial Statements for Fiscal Years 2015 and 2014

Required by the Chief Financial Officers Act

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

Quality Control Review of NTSB's Financial Statements for Fiscal Years 2016 and 2015

Required by the Chief Financial Officers Act

We plan to perform 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.

OFFICE OF THE SECRETARY OF TRANSPORTATION

IN PROGRESS

DOT's Oversight of Airlines' 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.

DOT's Information Security Program and Practices for 2015

Required by the Federal Information Security Modernization Act of 2014

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

Quality Control Review of DOT's Fiscal Years 2015 and 2014 Consolidated Financial Statements

Required by Chief Financial Officers Act

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

Controls Over the Volpe Center's Network Security

Self-Initiated

We are assessing the effectiveness of Volpe systems' security controls and whether Volpe is identifying security risks and properly mitigating them.

Effectiveness of DOT's Information Systems' Disaster Recovery Plans and Exercises

Self-Initiated

DOT's operations rely on more than 450 information systems to provide functional capabilities for keeping the Nation's transportation system safe and operational. We are evaluating whether DOT has developed adequate disaster recovery plans for its information systems and conducted effective test exercises of

these plans to ensure they will work in the event of a disruption.

Effectiveness of DOT's Cyber Security Incident Handling and Response

Self-Initiated

FISMA requires agencies to establish incident response capabilities for their information systems. We are assessing the effectiveness of the Department's computer security incident response program.

Quality Control Reviews of Single Audits on DOT Grantees

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.

DOT Conference-Related Activities and Expenses

Self-Initiated

OMB's Eliminating Excess Conference Spending and Promoting Efficiency in Government, a memorandum issued in September 2011, instructs Federal agencies to conduct thorough reviews of their policies and controls for conference-related activities and expenses.

DOT reported spending a total of \$18.9 million on conference-related activities and expenses from March to September 2014. We are evaluating whether DOT has implemented effective policies, procedures, and controls for 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 a review of DOT's fiscal year 2015 Annual Financial Report to determine its accuracy and compliance with requirements in the Improper Payments and Elimination Recovery Act of 2010.

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. We are currently a second evaluation of DOT's classification program to assess whether DOT has implemented policies and procedures to classify information that comply with Federal policy and regulations, and to identify any practices that may lead to persistent misclassification of information.

The Volpe Center'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 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.

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. OST recently conducted a study of the rule's impact on carrier's decisions to delay or cancel flights. As required by the act, we are assessing the effect of the tarmac delay rule on carriers' decisions to delay or cancel flights. We also plan to evaluate OST's analysis of the issue.

Department of Transportation's Use of Other Transaction Agreements

Self-Initiated

Congress has granted several DOT Operating Administrations, including FAA and PHMSA, the authority to enter into other transaction agreements (OTA). OTAs enable entities to work with the Government that would otherwise not want 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.

PLANNED

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

We plan to perform a quality control review of the audit performed by an independent public accounting firm to determine whether (1) management's description of the service organization's systems is fairly presented; (2) controls are suitably designed; and (3) controls operated effectively during the period of October 1, 2015, to June 30, 2016.

DOT's Information Security Program and Practices for 2016

Required by the Federal Information Security Modernization Act of 2014

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

DOT's Working Capital Fund Program

Self-Initiated

DOT's Working Capital Fund, totaling over \$528 million for fiscal year 2015, finances common administrative services and other services that are centrally performed in the interest of economy and efficiency. The fund is financed through agreements with DOT Operating Administrations. We plan to determine whether the Department established adequate controls over the Working Capital Fund to include reconciliation of actual costs incurred versus cost billed to Operating Administrations in a timely manner, and whether costs charged by the fund are appropriate and specific.

Quality Control Review of DOT's Fiscal Years 2016 and 2015 Consolidated Financial Statements

Required by the Chief Financial Officers Act

We plan to perform 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.

DOT's Compliance With the Digital Accountability and Transparency Act of 2014

Required by the Digital Accountability and Transparency Act of 2014

As mandated by the Digital Accountability and Transparency Act of 2014, we plan to assess DOT's readiness to implement the act.

Quality Control Reviews of Single Audits on DOT Grantees

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

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

DOT Oversight of TIGER Grantee Contracting Practices

Self-Initiated

The Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program, invests in road, rail, transit, and port projects. Since 2009, Congress has funded more than \$4.1 billion in TIGER grants for multi-modal, multi-jurisdictional projects that have significant impact but are more difficult to support through traditional DOT programs, which provide funding to specific groups of applicants—mostly State

DOTs and transit agencies. In contrast, TIGER grants can provide capital funding directly to any public entity, including municipalities, counties, port authorities, tribal governments, and municipal planning organizations. However, these entities have limited DOT program experience and may face challenges complying with unfamiliar grant requirements for the award and administration of third-party contracts. We plan to determine if the Department provides adequate oversight of grantee practices for projects reimbursed with TIGER grant funds.

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 cybersecurity. OCIO is responsible for responding to the increasing cyber threat, and ensuring DOT implements plans and achieves the goals of Federal cybersecurity initiatives. From fiscal years 2012 through 2015, Congress appropriated almost \$29 million in discretionary funding to OCIO to support a number of cyber security initiatives, of which about \$20 million has been expended. We are evaluating whether DOT has established adequate controls to ensure OCIO use of cybersecurity funding meets congressional intent.

DOT's Efforts To Implement MAP-21 Project and Program Delivery Requirements, Phase 2

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

In phase 1 of our mandated audit work to assess the Department's implementation of the Moving Ahead for Progress in the 21st Century Act's (MAP-21) Subtitle C project and program delivery reforms, we assessed the status of DOT's planned actions. In phase 2, we plan to assess the Department's implementation of key MAP-21 provisions.

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 February 2015, the Ranking Member of the House Committee on Transportation and Infrastructure raised concerns about the length of time PHMSA has taken to establish new regulations for railroad tank cars carrying crude oil and to implement congressional mandates. We are assessing PHMSA's progress in addressing congressional mandates and recommendations from NTSB, the Government Accountability Office, and DOT OIG that have been issued since 2005; its process for implementing mandates and recommendations, including any impediments to Agency action; and efforts to coordinate and address Operating Administrations' safety concerns.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

IN PROGRESS

Quality Control Review of SLSDC's Financial Statements for Fiscal Years 2015 and 2014

Required by the Chief Financial Officers Act

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

Quality Control Review of SLSDC's Financial Statements for Fiscal Years 2016 and 2015

Required by the Chief Financial Officers Act

We plan to perform 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

SUMMARY OF PERFORMANCE

April 1, 2015 – September 30, 2015

Reports issued	75
Recommendations issued	217
Congressional testimonies	2
Total financial recommendations	\$1,381,593,050
That funds be put to better use	\$1,374,700,000
Questioned costs	\$6,893,050
Financial impact of OIG investigations (including fines, restitution, recoveries, and forfeitures)	\$963,087,454
Indictments	37
Convictions	36

COMPLETED OIG AUDIT REPORTS

April 1, 2015 – September 30, 2015

Category	Number of reports	Number of recommendations	Questioned costs	Unsupported costs	Funds to be put to better use
INTERNAL AUDITS					
Performance audits	17	94	\$0	\$0	\$1,374,700,000
Financial audits	1	0	\$0	\$0	\$0
Attestation engagements	1	5	\$0	\$0	\$0
Other OIG reports	0	0	\$0	\$0	\$0
Total for internal audit reports	19	99	\$0	\$0	\$1,374,700,000
GRANT AUDITS					
Audits under Single Audit Act	56	118	\$6,893,050	\$0	\$0
Total completed OIG reports	75	217	\$6,893,050	\$0	\$1,374,700,000

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

DOT programs and operations are primarily carried out by Department personnel and recipients of Federal grants. As a result, our audits generally fall into one of three categories: (1) internal audits of Departmental programs and operations, (2) audits of grant recipients, and (3) other OIG audits.

OIG AUDIT REPORTS WITH RECOMMENDATIONS THAT QUESTIONED COSTS

April 1, 2015 – September 30, 2015

	Number of reports	Number of recommendations	Questioned costs	Unsupported costs ^a
A For which no management decision had been made by the start of the reporting period	1	1	\$493,070	\$0
B Which were issued during the reporting period	11	15	\$6,893,050	\$0
Totals (A+B)	12	16	\$7,386,120	\$0
C For which a management decision was made during the reporting period	9	13	\$6,858,179	\$0
(i) dollar value of recommendations that were agreed to by management (disallowed costs) ^b	1	1	\$14,325	\$0
(ii) dollar value of that were not agreed to by management ^b	8	12	\$6,843,854	\$0
D For which no management decision had been made by the end of the reporting period	3	3	\$527,941	\$0

^a Unsupported costs included in questioned costs.

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

OIG AUDIT REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

April 1, 2015 – September 30, 2015

	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	\$14,100,000
B Which were issued during the reporting period	3	3	\$1,374,700,000
Totals (A+B)	4	4	\$1,388,800,000
C For which a management decision was made during the reporting period	3	3	\$535,800,000
(i) dollar value of recommendations that were agreed to by management	0	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	3	3	\$535,800,000
D For which no management decision had been made by the end of the reporting period	1	1	\$853,000,000

OIG AUDIT REPORTS RECOMMENDING CHANGES FOR SAFETY, ECONOMY, OR EFFICIENCY

April 1, 2015 – September 30, 2015

	Number of reports	Number of recommendations
A For which no management decision had been made by the start of the reporting period	27	72
B Which were issued during the reporting period	59	199
Totals (A+B)	86	271
C For which a management decision was made during the reporting period ^a	62	178
D For which no management decision had been made by the end of the reporting period ^a	31	93

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

MANAGEMENT DECISIONS REGARDING OIG AUDIT RECOMMENDATIONS

April 1, 2015 – September 30, 2015

(dollars in thousands)

	Number of reports	Number of recommendations	Questioned costs	Unsupported costs ^a	Funds to be put to better use
Unresolved as of 4/01/2015	29	74	\$493,070	\$0	\$14,100,000
Audits with recommendations during current period	73	217	\$7,386,120	\$0	\$1,374,700,000
Total to be resolved	102	291	\$7,879,190	\$0	\$1,388,800,000
MANAGEMENT DECISIONS					
Prior period audits ^b	18	32	0	0	14,100,000
Current period audits ^b	52	162	\$6,858,179	0	521,700,000
Total resolved	70	194	\$6,858,179	\$0	\$535,800,000
AGE OF UNRESOLVED AUDITS^c					
Less than 6 months old	25	55	\$34,871	\$0	\$853,000,000
6 months to 1 year	4	22	\$0	\$0	\$0
1 year to 18 months	4	6	\$0	\$0	\$0
18 months to 2 years	0	0	\$0	\$0	\$0
Over 2 years old	9	14	\$493,070	\$0	\$0
Unresolved as of 9/30/2015	42	97	\$527,941	\$0	\$853,000,000

^a Unsupported costs are also included in questioned costs.

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

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

PUBLISHED OIG AUDIT REPORTS

April 1, 2015 – September 30, 2015

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance – 7 Reports

Delays in Meeting Statutory Requirements and Oversight Challenges Reduce FAA's Opportunities To Enhance HEMS Safety, (AV-2015-039), Apr. 8, 2015.

FAA Has Not Effectively Implemented Repair Station Oversight in the European Union, (AV-2015-066), July 16, 2015.

FAA Delays in Establishing a Pilot Records Database Limit Air Carriers' Access to Background Information (AV-2015-079), Aug. 20, 2015.

Efficiency of FAA's Air Traffic Control Towers Ranges Widely (ST-2015-080), Aug. 20, 2015.

\$853,000,000 funds be put to better use

FAA Has Not Effectively Deployed Controller Automation Tools That Optimize Benefits of Performance-Based Navigation (AV-2015-081), Aug. 20, 2015.

There Are Significant Differences Between FAA and Foreign Countries' Processes for Operating Air Navigation Systems (AV-2015-084), Sept. 2, 2015.

FAA's Contingency Plans and Security Protocols Were Insufficient at Chicago Air Traffic Control Facilities (AV-2015-112), Sept. 29, 2015.

Grant Audits: Performance – 4 Reports

City of El Paso, El Paso, TX (also listed under Federal Transit Administration) (SA-2015-069), July 20, 2015. \$145,255 questioned

Quality Control Review on the Single Audit of the City and County of Denver, CO (QC-2015-072), Aug. 13, 2015.

Quality Control Review on the Single Audit of the Tucson Airport Authority, Tucson, AZ (QC-2015-073), Aug. 13, 2015.

Quality Control Review on the Single Audit of Memphis-Shelby County Airport Authority, Memphis, TN (QC-2015-100), Sept. 15, 2015.

FEDERAL HIGHWAY ADMINISTRATION

Internal Audits: Performance – 1 Report

FHWA's FIRE Program Is Addressing State Vulnerabilities, but Opportunities Exist To Make Improvements (ST-2015-083), Sept. 1, 2015.

Grant Audits: Performance – 27 Reports

State of Arizona, Phoenix, AZ (SA-2015-048), June 17, 2015.

Stillaguamish Tribe of Indians, Arlington, WA (SA-2015-050), June 17, 2015. \$519,509 questioned

Wyoming Department of Transportation, Cheyenne, WY (also listed under Federal Transit Administration, National Highway Traffic Safety Administration, and the Office of the Secretary) (SA-2015-052), June 17, 2015.

State of Alaska, Juneau, AK (SA-2015-053), June 17, 2015. \$16,981 questioned

State of Louisiana, Baton Rouge, LA (SA-2015-054), June 17, 2015. \$90,739 questioned

<i>State of Texas, Comptroller of Public Accounts, Austin, TX (SA-2015-055), June 17, 2015.</i>	\$76,655 questioned
<i>Highways Division, Department of Transportation, State of Hawaii (SA-2015-056), June 17, 2015.</i>	
<i>State of Tennessee, Nashville, TN (SA-2015-061), June 17, 2015.</i>	\$4,335,293 questioned
<i>Quality Control Review on the Single Audit of the South Carolina Department of Transportation, Columbia, SC (also listed under Federal Transit Administration) (QC-2015-075), Aug. 13, 2015.</i>	
<i>Commonwealth of Pennsylvania, Harrisburg, PA (SA-2015-085), Sept. 14, 2015.</i>	
<i>Commonwealth of Virginia, Richmond, VA (SA-2015-086), Sept. 14, 2015.</i>	
<i>State of California, Sacramento, CA (also listed under Federal Railroad Administration and Federal Transit Administration) (SA-2015-087), Sept. 14, 2015.</i>	
<i>State of Georgia, Atlanta, GA (SA-2015-088), Sept. 14, 2015.</i>	
<i>State of Indiana, Indianapolis, IN (SA-2015-089), Sept. 14, 2015.</i>	
<i>State of Nevada, Carson City, NV (SA-2015-091), Sept. 14, 2015.</i>	
<i>State of North Carolina, Raleigh, NC (also listed under Federal Railroad Administration and Federal Transit Administration) (SA-2015-092), Sept. 14, 2015.</i>	
<i>State of North Dakota, Bismarck, ND (SA-2015-093), Sept. 14, 2015.</i>	
<i>State of Washington, Olympia, WA (SA-2015-094), Sept. 14, 2015.</i>	
<i>State of Florida, Tallahassee, FL (also listed under Federal Transit Administration) (SA-2015-095), Sept. 14, 2015.</i>	

State of Connecticut, Hartford, CN (also listed under Federal Transit Administration) (SA-2015-096), Sept. 14, 2015.

Government of the District of Columbia, Washington, DC (SA-2015-098), Sept. 15, 2015.

State of Colorado, Denver, CO (SA-2015-102), Sept. 21, 2015.

State of Wisconsin, Madison, WI (SA-2015-103), Sept. 21, 2015.

\$1 questioned

State of Illinois, Springfield, IL (also listed under Federal Railroad Administration and Office of the Secretary of Transportation) (SA-2015-104), Sept. 21, 2015.

State of New Jersey, Trenton, NJ (SA-2015-105), Sept. 21, 2015.

Rhode Island and Providence Plantations, Providence, RI (SA-2015-107), Sept. 21, 2015.

\$34,870 questioned

State of Michigan, Lansing, MI (also listed under Federal Railroad Administration) (SA-2015-109), Sept. 22, 2015.

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance – 1 Report

FRA Improved Its Guidance on High Speed Rail Grant Amendments, But Policies and Procedures for Amending and Monitoring Grants Remain Incomplete (ST-2015-038), Apr. 1, 2015.

Grant Audits: Performance – 5 Reports

Commonwealth of Massachusetts, Boston, MA (SA-2015-067), July 20, 2015.

State of California, Sacramento, CA (also listed under Federal Highway Administration and Federal Transit Administration) (SA-2015-087), Sept. 14, 2015.

State of North Carolina, Raleigh, NC (also listed under Federal Highway Administration and Federal Transit Administration) (SA-2015-092), Sept. 14, 2015.

State of Illinois, Springfield, IL (also listed under Federal Highway Administration and Office of the Secretary of Transportation) (SA-2015-104), Sept. 21, 2015.

State of Michigan, Lansing, MI (also listed under Federal Highway Administration) (SA-2015-109), Sept. 22, 2015.

FEDERAL TRANSIT ADMINISTRATION

Internal Audits: Performance – 1 Report

FTA Has Not Fully Implemented Key Internal Controls for Hurricane Sandy Oversight and Future Emergency Relief Efforts (ST-2015-046), June 12, 2015.

Grant Audits: Performance – 31 Reports

Quality Control Review on the Single Audit of the San Diego Metropolitan Transit Systems, San Diego, CA (QC-2015-044), May 20, 2015.

Quality Control Review on the Single Audit of the Regional Transit Authority, New Orleans, LA (QC-2015-045), May 20, 2015.

State of Delaware, Dover, DE (also listed under the National Highway Traffic Safety Administration) (SA-2015-049), June 17, 2015.

\$1,422,095 questioned

San Francisco Bay Area Rapid Transit District, Oakland, CA (SA-2015-051), June 17, 2015.

Wyoming Department of Transportation, Cheyenne, WY (also listed under Federal Highway Administration, National Highway Traffic Safety Administration, and the Office of the Secretary) (SA-2015-052), June 17, 2015.

Los Angeles County Metropolitan Transportation Authority, Los Angeles, CA (also listed under Office of the Secretary of Transportation) (SA-2015-057), June 17, 2015. \$172,023 questioned

City of Fresno, CA (SA-2015-058), June 17, 2015.

Massachusetts Bay Transportation Authority, Boston, MA (SA-2015-059), June 17, 2015.

City of Albuquerque, NM (SA-2015-060), June 17, 2015.

State of Tennessee, Nashville, TN (also listed under Federal Highway Administration and Federal Transit Administration) (SA-2015-061), June 17, 2015.

New Mexico, Department of Transportation, Santa Fe, NM (also listed under National Highway Traffic Administration) (SA-2015-062), June 17, 2015.

Quality Control Review on the Single Audit of the Niagara Frontier Transportation Authority, Buffalo, NY (QC 2015-064), July 1, 2015.

State of Nebraska, Lincoln, NE (SA-2015-068), July 20, 2015. \$79,629 questioned

City of El Paso, El Paso, TX (also listed under Federal Aviation Administration) (SA-2015-069), July 20, 2015. \$145,255 questioned

Capital Metropolitan Transportation Authority, Austin, TX (SA-2015-070), July 20, 2015.

Quality Control Review on the Single Audit of the Greater Richmond Transit Company, Richmond, VA (QC-2015-074), Aug. 13, 2015.

Quality Control Review on the Single Audit of Miami-Dade Transit, Miami, FL (QC-2015-076), Aug. 13, 2015.

Quality Control Review on the Single Audit of the Worcester Regional Transit Authority, Worcester, MA (QC-2015-077), Aug. 13, 2015.

Quality Control Review on the Single Audit of Access Services, El Monte, CA (QC-2015-078), Aug. 13, 2015.

Quality Control Review on the Single Audit of the South Carolina Department of Transportation, Columbia, SC (also listed under Federal Highway Administration) (QC-2015-075), Aug. 13, 2015.

State of California, Sacramento, CA (also listed under Federal Highway Administration and Federal Railroad Administration) (SA-2015-087), Sept. 14, 2015.

State of Maryland, Annapolis, MD (SA-2015-090), Sept. 14, 2015.

State of North Carolina, Raleigh, NC (also listed under Federal Highway Administration and Federal Railroad Administration) (SA-2015-092), Sept. 14, 2015.

State of Florida, Tallahassee, FL (also listed under Federal Highway Administration) (SA-2015-095), Sept. 14, 2015.

State of Connecticut, Hartford, CT (also listed under Federal Highway Administration) (SA-2015-096), Sept. 14, 2015.

Metropolitan Council of the Twin Cities Area, St. Paul, MN (SA-2015-099), Sept. 15, 2015.

Quality Control Review on the Single Audit of Central Florida Regional Transportation Authority, Orlando, FL (QC-2015-101), Sept. 15, 2015.

State of Oklahoma, Oklahoma City, OK (SA-2015-106), Sept. 21, 2015.

Southern CA Regional Rail Authority, Los Angeles, CA (SA-2015-108), Sept. 22, 2015.

Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Rail Corporation, METRA, Chicago, IL (SA-2015-110), Sept. 22, 2015.

Quality Control Review on the Single Audit of the Rochester Genesee Regional Transportation Authority, NY (QC-2015-111), Sept. 23, 2015.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Internal Audits: Performance – 1 Report

Inadequate Data and Analysis Undermine NHTSA's Efforts To Identify and Investigate Vehicle Safety Concerns (ST-2015-063), June 18, 2015.

Grant Audits: Performance – 3 Reports

State of Delaware, Dover, DE (also listed under Federal Transit Administration) (SA-2015-049), June 17, 2015.

\$1,422,095 questioned

Wyoming Department of Transportation, Cheyenne, WY (also listed under Federal Highway Administration, Federal Transit Administration, and the Office of the Secretary) (SA-2015-052), June 17, 2015.

New Mexico, Department of Transportation, Santa Fe, NM (also listed under Federal Transportation Administration) (SA-2015-062), June 17, 2015.

OFFICE OF THE SECRETARY OF TRANSPORTATION

Internal Audits: Performance – 7 Reports

Volpe Did Not Fully Comply With Federal Requirements When Planning and Administering Its V-TRIPS Contract (ZA-2015-040), Apr. 8, 2015.

\$27,600,000 funds be put to better use

Some Deficiencies Exist in DOT's Enforcement and Oversight of Certification and Warrant Authority for Its Contracting Officers (ZA-2015-041), Apr. 9, 2015.

DOT's Fiscal Year 2014 Improper Payment Reporting Generally Complies With IPERA Requirements (FI-2015-043), May 15, 2015.

DOT Lacks an Effective Process for Its Transition to Cloud Computing (FI-2015-047), June 16, 2015.

Weak Internal Controls for Collecting Delinquent Debt Put Millions of DOT Dollars at Risk (FI-2015-065), July 9, 2015.

\$494,100,000 funds be put to better use

The Department Does Not Fully Ensure Compliance With Contract Closeout Requirements (ZA-2015-071), July 23, 2015.

Quality Control Review of Controls Over the Enterprise Services Center (For Official Use Only) (QC-2015-082), Aug. 26, 2015.

Grant Audits: Performance – 4 Reports

Wyoming Department of Transportation, Cheyenne, WY (also listed under Federal Highway Administration, Federal Transit Administration, and the National Highway Traffic Safety Administration) (SA-2015-052), June 17, 2015.

Los Angeles County Metropolitan Transportation Authority, Los Angeles, CA (also listed under Federal Transit Administration) (SA-2015-057), June 17, 2015. \$172, 023 questioned

City of Long Beach, Long Beach, CA (SA-2015-097), Sept. 14, 2015.

State of Illinois, Springfield, IL (also listed under Federal Highway Administration and Federal Railroad Administration) (SA-2015-104), Sept. 21, 2015.

OTHER

Internal Audits: Financial – 1 Report

Quality Control Review of Audited Financial Statements for Fiscal Years 2013 and 2012, Metropolitan Washington Airports Authority (QC-2015-042), Apr. 22, 2015.

OIG CONGRESSIONAL TESTIMONIES

April 1, 2015 – September 30, 2015

*Oversight of Major Transportation Projects:
Opportunities To Apply Lessons Learned*
CC-2015-010
June 8, 2015

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

*NHTSA's Efforts To Identify Safety-Related
Vehicle Defects*
CC-2015-011
June 23, 2015

Before the Senate Committee on
Commerce, Science, and Transportation

UNRESOLVED AUDIT RECOMMENDATIONS OVER 6 MONTHS OLD

April 1, 2015 – September 30, 2015

CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2010 – SEPTEMBER 30, 2010

Information Security and Privacy Controls Over the Airmen Medical Support Systems (FI-2010-069) 6/18/2010

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, 2011 – SEPTEMBER 30, 2011

More Rigorous Oversight Is Needed To Ensure Venice Municipal Airport Land Sales and Leases Are Used Appropriately (AV-2011-180) 9/29/2011

CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2012 – SEPTEMBER 31, 2012

Long-Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency (AV-2012-152) 7/19/2012

FAA Has Not Effectively Implemented Its Wildlife Hazard Mitigation Program (AV-2012-170) 8/22/2012

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, 2013 – SEPTEMBER 30, 2013

<i>Weaknesses in the Department's Disadvantaged Business Enterprise Program Limit Achievement of Its Objectives (ZA-2013-072)</i>	4/23/2013
<i>FHWA Is Monitoring Unexpended Recovery Act Highway Funds, but Some Funds May Remain Unused (MH-2013-122)</i>	9/4/2013

CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2014 – SEPTEMBER 30, 2014

<i>Further Actions Are Needed To Improve FAA's Oversight of the Voluntary Disclosure Reporting Program (AV-2014-036)</i>	4/10/2014
<i>FAA Faces Significant Barriers To Safely Integrate Unmanned Aircraft Systems Into the National Airspace System (AV-2014-061)</i>	6/26/2014
<i>ADS-B Benefits Are Limited Due to a Lack of Advanced Capabilities and Delays in User Equipage (AV-2014-105)</i>	9/11/2014
<i>Management Limitations May Hinder FAA's Ability To Fully Implement and Assess the Effectiveness of Its Runway Safety Initiatives (AV-2014-130)</i>	9/25/2014

CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2014 – MARCH 31, 2015

<i>DOT's Suspension and Debarment Program Continues To Have Insufficient Controls (ZA-2015-003)</i>	10/15/2014
<i>Oversight Weaknesses Limit DOT's Ability To Ensure Passenger Protections During Long, On-Board Flight Delays (AV-2015-001)</i>	10/28/2014
<i>DOT Has Made Progress, but Significant Weakness in Its Information Security Remain (FI-2015-009)</i>	11/14/2014
<i>Program and Data Limitations Impede the Effectiveness of FAA's Hazardous Materials Voluntary Disclosure Reporting Program (AV-2015-034)</i>	3/13/2015

FINANCIAL IMPACT OF OIG INVESTIGATIONS

April 1, 2015 – September 30, 2015

Type	Amount
Fines (and special assessments)	\$70,947
Restitution	\$47,231,304
Recoveries	\$11,823,019
Costs avoided	\$1,000,000
Forfeitures	\$902,962,183
Total	\$963,087,454

OIG HOTLINE CONTACTS

April 1, 2015 – September 30, 2015

Method of contact	Number
Email	1,069
Fax	0
Letters	145
Web	156
Telephone	1,048
Walk ins	0
Total	2,418

JUDICIAL AND ADMINISTRATIVE ACTIONS RESULTING FROM OIG INVESTIGATIONS

April 1, 2015 – September 30, 2015

Type of action	Number
Indictments	37
Convictions	36
Pre-Trial Diversion	10
Years incarceration	53.7
Years supervised release	54.0
Years probation	57.5
Hours community service	1,270
Business debarment	1
Business suspension	16
Individual debarment	1
Individual suspension	30

Type of action	Number
Employee counseling	2
Employee removal	4
Employee resigned/retired during investigation	5
Employee suspension	3
Certification/License/Permit revoked/terminated	8
Certification/License/Permit suspended	1
Corrective action taken	4
Compliance agreement	8
Federal funds reduced	1
Public Interest Exclusion	1

OIG INVESTIGATIVE WORKLOAD AND JUDICIAL REFERRALS

April 1, 2015 – September 30, 2015

INVESTIGATIVE WORKLOAD	
Current investigations	451
Investigations/Complaints opened	150
Investigations closed	144

JUDICIAL REFERRALS	
Referred for criminal prosecution	124
Accepted for criminal prosecution	78
Declined for criminal prosecution	51
Referred for civil prosecution	18
Accepted for civil prosecution	14
Declined for civil prosecution	6

PROFILE OF ALL PENDING OIG INVESTIGATIONS BY CASE TYPE

As of September 30, 2015

	Number of investigations	Aviation safety	Hazmat	Motor carrier	Transportation safety	Grant fraud	Procurement fraud	Workforce protection	Employee integrity	Other ^a
FAA	112	56	11	0	0	15	1	1	26	2
FHWA	110	0	0	0	0	98	0	8	4	0
FMCSA	100	0	10	57	1	0	0	23	9	0
FRA	6	0	0	0	1	5	0	0	0	0
FTA	51	0	0	0	1	45	2	3	0	0
MARAD	7	0	0	0	0	1	1	0	5	0
NHTSA	11	0	0	0	3	7	1	0	0	0
OIG	2	0	0	0	0	0	0	0	2	0
OST	7	0	0	0	2	1	0	0	4	0
PHMSA	39	0	37	0	0	0	0	0	2	0
RITA	5	0	0	0	0	3	1	0	1	0
No DOT element	1	0	0	0	0	0	0	0	1	0
Totals	451	56	58	57	8	175	6	35	54	2
Percentage	100%	12%	13%	13%	2%	39%	1%	8%	12%	0%

^a Includes computer intrusion cases.

CLOSED OIG INVESTIGATIONS RESULTING IN ADMINISTRATIVE ACTIONS ONLY

April 1, 2015 – September 30, 2015

Case type	Allegation	Number
Aviation	Accident related	1
Aviation	S.U.P. parts maintenance	4
Aviation	S.U.P. parts manufacturing	1
Employee	Assault/Threat	1
Employee	Conflict of interest (public corruption, current employee)	2
Employee	Prohibited personnel violation	1
Employee	Theft	1
Employee	Time and attendance fraud	4
Employee	Violation of law, rule, or regulation	1
Grant	DBE fraud	2
Grant	Embezzlement	1

Case type	Allegation	Number
Grant	False claims	1
Grant	Product substitution/substandard work or materials	4
Grant	Public corruption/extortion	1
Hazmat	Carriage by air	1
Hazmat	PHMSA cylinders and packaging	1
Motor carrier	Certificate fraud, medical by doctor	1
Motor carrier	Fraudulent registration filings (reincarnated carriers)	1
Motor carrier	Log books	1
Procurement	Post-Employment restriction	1
Workforce protection	Household goods/Moving companies	1

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

April 1, 2015 – September 30, 2015

Case type	Allegation	Number
Aviation	Interference or tampering with an aircraft	1
Employee	Abuse of authority	1
Employee	Ethics violation (misconduct)	1
Grant	DBE eligibility fraud (financial/ownership/control)	1
Grant	DBE fraud	1
Grant	Overbilling	1
Grant	Product substitution/substandard work of materials	1
Grant	Public corruption/extortion	1
Hazmat	Carriage by motor vehicle/public highway	1
Motor carrier	Certificate fraud, medical by doctor	1
Procurement	Overbilling	1
Workforce protection	Household goods/Moving companies	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's Office of Investigations and Office of Auditing and Evaluations are currently the subjects of Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer reviews.

The peer review of OIG's Office of Investigations is being conducted by the Treasury Inspector General for Tax Administration (TIGTA). TIGTA expects to issue a final report by December 31, 2015. The last CIGIE peer review of OIG's investigative function was during fiscal year 2012 by the U.S. Department of the Treasury (Treasury) OIG. Treasury OIG, in a report released August 30, 2012, concluded that the system of internal safeguards 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 peer review of OIG's Office of Audit is being conducted by the U.S. Department of Energy (DOE) OIG. DOE OIG expects to issue a final report by March 31, 2016. The last peer review of OIG's audit function was performed in fiscal year 2013 by DOD OIG. DOD OIG, in a report released August 8, 2013, concluded that the system of quality control for our audit function 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, DOD OIG provided a Pass rating, and no recommendations were made.

We conducted a CIGIE peer review of the U.S. Department of Health and Human Services OIG's audit operations. In our May 20, 2015, report, we provided a Pass rating and made no recommendations.

For the reports of the peer reviews conducted on our office, go to <http://www.oig.dot.gov/peer-review>.

MISSION AND ORGANIZATION

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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.

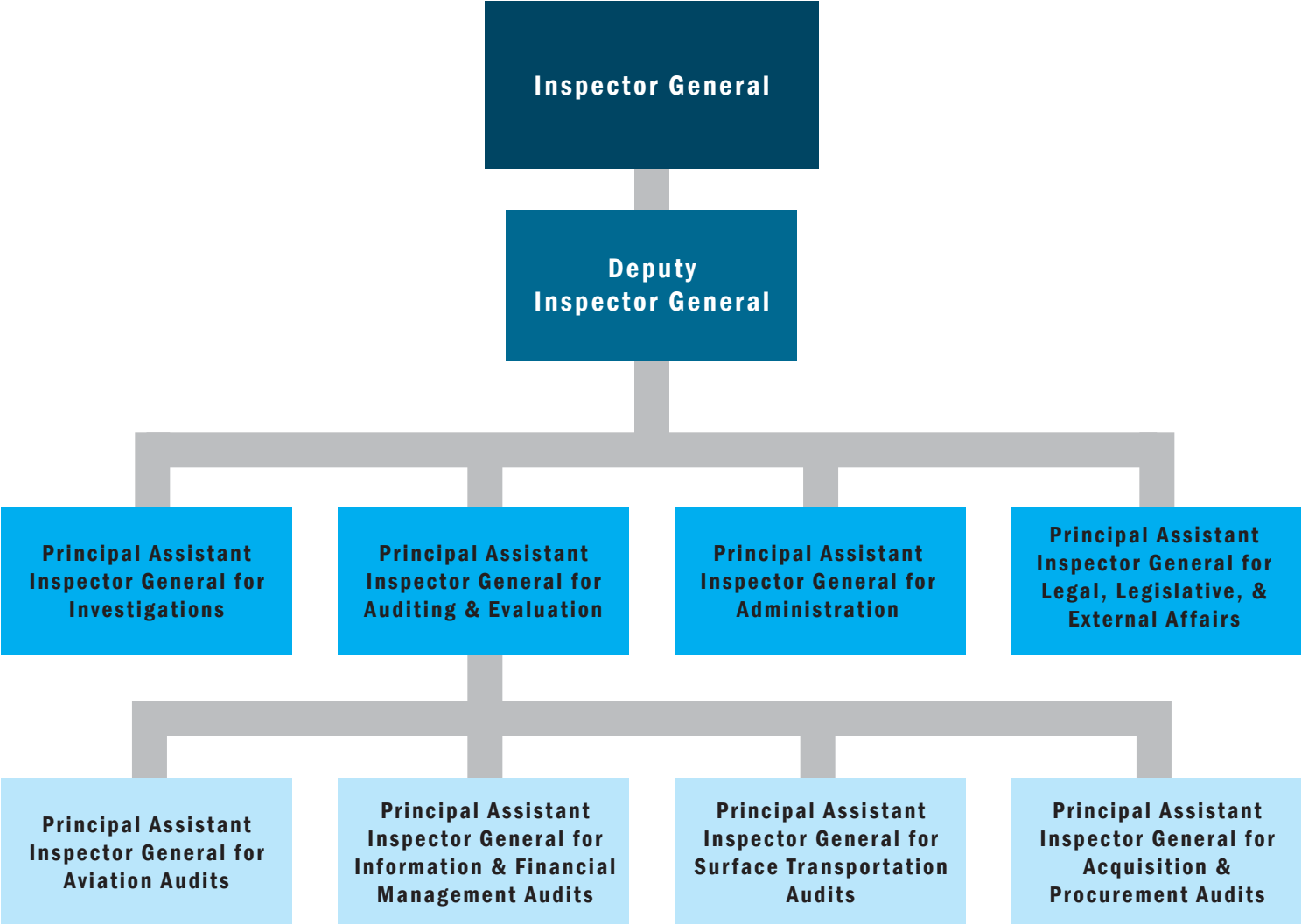
The Inspector General is committed to fulfilling its statutory responsibilities and assisting members of

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.

- **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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