

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

# SEMIANNUAL REPORT TO CONGRESS

**OCTOBER 1, 2013 - MARCH 31, 2014**



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# FROM THE INSPECTOR GENERAL

I am pleased to present the Department of Transportation (DOT) Office of Inspector General's (OIG) Semiannual Report to Congress for the first half of fiscal year 2014. Our audits and investigations support the Department's strategic goals of safety, livable communities, economic competitiveness, environmental sustainability, and state of good repair. Over the past 6 months, we issued 32 audit reports with a total of 114 recommendations, including financial recommendations totaling over \$532 million. Our investigative work resulted in 34 indictments, 39 convictions, and a total of more than \$1.3 billion in fines, restitutions, recoveries, and forfeitures.

Our aviation work this period continued to identify opportunities to improve safety and achieve savings in the Federal Aviation Administration's (FAA) management of the Nation's airspace and oversight of the aviation industry. We reported concerns regarding FAA's certification processes, safety data analysis, and data collection on flight delays and their causes. We also remain committed to protecting U.S. investments in FAA's multibillion-dollar Next Generation Air Transportation System (NextGen) and to ensuring the future viability of the National Airspace System. Our investigations continued to aggressively pursue individuals who compromise safety by falsifying aircraft parts records, tests, and repairs; flying while under the influence of alcohol; illegally piloting aircraft; and attempting to transport prohibited hazardous materials on passenger and other aircraft.

Our highway and transit work also identified areas where action is needed to ensure safety while protecting Federal investments. Our investigations targeted individuals intent on defrauding the Government out of millions of dollars, including funding provided through the American Recovery and Reinvestment Act (ARRA) of 2009, DOT's disadvantaged business enterprise (DBE) program, and National Highway Traffic Safety Administration (NHTSA) grant funds. Our investigations also continued to provide the evidence needed to prosecute commercial drivers who operate illegally and endanger the Nation's highways. In the area of vehicle safety, our investigators participated in the criminal probe of Toyota Motor Corporation, which recently forfeited \$1.2 billion for intentionally concealing information on vehicle defects from NHTSA. Our highway and transit audits similarly found opportunities to enhance safety through improved capacity to inspect buses at the U.S.-

Mexico border, and better State-reported data for identifying unsafe motor carriers. Our audits also identified opportunities to strengthen oversight of the Federal Transit Administration's (FTA) \$10 billion for Hurricane Sandy-related repair and recovery efforts, and the Federal Highway Administration's (FHWA) \$3.5-billion Tribal Transportation Program.

Our rail work continued to focus on the Federal Railroad Administration's (FRA) efforts to comply with the National Environmental Policy Act and to develop the Nation's first integrated rail plan, as required by the Passenger Rail Investment and Improvement Act of 2008. Our hazmat transport investigations uncovered violations of pipeline safety laws and illegal transport of explosives and hazardous waste, the latter of which resulted in an explosion at a home improvement retail store.

Our financial and information technology (IT) audits continued to identify significant vulnerabilities in DOT's \$3.3 billion IT portfolio. Ongoing security risks continue to threaten the Department's IT systems—both departmentwide and within specific programs—and remains a top management challenge for the Department. Closing security gaps in DOT's information systems is critical for ensuring the Nation's transportation systems are safe and for protecting Federal dollars from waste and fraud.

6  
months

\$1.33B

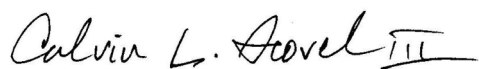
in fines, restitution, recoveries,  
and forfeitures

\$532.4M

in financial  
recommendations

Ensuring effective management of DOT's acquisitions and contracts to maximize value and program performance also remains a top management challenge for the Department. Our acquisition and procurement audits have identified actions needed to reduce spending on DOT's management support services contracts and ensure that FAA can achieve its air traffic controller training goals. Finally, we reported on weaknesses in the Metropolitan Washington Airports Authority's controls for managing \$975 million in Federal funds for FTA's Dulles Corridor Metrorail Project.

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



Calvin L. Scovel III

April 25, 2014

32

audit reports  
issued

114

recommendations

34

indictments

39

convictions

# AVIATION

OIG's aviation work emphasizes safety and economy through audits of air traffic control operations, acquisition and modernization of assets, program oversight, and customer service, and through investigations of counterfeit and substandard aircraft parts, falsified maintenance records, and fraudulent pilot and mechanic certifications.





# AUDITS AND INVESTIGATIONS

## AVIATION

### Audits

**October 30, 2013**

#### FAA CAN IMPROVE THE EFFECTIVENESS AND EFFICIENCY OF ITS CERTIFICATION PROCESSES

Testimony Before the House Transportation and Infrastructure Subcommittee on Aviation

The Assistant Inspector General for Aviation testified on several management and oversight weaknesses that have hindered the effectiveness and efficiency of FAA's certification processes. First, vulnerabilities in FAA's oversight of its Organization Designation Authorization program—which assigns organizations authority to certify aircraft or components on the Agency's behalf—increased the risk that individuals without proper training or qualifications or with known performance problems could approve critical aircraft components. Second, issues with FAA's approval process, resource management, and communication from Headquarters have led to a backlog of more than 1,000 aircraft operators and repair stations awaiting certification. Finally, these weaknesses will be exacerbated by the growing demand for certifying technology and procedures for NextGen and the need to establish certification standards to safely integrate unmanned aircraft systems (UAS) into the National Airspace System.

**December 18, 2013**

#### FAA'S SAFETY DATA ANALYSIS AND SHARING SYSTEM SHOWS PROGRESS, BUT MORE ADVANCED CAPABILITIES AND INSPECTOR ACCESS REMAIN LIMITED

Required by the Airline Safety and FAA Extension Act of 2010

In 2007, FAA implemented the Aviation Safety Information Analysis and Sharing (ASIAS) system in an effort to proactively identify and address safety risks that may lead to accidents. Through ASIAS, FAA collects and analyzes safety data from multiple public and confidential databases, such as data from airline voluntary safety reporting programs. Congress directed us to assess FAA's ability to establish a system such as ASIAS that can accommodate multiple data sources and also be accessible to FAA safety inspectors and analysts who oversee air carriers. While ASIAS now captures confidential voluntary safety data from 95 percent of Part 121 operations, it does not capture data from non-commercial sectors of the aviation industry, and FAA's planned use of the data to predict safety risks is still years away. In addition, we found that FAA does not allow its inspectors and analysts to use ASIAS's confidential data for air carrier oversight due to complex data protection agreements. Although many of the inspectors we surveyed stated that access to national-level trends from voluntary safety programs would improve air carrier

# Audits

oversight, FAA has not disseminated these data and safety trends to the field. FAA concurred with our four recommendations to enhance the Agency's policies and processes for accessing and using ASIAs information.

**December 18, 2013**

## MORE COMPREHENSIVE DATA ARE NEEDED TO BETTER UNDERSTAND THE NATION'S FLIGHT DELAYS AND THEIR CAUSES

Required by the FAA Modernization and Reform Act of 2012

In response to recommendations we made in July 2000, both FAA and the Bureau of Transportation Statistics significantly improved their processes for collecting data on flight delays and their causes. Although trends in flight delays, cancellations, and long taxi times have significantly improved over the last decade, data limitations hinder the Department's ability to track some of these delays or fully understand their causes. Overall, flight delays fell by 33 percent from 2000 to 2012,

and the number of cancellations nationwide has decreased by 56 percent at 55 major airports. Air carrier scheduling practices have had a major impact on reducing the number of flight delays both nationwide and at specific airports, such as by increasing scheduled gate-to-gate times and reducing flight volume. However, further enhancements are needed to provide the public with more complete information and to assist aviation stakeholders in identifying the root causes of delays. Over-scheduling and congestion remain problems at several major airports, particularly in the New York area. FAA's capacity benchmarks have proven useful for assessing capacity needs at major airports, but the Agency has not shared them with outside stakeholders and the general public since 2004.

The Office of the Secretary of Transportation (OST), FAA, and the Research and Innovative Technology Administration (now the Office of the Assistant Secretary for Research and Technology) concurred with three and partially concurred with two of our recommendations to improve the collection, reporting, and communication of flight delay and other related data.

# Audits

**January 28, 2014**

## FAA MADE LIMITED PROGRESS IN IMPLEMENTING NEXTGEN PROVISIONS OF THE FAA MODERNIZATION AND REFORM ACT OF 2012

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

Title II of the FAA Modernization and Reform Act of 2012 includes 24 provisions intended to help FAA better manage and advance NextGen and other modernization efforts. As of August 2013, FAA had implemented or was on target to implement about half of these provisions. However, FAA has yet to implement several provisions that are important for achieving NextGen's benefits. Longstanding programmatic and organizational challenges—including technical complexity; collaboration with other Government and aviation stakeholders; and financial concerns, such as meeting the provisions of the Budget Control Act of 2011—have hindered FAA's efforts to fully meet the act's provisions. FAA concurred with our two recommendations to provide more information to Congress and other stakeholders regarding its progress in meeting the act's Title II provisions.

**February 5, 2014**

## FAA'S IMPLEMENTATION OF THE FAA MODERNIZATION AND REFORM ACT OF 2012 REMAINS INCOMPLETE

Testimony Before the House Transportation and Infrastructure Subcommittee on Aviation

The Inspector General testified on FAA's progress in implementing key provisions of the FAA Modernization and Reform Act of 2012. The Inspector General stated that while FAA has made progress implementing provisions of the act, significant actions are needed to meet the act's intent and improve the execution and management of its programs. First, the Inspector General noted that FAA has yet to meet provisions intended to expedite an important element of the Automatic Dependent Surveillance Broadcast (ADS-B) program, the core for shifting from today's ground-based radar to NextGen's satellite-based systems. He also pointed to other underlying programmatic and organizational challenges that continue to impact FAA's ability to deliver NextGen capabilities as planned. Second, the Inspector General noted that FAA has determined that it will not meet the act's deadline for integration of UAS into the Nation's airspace. Finally, the Inspector General stated that FAA has not maximized use of its aviation safety inspector workforce or developed metrics to determine whether its new air traffic controller scheduling policies will reduce controller fatigue.

# Audits

**February 25, 2014**

## ADDRESSING UNDERLYING CAUSES FOR NEXTGEN DELAYS WILL REQUIRE SUSTAINED FAA LEADERSHIP AND ACTION

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

Over the past 8 years, FAA has been working to develop NextGen—a multibillion-dollar program intended to fundamentally transform the Nation's air traffic system. FAA manages this transformation in part through its Enterprise Architecture (EA) plan—a key strategic planning tool that details the numerous integration and investment decisions required to advance NextGen. While FAA is making progress with elements of NextGen, we continue to find longstanding problems with cost increases, schedule slips, and performance shortfalls.

From January 2009 through May 2013, FAA made 157 NextGen-related decisions in its EA. Despite

this progress, the EA's usefulness has been limited due to incomplete information, a lack of policy and guidance, and unresolved NextGen design decisions. Longstanding programmatic and organizational challenges further undermine NextGen's progress, including the lack of an executable plan, delays in fielding foundational air traffic management hardware and software, frequent changes in senior leadership, and an industry that remains reluctant to invest in NextGen. FAA recently elevated its NextGen office, but it is too early to tell whether this reorganization better positions the Agency to meet its NextGen goal—in part because FAA has been slow to fill leadership positions and implement best practices.

We made six recommendations to FAA to provide greater visibility into critical NextGen decisions and to assist in achieving a successful reorganization. FAA concurred with four and partially concurred with two. Based on FAA's response, we are requesting additional information on four recommendations.

## Investigations

**October 22, 2013**

### FORMER AIRCRAFT PARTS SALESMAN SENTENCED FOR FALSIFYING AIRCRAFT PARTS RECORDS

In Tarrant County District Court, Fort Worth, TX, Ronald Shabbot pleaded guilty to falsifying a Government record and was sentenced to 24 months probation. While working as a salesman at an aircraft parts repair facility in Fort Worth, Shabbot stole an aircraft computer indicator from inventory, then forged another repair facility's information on an FAA return-to-service tag, indicating the part was in good working order and could be installed on an aircraft. Shabbot sold the computer indicator on eBay.

**November 4, 2013**

### FORMER AEROSPACE COMPANY OWNER CONVICTED FOR FRAUDULENT AIRCRAFT PART REPAIRS

A Federal jury in U.S. District Court, Sacramento, CA, found William Hugh Weygandt—former owner-president of Weco Aerospace Systems Inc.—guilty of conspiracy to commit fraud involving aircraft parts repair.

Our investigation disclosed that from the mid-1990s until 2007, Weco falsified test results at its FAA-certificated repair stations in Lincoln and Burbank, CA. Weco employees at both repair stations failed to follow FAA regulations and the manufacturer's Component Maintenance Manual (CMM), a step-by-step guide for conducting proper repairs and overhaul of aircraft parts. In many cases, Weco did not have the equipment needed to perform some required tests. However, Weco employees performed repairs and returned parts to customers, falsely certifying that their parts had been repaired in accordance with CMM. Evidence showed that Weygandt was aware of equipment needs at the Lincoln and Burbank facilities but continued to operate Weco without taking steps to comply with FAA regulations.

We are investigating this case jointly with the Federal Bureau of Investigation (FBI) and the Department of Homeland Security (DHS) OIG.

**November 14, 2013**

### COMMERCIAL PILOT SENTENCED FOR FLYING AN AIRCRAFT WHILE UNDER THE INFLUENCE OF ALCOHOL

Paul Roessler was sentenced in U.S. District Court, Spokane, WA, for flying a commercial aircraft while under the influence of alcohol. He was sentenced to 4 months home confinement, 240 hours community

## Investigations

service, and 2 years probation and ordered to attend substance abuse evaluation and counseling and to pay a \$1,500 fine.

The investigation disclosed that Roessler failed to establish contact with FAA's Seattle Air Route Traffic Control Center and lined up for the wrong runway on approach. A breathalyzer test administered by the Spokane Airport police showed that Roessler's alcohol concentration was more than twice the legal limit.

We conducted this investigation with assistance from FAA.

### February 11, 2014

#### FLORIDA MAN CONVICTED FOR MAKING FALSE STATEMENTS TO FAA AND ILLEGALLY PILOTING AN AIRCRAFT

Reginald Wayne Sibley, Jr., owner of Intelijet Air Inc., pleaded guilty in U.S. District Court, Orlando, FL, to making false statements to FAA and illegally piloting an aircraft.

On June 1, 2009, Sibley stated on his FAA airman medical certification application that he did not have a criminal history even though he had at least three criminal convictions. Our investigation also revealed that on October 8, 2009, Sibley was pilot in command of a Gulfstream aircraft that flew from Orlando Executive Airport to California. After landing, Sibley stated to an FAA representative that

he was rated to fly the Gulfstream aircraft when he was not.

### February 12, 2014

#### NORTHERN CALIFORNIA AIRCRAFT MECHANIC AND REPAIR SHOP OWNER CHARGED WITH AIRCRAFT PARTS FRAUD

Randy Lee Thompson, owner of Thompson's Air—an aircraft maintenance repair shop based in Anderson, CA—was indicted in U.S. District Court, Sacramento, CA, for fraud involving aircraft parts.

In 2010, Thompson installed a crankshaft on an aircraft's engine that failed while the aircraft was in flight. The pilot and his 9-year-old daughter made an emergency landing, without injury, in the middle of a field in Pennsylvania. FAA later determined that cracks found in the engine's crankshaft caused the emergency landing.

Our investigation revealed that Thompson installed the crankshaft after FAA-certificated repair stations returned the part to him in 2003 and in 2005 with a tag documenting that the crankshaft was cracked and no longer suitable for use. The investigation also found that Thompson falsified an FAA Form 337 when he represented that the repair and alteration of the crankshaft was done in compliance with FAA regulations and the engine manufacturer's specifications.

## Investigations

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

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

**February 21, 2014**

### CALIFORNIA MAN SENTENCED FOR ENDANGERING THE SAFETY OF AN AIRCRAFT

Hasan Ibrahim, owner of Medchem, was sentenced in U.S. District Court, San Francisco, CA, to 30 days in prison followed by 3 years supervised release. Ibrahim was also assessed a penalty of \$2,200. Ibrahim was convicted in July 2013 for attempted placement of destructive substance on an aircraft, transportation of hazardous materials without shipping papers, transportation of hazardous materials without labels, failure to file export information, and attempted smuggling of goods.

Our investigation revealed that Ibrahim attempted to ship 64 boxes containing hazardous materials to Jeddah, Saudi Arabia. The shipment was detained and later seized by Customs and Border Protection. Transportation of several of the materials was prohibited on passenger aircraft, and transportation of two chemicals was prohibited on any aircraft.

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

**March 31, 2014**

### SOUTHERN CALIFORNIA COMPANY PLEADS GUILTY TO FRAUD INVOLVING AIRCRAFT PARTS

VJ Engineering Inc. (VJE) pleaded guilty in U.S. District Court, Santa Ana, CA, to fraud involving aircraft parts. Specifically, VJE was charged with making a false statement on a certificate of conformance for commercial aviation parts and with providing a false certificate of tests to the Department of Defense (DOD) for parts shipped to the U.S. Air Force.

VJE submitted certificates that falsely claimed aircraft parts were in conformance with requirements, specifications and drawings as approved by FAA and DOD when they were not. According to the commercial manufacturer, the parts were structural and carried flight and emergency loads. If the parts failed, objects could have loosened during a landing or crash and caused injuries.

We are conducting this investigation jointly with the DOD Criminal Investigative Service, DHS, FBI, and Army Criminal Investigation Division (CID).

# HIGHWAY AND TRANSIT

OIG's highway and transit work emphasizes safety and economy through audits of Federal infrastructure programs, highway safety efforts, and motor carrier oversight programs, and through investigations of fraudulent commercial drivers licenses, drivers' logs, and truck and bus maintenance records, as well as household goods fraud schemes, contracting and anti-trust violations, and disadvantaged business enterprise (DBE) fraud.





# AUDITS AND INVESTIGATIONS

## HIGHWAY AND TRANSIT

### Audits

**October 30, 2013**

#### OPPORTUNITIES EXIST TO STRENGTHEN FHWA'S COORDINATION, GUIDANCE, AND OVERSIGHT OF THE TRIBAL TRANSPORTATION PROGRAM

Self-initiated

The Federal Highway Administration's (FHWA) Tribal Transportation Program (TTP) provides funding for projects that support safe and adequate transportation and public road access to and within tribal lands and Alaska Native Villages. From fiscal years 2005 through 2012, TTP received about \$3.5 billion in congressional appropriations, including \$310 million provided by the American Recovery and Reinvestment Act of 2009 (ARRA). FHWA's Office of Federal Lands Highways (FLH) and the Department of Interior's Bureau of Indian Affairs (BIA) jointly administer and oversee TTP. While they routinely coordinate on TTP areas, FLH and BIA have opportunities to improve coordination on National Environmental Policy Act approvals and final acceptance of TTP projects. In addition, FLH lacks sufficient data to identify each tribe's program risks and needs. Finally, TTP is governed by an outdated regulation and unclear guidance on how to implement the regulation in areas such as allowable uses of funds. FLH concurred with our seven recommendations aimed at strengthening TTP program stewardship and oversight.

**November 26, 2013**

#### IMPROVEMENTS NEEDED IN FMCSA'S PLAN FOR INSPECTING BUSES AT THE UNITED STATES-MEXICO BORDER

Required by Section 350(c) of the Department of Transportation and Related Agencies Appropriations Act of 2002

Under the 1994 North American Free Trade Agreement (NAFTA), the United States and Mexico agreed to long-haul, cross-border transportation of cargo and passengers. Section 350(c) of the 2002 appropriations act requires our office to verify that the Federal Motor Carrier Safety Administration (FMCSA) has complied with cross-border safety requirements before vehicles owned or leased by Mexican motor carriers can operate beyond U.S. border commercial zones. FMCSA's staffing, facilities, equipment, and procedures to conduct inspections of Mexico-domiciled carriers, vehicles, and drivers generally comply with the act's requirements. FMCSA had a backlog of conviction data on Mexican drivers due to a computer software issue, but it has fixed the problems, and no drivers had to be disqualified after convictions were posted. In addition, FMCSA has taken steps to improve passenger carrier safety at the border. However, it has not taken sufficient action to address our prior recommendations for improving its capacity to inspect buses. FMCSA updated its bus safety plan, but the plan does not adequately address bus

# Audits

inspection frequency or identify actions to eliminate inspection obstacles. FMCSA also worked with other agencies to identify alternative inspection space at certain locations but has not negotiated interagency agreements with Customs and Border Protection to establish standard bus inspection protocols or completed facility and staffing assessments needed to fully address inspection safety and efficiency issues.

FMCSA concurred with our five recommendations for improved implementation of the NAFTA cross-border provisions and its bus safety plan.

**December 3, 2013**

## INITIAL ASSESSMENT OF FTA'S OVERSIGHT OF THE EMERGENCY RELIEF PROGRAM AND HURRICANE SANDY RELIEF FUNDS

Self-initiated

The Disaster Relief Appropriations Act of 2013 provided over \$10 billion to the Federal Transit Administration's (FTA) Emergency Relief Program for Hurricane Sandy-related repair and recovery efforts. While FTA's early efforts have complied with the act's requirements, more comprehensive oversight plans and procedures are needed to effectively allocate, obligate, and oversee relief funds—including steps to mitigate risks of improper payments. FTA also

has opportunities to consider lessons learned from best practices for Federal emergency responses and acquisition that could help the Agency finalize its Emergency Relief Program and related guidance. FTA concurred with eight of our nine recommendations to improve oversight of relief funds and Emergency Relief Program guidance. We requested additional information regarding its plans for the remaining recommendation, which FTA partially concurred with.

**March 5, 2014**

## ACTIONS NEEDED TO STRENGTHEN FMCSA'S COMPLIANCE, SAFETY, ACCOUNTABILITY PROGRAM

Requested by the House Committee on Transportation and Infrastructure

To improve commercial motor vehicle safety, FMCSA launched its Compliance, Safety, Accountability (CSA) program nationwide at the end of 2010. CSA is designed to target unsafe motor carriers through enforcement interventions such as roadside inspections and on-site reviews. To identify carriers that pose high safety risks, FMCSA implemented the Carrier Safety Measurement System, which draws on State and carrier data on carriers' on-road safety performance.

## Audits

While FMCSA has strengthened its controls to improve the quality of State-reported data used to assess carriers' safety performance, the Agency has not fully implemented planned improvements to its processes for reviewing data correction requests and for ensuring that carriers submit accurate information. In addition, FMCSA has not fully implemented the CSA enforcement intervention process nationwide; at the time of our report, only 10 States had fully implemented CSA enforcement interventions. Finally, FMCSA has limited documentation demonstrating that it followed information technology (IT) best practices and Federal guidance for its Carrier Safety Measurement System. FMCSA concurred with our six recommendations to strengthen CSA.

## Investigations

**October 16, 2013**

### CHARGES FILED AGAINST PAVING COMPANY EMPLOYEE IN A DBE FRAUD SCHEME

Boggs Paving Inc.; Carl Boggs, III; Kevin Hicks; Greg Miller; Greg Tucker; Styx Cuthbertson Trucking Company Inc.; John Cuthbertson; and Arnold Mann were charged in U.S. District Court, Charlotte, NC, for their roles in a DBE fraud scheme involving over \$87 million in federally and State-funded contracts. This indictment supersedes an indictment filed in July 2013 and adds Mann as a defendant.

The indictment alleges that beginning in 2003, Boggs Paving fraudulently obtained contracts by falsely certifying that Cuthbertson would perform work as a DBE or a small business enterprise (SBE). However, Boggs Paving used Cuthbertson as a pass-through to obtain the contracts, and the majority of the work was performed by Boggs Paving affiliates.

The indictment further alleges that a bank account in Cuthbertson's name was used to deposit DBE and SBE payments to give the appearance that they were receiving the payments. The account was actually controlled by Boggs Paving, and the majority of the payments were funneled back to Boggs Paving affiliates. Additionally, Boggs Paving made false and misleading statements to the North Carolina Department of Transportation, South Carolina Department of Transportation, and other Federal-grant recipients on DBE applications, renewal statements, and DBE payment certifications.

# Investigations

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

**October 17, 2013**

## FORMER DALLAS COUNTY DEPUTY SENTENCED IN TRAFFIC TICKET SCHEME INVOLVING NHTSA GRANT FUNDS

Sherman McIntyre, former Dallas County Deputy Sheriff, was sentenced in Dallas County Criminal Court, Dallas, TX, in conjunction with his plea to tampering with Government records. McIntyre was sentenced to 12 months community supervision and ordered to pay a \$1,000 fine. McIntyre was also ordered to surrender his Texas police officer's license.

McIntyre and two other deputies were indicted in Dallas County for submitting overtime reimbursement requests containing false information regarding times worked and numbers of traffic citations issued in 2009, 2010, and 2011 while working overtime under the Selective Traffic Enforcement Program (STEP), which is funded through a NHTSA grant. During this investigation, Dallas County has repaid NHTSA \$214,030 in ineligible costs.

We are conducting this investigation jointly with the Dallas County Sheriff's Office, with assistance from NHTSA and the Texas Department of Transportation.

**October 24, 2013**

## NEW YORK COMMERCIAL DRIVERS LICENSE CHEATING SCHEME UNCOVERED

In U.S. District Court, Brooklyn, NY, 11 defendants were indicted for their roles in a widespread fraudulent commercial drivers license (CDL) test-taking scheme. The investigation uncovered fraudulent CDL test-taking activities at five Department of Motor Vehicles (DMV) test centers in the New York metropolitan area, involving DMV security personnel. It is alleged that CDL applicants paid the defendants between \$1,800 to \$2,500 for CDL test answers and assistance with the DMV process. To facilitate the scheme, defendants provided CDL applicants with pencils containing encoded test answers and Bluetooth headsets to communicate test answers. The defendants also acted as CDL test takers to help applicants during the test.

The 11 indicted defendants are Marie Daniel, Joachim L. Pierre, Luc Desmangles, Tanael Daniel, Jose Payano, Dale Harper, Akmal Narzikulov, LaToya Bourne, Beayaeh Kamara, Firdavs Mamadaliev, and Inocente Rene Gonzalez.

# Investigations

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

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

## **November 1, 2013**

### MOVING COMPANY OWNER PLEADS GUILTY TO DEFRAUDING CUSTOMERS

Yaron Roni Levin, owner of Movers USA/Golden Hand Movers, pleaded guilty to conspiracy to commit wire fraud in U.S. District Court, Denver, CO.

Levin admitted to luring customers with low moving estimates, then fraudulently inflating the price of transport after he had secured customers' household goods. When customers refused or were unable to pay, Levin refused delivery and often threatened to auction their household goods until the inflated prices were paid.

The investigation identified over 75 victims. Levin routinely doubled quoted estimates for average increases of \$2,000 to \$5,000, although some victims were charged as much as \$10,000 over initial estimates.

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

## **November 14, 2013**

### PRESIDENT AND OWNER OF NEW YORK-BASED DBE CONTRACTOR SENTENCED FOR ROLE IN FRAUD SCHEME

Yona Jimenez, also known as Yona J. Bocchino, president and owner of Global Marine Construction Supply (GMCS), was sentenced in U.S. District Court, White Plains, NY, to 3 years supervised release and forfeiture of \$52,347. Jimenez was convicted for her role as a pass-through DBE purporting to provide structural steel on the FHWA-funded Cross Westchester Expressway Project.

Between June 2006 and October 2009, the general contractor on the Cross Westchester Expressway Project claimed that it awarded GMCS a \$6-million subcontract to supply structural steel to reconstruct bridges, but another company (a non-DBE) actually supplied the steel. The general contractor then claimed credit toward the DBE goal for the services GMCS provided. The general contractor paid GMCS approximately 1 percent of the subcontract value as a commission.

We are conducting this investigation jointly with the New York State Metropolitan Transportation Authority OIG, and the Port Authority of New York and New Jersey OIG.

# Investigations

**November 20, 2013**

## GEORGIA WOMAN CONVICTED OF MAIL FRAUD IN DOUBLE BROKERING SCHEME

Pauline Robinson-Kirkland, pleaded guilty in U.S. District Court, Macon, GA, to mail fraud in conjunction with her involvement in a double brokering scheme.

The investigation revealed that Robinson-Kirkland accessed Web sites where senders advertise loads of commercial freight for transport. She bid on the loads using the names of her various companies—which are listed with FMCSA as having broker authority—and was awarded the contracts. She led senders to believe that her trucking business would deliver the freight for the contracted prices and the senders would remit payments to her at the agreed upon prices. However, after accepting the contracts, Robinson-Kirkland re-advertised the jobs, using different company names. She then accepted bids from legitimate trucking companies and had them deliver the senders' freight, without disclosing that she had arranged for the senders to remit payment to her. The actual freight haulers were never paid.

This investigation was conducted jointly with the Decatur County Sheriff's Office, Decatur, GA.

**December 11, 2013**

## GUAM FIRM SENTENCED FOR ITS ROLE IN A BUY AMERICA BILLING SCHEME ON A \$1.8-MILLION ARRA-FUNDED PROJECT

In the District Courts of Guam and the Northern Mariana Islands, Hubtec International Corp. was sentenced to 5 years probation and ordered to pay restitution in the amount of \$150,266 after it admitted to devising a scheme to defraud the Department of Public Works and FHWA by falsely representing that it used U.S.-made reinforcement steel bars for an ARRA-funded project in Guam. On June 27, 2013, Hubtec president and project manager, Young C. Kim, of Tamuning, Guam, was sentenced to 2 years probation for his role in the scheme.

In January 2010, Hubtec received a \$1.8-million contract for the reconstruction and rehabilitation of highway culverts. The contract was funded in part by \$1.4 million in ARRA funds and required that the contractor comply with the Buy America Act requirement that all steel and iron permanently incorporated into the project be manufactured in the United States.

Our investigation determined that Hubtec and Kim falsely represented that U.S.-made reinforcement steel bars were used for the project, while Korean-made reinforcement steel bars were actually used. They also committed fraud through a billing

## Investigations

scheme, which falsely over-reported the costs of materials. In May and June 2012, FHWA debarred Kim and Hubtec for 3 years.

This investigation was conducted jointly with the FBI, with assistance from FHWA.

**January 9, 2014**

### MICHIGAN FIRM AGREES TO PAY \$3.825 MILLION TO THE GOVERNMENT TO SETTLE DBE FRAUD CLAIMS

Representatives for Oldcastle Materials Inc. entered into a \$3,825,000 settlement agreement with the Department of Justice (DOJ) and the U.S. Attorney's Office for the Eastern District of Michigan, to resolve its False Claims Act violation arising from a false claim of DBE participation on a number of DOT-funded construction projects Michigan.

From January 2006 to December 2010, the defendants allegedly violated DBE requirements by representing that liquid asphalt for various projects was supplied by a company known as BN&M, a listed DBE, when in fact, BN&M was acting as a pass-through.

We conducted this investigation jointly with DOJ Civil Division, with assistance from FAA.

**January 10, 2014**

### NEW JERSEY WOMAN SENTENCED FOR HER ROLE IN A DBE SCHEME

Eva C. Glasgow, owner of the defunct Eva Glasgow Contractors Inc. (EGC), was sentenced in U.S. District Court, Camden, NJ, to 3 years probation, a \$75,000 fine, and \$4,316 in restitution. Glasgow previously pleaded guilty to making false statements on DBE utilization reports associated with an FHWA-funded project and false statements relating to Federal prevailing wage statutes.

Our investigation revealed a DBE fraud scheme involving EGC that occurred on a \$26-million FHWA-funded road construction project in Collingswood, NJ. JPC Group Inc., the prime contractor, and Beneficial Soil Solutions Inc. (BSS) a subcontractor, conspired with Glasgow to use EGC as a pass-through allowing JPC to claim credit for meeting DBE contract requirements. The conspiracy resulted in JPC claiming \$3,158,820 in fraudulent DBE work that was actually performed by a non-DBE. Additionally, EGC submitted false certified payroll records to New Jersey, claiming that EGC employees that did work at the construction site were paid the prevailing rate and benefits when they were not.

This case was worked jointly with the Department of Labor OIG and Internal Revenue Service (IRS) CID.

# Investigations

**January 13 and 15, 2014**

## HIGHWAY CONSTRUCTION OFFICIALS SENTENCED IN PENNSYLVANIA DBE FRAUD CASE

In U.S. District Court, Harrisburg, PA, Dennis F. Campbell, Timothy Hubler, and Romeo Cruz were sentenced in connection with their roles in the largest reported DBE fraud in the Department of Transportation's (DOT) history. Campbell, the former vice president of Schuylkill Products (SPI), was sentenced to 24 months in prison and 2 years supervised release. Hubler, a former vice president of CDS Engineers Inc. was sentenced to 33 months in prison and 2 years supervised release and ordered to pay \$82,370 in restitution to the IRS. Cruz, who operated Marikina Construction Corp, was sentenced to 33 months in prison and 2 years of supervised release and ordered to pay \$79,450 in restitution to the IRS. All three defendants were ordered to pay \$119 million in restitution, jointly and severally, to FHWA.

The investigation revealed that Campbell, Hubler, Cruz, and others defrauded DOT's DBE program for more than 15 years over highway contracts valued at more than \$136 million. SPI and CDS, a subsidiary of SPI, used Marikina as a shell DBE corporation to obtain DBE subcontracts for bridge beam installation projects with the intention of having CDS and SPI employees perform, manage, control, and supervise the beam installations. SPI and CDS officials prepared fraudulent business documents

on Marikina letterhead and used a Marikina payroll account to pay a CDS supervisor and work crew. SPI officials also paid Marikina a fixed fee for the use of its name to obtain the DBE contracts.

We investigated this case jointly with the FBI and Department of Labor OIG, with assistance from FHWA.

**January 15, 2014**

## TEXAS MOVING COMPANY OWNER SENTENCED FOR HOUSEHOLD GOOD MOVING SCHEME

Anthony Fanelli was sentenced in Harris County, TX, State Court to 20 years in prison and ordered to pay \$200,000 in restitution in connection with a household goods moving scheme.

Between May 2009 and January 2012, Fanelli, Andy Bueno, and Jovan Balknight lured customers into doing business with their various moving companies by offering low moving estimates. Once they took possession of customers' household goods, they significantly increased the prices and withheld delivery until customers paid the inflated prices. If customers refused to pay the high prices, the three threatened to auction their household goods.



## Investigations

We conducted this investigation jointly with the Houston and Austin, TX, Police Departments, with assistance from FMCSA.

**January 24, 2014**

### FORMER PENNSYLVANIA BRIDGE CONTRACTOR PLEADS GUILTY TO FRAUD CHARGES

Matthew Williams, former owner of Clear Span Construction Products LLC, pleaded guilty in U.S. District Court, Pittsburgh, PA, to charges of falsifying engineering documents related to federally funded highway construction projects between July 2008 and April 2012. Additionally, in August 2013, the U.S. Attorney's Office entered into a civil agreement with Clear Span and its partners that resulted in a \$50,000 civil settlement.

Clear Span manufactured stay-in-place metal bridge deck forms that were placed between structural steel or pre-stressed concrete bridge girders. Williams admitted that, on multiple occasions and

without authorization, he forged or affixed the seal and signature of unsuspecting professional engineers on bridge plans and transmitted these documents to prime contractors on FHWA-funded projects. The investigation revealed that Williams submitted over 500 falsified documents on more than 75 federally and State-funded highway projects in 13 States. FHWA-funded contracts require approvals from professional engineers to ensure bridge design integrity and worker safety during bridge construction. FHWA concluded that there were no safety concerns surrounding the metal bridge deck form designs that bore Williams' false signatures.

On January 29, 2014, FHWA suspended and proposed the debarment of Matthew Williams and Clear Span in response to charges filed against them for this fraud.

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

# Investigations

## January 31, 2014

### GEORGIA MAN CONVICTED OF CONSPIRACY TO VIOLATE AN FMCSA IMMINENT HAZARD ORDER

Corey Daniels pleaded guilty in U.S. District Court, Macon, GA, to conspiracy to violate an imminent hazard out-of-service order issued by FMCSA. Daniels and others were indicted in conjunction with this scheme on May 15, 2013.

Daniels assisted Devasko Lewis in an attempt to circumvent an October 2008 imminent hazard operations out-of-service order to cease all operations at Lewis Trucking Company. The company and Lewis were placed under the order due to serious violations discovered during a FMCSA compliance review conducted after a fatal crash in Alabama. Lewis formed Eagle Transport and Eagle Trans using Daniels' identity, failing to reveal to FMCSA their involvement as owner-operators of the companies.

We are conducting the investigation with assistance from FMCSA and the Georgia Department of Public Safety.

## February 14, 2014

### TENNESSEE CONTRACTOR CONVICTED OF THEFT OF FEDERAL FUNDS

In U.S. District Court, Nashville, TN, Michael Young pleaded guilty to theft of Federal funds. Young was contracted by the Tennessee Department of Transportation (TDOT) to manage federally funded right-of-way acquisitions on TDOT's behalf. Young allegedly executed a scheme to obtain over \$900,000 from TDOT by falsely representing that he would procure right-of-way properties with the proceeds. He used the money to manage personal properties and financial obligations.

Young was also charged under forfeiture statutes regarding property valued at approximately \$900,000.

# Investigations

**February 21, 2014**

## CONNECTICUT COMPANY'S MANAGER SENTENCED FOR FALSIFICATION OF LOGBOOKS

Dariusz Szteborowski, manager of Wisla Express LLC, in New Britain, CT, was sentenced in U.S. District Court, Hartford, CT, to 14 months in prison and 3 years supervised release and ordered to pay a \$20,000 fine for his role in falsifying driver logbook entries submitted to FMCSA. Szteborowski was ordered to divest himself of all ownership interests in Wisla and not to reacquire ownership interests for the duration of his supervised release. Further, Szteborowski is not permitted to work for Wisla or any other DOT-regulated entity during his supervised release. On January 17, 2014, Wisla was sentenced to 5 years probation and a \$75,000 fine in connection with its role in the scheme.

The investigation disclosed that Szteborowski created and maintained false driver time records to meet FMCSA reporting requirements. Szteborowski and others working for him and Wisla often assigned drivers to trips knowing that they would exceed the regulated limits of on-duty driving time. To hide the violations from FMCSA inspectors, Szteborowski instructed drivers and other Wisla employees to falsely record in logs that drivers were off duty during those times, then submitted the falsified logs to FMCSA during inspections.

This investigation was conducted with assistance from FMCSA.

**February 26, 2014**

## HOUSEHOLD GOODS BROKER COMPANY OWNER SENTENCED FOR LOW ESTIMATES SCAM

Randy Goldberg, former owner and president of National Moving Network (NMN), a household goods broker based in Miami, FL, was sentenced in U.S. District Court, San Jose, CA, to 18 months in prison and 1 year of supervised release. Additionally, restitution of \$829,000 is being sought for hundreds of victims in a forthcoming restitution hearing. In August 2012, Goldberg pleaded guilty to failing to give up possession of household goods belonging to several victims.

Our investigation determined that NMN quoted customers low estimates to move their household goods; NMN then referred a majority of the moves to AY Transport Inc., a household goods moving company in San Jose, CA. After taking possession of customers' goods, AY Transport would quote customers rates greater than the original NMN estimate. Subsequently, AY Transport drivers would refuse to surrender customers' household goods until they paid the increased fees. NMN received money from AY Transport for referring business to them, knowing that AY Transport was depriving customers of their household goods.

We are investigating this case jointly with the FBI and IRS, with assistance from FMCSA.

# Investigations

**March 13, 2014**

## OWNER OF BUS COMPANY PLEADS GUILTY TO OPERATING A COMMERCIAL MOTOR VEHICLE AFTER AN UNSATISFACTORY SAFETY FITNESS DETERMINATION

Angel De La Torre—former owner of Angel Tours, a commercial motor carrier based in Houston, TX—pleaded guilty to operating a commercial motor vehicle after an unsatisfactory rating.

Our investigation revealed that De La Torre and Angel Tours operated a commercial motor vehicle after being placed out of service following an FMCSA inspection that uncovered numerous record-keeping and safety violations. As a result of this inspection, FMCSA ordered Angel Tours to cease all interstate transportation on June 23, 2008. However, in August 2008, an Angel Tours passenger bus was involved in a fatal crash near Sherman, TX.

On May 30, 2013, Angel De La Torre, Carlos Ortuno, and Angel Tours were indicted in U.S. District Court, Houston, TX, on charges of conspiracy, false statements, and operating a commercial motor vehicle after being placed out of service.

This case was investigated jointly with the FBI, with assistance from FMCSA.

**March 19, 2014**

## TOYOTA MOTOR CORPORATION PAYS \$1.2 BILLION TO U.S. GOVERNMENT FOR MISLEADING NHTSA AND U.S. CONSUMERS REGARDING THE SAFETY OF ITS VEHICLES

DOJ announced a criminal charge against Toyota Motor Corp., headquartered in Japan, in connection with the automaker's role in providing NHTSA with misleading information on safety defects in Toyota and Lexus vehicles. In conjunction with the criminal charge, DOJ announced a deferred prosecution agreement with Toyota, under which the company admits that it misled U.S. consumers by concealing and making deceptive statements about two safety defects that caused unintended acceleration. Under the agreement, Toyota forfeited \$1.2 billion—the largest penalty of its kind imposed on an automotive company. The agreement also requires independent monitoring of Toyota policies, practices, and procedures related to its safety-related public statements and reporting obligations.

The investigation disclosed that in fall 2009, Toyota deceived consumers and NHTSA by claiming that its safety recall of eight models for “floor-mat entrapment”—an improperly secured or incompatible floor mat trapping a depressed gas pedal—addressed the cause of unintended

## Investigations

acceleration in its vehicles. However, at the time the statements were made, Toyota had not recalled some models that it knew were susceptible to floor-mat entrapment. In addition, Toyota had taken steps to hide from NHTSA that some of its vehicles had “sticky pedal”—another type of unintended acceleration that causes the accelerator to stick at partially depressed levels.

We conducted the investigation jointly with DOJ, the Securities and Commodities Fraud Task Force, and the FBI.

**March 26, 2014**

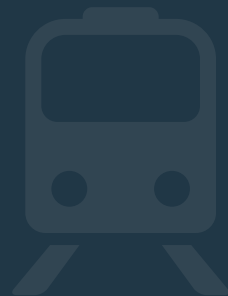
### MASSACHUSETTS BUSINESSMAN SENTENCED FOR BRIBERY

Irfan Dushku was sentenced in U.S. District Court, Worcester, MA, to 1 year of probation and a \$1,000 fine for bribery of a public official. Dushku paid \$1,000 to a FMCSA safety inspector to avoid negative findings on a safety review of his motor carrier company, Korca Enterprises Inc.

We conducted this investigation, with assistance from FMCSA’s Massachusetts Division.

# RAIL, MARITIME, HAZMAT TRANSPORT, AND ECONOMIC ANALYSIS

OIG's rail, maritime, hazmat transport, and economic analysis work emphasizes safety and economy through audits of rail, maritime, pipelines, and hazardous materials safety programs, as well as economic analysis and surface transportation financing, and through investigations of illegal packaging and transportation of hazmat and criminal violations of pipeline safety laws and regulations.



# AUDITS AND INVESTIGATIONS RAIL, MARITIME, HAZMAT TRANSPORT, AND ECONOMIC ANALYSIS

## Audits

**December 5, 2013**

### NEPA: FRA COORDINATES AS REQUIRED BUT OPPORTUNITIES EXIST TO MODERNIZE PROCEDURES AND IMPROVE PROJECT DELIVERY

Self-initiated

As part of its \$10.1-billion High Speed Intercity Passenger Rail Program, the Federal Railroad Administration (FRA) collaborates with project grantees, FHWA, and FTA on both construction and compliance with National Environmental Policy Act (NEPA) requirements. Federal agencies are required to follow regulations established by the President's Council on Environmental Quality (CEQ) and develop procedures as necessary to ensure proper consideration of environmental concerns in agency decisionmaking. While FRA has complied with NEPA in coordinating with FHWA and FTA, and is working with OST to enhance coordination on the Department's multimodal projects, the Agency has not updated most of its implementing procedures since 1999. As a result, the Agency has not added requirements from subsequent statutes and recommended CEQ guidance to the procedures. In addition, FRA has not developed standard operating procedures for its staff to use in NEPA process administration and to help ensure grantees' environmental documentation is complete. FRA concurred with our two recommendations to improve its compliance with the NEPA process.

**February 25, 2014**

### FRA CONTINUES TO MAKE PROGRESS IMPLEMENTING PRIIA RESPONSIBILITIES BUT FACES CHALLENGES WITH RAIL PLANNING

Required by the Passenger Rail Investment and Improvement Act of 2008

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) gives FRA important new responsibilities, including integrated rail planning for the entire country. PRIIA also requires OIG to conduct two assessments of FRA's progress in implementing the act's provisions.

Since our first report, issued on March 6, 2012, FRA continued to make progress, but 12 of its 29 PRIIA responsibilities remain incomplete. The Agency made progress on 10 of these 12, including ensuring that Amtrak's stations comply with the Americans with Disabilities Act, and initiating research studies on biofuels and the use of bio-based technology for locomotives. However, FRA has not initiated work on two responsibilities—conducting high-speed rail corridor studies for Congress, and establishing a process for the designation and extension of high-speed rail corridors.

FRA has faced challenges in its development of a national rail plan, as required by PRIIA. While it undertook several rail planning activities, FRA did not articulate how its approach will fully address

## Audits

PRIIA. Rather than creating a single, national rail plan as PRIIA calls for, FRA chose a decentralized strategy that focuses on State and regional planning. FRA's efforts to date have focused on plans for the Northeast Corridor and three States in the southwest—California, Nevada, and Arizona. The Agency has not yet established plans and milestones for other regions, or determined how it will link regional plans into a unified national rail plan. FRA concurred with our recommendation to update its PRIIA Action Plan and include an explanation of how its strategy will fulfill PRIIA's requirement for a national rail plan.

## Investigations

**October 9, 2013**

### PIPELINE RADIOGRAPH TECHNICIAN CHARGED WITH VIOLATING PIPELINE SAFETY LAWS AND MAKING FALSE STATEMENTS

Edna S. Stoner, a radiograph technician, was charged in U.S. District Court, Urbana, IL, with violating pipeline safety laws and making false statements.

The Pipeline and Hazardous Material Safety Administration (PHMSA) has jurisdiction over interstate natural and hazardous liquid gas pipelines. The Federal pipeline safety standards and regulations include requirements for pipeline materials, design, construction, testing, operation, and maintenance. Nondestructive testing to confirm the integrity of the welding process is required on pipes over 6 inches in diameter.

From about June 2008 to February 2009, Stoner falsified that welds at the Blue Mound, IL, Rockies Express Pipeline compressor station had been radiographed and had passed when not all the welds had been tested.

We conducted this investigation jointly with the U.S. Attorney's Office, Environmental Crimes Section, Washington, DC, with assistance from PHMSA.



## Investigations

*Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.*

**October 23, 2013**

### FORMER RADIOGRAPH TECHNICIAN SENTENCED FOR FALSE STATEMENTS ON ROCKIES EXPRESS PIPELINE

Eric Barnes, a former Acuren Inspection Inc. radiograph technician, was sentenced in U.S. District Court, Indianapolis, IN, to 24 months probation and ordered to pay a \$500 special assessment for submitting false statements.

Barnes was responsible for conducting non-destructive testing of pipeline welds on a portion of the Rockies Express Pipeline, and for interpreting and reporting test results. Test results and information are recorded on reader sheets that pipeline owners maintain as proof of nondestructive testing, as PHMSA regulations require.

Barnes made false statements on reader sheets by confirming that welds of the pipeline at the compressor station in Bainbridge, IN, had been radiographed. However, Barnes loaded multiple pieces of film into one radiograph cassette, radiographed one weld, intentionally mislabeled the film with different welds' identifying numbers, and reported that multiple welds were radiographed.

We conducted this investigation jointly with DOJ Environmental Crimes Section, with assistance from PHMSA.

**January 27, 2014**

### SHIPPING COMPANY SENTENCED FOR ITS ROLE IN THE ILLEGAL TRANSPORT OF EXPLOSIVES

In U.S. District Court, West Palm Beach, FL, Coastal Shipping Holding Inc., previously known as G&G Marine Inc., was sentenced to 24 months probation and a fine of \$750,000 for its role in illegally transporting hazardous materials, failure of a hazardous material employer to train its employees, and recklessly loading and stowing explosives on a vessel.

The investigation revealed that Coastal Shipping received and accepted a shipment of explosives that were supposed to be shipped from Port Everglades, Fort Lauderdale, FL, to Nassau, Bahamas. Coastal employees illegally transported the explosives in a commercial truck from the company warehouse staging area to the dockside facility and onto an ocean-going commercial vessel, placing them alongside other hazardous materials.

# Investigations

**February 10, 2014**

## OWNER OF HAZARDOUS WASTE TRANSPORT COMPANY PLEADS GUILTY

In U.S. District Court, Los Angeles, CA, Barry Bancroft, owner of Slate Industrial Services (SIS), pleaded guilty to failure to maintain commercial motor vehicle driver training records. On the same date, SIS pleaded guilty to transporting hazardous waste without a manifest.

Our investigation was initiated after incompatible hazardous waste materials exploded at a Home Depot store. The investigation determined that under SIS's direction, the commercial motor carrier consolidated various waste streams into a single drum and loaded the drum into a truck for transportation. The commercial carrier was undertrained to carry hazardous materials.

This investigation was conducted jointly with the FBI, California Department of Toxic Substance Control, Los Angeles County Fire Department-Health Hazmat, and the Environmental Protection Agency.

# FINANCIAL AND INFORMATION TECHNOLOGY

OIG's financial and information technology work emphasizes economy and efficiency through audits of financial statements, IT security, and oversight of single audits of non-Federal grantees expending DOT funds.



# AUDITS AND INVESTIGATIONS FINANCIAL AND INFORMATION TECHNOLOGY

## Audits

**October 24, 2013**

### QUALITY CONTROL REVIEW ON THE SINGLE AUDIT OF THE TRANSBAY JOINT POWERS AUTHORITY

Single Audit Act and Office of Management and Budget  
Circular A-133

We conducted a quality control review of a single audit performed by Vavrinek, Trine, Day & Co. LLP (VTD) on the Transbay Joint Powers Authority's use of DOT grants for the fiscal year ended June 30, 2012. During this period, the Authority, located in San Francisco, CA, expended approximately \$123 million from DOT grant programs. VTD determined that DOT's major programs were the High Speed and Intercity Passenger Rail (HSIPR) Program and the Federal Highway Planning and Construction Program. Our review—limited to the HSIPR Program because its expenditures were approximately 94 percent of the total DOT expenditures—determined that VTD's audit work was acceptable and, therefore, met the requirements of the Single Audit Act; Office of Management and Budget's (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and HSIPR. We found nothing to indicate VTD's opinion on HSIPR was inappropriate or unreliable.

**November 7, 2013**

### QUALITY CONTROL REVIEW OF THE SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012

Required by the Government Corporation Control Act

We conducted a quality control review of the Saint Lawrence Seaway Development Corporation's (SLSDC) audited financial statements for fiscal years 2013 and 2012. Chiampou Travis Besaw & Kershner LLP, under contract to SLSDC, issued a clean (unqualified) audit opinion on SLSDC's financial statements. Chiampou Travis Besaw & Kershner's report did not include any reportable deficiencies in internal control over financial reporting or any instances of reportable noncompliance with laws and regulations tested. Our quality control review disclosed no instances in which Chiampou Travis Besaw & Kershner did not comply, in all material respects, with auditing standards.

**November 22, 2013**

### FISMA 2013: DOT HAS MADE PROGRESS, BUT ITS SYSTEMS REMAIN VULNERABLE TO SIGNIFICANT SECURITY THREATS

Required by the Federal Information Security  
Management Act of 2002

Consistent with requirements of the Federal  
Information Security Management Act of 2002

# Audits

(FISMA) and OMB, our audit objective was to determine the effectiveness of DOT's information security program and practices. DOT has made some progress in its information security program, but its systems remain vulnerable to significant security threats due to deficiencies in policies and procedures, enterprise-level controls, system controls, and management of known security weaknesses. To help the Department address the challenges in developing a mature and effective information security program, we recommended that the chief information officer take 8 actions in addition to 15 recommendations that are still open from our prior FISMA reports. The Office of the Chief Information Officer generally concurred with our recommendations. As required by OMB, we provided the results of our review to OMB via its Web site.

## **December 13, 2013**

### QUALITY CONTROL REVIEW OF FAA'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012

Required by the Chief Financial Officers Act

We conducted a quality control review of FAA's audited financial statements for fiscal years 2013 and 2012. KPMG LLP, under contract to OIG, issued a clean (unmodified) audit opinion on FAA's financial statements. KPMG's report included one significant deficiency in internal control over financial reporting related to the review and posting of certain transactions to the general

ledger. FAA agreed with the significant deficiency and committed to strengthening its review and posting processes. KPMG's report did not include any instances of reportable noncompliance with laws and regulations tested. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.

## **December 16, 2013**

### QUALITY CONTROL REVIEW OF DOT'S AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012

Required by the Chief Financial Officers Act

We conducted a quality control review of DOT's audited consolidated financial statements for fiscal years 2013 and 2012. KPMG, under contract to OIG, issued a clean (unmodified) audit opinion on DOT's consolidated financial statements. KPMG's report included three significant deficiencies in internal control over financial reporting related to the sufficiency of controls over undelivered orders, the sufficiency of controls over unfilled customer orders without advances, and the reliability of audit evidence. KPMG's report also included instances of reportable noncompliance with the Anti-Deficiency Act. DOT agreed with the significant deficiencies and the instances of noncompliance and committed to corrective actions. Our review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.

# Audits

**January 15, 2014**

## QUALITY CONTROL REVIEW OF CONTROLS OVER DOT'S ENTERPRISE SERVICES CENTER

Required by OMB Memorandum M-08-24, Technical Amendments to OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements

We conducted a quality control review of an attestation engagement performed by KPMG on the Enterprise Services Center's (ESC) description of its system and the suitability of the controls' design and operating effectiveness. KPMG found that (1) throughout the period (October 1, 2012, to June 30, 2013), ESC's description of its controls fairly presented, in all material respects, 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; (3) user entities applied throughout the period the complementary user controls contemplated in the controls' design; and (4) the controls tested— together with the complementary user entities' controls, if operating effectively—were those necessary to provide reasonable assurance that the controls' objectives were achieved and operated effectively throughout the period.

Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.

This report was For Official Use Only to protect sensitive information exempt from public disclosure under the Freedom of Information Act.

**January 31, 2014**

## MANAGEMENT ADVISORY ON REGISTRATION OF AIRCRAFT TO U.S. CITIZEN TRUSTEES IN SITUATIONS INVOLVING NON- U.S. CITIZEN TRUSTORS AND BENEFICIARIES

Self-initiated

We issued this advisory to inform FAA of concerns we identified regarding the registration of aircraft owned under trusts for non-U.S. citizens. In June 2013, we reported that FAA could not identify key information—such as the identity of trustors and beneficiaries—for many of the aircraft registered under these trusts. Subsequently, we determined that in some cases the information is not available from the trustees. Furthermore, FAA does not always comply with its requirements when registering these aircraft. The lack of complete and accurate data on aircraft registered on behalf of non-U.S. citizens makes it difficult for FAA to ensure aviation safety.

# Audits

**January 31, 2014**

## INSPECTOR GENERAL REVIEW OF NHTSA'S FISCAL YEAR 2013 DRUG CONTROL FUNDS AND PERFORMANCE SUMMARY REPORTING

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

During our review of NHTSA's fiscal year 2013 Drug Control Obligation Summary and Performance Summary reports, no information came to our attention that would reverse management's assertions that the reports complied, in all material respects, with the requirements of the Office of National Drug Control Policy Circular (ONDCP), Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013.

**January 31, 2014**

## INSPECTOR GENERAL REVIEW OF FAA'S FISCAL YEAR 2013 DRUG CONTROL FUNDS AND PERFORMANCE SUMMARY REPORTING

Required by ONDCP Circular, Accounting of Drug Control Funding and Performance Summary

During our review of FAA's fiscal year 2013 Drug Control Obligation Summary and Performance Summary reports, no information came to our attention that would reverse management's assertions that the reports complied, in all material respects, with the requirements of the ONDCP Circular, Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013.

## IN FOCUS

# The Virtual World of the Computer Crimes Unit

In an era when businesses and individuals rely heavily on computers, cell phones, and other digital devices to conduct daily business, OIG investigators must often sift through massive volumes of electronic forensic evidence to support allegations of fraud, waste, and abuse. In 2013 alone, OIG's Computer Crimes Unit (CCU) seized over 500 digital devices containing 105 terabytes of electronic data—roughly 43 billion single-spaced typewritten pages. To help case agents quickly acquire, extract, and analyze electronic evidence—CCU's primary mission—CCU created the revolutionary Virtual Forensic Server Environment (VFSE) and an automated media data extraction (MDE) process.

Through the MDE process, CCU can recover files of potential investigative interest, typically within 2 weeks, and provide the files to case agents on VFSE, along with the tools necessary to view them. Ultimately, case agents can quickly search large volumes of seized documents, emails, financial records, and databases stored on VFSE and identify important investigative information, while maintaining the forensic integrity of the evidence. Navigating VFSE's virtual desktop environment, which CCU pre-configured, is easy because it is similar to case agents' daily desktop environment. From a security perspective, VFSE complies with applicable Federal regulations and

directives, and only OIG employees with valid credentials can log on to the system.

OIG's MDE and VFSE capabilities have enhanced collaboration between case agents and forensic examiners, who can better target digital evidence that supports OIG's investigative work. Moreover, by streamlining the search process and leveraging existing software licensing and open source technologies, VFSE allows CCU to provide timely and effective support to case investigators nationwide, and creates significant cost savings to OIG.

Most importantly, the capabilities enable OIG agents to quickly stop criminals from stealing Government funds and from putting the safety and lives of citizens at risk. In one case, agents investigated allegations of a 20-year scheme to defraud DOT's DBE program—a scheme involving more than \$24 million in DBE subcontracts on over 290 federally funded highway construction projects. This type of criminal activity not only represents blatant misuse of Federal funds but diverts millions of dollars from legitimate DBEs and increases the risk of substandard and faulty road, tunnel, and bridge construction. The case agent on this investigation noted that a VFSE search “quickly provided key evidence that corroborated specific allegations and directly led to a defendant's cooperation, which in turn led to five plea agreements.”



Over the past year, CCU presented OIG's MDE process at several digital forensics conferences. Participants included representatives from Federal, State, and local governments; the private sector; and international law enforcement agencies, including the Israeli Police and the Hellenic Police. As a result of these and other outreach efforts, CCU's MDE process is being recognized by other U.S. and international investigative and law enforcement agencies, and some are

considering adopting MDE to strengthen their computer analysis services. Recently, a representative from the National Insider Threat Task Force noted that MDE is "perfect for monitoring classified networks" and that MDE's automation is an invaluable addition to the task force's Malicious Insider Iterative Risk Analysis process.

# ACQUISITION AND PROCUREMENT

IG's acquisition and procurement work emphasizes economy and efficiency through audits of the Department's acquisitions, contracts, and financial assistance agreements, and through investigations of false statements and claims, bribery, and conflicts of interest.



# AUDITS AND INVESTIGATIONS

## ACQUISITION AND PROCUREMENT

### Audits

In addition to directing its own audits, OIG's Office of Acquisition and Procurement partners with other OIG offices to provide acquisition expertise and audit work on a broad and cross-cutting range of reports related to our aviation; highway and transit; rail, maritime, and hazmat transport; and information technology work. Leveraging OIG's acquisition expertise across all audit groups ensures consistent and thorough reviews of acquisition matters throughout the Department and with its grantees.

**December 18, 2013**

#### FAA NEEDS TO IMPROVE ATCOTS CONTRACT MANAGEMENT TO ACHIEVE ITS AIR TRAFFIC CONTROLLER TRAINING GOALS

Requested by the Chairman of the Senate Homeland Security and Governmental Affairs Subcommittee on Financial and Contracting Oversight

FAA plans to hire over 11,700 air traffic controllers through fiscal year 2021. To help develop the new cadre of professional air traffic controllers FAA awarded the \$859-million Air Traffic Control Optimum Training Solution (ATCOTS) contract—intended to provide up to 10 years of controller training support. In September 2010, we reported on FAA's weak acquisition practices and lack of effective contract oversight for the ATCOTS contract. We conducted this follow-up review to determine

FAA's progress in addressing our prior findings and recommendations, as well as to determine whether FAA can achieve ATCOTS training goals under the current contract. While FAA addressed eight of nine recommendations from our 2010 report, weaknesses in contract and program oversight remain. Due to lack of clearly defined requirements, the ATCOTS program experienced 4 consecutive years of cost overruns, totaling about \$89 million. FAA has also not been able to achieve goals to reduce training time and provide innovative training and has not measured its progress toward its goal to reduce training costs. In addition, FAA's cost incentives were ineffective for controlling costs; and the performance measures the Agency used for award fees were not tied to enhancing contract goals. FAA concurred with 9 of 10 recommendations we made and partially concurred with one.

# Audits

**January 14, 2014**

## THE SUCCESS OF FAA'S AIR TRAFFIC CONTROLLER OPTIMUM TRAINING SOLUTION RELIES ON SOUND CONTRACTING AND PROGRAM MANAGEMENT PRACTICES

Testimony Before the Senate Homeland Security and Governmental Affairs Subcommittee on Financial and Contracting Oversight

The Assistant Inspector General for Acquisition and Procurement Audits testified before the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Financial and Contracting Oversight, on FAA's ATCOTS contract. The Assistant Inspector General focused on four primary weaknesses that we identified in our reviews. Specifically, she discussed how a lack of training requirements, training innovations, and effective contract oversight, and poor use of award and incentive fees have undermined FAA's efforts to achieve its ATCOTS training goals and to maintain a sufficient cadre of fully trained air traffic controllers.

**January 15, 2014**

## DOT'S EFFORTS TO REDUCE SPENDING ON MANAGEMENT SUPPORT SERVICES CONTRACTS HAVE BEEN DELAYED

Self-initiated

As part of its "Campaign to Cut Waste," OMB set a goal for agencies to reduce spending on management support services contracts by 15 percent—from fiscal year 2010 spending levels—by the end of fiscal year 2012. OMB also called for the chief financial officer and chief acquisition officer of each agency to institute controls to monitor fiscal year 2012 obligations for management support services under new contracts.

DOT's spending on management support services contracts—totaling over \$1 billion annually—increased from fiscal years 2010 through 2012, and over half of these obligations involve high-risk contract types, such as time-and-materials and cost-reimbursement contracts. Despite this increase, the Department reported that it achieved contract cost savings through an ongoing strategic sourcing initiative. However, DOT delayed implementing the initiative's phases that focus on management support services spending, and the Department lacked comprehensive plans and policies for implementing these initiatives. DOT recently initiated actions that could provide a foundation for improving its use of management support

## Audits

services contracts, such as revising its “Acquisition Oversight and Risk Management Policy,” but it has not implemented OMB’s suggested internal controls for managing and monitoring obligations for management support services contracts. Deferring these efforts to focus on management support services contracts has delayed opportunities to reduce spending and better manage these contracts.

DOT concurred with our two recommendations to help the Department control spending and improve management of its management support services contracts.

**January 16, 2014**

### MWAA’S FINANCIAL MANAGEMENT CONTROLS ARE NOT SUFFICIENT TO ENSURE ELIGIBILITY OF EXPENSES ON FTA’S DULLES RAIL PROJECT GRANT

Requested by Congressmen Frank R. Wolf and Tom Latham

The Metropolitan Washington Airports Authority (MWAA) is an independent public body responsible for the design and construction of Phases 1 and 2 of the Dulles Corridor Metrorail Project. In March 2009,

FTA awarded MWAA the last in a series of grants for Phase 1, providing \$975 million in Federal funds including \$77 million in ARRA funds.

Despite significant Federal investment, MWAA lacks adequate controls to ensure that expenses claimed for funding on FTA’s grant for Phase 1 are eligible for reimbursement. Our review of 282 Dulles rail project transactions determined that MWAA claimed \$36 million in unsupported costs and \$119,000 in costs unallowable for Federal reimbursement. Given that \$289 million in Federal grant funds remain available for disbursement, improvements to MWAA’s financial management controls are critical for effective management of this Federal investment.

FTA concurred with the seven recommendations we made to increase FTA’s oversight of MWAA’s controls for ensuring that claimed Dulles rail project expenses are eligible for reimbursement.

## Investigations

**January 3, 2014**

### CALIFORNIA MAN PLEADS GUILTY IN FRAUD SCHEME TO STEAL COMPUTER EQUIPMENT INTENDED FOR NONPROFIT SCHOOLS

Steven A. Bolden pleaded guilty in U.S. District Court, Tacoma, WA, to charges relating to his role in a scheme to transfer to himself computer equipment originally purchased by the Federal Government for more than \$25 million. He presented himself as a representative of nonprofit schools eligible to receive excess computers through the General Services Administration's (GSA) Computers for Learning (CFL) program, which allows the transfer of surplus computers and technology equipment to schools and nonprofit educational groups.

OIG began investigating Bolden after receiving information from FHWA's Western Federal Lands Highway Division (WFLHD) office in Vancouver, WA. In March 2011, WFLHD posted a pallet of 15 computers, which cost the Government \$13,950, on the CFL website. Bolden requested the computers on behalf of the Los Angeles Academy of Educational Development (LAAED). In April 2011, the computers were shipped from WFLHD to LAAED. WFLHD became suspicious when it received a United Parcel Service (UPS) bill in September 2011 for the shipments. LAAED was supposed to pay shipping costs, but UPS was unable to contact LAAED or Bolden to collect payment. Our investigation determined that LAAED was not a legitimate nonprofit school.

We are investigating this case jointly with Army CID; DHS OIG; Department of Energy OIG; DOJ OIG; FBI; GSA OIG; IRS CID; Social Security Administration OIG; and Veterans Administration OIG.

# Investigations

**February 27, 2014**

## IDAHO CONTRACTOR SENTENCED TO 7 YEARS IN PRISON FOR DOT DBE AND SBA 8(A) PROGRAMS FRAUD SCHEME

Elaine Martin, former president and majority stockholder of MarCon Inc., was sentenced in U.S. District Court, Boise, ID, to 84 months in prison followed by 3 years of supervised release for conspiracy, wire fraud, and mail fraud. Martin also received a concurrent sentence to 24 months in prison for tax fraud and obstruction of justice followed by 3 years of supervised release. The Court ordered Martin to pay restitution of \$98,825.20 to the IRS and \$32,575.28 to the Idaho DBE Program, and prosecution costs of \$22,859.60. The Court also

ordered Martin to forfeit \$3 million in proceeds she received from her fraudulent activity.

Our investigation determined that Martin submitted fraudulent applications to have her construction company, MarCon, admitted and/or remain in the U.S. Small Business Administration (SBA) 8(a) program and DOT's DBE program. Martin took steps to artificially lower her personal net worth—such as acquiring, holding, and transferring assets into the names of nominees—in order to appear to be economically disadvantaged. As a result of this manipulation, MarCon appeared to qualify for the DBE and SBA 8(a) programs, and received more than \$17.5 million in Government contracts based on the company's fraudulently obtained SBA 8(a) status.

This investigation is being conducted jointly with SBA OIG, IRS CID, and the FBI.

## IN FOCUS

# Strengthening Oversight of DOT's Disadvantaged Business Enterprise Program

In fiscal years 2011 and 2012, DOT distributed around \$4.4 billion annually to support small businesses through its DBE program—a program created in the 1980s to help socially and economically disadvantaged individuals who own and control small businesses participate in DOT contracting opportunities. As a high-dollar program implemented by numerous recipients across the Nation, the DBE program carries a high risk of fraud, waste, and abuse. The number of DBE fraud cases has increased significantly in recent years. In fiscal year 2012, our DBE fraud cases resulted in four indictments, seven convictions, and almost \$10 million in financial recoveries. As of October 31, 2013, DBE fraud cases represented about 40 percent of our active grant fraud investigative work and 17 percent of all our active investigations. In fiscal year 2013, our investigators reported 16 indictments and 20 convictions for DBE fraud with \$10.3 million in financial recoveries.

The DBE program is unique to the transportation sector and covers contracts awarded by grant recipients, including State highway agencies, airport and transit authorities, and other State and local jurisdictions that receive DOT funds. As required by law, each recipient must implement a DBE program and establish an annual DBE participation goal. The integrity of the DBE program depends in large part on grant recipients' procedures for ensuring only eligible firms are certified

to participate and that DBEs actually perform the work according to the contract terms. DOT's DBE regulations place these responsibilities primarily on recipients. However, the program also requires the Department to provide leadership, guidance, and oversight.

Despite this requirement, DOT had not issued comprehensive and standardized DBE guidance; provided sufficient training to the recipients responsible for implementing the program; or established a single line of accountability for the program. In addition, Operating Administrations and recipients did not adequately oversee or implement the DBE program. We identified weak DBE certification and contract oversight practices in several States that increase the risk that ineligible firms will be certified as DBEs. These weaknesses are also evident in our increasing DBE fraud investigations. Finally, the Department has had limited success in achieving its regulatory program objective to help DBE firms succeed in the marketplace, as we found that less than 20 percent of certified DBEs in our six sample States received work on Federal projects.

As a result of these findings, which we reported in April 2013, we made eight recommendations to enhance DOT's DBE program management and oversight. In addition, in September 2013, we issued a management advisory highlighting errors in some State DBE directories. Specifically,



the directories identified suspended or debarred firms as eligible to participate in the DBE program, creating the risk that ineligible firms could receive Federal DBE funds. The advisory emphasized the need for DOT to implement program guidance and safeguards to prevent DBE contract awards from going to suspended or debarred firms, and to ensure that ineligible firms do not receive federally funded projects.

Within 1 month of the issuance of our April 2013 report, the Congressional Black Caucus asked the Department to provide a detailed plan that addresses each of our recommendations—including implementation dates and criteria for assessing management improvements—and requested a briefing with the Inspector General on the Department’s progress. Other congressional members have asked DOT to fully implement

our recommendations so that the DBE program fairly and effectively expands opportunities for DBEs. In addition, the FAA Modernization and Reform Act of 2012 required OIG to identify possible impediments to obtaining DBE awards and best practices among the Nation’s 64 largest airports with the greatest numbers of new DBE entrants. We expect to report our findings later this year.

DOT has since consolidated the leadership of the DBE program under the Office of Civil Rights and has specified the roles, relationships, and functions of DOT offices responsible for leading the program. Successful implementation of our recommendations will better position the Department to meet the intent of the DBE program and prevent future fraud, waste, and abuse.

# DEPARTMENTWIDE ISSUES

OIG general conducts audits and investigations of departmentwide issues that are either self-initiated or in response to requests from Congress and the Department.



# AUDITS AND INVESTIGATIONS

## DEPARTMENTWIDE ISSUES

**December 16, 2013**

### TOP MANAGEMENT CHALLENGES FOR FISCAL YEAR 2014

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

Our report on the top management challenges  
facing the Department in fiscal year 2014  
highlighted seven areas:

- Improving FAA's oversight of the aviation industry and the operations of the National Airspace System;
- Identifying and addressing root causes of NextGen problems and setting investment priorities;

- Continuing actions to strengthen highway, transit, and pipeline safety;
- Improving oversight of surface infrastructure investments and implementing statutory requirements;
- Implementing requirements to address FRA's expanded and traditional responsibilities;
- Managing acquisitions and contracts to achieve results and save taxpayer dollars; and
- Building a secure and modern IT infrastructure.

This report was included in the Department's  
Annual Financial Report, as required by law.

# OTHER ACCOMPLISHMENTS

OIG's other accomplishments and contributions are those that extend beyond the legal reporting requirements of the Inspector General Act.



# OTHER ACCOMPLISHMENTS

**November 25, 2013**

## PRESENTATION ON THE EFFECTS OF LIMITED COMPETITION ON AIRLINE CANCELLATIONS AND DELAYS

An economist from OIG's Office of Rail, Maritime, and Hazmat Transport Audits, and Economic Analysis participated on a panel on competition and quality at the Southern Economics Association annual meeting in Tampa, FL. The economist presented OIG's methodology for determining the effects of limited competition on airline cancellations and delays. Participants included economists, most in academia, from around the world.

**December 5, 2013**

## PRESENTATION ON OIG'S OVERSIGHT OF HURRICANE SANDY RELIEF FUNDS

The Deputy Assistant Inspector General for OIG's Office of Highway and Transit Audits spoke at the New York/New Jersey/Mid-Atlantic Intergovernmental Audit Forum on OIG's work on oversight of Hurricane Sandy relief funds. The meeting was attended by Federal, State, and local auditors and investigators in the region.

**February 10, 2014**

## FRAUD AWARENESS BRIEFING ON BILLION-DOLLAR BRIDGE PROJECT

A Special Agent-in-Charge from OIG's Office of Investigations, New York Regional Office, provided a fraud awareness briefing related to the Tappan Zee Bridge replacement project in Westchester, NY. FHWA approved a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan of up to \$1.6 billion for the project. The loan represents the largest award in the TIFIA program's history. Briefing participants included various construction contractors in Tarrytown, NY.

**February 24, 2014**

## PRESENTATION ON UAS INTEGRATION INTO THE NATIONAL AIRSPACE SYSTEM

The Deputy Assistant Inspector General for Aviation spoke at the Air Traffic Control Association conference on FAA's progress in meeting requirements in the FAA Modernization and Reform Act of 2012 to integrate UAS into the National Airspace System. He discussed a number of technical and operational challenges that FAA and the aviation industry face in integrating UAS into domestic airspace. A key theme of his message was the need to develop realistic budgets for advancing

UAS technology that include both development and implementation. The conference was attended by leaders of U.S. and foreign aerospace firms as well as various Government agencies, including DOD.

**February 27, 2014**

## NEXTGEN ROUNDTABLE

The Deputy Assistant Inspector General for Aviation participated in a roundtable convened by the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation to discuss FAA's progress in implementing NextGen. The session focused on FAA's response to recent Government-industry task force recommendations on NextGen's investment priorities. The Deputy provided observations on the priorities and highlighted the need for FAA to follow through on plans to establish firm commitment dates for introducing new capabilities at specific locations.

# WORK PLANNED AND IN PROGRESS

This section describes OIG's work planned or in progress for April 1, 2014 through September 30, 2014. The work focuses on the Department's Strategic Plan and responds to requests by Congress and Administration officials. 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.



# WORK PLANNED AND IN PROGRESS

## AVIATION

### In Progress

#### AIR TRAFFIC CONTROL TOWER PRODUCTIVITY ASSESSMENT

In response to a request from the Chairmen of the House Transportation and Infrastructure Subcommittee on Aviation, we are conducting an audit of FAA air traffic control tower productivity. Specifically, we are assessing the relative efficiency of FAA air traffic control towers and identifying factors that affect air traffic control tower productivity.

#### EFFECTS OF LIMITED COMPETITION ON AIRLINE FLIGHT DELAYS AND CANCELLATIONS

The FAA Modernization and Reform Act of 2012 directs OIG to assess the effect that limited air carrier service options on routes have on the frequency of delays and cancellations on such routes. To meet this requirement, we are analyzing the relationship between the presence or degree of competition on airline routes and the frequency of delays and cancellations. To conduct this assessment, we are developing econometric models of delays and

cancellations. These models will allow us to separate the effects of changes or limits in competition on cancellations and delays from the effects of other factors, such as weather and congestion.

#### CHALLENGES AND RISKS WITH THE IMPLEMENTATION OF FAA'S AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST

At the request of the Chairman and Ranking Minority Member of the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies and as required by the FAA Modernization and Reform Act of 2012, we are conducting a review of ADS-B—an important NextGen component that is expected to leverage satellite-based technology, aircraft avionics, and ground-based systems to provide information to pilots and air traffic controllers on the position of aircraft in all phases of flight. Our audit objectives are to assess FAA's progress with mitigating risks and identify any challenges associated with FAA's implementation of ADS-B.



## In Progress

### FAA'S EFFORTS TO STREAMLINE ITS PROCESS FOR IMPLEMENTING NEW PERFORMANCE-BASED FLIGHT PROCEDURES

In 2009, RTCA Task Force 5—a joint FAA-industry task force—completed an assessment and identified near-term, performance-based flight procedure priorities for 2012 to 2018. Recommendations focus on developing high-value flight procedures that rely on equipment already on board aircraft and resolving longstanding approval and certification issues for new flight procedures. In response to the Task Force's recommendations, FAA performed a study (the NAV Lean Project) that identified 21 needed improvements. However, these improvements could take several years to complete, and new flight procedures have not to date yielded expected benefits. At the request of the Chairman of the House Transportation and Infrastructure Committee and the Chairman and Ranking Member of the Subcommittee on Aviation, we are assessing FAA's progress in providing new high-value, performance-based navigation procedures and implementing improvements recommended by the NAV Lean Project.

### FAA'S OVERSIGHT OF THE VOLUNTARY DISCLOSURE REPORTING PROGRAM

In 2006, FAA established the Voluntary Disclosure Reporting Program (VDRP), which allows air carriers to voluntarily report adverse safety issues to the Agency without fear of enforcement actions. While this program provides an important opportunity to identify and mitigate safety issues that might not otherwise come to FAA's attention, the program also requires close monitoring to ensure that it is not misused. The FAA Modernization and Reform Act of 2012 mandated that OIG examine FAA's oversight of VDRP. Accordingly, our audit objectives are to determine whether FAA ensures that air carriers' disclosure reports meet VDRP requirements, including the development and implementation of effective corrective actions, and whether FAA uses VDRP data to identify safety risks.

## In Progress

### FAA POLICY REGARDING USE OF UNMANNED AIRCRAFT SYSTEMS

At the request of the Chairmen and Ranking Members of the Senate Commerce, Science, and Transportation Subcommittee on Aviation Operations, Safety, and Security, as well as the Chairmen and Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation, we are assessing FAA's efforts to mitigate safety risks for integrating UAS into the National Airspace System and progress and challenges in meeting the UAS requirements of the FAA Modernization and Reform Act of 2012.

### AIR TRAFFIC CONTROLLER PRODUCTIVITY

Between fiscal years 2000 and 2012, air traffic operations dropped by 21 percent while controller staffing levels remained essentially unchanged, resulting in controller productivity dropping by nearly 23 percent. FAA introduced several initiatives in its initial controller workforce plan that it stated would improve operational productivity and encourage efficiency within the workforce.

However, it is unclear whether these initiatives are achieving expected efficiencies. At the request of the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation, we are reviewing operational data to determine whether FAA's productivity and efficiency initiatives are achieving their expected benefits and will result in cost savings to the Agency.

### FAA-NATCA COLLECTIVE BARGAINING AGREEMENT EXTENSION

Effective October 1, 2012, FAA and the National Air Traffic Controllers Association (NATCA) agreed to extend their existing collective bargaining agreement through July 1, 2016. This agreement extends the original 3-year collective bargaining agreement and includes a memorandum of understanding covering pay. Our objectives are to identify provisions in the 2012 collective bargaining agreement extension that put FAA at risk for unanticipated costs and assess the effectiveness of FAA's policies, procedures, and internal controls in preventing cost escalations.

## In Progress

### FAA'S EFFORTS TO ADDRESS RUNWAY INCURSIONS

After FAA implemented initiatives from its August 2007 Call to Action Plan for Runway Safety, the number of runway incursions decreased. However, this trend is reversing. Between fiscal years 2011 and 2012, the total number of all runway incursions increased 21 percent, from 954 to 1,150. The Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation requested that we examine FAA's Runway Safety Program and the Agency's actions to improve safety. Accordingly, our objectives are to evaluate FAA's progress in implementing initiatives to prevent runway incursions, and effectiveness in reporting and evaluating runway incursions.

### FAA'S SURFACE SURVEILLANCE PROGRAMS FOR RUNWAY SAFETY

Since 1990, preventing aircraft ground collisions and runway incursions has been on the National Transportation Safety Board's (NTSB) "Most Wanted List" of the most critical changes needed to reduce transportation accidents and save lives. NTSB

recommended that FAA require ground movement safety systems at airports to prevent collisions and provide direct warnings to flight crews. In response, FAA designed Airport Surface Detection Equipment-Model X (ASDE-X). We are assessing FAA's progress in integrating ASDE-X with other runway safety technologies, such as Runway Status Lights and ADS-B to improve runway safety.

### FAA'S OVERSIGHT OF EUROPEAN UNION REPAIR STATIONS

In May 2013, FAA completed its transfer of direct oversight of repair stations in the European Union (EU) to the national aviation authorities of those countries. These authorities will be responsible for monitoring over 400 FAA-certificated repair stations located in 18 EU countries. Our objectives are to assess the Agency's monitoring of FAA-certificated repair stations operating under the U.S.-EU Aviation Safety Agreement to ensure they meet Agency standards, and evaluate the effectiveness of FAA's process to transfer oversight of EU repair stations to national aviation authorities.

## In Progress

### DOT'S OVERSIGHT AND ENFORCEMENT OF LONG, ON-BOARD FLIGHT DELAYS

OIG's work over the past decade has shown that strong oversight of airline passenger protections is needed. We recommended several actions that DOT has taken to strengthen the accountability, enforcement, and protection afforded to air travelers. We are assessing the effectiveness of DOT's oversight and enforcement of airlines' and airports' compliance with requirements relating to long, on-board flight delays.

### FAA'S OVERSIGHT OF THE HAZARDOUS MATERIALS VOLUNTARY DISCLOSURE REPORTING PROGRAM

Each year, about 50,000 routine providers of hazardous materials ship hazmat packages by air on more than 400 air carriers, both U.S. and foreign. Hazmat air shipments can present serious safety risks—especially when the materials are unauthorized and undeclared. To help address the safety concerns raised by hazmat shipments by air—including unauthorized, undeclared shipments—FAA established VDRP. By allowing air carriers to voluntarily disclose violations of hazardous materials regulations without receiving

civil penalties, the program provides an important opportunity to identify and mitigate hazmat safety issues that might not otherwise come to the Agency's attention. We initiated this audit to determine whether FAA ensures that air carriers' disclosure reports meet VDRP requirements, including the development and implementation of effective corrective actions, and whether FAA uses VDRP data to identify safety risks, including the risks from unauthorized, undeclared shipments.

### FAA'S ORGANIZATIONAL STRUCTURE

The Chairmen of the House Transportation and Infrastructure Subcommittee on Aviation requested that we assess FAA's organizational structure, including whether the Agency's recent reforms have improved its operations and the 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. Accordingly, our objectives are to determine whether FAA reforms implemented since 1995 have improved the efficiency of air traffic operations, reduced Agency costs, and expedited delivery of new technologies and to compare the processes used by different countries to deliver air traffic services and implement new technologies.

## In Progress

### FAA'S PROGRESS IN REDUCING HELICOPTER EMERGENCY MEDICAL SERVICES (HEMS) ACCIDENTS

HEMS operators provide an important service to the public by transporting seriously ill and injured patients and life-saving donor organs and blood to emergency care facilities. HEMS operations are frequently conducted in high-risk situations with challenging flight environments, including night flight, poor weather or visibility, and flight into unfamiliar landing sites. In addition, the number of helicopters providing emergency medical service in the United States has grown nearly 300 percent since the mid-1990s. While the industry safely transports over 400,000 patients in the United States each year, the HEMS accident rate has almost doubled over the past 2 decades. At the request of the House Committee on Transportation and Infrastructure, we are evaluating FAA's progress in meeting requirements for emergency helicopter operations established in the FAA Modernization and Reform Act of 2012 and the status of FAA's other efforts to reduce the HEMS accident rate.

### FAA'S RESPONSE TO NEXTGEN ADVISORY COMMITTEE'S RECOMMENDATIONS ON NEXTGEN INVESTMENT PRIORITIES

Since FAA launched NextGen—a multibillion-dollar project aimed at modernizing our Nation's aging air traffic control system—we have identified longstanding challenges, including FAA's inability to set realistic plans, budgets, and expectations and clearly identify benefits for stakeholders. To address some of these challenges, FAA is working with industry to set priorities for NextGen. In its September 2013 report, the NextGen Advisory Committee—a Federal advisory committee that includes representation from operators, manufacturers, air traffic management, aviation safety, airports, and environment experts—identified the top investment priorities for NextGen and made recommendations for addressing these priorities. At the request of the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation, we are examining the steps FAA is taking to address the recommended investment priorities and evaluating FAA's plans for implementation.

## In Progress

### FAA OVERSIGHT OF COCKPIT AUTOMATION AND PILOT PERFORMANCE

Commercial airline pilots increasingly rely on sophisticated automation in the cockpit to fly aircraft in all phases of flight. While rapid advances in cockpit automation can increase safety and efficiency, they also limit the opportunities pilots have to maintain their flying skills. Further, 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 considered major factors in airline crashes worldwide. We are assessing FAA's oversight of pilot training programs to determine whether FAA has established regulations for using flight deck automation and evaluating pilots' abilities to use the systems while maintaining proficiency in manual flight operations.

### FAA'S IMPLEMENTATION OF A PILOT RECORDS DATABASE

In September 2013, the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation requested that we examine FAA and industry's progress in implementing the new pilot records database, as mandated by the 2010 Airline Safety and FAA Extension Act. Accordingly, we are assessing FAA's progress in developing and implementing the pilot records database, and determining what pilot records are available for air carriers to obtain and review for new applicants.

## Planned

### FAA DATA COMMUNICATIONS

DataComm, a 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. Airspace users have raised significant concerns about DataComm's development, and industry and FAA have not reached consensus on how to implement the technology. We plan to conduct an audit to determine whether FAA's acquisition strategy for DataComm addresses the cost, schedule, and performance risks associated with DataComm development 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 and the En Route Automation Modernization.

### FAA'S ORGANIZATION DELEGATION AUTHORIZATION PROGRAM

Delegating authority to certify aircraft—and their continued airworthiness—is a longstanding and essential aviation practice because FAA does not have the staff to oversee every facet of a large and diverse aircraft industry. Moreover, Title 49 United States Code Part 44702 allows FAA to delegate certain functions to private individuals or organizations that perform certification work, such as approving elements of new aircraft designs, on behalf of the Agency. In 2005, FAA created the Organizational Designation Authorization (ODA) program to consolidate the various types of organizational delegations under one program and standardize oversight. At the request of a Member of the House Transportation and Infrastructure Committee, we plan to assess FAA's process for determining whether staffing levels are adequate to conduct ODA oversight and the effectiveness of FAA's oversight of the ODA program's delegated organizations.

## Planned

### PERFORMANCE-BASED NAVIGATION (PBN) AUTOMATION TOOLS

Implementing PBN flight procedures is a cornerstone of FAA's NextGen development. These new procedures allow for more direct flight paths and can provide significant benefits, such as fuel savings and increased air traffic capacity. Many of the Nation's airlines have equipped their aircraft and trained their pilots to use these new procedures, but progress has been slow. A barrier to maximizing the benefits of PBN procedures has been the lack of air traffic controller automated decision support tools that help identify and manage aircraft with differing capabilities. At the request of the Chairmen and Ranking Members of the House Transportation and Infrastructure Subcommittee on Aviation, we plan to assess FAA's progress in developing and deploying new air traffic controller automation tools needed to maximize the use of PBN procedures, particularly at higher activity air traffic facilities.

### CONTROLLER STAFFING AT CRITICAL AIR TRAFFIC CONTROL FACILITIES

FAA currently employs more than 14,600 air traffic controllers and is planning to hire over 6,200 more in the next 5 years to keep pace with expected attrition. In a 2012 review of air traffic controller staffing and training at FAA's most critical facilities, we found the number of experienced controllers to manage the air traffic and train newly hired controllers was decreasing while the retirement eligibility rate was increasing. The Consolidated Appropriations Act of 2014 directed our office to conduct a follow-up review. We plan 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.



# HIGHWAY AND TRANSIT

## In Progress

### FTA'S NATIONAL TRANSIT DATABASE (NTD)

Congress, Federal agencies, and transit industry stakeholders rely on NTD—the Nation's primary source of data on U.S. transit systems—to make sound planning and investment decisions. FTA apportions over \$6 billion annually in formula grants to nearly 2,000 urban and rural transit agencies based on NTD data. Our objectives are to evaluate FTA's oversight of NTD data to ensure submissions from grant recipients and beneficiaries of transit funds for the Urbanized Area Formula Program are complete, accurate, and timely.

### FHWA'S WORKFORCE PLANNING EFFORTS

To accomplish its mission and oversee States' use of Federal highway funds, FHWA has a workforce of about 3,000 staff at Headquarters, 52 State Division Offices, and other field locations. In recent years, Congress and the Administration called on Federal agencies to improve accountability in their operations and ensure effective use of resources. Accordingly, we are reviewing FHWA's processes and procedures for assessing its workforce needs, including whether it has evaluated the impact of the Moving Ahead for Progress in the 21st Century Act (MAP-21) on its workforce.

### FHWA'S IMPLEMENTATION OF OIG'S BRIDGE PROGRAM RECOMMENDATIONS AND MAP-21'S BRIDGE PROVISIONS

The May 2013 collapse of a portion of the Skagit River Bridge in Washington State brought renewed attention to the safety and conditions of the Nation's bridges. FHWA is responsible for overseeing States' compliance with the National Bridge Inspection Standards and with statutory provisions for Federal bridge funding. Since 2006, we have issued three reports recommending improvements to FHWA's oversight of bridge programs. At the request of the Ranking Member of the House Transportation and Infrastructure Committee, we initiated a series of audits related to bridge safety. In this first audit, we are assessing the actions FHWA has taken to respond to our prior recommendations and the bridge safety provisions in MAP-21.

## In Progress

### FHWA'S OVERSIGHT OF BRIDGE SAFETY

FHWA established the National Bridge Inspection Standards for proper safety inspections of public highway bridges and oversees States' efforts to ensure that bridges within their jurisdictions are safe. In 2011, FHWA announced a new bridge safety initiative designed to more consistently monitor States' bridge inspection processes and to target problem areas in specific States. For this second, more comprehensive audit initiated in response to a congressional request, we are assessing Division Offices' oversight of States' bridge inspection programs and FHWA's efforts to identify and address high-priority bridge safety risks at the national level.

### FHWA'S OVERSIGHT OF RECOVERY ACT PROJECT CLOSEOUTS

Prompt closeout of ARRA projects allows unused funds on completed projects, with no pending expenditures, to be used on other projects still under construction. Project closeout is also a critical step for an accurate final accounting of the States' use of Federal-aid highway funds, including those from ARRA. We are assessing FHWA's oversight of closeouts of completed ARRA highway projects and determining whether closeouts are timely.

### FHWA'S OVERSIGHT OF MAJOR PROJECTS

FHWA provides financial assistance and oversight to States on major highway and bridge projects. Federal law defines major projects as those with estimated costs of \$500 million or more and that require States to prepare financial plans and project management plans. These plans are intended to be living documents that are updated to reflect conditions as projects progress and ensure project decisionmakers effectively manage cost, schedule, and funding. Our objectives are to determine whether FHWA verified that States' initial and updated financial and project management plans met FHWA guidance, and to identify whether additional project delivery tools are available or being used to manage major projects' costs, schedules, and funding.

### NHTSA'S OVERSIGHT OF HIGHWAY SAFETY GRANTS

NHTSA awards formula and incentive grants to States for a wide range of highway safety programs aimed at reducing the fatalities, injuries, and economic losses caused by motor vehicle crashes. Such programs include promoting safety belt use and discouraging alcohol-impaired driving. We are evaluating NHTSA's oversight of State-administered safety grant programs to ensure grantees meet key Federal requirements and determining whether NHTSA effectively tracked grantees' deficiencies and corrective actions.

## In Progress

### FTA'S OVERSIGHT OF HURRICANE SANDY EMERGENCY RELIEF FUNDS—PHASE 2

In October 2012, Hurricane Sandy caused widespread damage in the mid-Atlantic and northeastern United States, particularly to transportation infrastructure. The Disaster Relief Appropriations Act of 2013 designated more than \$13 billion for infrastructure investments across several modes of transportation and funds for our office to oversee DOT's administration of the relief funds. To comply with the act, we initiated a three-phase audit strategy. We completed phase 1 in December 2013. For phase 2, we are determining whether FTA has fully implemented the processes it established to award and oversee Hurricane Sandy relief funds, assessing FTA's controls to prevent duplicate payments from the Federal Emergency Management Agency and insurance companies, and identifying any issues that may impact the obligation and expenditure of Hurricane Sandy funds.

### FTA'S EFFORT TO IDENTIFY, PROMOTE, AND DEPLOY LOW OR NO EMISSION BUS AND OTHER TRANSIT-FOCUSED TECHNOLOGIES

FTA is responsible for identifying low or no emission bus technologies, promoting their use by State and local transit agencies, and deploying those buses and other transit-focused technologies. The goal is to encourage State and local transit agencies to more widely adopt reliable "green energy" buses. In response to a congressional directive accompanying the fiscal year 2014 appropriations act, we are identifying whether FTA has opportunities to improve its identification, promotion, and deployment of low or no emission buses and other transit-focused technologies.

## Planned

### DOT'S EFFORTS TO IMPLEMENT MAP-21 PROJECT AND PROGRAM DELIVERY REQUIREMENTS—PHASE 2

To continue meeting our mandate to assess the Department's implementation of MAP-21's Subtitle C project and program delivery reforms, we will undertake phase 2 of our work. Specifically, we will continue assessing the status of DOT's reforms and drill down on certain provisions according to risks that emerged during our phase 1 audit.

### IDENTIFYING AND INVESTIGATING VEHICLE SAFETY DEFECTS

In early 2014, General Motors Corporation reported an ignition defect in vehicles dating back to 2003, raising concerns about the timeliness of the recall and the adequacy of NHTSA's efforts to identify vehicle safety defects. As a result, the Secretary requested that we undertake a review of NHTSA's safety functions and processes related to the General Motors recall. We plan to initiate an audit, building on our previous assessments of NHTSA's oversight of vehicle safety.

### FMCSA'S OVERSIGHT OF MOTOR CARRIER SAFETY ASSISTANCE GRANTS

To help combat crashes and fatalities, FMCSA awards annual safety grants to State agencies and other stakeholders through the Motor Carrier Safety Assistance Program (MCSAP), FMCSA's largest grant program. For fiscal year 2014, MAP-21 provided \$218 million for MCSAP grants. Accordingly, we plan to assess FMCSA's efforts to oversee States' use of MCSAP grants.

### FHWA'S ASSESSMENTS OF STATE FINANCIAL OVERSIGHT

FHWA oversees approximately \$37 billion in Federal aid provided annually to States for thousands of highway and bridge projects. FHWA relies on a risk-based approach to ensure States use these funds in accordance with Federal requirements. In fiscal year 2005, FHWA implemented the Financial Integrity Review and Evaluations (FIRE) program, which involves annual assessments of State financial oversight and management activities pertaining to Federal highway funds. FIRE is intended to respond to internal control weaknesses in FHWA's inactive obligations that we previously identified. We plan to assess the FIRE reviews' compliance with Agency policies and procedures to determine whether they are used effectively in FHWA's risk-based oversight approach.

# RAIL, MARITIME, HAZMAT TRANSPORT, AND ECONOMIC ANALYSIS

## In Progress

### FRA'S OVERSIGHT OF THE RAILROAD REHABILITATION AND IMPROVEMENT FINANCING (RRIF) PROGRAM

The RRIF program—established in 1998 by the Transportation Equity Act for the 21st Century—authorizes FRA to provide loans and loan guarantees to railroads and other eligible entities to finance the development of railroad infrastructure. We are conducting an audit of FRA's oversight of RRIF and the effectiveness of the program's support to railroads and other entities in achieving improvements to the Nation's rail infrastructure. Our objectives are to assess FRA's policies and procedures for evaluating and selecting RRIF applications, and to identify factors that affect prospective applicants' decisions on whether to apply for RRIF credit assistance.

### PHMSA'S PROGRESS IN IMPROVING ITS SPECIAL PERMITS AND APPROVALS PROGRAM

PHMSA, through its Special Permits and Approvals Program, grants approvals for activities allowed under certain conditions identified in the Hazardous Materials Regulations. In 2009 and 2010, we reported on serious weaknesses in the program, including the Agency's assessment of applicants' fitness to comply with special permit and approval conditions, evaluation of applicants' proposed safety measures, and coordination with other Operating

Administrations in reviewing applications. Our objective is to determine the extent to which PHMSA has addressed program weaknesses, focusing on the Agency's implementation of standard procedures for processing special permits and approvals, and its attention to fitness, safety, and coordination.

### THE UNITED STATES MERCHANT MARINE ACADEMY'S (USMMA) PROGRESS IN ADDRESSING SEXUAL HARASSMENT AND SEXUAL ASSAULT

Fewer than half of USMMA's female upperclassmen, faculty, and staff believe that senior leadership has created a climate that is intolerant of sexual harassment and sexual assault, according to the Academy's most recent publicly available survey conducted during the 2009–2010 academic year. The Ranking Member and another Member of the House Committee on Oversight and Government Reform requested that we conduct a comprehensive evaluation of the Academy, which is operated by the Maritime Administration (MARAD)—specifically, its efforts to create a climate in which sexual harassment and sexual assault are not tolerated. Accordingly, our objectives are to assess USMMA's implementation of its action plan to prevent, respond to, and resolve instances of sexual harassment and sexual assault and assess DOT's oversight of the Academy's sexual harassment and sexual assault prevention, response, and resolution

## In Progress

efforts, including MARAD's management of these efforts.

### FRA'S HIGH SPEED INTERCITY PASSENGER RAIL GRANT AMENDMENT AND OVERSIGHT PROCESSES

FRA's HSIPR grant program is intended to help address the Nation's transportation challenges by investing in an efficient high-speed rail network. Since 2009, Congress has appropriated over \$10 billion for this program. As of September 2013, FRA had obligated nearly all of these funds and disbursed approximately \$1.4 billion. Nearly 85 percent of the funding obligated to date has been dedicated to six corridors, with the California corridor receiving the largest portion—\$3.9 billion. In September 2012, we reported that FRA's lack of an effective grants administration framework put Federal funds at risk. In response to a request from the Chairmen of the House Transportation and Infrastructure Subcommittee on Railroads, Pipelines, and Hazardous Materials, we are evaluating FRA's policies, procedures, and processes for amending HSIPR grant agreements and for identifying and mitigating funding risks to federally funded HSIPR projects.

## Planned

### FRA'S MANAGEMENT OF SAFETY DATA

FRA collects accident and incident data from railroads to inform its National Inspection Plan. FRA uses the plan to target inspection resources and monitor how regions meet their inspection goals. We plan to conduct an audit of FRA's management of its safety data to assess the Agency's management of accident and incident data and its oversight of railroads' processes for collecting and reporting rail safety data to FRA.

### FRA'S OVERSIGHT AND MANAGEMENT OF AMTRAK GRANTS

FRA provides annual grants to Amtrak in excess of \$1 billion to subsidize its operations. The grant agreements require Amtrak to meet certain terms and conditions. We plan to conduct an audit to review FRA's administration of these grants and whether FRA ensures that Amtrak complies with the requirements. Our objectives will be to assess FRA's performance metrics for measuring Amtrak's grant compliance and FRA's use of these metrics to monitor the performance and success of Amtrak projects.

# FINANCIAL AND INFORMATION TECHNOLOGY

## In Progress

### QUALITY CONTROL REVIEW OF STANDARDS FOR ATTESTATION ENGAGEMENTS: REVIEW OF DOT'S ENTERPRISE SERVICES CENTER

We are performing 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 are fairly presented; (2) controls are suitably designed; and (3) controls operate effectively during the period of October 1, 2013, to June 30, 2014.

### DOT'S INFORMATION SECURITY PROGRAM AND PRACTICES FOR FISCAL YEAR 2014

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

### FAA'S AIR TRAFFIC CONTROL SYSTEM COMMAND CENTER (ATCSCC)

FAA's ATCSCC systems help manage air traffic flow, resolve inter-air traffic facility issues, and assess weather and other conditions that stress the National Airspace System. FAA must ensure that the data systems are available and uncompromised. We are assessing ATCSCC systems' information security controls, including whether FAA is identifying security risks and properly mitigating them.

### FAA'S AUTOMATIC DEPENDENT SURVEILLANCE-BROADCAST SYSTEM

FAA's ADS-B system is expected to provide pilots and controllers with information on aircraft location through satellite-based surveillance technology and aircraft avionics that will complement ground-based radar systems. The FAA Modernization Reform Act of 2012 requires OIG to determine how FAA addresses security issues in ADS-B's design and implementation. Accordingly, we are assessing FAA's identification and resolution of security issues in ADS-B's development and implementation.

## In Progress

### QUALITY CONTROL REVIEW OF DOT'S FISCAL YEARS 2014 AND 2013 CONSOLIDATED FINANCIAL STATEMENTS AND FAA'S, SLSDC'S, AND NTSB'S FINANCIAL STATEMENTS

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

### QUALITY CONTROL REVIEWS OF SINGLE AUDITS ON DOT GRANTEES

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

### DOT'S TRAVEL CARD PROGRAM

We are conducting an audit of DOT's travel card program. Issued by the General Services Administration's SmartPay® program, these cards are used by DOT employees to pay for expenses related to official Government travel. In fiscal year 2011, DOT employees made 1.2 million payments or charges totaling \$172 million on their travel cards. A prior DOT audit on travel card use identified instances of employees using their cards to purchase personal items and withdraw cash in excess of their travel needs, and not paying bills on time. We are assessing DOT's internal controls to determine their effectiveness in preventing and detecting travel charge abuse and misuse.

### DOT'S PRIVACY MANAGEMENT PROGRAM

As mandated by the Appropriations Act of 2008, OIG performs periodic reviews of DOT's privacy management program to determine whether DOT has an effective privacy management program and adequately protects personally identifiable information.



## In Progress

### DOT'S USE OF EARNED VALUE MANAGEMENT

OIG and the Government Accountability Office have previously reviewed DOT's use of earned value management (EVM)—a tool to plan, execute, and control IT project costs and schedules—and have made recommendations to implement EVM. However, there has been limited followup to determine the status of DOT's EVM implementation and assess its guidelines' compliance with EVM statutes, policy, and standards. We are assessing DOT's management and monitoring of IT investments, its controls to ensure the IT Investment Manager performs EVM as an integral part of standard investment management operations, performance measurement baselines for IT investments, and methodology for analyzing and using EVM data to assess and monitor contract performance.

### DOT'S CONTROLS OVER COLLECTION OF ACCOUNTS RECEIVABLE

The Debt Collection Improvement Act requires agencies to follow standardized procedures to ensure collection of delinquent non-tax public debt. DOT's public accounts receivable increased from \$85 million to \$124 million between fiscal years 2008 and 2009. We are assessing DOT's controls to determine if they ensure timely collection

of accounts receivable and include exhaustive attempts to collect delinquent accounts.

### DOT'S TRANSITION TO CLOUD COMPUTING

Cloud computing provides on-demand access to a shared pool of computing resources and reportedly has the potential to deliver services faster, more efficiently, and at a lower cost than custom-developed systems. OMB's "Cloud First" policy requires Federal agencies to implement cloud-based solutions whenever a secure, reliable, and cost-effective cloud option exists. We are assessing DOT's process for transitioning IT services to cloud computing, and for identifying and mitigating security risks associated with this transition.

### FAA'S ACCOUNTABLE PERSONAL PROPERTY

In July 2013, we reported that FAA purchase cardholders 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 those controls.

## Planned

### FAA'S SECURITY CONTROLS FOR THE DATA COMMUNICATIONS PROGRAM

Through DataComm, FAA plans to transition its current analog voice system to digital communications. This transition is expected to produce a number of operational benefits—including increased safety through reduced operational errors, controller productivity, and aircraft fuel savings—and provide infrastructure support for other NextGen programs and operational improvements. We plan to assess DataComm systems' IT security controls and determine whether FAA is identifying security risks and properly mitigating them.

### FAA'S TERMINAL RADAR APPROACH CONTROL (TRACON) SECURITY CONTROLS

FAA's TRACON facilities handle air traffic 30 to 50 nautical miles from an airport. We plan to assess the TRACON systems' information security controls and determine whether FAA is identifying security risks and properly mitigating them.

# ACQUISITION AND PROCUREMENT

## In Progress

### FOLLOWUP ON DOT'S SUSPENSION AND DEBARMENT (S&D) PROGRAM

S&D actions are among the Government's strongest tools to deter unethical and unlawful use of Federal funds. In January 2010, we reported that DOT's S&D program lacked sufficient internal controls to prevent prohibited parties from obtaining contracts and grants. Following our review, DOT began taking corrective actions to improve its S&D policies and procedures. However, recent work continues to show delays in DOT's S&D decision-making process and untimely and inaccurate reporting of exclusionary S&D actions in the governmentwide system. We are assessing DOT's actions to determine if its S&D decisions and reporting of exclusionary actions in the governmentwide system are timely and accurate.

### FHWA'S OFFICE OF FEDERAL LANDS HIGHWAYS' EFFORTS TO ENSURE PRICE REASONABLENESS ON FIXED-PRICE CONTRACTS

As of September 2013, FLH obligated approximately \$253 million on fixed-price contracts for fiscal year 2013. The Federal Acquisition Regulation requires agencies to establish fair and reasonable prices prior to awarding contracts, which helps ensure agencies receive the best value for their acquisitions. To this end, agencies are required to conduct price analyses that examine proposed prices without

evaluating separate cost elements and proposed profits. These price reasonableness determinations provide agency contracting personnel with critical information for evaluating proposals, conducting sole-source negotiations, and promoting competition. We are assessing FLH's policies, procedures, and practices to determine if they meet Federal and DOT requirements for ensuring price reasonableness in the award of fixed-price contracts.

### PARTICIPATION IN DOT'S AIRPORT DBE AND AIRPORT CONCESSIONS DBE (ACDBE) PROGRAM

Under DOT's airport DBE/ACDBE program, an airport receiving FAA grants must establish an annual goal for DBE/ACDBE participation. To achieve its goal, an airport seeks to award contracts or concession agreements to certified small businesses owned by women or minorities. However, based on its concerns that discrimination against DBEs/ACDBEs continues, Congress directed OIG to identify best practices for encouraging new airport DBE/ACDBE participation, including businesses owned by veterans, at large- and medium-sized airports. We are assessing DOT's airport DBE/ACDBE programs to determine the number of new and existing DBE/ACDBE firms hired at the Nation's large and medium-sized airports in fiscal year 2012 and to identify the best practices that led some airports to award more contracts and leases to new DBE/ACDBE firms.

## In Progress

### VOLPE'S MANAGEMENT OF THE VOLPE TRANSPORTATION INFORMATION PROJECT SUPPORT (V-TRIPS) CONTRACTS

To provide IT technical support services for its transportation systems projects and customers, the Volpe National Transportation Center relies on V-TRIPS, a 5-year, \$234-million contract awarded to five contractors in 2010. Our past work on large service contracts has shown that agencies did not always ensure adequate competition or provide sufficient oversight of contractor performance. Accordingly, we are assessing the V-TRIPS contract to determine whether Volpe awarded the base V-TRIPS contracts under competitive procedures, provides each awardee fair opportunities for task orders, and administers and oversees the contracts in accordance with Federal acquisition regulations and DOT policy.

### FAA'S ORGANIZATIONAL STRUCTURE

Over the past 2 decades, FAA has undergone several reorganizations and structural changes in an effort to improve operations and modernize equipment. The most significant change occurred in 2000, when President Clinton signed an executive order creating the Air Traffic Organization. Additionally, in 1996, Congress exempted FAA from most Federal personnel and acquisition laws and granted the Agency the authority to develop its own personnel and acquisition systems to better manage its unique workforce and technological needs. However, critical modernization efforts have experienced long delays and cost overruns, and Congress is questioning whether FAA's organizational changes have had their desired effects. At the request of the Chairmen of the House Transportation and Infrastructure Subcommittee on Aviation, we are assessing FAA's reorganization to determine whether reforms implemented since 1995 have improved air traffic operations, reduced Agency costs, and expedited delivery of new technologies and to compare the processes used by different countries to deliver air traffic services and implement new technologies.

## In Progress

### DOT'S COMPLIANCE WITH CONTRACTING OFFICER CERTIFICATION AND WARRANT REQUIREMENTS

DOT's contracting officers are responsible for awarding and managing a portfolio of contracts, which in fiscal year 2013 totaled \$1.3 billion in obligations (excluding FAA). The Office of Federal Procurement Policy requires that contracting officers' certifications correspond with the dollar value of contracts they are authorized to award and administer, and directs each agency's chief acquisition officer to establish agency-specific certification and warrant requirements. DOT's Contracting Officer Warrant Program outlines the Department's standards and is intended to ensure that only properly trained and qualified employees are appointed as contracting officers. We are assessing DOT's compliance with requirements for certifying and assigning warrant levels to its contracting officers and its oversight policies and practices to determine whether they ensure contracting officers meet applicable requirements.

## Planned

### FISCAL YEAR 2013 NEW PARTICIPATION IN DOT'S AIRPORT DBE/ACDBE PROGRAM

The 2012 FAA Modernization and Reform Act requires OIG to conduct three annual assessments of new participation in DOT's airport DBE/ACDBE program. The act specifies that OIG identify best practices for encouraging new airport DBE/ACDBE participation, including businesses owned by veterans, at the Nation's largest airports. Our first review, which is ongoing, covers new participation in fiscal year 2012. For our second review, we plan to identify new DBE/ACDBE numbers for fiscal year 2013 and further explore the factors that led some airports to award more contracts and leases to new entrants to DOT's DBE/ACDBE program.

## Planned

### DOT'S CONTRACT CLOSEOUT PROCESSES

Effective contract closeout processes protect the Government's interests, minimize administrative costs for the Government and the contractor, and free excess funds for possible use elsewhere. From fiscal years 2009 through 2013, DOT awarded over 21,800 contracts with end dates prior to December 31, 2013, that should be closed or in the closeout process. These contracts may include unneeded funds that can be put to other use with the implementation of effective procedures and timely contract closeouts. We plan to determine whether OST and Operating Administrations are closing contracts timely and efficiently in accordance with Federal and departmental regulations and using effective procedures to identify and de-obligate excess funds.

### QUALITY CONTROL REVIEWS OF THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY'S FINANCIAL STATEMENTS AND AUDITING

MWAA manages Ronald Reagan National Airport and Washington Dulles International Airport under a lease with DOT and has responsibility for the Dulles Corridor Metrorail Project, with a \$3.1 billion budget for phase 1—\$977 million of which is Federal investment—and cost estimates of \$2.7 billion for phase 2. The 2014 Consolidated Appropriations Act gave OIG authority to audit and investigate MWAA. Our prior work at MWAA has identified weaknesses in its policies, processes, and internal controls. Weaknesses identified include questionable procurement practices, mismanagement, a lack of overall accountability, and a lack of financial controls for Federal funds. To determine MWAA's compliance with applicable standards, we plan to conduct quality control reviews of MWAA's fiscal year 2013 consolidated financial statements and its fiscal year 2013 single audit and to review the quality control system in MWAA's Office of Audit.

# STATISTICAL PERFORMANCE DATA



# STATISTICAL PERFORMANCE DATA

## Summary of Performance

October 1, 2013 – March 31, 2014

Reports issued	32
Recommendations issued	114
Congressional testimonies	3
Total financial recommendations	\$532,418,000
That funds be put to better use	\$532,100,000
Questioned costs	\$318,000
Fines (and special assessments), restitution, recoveries, and forfeitures	\$1,333,060,229
Indictments	34
Convictions	39



## Audits

### Completed OIG Reports

October 1, 2013 – March 31, 2014

(dollars in thousands)<sup>a</sup>

Category	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds To Be Put to Better Use
<b>Internal Audits</b>					
Performance audits	17	80	\$0	\$0	\$14,100
Financial audits	4	22	\$0	\$0	\$518,000
Other OIG reports	1	0	\$0	\$0	\$0
<b>Total for internal audit reports</b>	<b>22</b>	<b>102</b>	<b>\$0</b>	<b>\$0</b>	<b>\$532,100</b>
<b>Grant Audits</b>					
Audits under Single Audit Act	10	12	\$318	\$0	\$0
<b>Total completed OIG reports</b>	<b>32</b>	<b>114</b>	<b>\$318</b>	<b>\$0</b>	<b>\$532,100</b>

<sup>a</sup> 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.

## Audits

# OIG Reports With Recommendations That Questioned Costs

October 1, 2013 – March 31, 2014

(dollars in thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs <sup>a</sup>
A For which no management decision had been made by the start of the reporting period	8	10	\$2,444	\$0
B Which were issued during the reporting period	2	2	\$318	\$0
<b>Totals (A+B)</b>	<b>10</b>	<b>12</b>	<b>\$2,762</b>	<b>\$0</b>
C For which a management decision was made during the reporting period	5	6	\$1,517	\$0
(i) dollar value of disallowed costs <sup>a</sup>	3	3	\$479	\$0
(ii) dollar value of costs not disallowed <sup>b</sup>	2	3	\$1,038	\$0
D For which no management decision had been made by the end of the reporting period	5	6	\$1,245	\$0

<sup>a</sup>Unsupported costs, if any, are also included in questioned costs.

<sup>b</sup>Includes reports and recommendations where costs were both allowed and disallowed.

## Audits

# OIG Reports With Recommendations That Funds Be Put to Better Use

October 1, 2013 – March 31, 2014

(dollars in thousands)

	Number of Reports	Number of Recommendations	Funds To Be Put to Better Use <sup>a</sup>
A For which no management decision had been made by the start of the reporting period	2	2	\$124,426
B Which were issued during the reporting period	2	2	\$532,100
<b>Totals (A+B)</b>	<b>4</b>	<b>4</b>	<b>\$656,526</b>
C For which a management decision was made during the reporting period	2	2	\$642,000
(i) dollar value of recommendations that were agreed to by management	0 <sup>a</sup>	0 <sup>a</sup>	\$0
(ii) dollar value of recommendations that were not agreed to by management	2 <sup>a</sup>	2 <sup>a</sup>	\$642,000
D For which no management decision had been made by the end of the reporting period	2	2	\$14,526

<sup>a</sup>Includes reports and recommendations where costs were both allowed and disallowed.

## Audits

# OIG Reports Recommending Changes for Safety, Economy, or Efficiency

October 1, 2013 – March 31, 2014

	Number of Reports	Number of Recommendations
A For which no management decision had been made by the start of the reporting period	32	71
B Which were issued during the reporting period	20	110
<b>Totals (A+B)</b>	<b>52</b>	<b>181</b>
C For which a management decision was made during the reporting period <sup>a</sup>	32	118
D For which no management decision had been made by the end of the reporting period <sup>a</sup>	<b>27</b>	<b>63</b>

<sup>a</sup> Includes reports where management both made and did not make decisions on recommendations.

## Audits

# Management Decisions Regarding OIG Recommendations

October 1, 2013 – March 31, 2014

(dollars in thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs <sup>a</sup>	Funds To Be Put to Better Use
Unresolved as of 10/1/2013	36	83	\$2,444	\$0	\$124,426
Audits with findings during current period	22	114	\$318	\$0	\$532,100
<b>Total to be resolved</b>	<b>58</b>	<b>197</b>	<b>\$2,762</b>	<b>\$0</b>	<b>\$656,526</b>
<b>Management Decisions</b>					
Prior period audits <sup>b</sup>	18	36	\$1,517	\$0	\$124,000
Current period audits <sup>b</sup>	17	90	\$0	\$0	\$518,000
<b>Total resolved</b>	<b>35</b>	<b>126</b>	<b>\$1,517</b>	<b>\$0</b>	<b>\$642,000</b>
<b>Age of Unresolved Audits<sup>c</sup></b>					
Less than 6 months old	10	24	\$318	\$0	\$14,100
6 months to 1 year	9	24	\$434	\$0	\$0
1 year to 18 months	1	1	\$0	\$0	\$0
18 months to 2 years	4	7	\$0	\$0	\$0
Over 2 years old	6	15	\$493	\$0	\$426
<b>Unresolved as of 3/31/2014</b>	<b>30</b>	<b>71</b>	<b>\$1,245</b>	<b>\$0</b>	<b>\$14,526</b>

<sup>a</sup> Unsupported costs, if any, are also included in questioned costs.

<sup>b</sup> Includes reports and recommendations where costs were both allowed and disallowed.

<sup>c</sup> Considered unresolved if management decisions have not been made on all report recommendations.

# Audits

## Published OIG Reports

October 1, 2013 – March 31, 2014

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### DEPARTMENTWIDE

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#### Internal Audits: Performance – 4 Reports

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FISMA 2013: DOT Has Made Progress, but Its Systems Remain Vulnerable to Significant Security Threats  
FI-2014-006  
11/22/13

DOT has made some progress in its information security program, but its systems remain vulnerable to significant security threats due to deficiencies in policies and procedures, enterprise-level controls, system controls, and management of known security weaknesses.

Top Management Challenges for Fiscal Year 2014  
PT-2014-009  
12/16/2013

We issued our annual report on the top management challenges facing the Department in fiscal year 2014. The seven issues comprising this year's report are as follows: improving FAA's oversight of the aviation industry and the operations of the National Airspace System; identifying and addressing root causes of problems with NextGen and setting investment priorities; continuing actions to strengthen highway, transit, and pipeline safety; improving oversight of surface infrastructure investments and implementing statutory requirements; implementing requirements to address FRA's expanded and traditional responsibilities; managing acquisitions and contracts to achieve results and save taxpayer dollars; and building a secure and modern IT infrastructure. This report was included in the Department's Annual Financial Report, as required by law.

DOT's Efforts To Reduce Spending on Management Support Services Contracts Have Been Delayed  
ZA-2014-019  
01/15/2014

DOT delayed implementing the phases of the strategic sourcing initiative that focus in part on management support services spending, and it lacked comprehensive plans and policies for implementing these initiatives. DOT recently initiated actions that could provide a foundation for improving its use of management support services contracts, such as revising its Acquisition Oversight and Risk Management Policy, but it has not implemented OMB's suggested internal controls for managing and monitoring obligations for management support services contracts. Deferring these efforts to focus on management support services contracts has delayed opportunities to reduce spending and better manage these contracts.

# Audits

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Quality Control Review of Controls Over DOT's Enterprise Services Center QC-2014-020 01/15/2014	We conducted a quality control review of an attestation engagement performed by KPMG on the Enterprise Services Center's description of its system and the suitability of the controls' design and operating effectiveness. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards.
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## Internal Audits: Financial – 1 Report

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Quality Control Review of Audited Financial Statements for Fiscal Years 2013 and 2012 QC-2014-015 12/16/2013	We conducted a quality control review of KPMG's report on DOT's financial statements for fiscal years 2013 and 2012. KPMG issued a clean unqualified audit opinion on DOT's financial statements, but reported one material weakness and two significant deficiencies in internal control over financial reporting. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with auditing standards. Put \$518 million to better use.
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## FEDERAL AVIATION ADMINISTRATION

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### Internal Audits: Performance – 6 Reports

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More Comprehensive Data Are Needed To Better Understand the Nation's Flight Delays and Their Causes <i>(also listed under the Office of the Secretary of Transportation and the Research and Innovative Technology Administration)</i> AV-2014-016 12/18/2013	Flight delays fell by 33 percent from 2000 to 2012, and the number of cancellations nationwide has decreased by 56 percent at the 55 major airports. However, data limitations hinder the Department's ability to track some of these delays and fully understand their causes. In addition, air carrier scheduling practices have had a major impact on reducing the number of flight delays both nationwide and at specific airports, such as by increasing scheduled gate-to-gate times and reducing flight volume. However, over-scheduling and congestion remain problems at several major airports, particularly in the New York area. Finally, FAA's capacity benchmarks have proven useful for assessing capacity needs at major airports; however, the Agency has not shared them with outside stakeholders and the general public since 2004.
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# Audits

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FAA's Safety Data Analysis and Sharing System Shows Progress, but More Advanced Capabilities and Inspector Access Remain Limited  
AV-2014-017  
12/18/2013

FAA has made significant progress with implementing and encouraging participation in ASIAs since 2007, and the program now captures key confidential voluntary safety data from 95 percent of all Part 121 operations. However, FAA's use of ASIAs to predict safety risks is still years away, and the program does not yet contain data from non-commercial sectors of the aviation industry that could also benefit from ASIAs's safety analyses. In addition, we found that FAA does not allow its inspectors and analysts to use ASIAs's confidential data for air carrier oversight due to complex data protection agreements. Although many of the inspectors we surveyed stated that access to nationwide trends from voluntary safety programs would improve air carrier oversight, FAA has not yet disseminated these data and safety trends to the field.

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FAA Needs To Improve ATCOTS Contract Management To Achieve Its Air Traffic Controller Training Goals  
ZA-2014-018  
12/18/2013

Although FAA addressed 8 of 9 recommendations from OIG's prior report, weaknesses in contract and program oversight continue. Due to lack of clearly defined requirements, the ATCOTS program experienced 4 consecutive years of cost overruns, totaling about \$89 million. FAA has also not been able to achieve goals to reduce training time and innovate training and has not measured progress toward its goal to reduce training costs. In addition, FAA's cost incentives were ineffective for controlling costs, and the performance measures FAA used for award fees were not tied to enhancing contract goals. Put \$14.1 million to better use.

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FAA Made Limited Progress in Implementing NextGen Provisions of the FAA Modernization and Reform Act of 2012  
AV-2014-027  
01/28/2014

Title II of the FAA Modernization and Reform Act of 2012 includes 24 provisions intended to help FAA better manage and advance NextGen and other modernization efforts. FAA had implemented or was on target to implement about half of these provisions; however, FAA has yet to implement several provisions that are key to achieving the full benefits of NextGen. Longstanding programmatic and organizational challenges have hindered FAA's efforts to meet the act's provisions, including technical complexity; collaboration with other Government and aviation stakeholders; and financial concerns, including meeting the provisions of the Budget Control Act of 2011.

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# Audits

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Inspector General Review of Fiscal Year 2013 Drug Control Funds and Performance Summary Reporting FI-2014-028 01/31/2014	During our review, no information came to our attention that would reverse FAA's assertions that its fiscal year 2013 Drug Control Obligation Summary and Performance Summary reports complied, in all material respects, with the requirements of the ONDCP Circular, Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013.
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Addressing Underlying Causes for NextGen Delays Will Require Sustained FAA Leadership and Action AV-2014-031 02/25/2014	From January 2009 through May 2013, FAA made 157 NextGen-related decisions in its EA. Despite this progress, some critical EA decisions have not been made. Overall, the EA's usefulness as a strategic planning tool for NextGen has been limited due to incomplete information, a lack of policy and guidance, and unresolved NextGen design decisions. Longstanding programmatic and organizational challenges further undermine NextGen's progress, including the lack of an executable plan, delays in fielding foundational air traffic management hardware and software, frequent changes in senior leadership, and an industry that remains reluctant to invest in NextGen. FAA's recent reorganization may better position the Agency to meet its NextGen goals. However, it is too early to fully assess the reorganization's effectiveness, in part because FAA has been slow to fill key leadership positions and best practices have yet to be captured or implemented.
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## Internal Audits: Financial – 1 Report

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Quality Control Review of the Federal Aviation Administration's Audited Financial Statements for Fiscal Years 2013 and 2012 QC-2014-014 12/13/2013	We conducted a quality control review of KMPG's report on FAA's financial statements for fiscal years 2013 and 2012. KMPG issued an unqualified opinion on DOT's financial statements, but reported three significant deficiencies in internal control over financial reporting and found instances of reportable noncompliance with the laws and regulations tested. Our quality control review disclosed no instances in which KMPG did not comply, in all material respects, with auditing standards.
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## Grant Audits: Audits of Grantee Under Single Audit Act – 2 Reports

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City of Marion, OH SA-2014-024 01/23/2014	We recommend FAA improve grantee oversight. \$15,858 questioned.
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# Audits

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State of Minnesota (also listed under the Federal Highway Administration) SA-2014-026 01/23/2014	Findings concerning the use of ARRA funds were identified. We recommend FAA and FHWA improve grantee oversight.
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## FEDERAL HIGHWAY ADMINISTRATION

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### Internal Audits: Performance – I Report

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Opportunities Exist To Strengthen FHWA's Coordination, Guidance, and Oversight of the Tribal Transportation Program MH-2014-003 10/30/2013	FLH and BIA routinely coordinate in TTP areas. However, FLH and BIA have opportunities to improve coordination on NEPA approvals and final acceptance of TTP projects. We also found that while FLH has some processes for reviewing the tribes' management of transportation projects, its oversight is not based on sufficient data on tribes' program risks and needs. In addition, TTP is governed by an outdated regulation and unclear guidance in some key areas on how to implement that regulation, such as allowable uses of funds.
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### Grant Audits: Audits of Grantee Under Single Audit Act – 6 Reports

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State of Iowa QC-2014-002 10/24/2013	The State auditor's work, as it related to DOT's major programs, was acceptable with a deficiency. The audit work met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that the State auditor's opinions on DOT's major programs were inappropriate or unreliable.
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State of New Hampshire QC-2014-005 11/13/2013	KPMG's audit work, as it related to DOT's major programs, was acceptable with deficiencies. KPMG met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that the KPMG's opinions on DOT's major programs were inappropriate or unreliable.
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State of Colorado QC-2014-012 12/09/2013	The State auditor's work, as it related to DOT's major programs, was acceptable with a deficiency. The audit work met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that the State auditor's opinions on DOT's major programs were inappropriate or unreliable.
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# Audits

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State of Louisiana QC-2014-013 12/09/2013	The Legislative Auditor's work, as it related to DOT's major programs, was Acceptable with a deficiency. The audit work met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that the State Auditor's opinions on DOT's major programs were inappropriate or unreliable.
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Puerto Rico Highways and Transportation Authority ( <i>also listed under the Federal Transit Administration</i> ) SA-2014-023 01/23/2014	Findings concerning the use of ARRA funds were identified. We recommend FHWA and FTA improve grantee oversight.
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State of Minnesota ( <i>also listed under the Federal Aviation Administration</i> ) SA-2014-026 01/23/2014	Findings concerning the use of ARRA funds were identified. We recommend FAA and FHWA improve grantee oversight.
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## FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

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### Internal Audits: Performance – 2 Reports

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Improvements Needed in FMCSA's Plan for Inspecting Buses at the United States-Mexico Border MH-2014-007 11/26/2013	FMCSA had a backlog of conviction data on Mexican drivers due to a computer software issue, but it has now fixed the problems and no drivers had to be disqualified after convictions were posted. In addition, FMCSA has taken steps to improve passenger carrier safety at the border but has not taken sufficient actions to fully address our prior recommendations for improving its capacity to inspect buses. FMCSA updated its bus safety plan, but the plan does not adequately address bus inspection frequency or identify actions to eliminate inspection obstacles. FMCSA also worked with other agencies to identify alternative inspection space at certain locations, but it has not negotiated interagency agreements with Customs and Border Protection to establish standard bus inspection protocols, or completed facility and staffing assessments needed to fully address inspection safety and efficiency issues.
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# Audits

Actions Are Needed To Strengthen FMCSA's Compliance, Safety, Accountability Program  
MH-2014-032  
03/05/2014

While FMCSA has strengthened its controls to improve the quality of State-reported data used to assess carriers' safety performance, the Agency has not fully implemented planned improvements to its processes for reviewing data correction requests and for ensuring that carriers submit accurate information. In addition, FMCSA has not fully implemented the CSA enforcement intervention process nationwide; at the time of our report, only 10 States had fully implemented CSA enforcement interventions. Finally, FMCSA has limited documentation demonstrating it followed IT best practices and Federal guidance for its Carrier Safety Measurement System.

## FEDERAL RAILROAD ADMINISTRATION

### Internal Audits: Performance – 2 Reports

NEPA: FRA Coordinates as Required but Opportunities Exist To Modernize Procedures and Improve Project Delivery  
CR-2014-010  
12/05/2013

FFRA coordinates with FHWA and FTA in compliance with NEPA and is working with OST to further enhance coordination on the Department's multimodal projects. However, FRA's implementing procedures are outdated and limited. Because the Agency has not updated most of its implementing procedures since 1999, requirements from subsequent statutes and recommended Council on Environmental Quality guidance have not been included. In addition, FRA is still developing standard operating procedures for its staff to use in NEPA process administration and to help ensure consistency in the environmental documentation that grantees submit.

FRA Continues To Make Progress Implementing PRIIA Responsibilities but Faces Challenges With Rail Planning  
CR-2014-030  
02/25/2014

Since our first report, FRA continued to make progress, but 12 of its 29 PRIIA responsibilities remain incomplete. The Agency made progress on 10 of these 12, including ensuring that Amtrak's stations comply with the Americans with Disabilities Act and initiating research studies on biofuels and the use of bio-based technology for locomotives. However, FRA has not initiated work on two responsibilities—conducting high-speed rail corridor studies for Congress and establishing a process for the designation and extension of high-speed rail corridors.

# Audits

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## Grant Audits: Audits of Grantee Under Single Audit Act – 2 Reports

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Transbay Joint Powers Authority, CA QC-2014-001 10/24/2013	We conducted a quality control review on the single audit performed by VTD. We determined that VTD's audit work was acceptable. The audit work met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major programs. We found nothing to indicate that VTD's opinions on DOT's major programs were inappropriate or unreliable.
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Metercomm LLC, WA SA-2014-025 01/23/2014	We recommend FRA improve grantee oversight. \$302,125 questioned.
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## FEDERAL TRANSIT ADMINISTRATION

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### Internal Audits: Performance – 2 Reports

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Initial Assessment of FTA's Oversight of the Emergency Relief Program and Hurricane Sandy Relief Funds MH-2014-008 12/03/2013	FTA complied with DRAA requirements, made significant progress in developing its Emergency Relief Program and allocating DRAA funds, and developed plans and procedures to conduct oversight. However, further actions are needed to more effectively allocate, obligate, and oversee relief funds, and FTA has yet to fully address these challenges in its oversight plans and procedures. Finally, FTA has opportunities to consider lessons learned from Federal emergency responses and acquisition best practices that could help the Agency to effectively finalize its Emergency Relief Program and related guidance.
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Metropolitan Washington Airports Authority Financial Management Controls Are Not Sufficient To Ensure Eligibility of Expenses on FTA's Dulles Rail Project Grant ZA-2014-021 01/16/2014	MWAA lacks adequate controls to ensure that expenses claimed for funding on the FTA grant for phase I of the Dulles rail project are eligible for reimbursement. Our review of 282 Dulles rail project transactions determined that MWAA claimed \$36 million in unsupported costs and \$119,000 in unallowable costs for Federal reimbursement on the project. Given that \$289 million in Federal grant funds remain available for disbursement, improvements to MWAA's financial management controls are critical for effective management of this Federal investment.
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# Audits

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## Grant Audits: Audits of Grantee Under Single Audit Act – 2 Reports

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Commuter Rail Division of the  
Regional Transportation Authority  
and Northeast Illinois Regional  
Commuter Railroad Corporation  
(METRA)  
SA-2014-022  
01/23/2014

A finding concerning the use of ARRA funds was identified. We recommend FTA improve grantee oversight.

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Puerto Rico Highways and  
Transportation Authority (*also  
listed under the Federal Highway  
Administration*)  
SA-2014-023  
01/23/2014

Findings concerning the use of ARRA funds were identified. We recommend FTA and FHWA improve grantee oversight.

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## NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

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### Internal Audits: Performance – 1 Report

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Inspector General Review of Fiscal  
Year 2013 Drug Control Funds and  
Performance Summary Reporting  
FI-2014-029  
01/31/2014

During our review, no information came to our attention that would reverse management's assertions that the reports complied, in all material respects, with the requirements of the ONDCP Circular, Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013.

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# Audits

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## NATIONAL TRANSPORTATION SAFETY BOARD

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### Internal Audits: Financial – I Report

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Quality Control Review of Audited Financial Statements for Fiscal Years 2013 and 2012  
QC-2014-011  
12/06/2013

We issued a quality control report on Leon Snead & Company PC's audit of the National Transportation Safety Board's financial statements for fiscal years 2013 and 2012. Leon Snead & Company, under contract to OIG, issued a clean (unmodified) audit opinion on these financial statements. Leon Snead & Company reported one material weakness in internal control over financial reporting. Our quality control report disclosed no instances in which Leon Snead & Company did not comply, in all material respects, with auditing standards.

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## OFFICE OF THE SECRETARY OF TRANSPORTATION

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### Internal Audits: Performance – I Report

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More Comprehensive Data Are Needed To Better Understand the Nation's Flight Delays and Their Causes (*also listed under the Federal Aviation Administration and the Research and Innovative Technology Administration*)  
AV-2014-016  
12/18/2013

Flight delays fell by 33 percent from 2000 to 2012, and the number of cancellations nationwide has decreased by 56 percent at the 55 major airports. However, data limitations hinder the Department's ability to track some of these delays or fully understand their causes. In addition, air carrier scheduling practices have had a major impact on reducing the number of flight delays both nationwide and at specific airports, such as by increasing scheduled gate-to-gate times and reducing flight volume. However, over-scheduling and congestion remain a problem at several major airports, particularly in the New York area. Finally, FAA's capacity benchmarks have proven useful for assessing capacity needs at major airports; however, the Agency has not shared them with outside stakeholders and the general public since 2004.

# Audits

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## RESEARCH AND INNOVATIVE TECHNOLOGY ADMINISTRATION

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### Internal Audits: Performance – I Report

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More Comprehensive Data Are Needed To Better Understand the Nation's Flight Delays and Their Causes (*also listed under the Federal Aviation Administration and the Research and Innovative Technology Administration*)  
AV-2014-016  
12/18/2013

Flight delays fell by 33 percent from 2000 to 2012, and the number of cancellations nationwide has decreased by 56 percent at the 55 major airports. However, data limitations hinder the Department's ability to track some of these delays or fully understand their causes. In addition, air carrier scheduling practices have had a major impact on reducing the number of flight delays both nationwide and at specific airports, such as by increasing scheduled gate-to-gate times and reducing flight volume. However, over-scheduling and congestion remain a problem at several major airports, particularly in the New York area. Finally, FAA's capacity benchmarks have proven useful for assessing capacity needs at major airports; however, the Agency has not shared them with outside stakeholders and the general public since 2004.

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## SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

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### Internal Audits: Financial – I Report

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Quality Control Review of Audited Financial Statements for Fiscal Years 2013 and 2012  
QC-2014-004  
11/7/2013

We issued a quality control report on Chiampou Travis Besaw & Kershner's audit of SLSDC's financial statements for fiscal years 2013 and 2012. Chiampou Travis Besaw & Kershner issued a clean (unqualified) audit opinion on these financial statements. Chiampou Travis Besaw & Kershner's report did not include any reportable deficiencies. Our quality control report disclosed no instances in which Chiampou Travis Besaw & Kershner did not comply, in all material respects, with auditing standards.

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## Audits

# OIG Congressional Testimonies

October 1, 2013 – March 31, 2014

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FAA Can Improve the Effectiveness and Efficiency of Its  
Certification Processes  
CC-2014-003  
10/30/2013

Before the House Transportation and  
Infrastructure Subcommittee on Aviation

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The Success of FAA's Air Traffic Controller Optimum  
Training Solution Relies on Sound Contracting and Program  
Management Practices  
CC-2014-009  
01/14/2014

Before the Senate Homeland Security and  
Governmental Affairs Subcommittee on  
Financial and Contracting Oversight

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FAA's Implementation of the FAA Modernization and Reform  
Act of 2012 Remains Incomplete  
CC-2014-010  
02/05/2014

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Before the House Transportation and  
Infrastructure Subcommittee on Aviation

## Audits

# Unresolved Recommendations Over 6 Months Old

October 1, 2013 – March 31, 2014

<b>Cited in Semiannual Report for April 1, 2010 - September 30, 2010</b>	
Information Security and Privacy Controls Over the Airmen Medical Support Systems (FI-2010-069)	6/18/2010
<b>Cited in Semiannual Report for October 1, 2010 - March 31, 2011</b>	
FAA Did Not Ensure Revenue Was Maximized at Denver International Airport (AV-2011-057)	2/28/2011
New York Flight Delays Have Three Main Causes, but More Work Is Needed To Understand Their Nationwide Effect (AV-2011-007)	10/28/2010
FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance–Broadcast Program and Realizing Benefits (AV-2011-002)	10/12/2010
<b>Cited in Semiannual Report for April 1, 2011 - September 30, 2011</b>	
More Rigorous Oversight Is Needed To Ensure Venice Municipal Airport Land Sales and Leases Are Used Appropriately (AV-2011-180)	9/29/2011
<b>Cited in Semiannual Report for October 1, 2011 – March 31, 2012</b>	
New Approaches Are Needed To Strengthen FAA Oversight of Air Carrier Training Programs and Pilot Performance (AV-2012-027)	12/20/2011
<b>Cited in Semiannual Report for April 1, 2012 – September 31, 2012</b>	
Weaknesses in Program and Contract Management Contribute to ERAM Delays and Put Other Nextgen Initiatives At Risk (AV-2012-179)	9/13/2012
FAA Has Not Effectively Implemented Its Wildlife Hazard Mitigation Program (AV-2012-170)	8/22/2012

# Audits

Long-Term Success of ATSAP Will Require Improvements in Oversight, Accountability, and Transparency (AV-2012-152)	7/19/2012
Status of Transformational Programs and Risks to Achieving Nextgen Goals (AV-2012-094)	4/23/2012
<b>Cited in Semiannual Report for October 1, 2012 – March 31, 2013</b>	
FAA and Industry Are Advancing the Airline Safety Act, but Challenges Remain To Achieve Its Full Measure (AV-2013-037)	1/31/2013
<b>Cited in Semiannual Report for April 1, 2013 – September 30, 2013</b>	
Territory of American Samoa (SA-2013-132)	9/13/2013
Federated States of Micronesia National Government (SA-2013-133)	9/13/2013
National Railroad Passenger Corporation (AMTRAK) (SA-2013-134)	9/13/2013
FHWA Is Monitoring Unexpended Recovery Act Highway Funds, but Some Funds May Remain Unused (MH-2013-122)	9/4/2013
City of Tucson, AZ (SA-2013-107)	7/12/2013
State of Illinois (SA-2013-115)	7/12/2013
FAA's Civil Aviation Registry Lacks Information Needed for Aviation Safety and Security Measures (FI-2013-101)	6/27/2013
FAA Continues To Face Challenges in Implementing a Risk-Based Approach for Repair Station Oversight (AV-2013-073)	5/1/2013
Weaknesses in the Department's Disadvantaged Business Enterprise Program Limit Achievement of Its Objectives (ZA-2013-072)	4/23/2013

## Investigations

### Financial Impact

October 1, 2013 – March 31, 2014

Type	Amount
Fines (and special assessments)	\$1,051,914
Restitution	\$122,121,563
Recoveries	\$4,823,411
Forfeitures	\$1,205,063,341
<b>Total</b>	<b>\$1,333,060,229</b>

## Investigations

### OIG Hotline Contacts

October 1, 2013 – March 31, 2014

<b>Method of Contact</b>	<b>Number</b>
Email	2,357
Fax	7
Letters	76
Web	21
Telephone	593
Walk-ins	1
<b>Total</b>	<b>3,055</b>

## Investigations

# Judicial and Administrative Actions

October 1, 2013 – March 31, 2014

Type of Action	Number
Indictments	34
Convictions	39
Years incarceration	52.4
Years supervised release	44.9
Years probation	56.5
Hours community service	1,390
Business debarment	5
Business suspension	10
Individual debarment	6
Individual suspension	15
Employee removal	1
Employee resigned/retired during investigation	2
Employee suspension	1
Employee counseling	2
Certification/License/Permit revoked/terminated	1
Corrective action taken	4
Compliance agreement	5
Enforcement action taken	2
Federal funds reduced	2

## Investigations

# Investigative Workload and Judicial Referrals

October 1, 2013 – March 31, 2014

<b>Investigative Workload</b>	
Current investigations	423
Investigations opened	127
Investigations closed	119

<b>Judicial Referrals</b>	
Referred for criminal prosecution	63
Accepted for criminal prosecution	34
Declined for criminal prosecution	73
Referred for civil prosecution	17
Accepted for civil prosecution	10
Declined for civil prosecution	6

## Investigations

# Profile of All Pending Investigations by Case Type

As of March 31, 2014

	Number of Investigations	Aviation Safety	Hazmat	Motor Carrier	Transportation Safety	Grant Fraud	Procurement Fraud	Workforce Protection	Employee Integrity	Other <sup>a</sup>
FAA	106	50	8	0	0	19	2	1	25	1
FHWA	119	0	0	0	0	105	1	10	3	0
FMCSA	90	0	14	44	2	0	1	22	7	0
FRA	0	0	0	0	0	0	0	0	0	0
FTA	41	0	0	0	0	35	1	5	0	0
MARAD	6	0	0	0	0	0	2	0	4	0
NHTSA	12	0	0	0	3	9	0	0	0	0
OIG	4	0	0	0	0	0	0	0	4	0
OST	3	0	0	0	1	0	1	1	0	0
Other OIG	1	0	0	0	0	0	0	0	0	1
PHMSA	35	0	32	0	0	1	0	0	2	0
RITA	5	0	0	0	0	2	1	0	2	0
Departmentwide	1	0	0	0	0	0	0	0	0	1
<b>Totals</b>	<b>423</b>	<b>50</b>	<b>54</b>	<b>44</b>	<b>6</b>	<b>171</b>	<b>9</b>	<b>39</b>	<b>47</b>	<b>3</b>
<b>Percentage</b>	<b>100%</b>	<b>12%</b>	<b>13%</b>	<b>10%</b>	<b>1%</b>	<b>40%</b>	<b>2%</b>	<b>9%</b>	<b>11%</b>	<b>1%</b>

<sup>a</sup> Includes computer intrusion cases



# 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.



# PEER REVIEW

OIG was not the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review during this reporting period.

OIG's Office of Audits was the subject of a CIGIE peer review by DOD OIG in fiscal year 2013—the most recent review conducted. DOD OIG 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. The report was released on August 8, 2013.

OIG's Office of Investigations was the subject of a CIGIE peer review during fiscal year 2012 by the Department of the Treasury OIG. Treasury OIG 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 report was released on August 30, 2012.

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

During this reporting period, OIG conducted a CIGIE peer review at DOI OIG's investigative operations. The final report was released December 19, 2013. We reported that the system of internal safeguards and management procedures for the DOI OIG's investigative functions was in compliance with quality standards established by CIGIE and Attorney General guidelines.

# MISSION AND ORGANIZATION

The Office of Inspector General is committed to fulfilling its statutory responsibilities and supporting Congress, the Secretary, Department leadership, and the public in achieving a safe, efficient, and effective transportation system.



# MISSION AND ORGANIZATION

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

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

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

- **The Office of the Principal Assistant Inspector General for Auditing and Evaluation** supervises and conducts all audit activities related to DOT programs and operations through its five suboffices: Aviation; Highway and Transit; Rail, Maritime, Hazmat Transport Audits, and

Economic Analysis; Financial and Information Technology; 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.

# Inspector General

## Deputy Inspector General

- Chief of Staff
- Director, Quality Assurance Reviews and Internal Affairs

### Principal Assistant Inspector General for Investigations

### Deputy Assistant Inspector General for Investigations

### Principal Assistant Inspector General for Auditing and Evaluation

### Assistant Inspector General for Aviation Audits

- Deputy Assistant Inspector General for Aviation Audits

### Assistant Inspector General for Financial and Information Technology Audits

### Assistant Inspector General for Highway and Transit Audits

- Deputy Assistant Inspector for Highway and Transit Audits

### Assistant Inspector General for Rail, Maritime, and Hazmat Transport Audits, and Economic Analysis

### Assistant Inspector General for Acquisition and Procurement Audits

### Assistant Inspector General for Administration

### Assistant Inspector General for Legal, Legislative, and External Affairs

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U.S. Department  
of Transportation

**Office of  
Inspector General**

To report fraud, waste, or abuse  
at the U.S. Department of  
Transportation, please contact  
the OIG Hotline:

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**1-800-424-9071**

**[hotline@oig.dot.gov](mailto:hotline@oig.dot.gov)**