



OFFICE OF INSPECTOR GENERAL

U.S. DEPARTMENT OF TRANSPORTATION

SEMIANNUAL REPORT TO CONGRESS

April 1, 2010 – September 30, 2010



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From the Inspector General

I am pleased to present the Department of Transportation (DOT), Office of Inspector General Semiannual Report to Congress for the second half of fiscal year 2010. Our audit and investigative work supports the Department's strategic goals of safety, reduced congestion, global connectivity, environmental stewardship, security, and organizational excellence. Over the past 6 months, we issued 78 reports with a total of 234 recommendations, including financial recommendations totaling over \$633 million. Our investigative work resulted in 53 indictments, 41 convictions, and a total of nearly \$52 million in fines, restitutions, and recoveries.

During this period, we testified at four congressional hearings before four different House and Senate committees, demonstrating the range and complexity of our work. In the last 2 weeks of April, we testified on our concerns regarding the Federal Aviation Administration's (FAA) ability to achieve its long-term goals for the Next Generation Air Transportation System (NextGen); the Pipeline and Hazardous Materials Safety Administration's efforts to address safety risks; and the Federal Railroad Administration's (FRA) challenges in meeting its expanded role, especially as it relates to implementing a high-speed rail program. We also testified in July on the Federal Highway Administration's progress in addressing our Nation's deficient bridges and the additional actions needed to ensure states comply with Federal bridge standards.

Our aviation work continued to focus on significant safety concerns. In addition to reporting and testifying on FAA's efforts to enhance air traffic capacity through NextGen, we reported on weaknesses in the agency's placement of newly hired and trained air traffic controllers and its initiatives to reduce runway incursions. We also reported on contractor configuration and procedural errors that led to the November 2009 outage in FAA's Telecommunications Infrastructure, which grounded hundreds of flights nationwide. Our investigations uncovered the use of fraudulent inspection stickers; the manufacture, distribution, and sale of substandard aircraft parts; and the use of forged airmen medical certificates—underscoring the need for increased rigor in FAA's oversight of the airline industry.

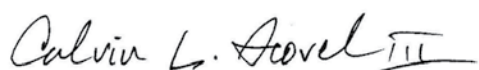
Our highway and transit audits identified safety risks in two of the Nation's largest and most costly surface transportation infrastructure programs—Massachusetts' Central Artery/Tunnel project and New Jersey's Access to the Region's Core project—and the need for improved oversight to mitigate these risks. Moreover, our investigations revealed widespread abuse of commercial vehicle and driver regulations established by the Federal Motor Carrier Safety Administration, including operating vehicles without valid commercial licenses or inspection stickers, driving in excess of maximum hours allowed, and illegally disposing hazardous materials. Our investigations also uncovered multiple fraud schemes to bilk the Federal and state governments and individuals out of billions of dollars. As a result of our work, numerous cases against companies and individuals have been prosecuted, and more than \$38 million in fines has been assessed.

Our rail work focused on the on-time performance of Amtrak's intercity passenger trains and right-of-way access to freight railroad's tracks—two key areas that directly impact Amtrak's bottom line and efforts to successfully implement high-speed rail service. Given the challenges FRA faces in implementing the high-speed rail program, we expect our work in this area to increase in the future.

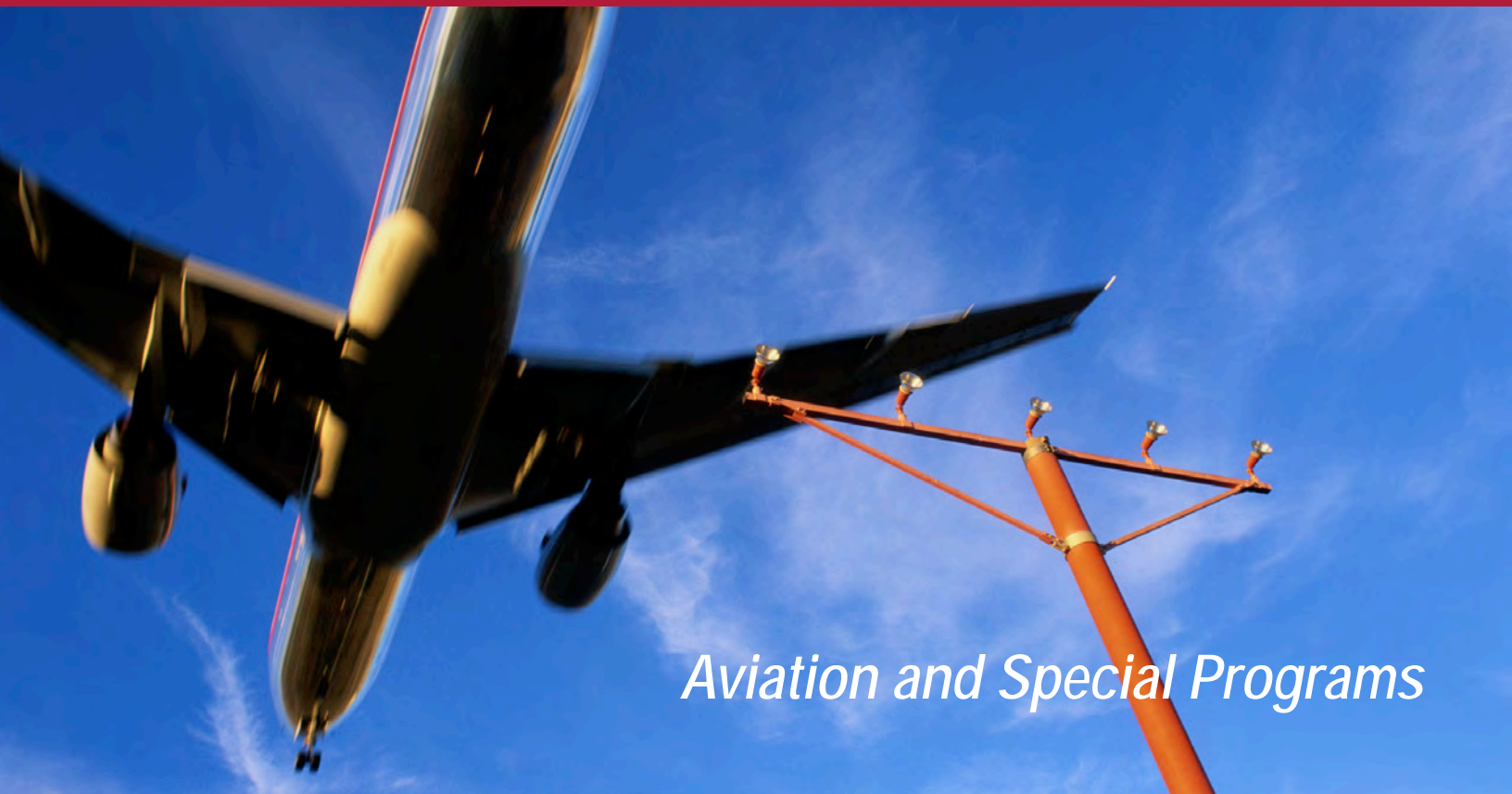
Our audits and investigations of the Department's information technology systems indicate that vulnerabilities remain. While FAA has made significant progress in implementing our recommendations for its air traffic control systems, more work needs to be done to protect these systems from cyber attacks. Unauthorized access to personally identifiable information on airmen also continues to be a concern—particularly given that we identified cases in which airmen who had been certified as fit to fly were receiving benefits for disabilities that indicated otherwise. The Department also needs to take significant action to strengthen its acquisition function. We have found deficiencies in key areas, including the need to establish sound acquisition policies and processes and appropriate organizational alignment and leadership. The risks these deficiencies create are considerable—as evidenced by Operating Administrations' failure to effectively design, administer, and justify the use of cost-plus-award-fee contracts.

Finally, we continued to pursue opportunities to ensure accountability, efficiency, and transparency over DOT's \$48 billion in American Recovery and Reinvestment Act (ARRA) funds, and remain committed to promptly notifying DOT and Congress of actions needed to prevent fraud, waste, and abuse in ARRA programs. As of the end of September, we have 24 planned and ongoing ARRA audits, and 50 open ARRA investigations involving allegations of disadvantaged business enterprise violations; false claims, statements, or certifications; conflicts of interest; anti-trust violations; and bid rigging, collusion, embezzlement, and prevailing wage violations. Thirty-five of our 50 ARRA investigations have been accepted for prosecution by the Department of Justice.

Our work reflects a strong commitment to providing in-depth analyses of important transportation issues to serve and inform the public and congressional lawmakers. I commend and thank our hard-working staff for their outstanding efforts and dedication to our critical mission. I would also like to commend and thank Secretary LaHood for his leadership and tireless efforts in these challenging times. I look forward to continuing to work closely with the Secretary, his team, and modal administrators to provide Americans with a 21st century transportation system that meets the national objectives of general welfare, economic growth and stability, and security.



Calvin L. Scovel III



Aviation and Special Programs

Audits

April 1, 2010

Review of Screening, Placement, and Initial Training of Newly Hired Air Traffic Controllers

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

Over the next decade, the Federal Aviation Administration (FAA) plans to hire and train nearly 15,000 new air traffic controllers to replace retiring controllers. To ensure a smooth transition, FAA will need sound procedures for screening, placing, and training newly hired air traffic controllers—many of whom have no prior air traffic control experience. However, FAA does

not sufficiently consider candidates' screening test results or FAA Academy performance when selecting and placing them. As a result, some of the busiest air traffic control facilities have received candidates who may not have the knowledge, skills, and abilities necessary to become certified at those locations. Facility managers we spoke with noted that some candidates who passed Academy training were unprepared to begin facility training.

We recommended that FAA evaluate and redesign its current screening test to consider candidates' skill sets, assign candidates to facilities based on their Academy performances, and implement the recommendations to improve Academy training contained in FAA's 2007 Controller Training and Development Group report. While FAA only partially concurred with our recommendations, it proposed acceptable corrective actions.

April 21, 2010

Challenges in Meeting FAA's Long-Term Goals for the Next Generation Air Transportation System

FAA's Next Generation Air Transportation System (NextGen) is expected to greatly enhance air traffic capacity and reduce operating costs. NextGen is an ambitious, high-risk project that involves multibillion-dollar investments from both the Government and the airline industry. The Inspector General's testimony focused on the significant challenges FAA must overcome to achieve NextGen's long-term goals. Central to this effort is the successful implementation of modernization projects that will provide platforms for NextGen capabilities that can enhance capacity. However, key multibillion-dollar programs have experienced problems, and FAA has yet to fully determine NextGen requirements. These include the \$2.1 billion En Route Automation Modernization program. Delays in this and other projects will have a cascading effect on NextGen plans now and well into the future. One critical step for avoiding risks with NextGen's cost, schedule, and capabilities is addressing gaps in partner agencies' research and development efforts and long-term budgets and plans. The Inspector General noted several actions FAA can take now to strengthen the multi-agency approach, better leverage Federal research projects, and prevent duplicative implementation efforts.

April 22, 2010

Actions Taken and Needed To Improve Management and Oversight of PHMSA's Hazardous Materials Special Permits and Approvals Program

Hearing before the House Committee on Transportation and Infrastructure

The Pipeline and Hazardous Materials Safety Administration (PHMSA) regulates up to 1 million daily movements of hazardous materials, many of which occur under special permits and approvals that allow for relief from the Hazardous Materials Regulations under certain conditions. The Inspector General's testimony highlighted our work on the management and oversight of PHMSA's Special Permits and Approvals Program and PHMSA's response to our recommendations. The Inspector General noted that while PHMSA developed commendable action plans to address the shortcomings in its authorization and oversight of special permits and approvals, work remains to execute the plans as intended. Specifically, PHMSA personnel do not consistently follow new procedures for granting special permits and approvals, or adequately oversee explosive classification approvals. As PHMSA continues to address these areas, it must proactively identify safety risks, work with partner safety agencies to resolve safety and coordination matters, and set oversight priorities.

June 16, 2010

Timely Actions Needed To Advance the Next Generation Air Transportation System

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

The National Airspace System handles almost 50,000 flights per day and more than 700 million passengers per year. FAA expects NextGen to handle up to three times more air traffic than the current ground-based air traffic control system and reduce operating costs. Ongoing cost and schedule risks and operational and management issues prompted us to identify NextGen as one of the Department's top management challenges.

While FAA is making progress in addressing these challenges, several critical actions are still needed for successful implementation. Among them—and perhaps most important in the near term—is setting realistic mid-term expectations and requirements for key programs and assessing associated risks. In addition, Congress mandated a multi-agency approach to develop NextGen, but most of FAA's partner agencies have not adjusted their budgets accordingly. FAA also has not fully leveraged partner agencies' research and development. While FAA has begun working with the private sector to develop NextGen and shape related policies, it must better define the role of the NextGen Institute—an FAA resource for engaging private sector expertise, tools, and facilities for NextGen activities—and ensure demonstration projects are more

outcome-focused. We recommended a number of actions to help FAA reduce implementation risks, strengthen the multi-agency approach, and improve coordination with the private sector. FAA concurred with all of our recommendations and proposed appropriate action plans.

June 17, 2010

Letter to Chairmen Oberstar and Costello Regarding the 2009 FAA Telecommunications Infrastructure Outage

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

An outage in FAA's Telecommunications Infrastructure (FTI) on November 19, 2009, blocked approximately 75 percent of the FTI network traffic and delayed service restoration for 5 hours, grounding hundreds of flights and thousands of travelers nationwide. We found that network configuration and procedural errors by the contractor caused the FTI outage. While FAA and the contractor have taken corrective actions to prevent another critical outage, they acknowledge that the risk of outages remains as new services are added to FTI's fiber optic network. Furthermore, we found that FAA's oversight of the contractor could have been more effective and proactive. Moreover, FAA's internal reports show that FAA and the contractor still need to fully identify FTI vulnerabilities to ensure network reliability. FAA is shifting more acquisitions and services to the private sector to reduce costs, and we identified a number of best practices FAA should consider for FTI and other privately owned and operated systems.

Because FAA concurred with the findings and recommendations of an independent review panel convened by the FAA Administrator to investigate the November 2009 outage, we did not make recommendations in our report. However, we will continue to monitor FTI and report on FAA's progress in addressing these issues as necessary.

June 30, 2010

Letter to the Idaho Congressional Delegation Regarding the Review of FAA's Business Case for Moving Terminal Radar Approach Control Services from Boise, Idaho, to Salt Lake City, Utah

Requested by the Idaho Congressional Delegation

The Idaho Congressional Delegation—Senators Michael Crapo and James Risch, and Representatives Mike Simpson and Walt Minnick—raised concerns over the lack of transparency regarding estimated costs for transferring terminal radar approach control (TRACON) services from Boise to Salt Lake City. Our review found that while FAA had a process for evaluating the estimated costs and savings associated with the move, changes in key assumptions underlying the projected \$24 million in savings were made and not reflected in the business case for the move. Further, FAA's basis for facility lifecycle costs may have been unrealistic, and its cost estimates for keeping TRACON in Boise were questionable.

On June 11, 2010, FAA officials informed us that they had cancelled the planned transfer of staff and service from Boise to Salt Lake City. Given FAA's decision, we made no recommendations. However, we identified lessons learned to help improve the soundness and overall transparency of future business cases.

July 16, 2010

Letter to Senator LeMieux Regarding Allegations Concerning Venice, Florida, Municipal Airport

Requested by Senator George LeMieux

Senator George LeMieux asked us to review a constituent's allegations about FAA oversight of the Venice, Florida, Municipal Airport. The constituent's six allegations specifically focused on FAA's Orlando Airport District Office's (ADO) compliance with Agency policies in making decisions on airport operations and Venice Airport's revenue use. We did not substantiate the constituent's allegations that the Orlando ADO did not comply with FAA policies. However, we found sufficient support to initiate a more detailed review of Venice Airport's revenue use.

July 21, 2010

Review of FAA’s Call to Action Plan for Runway Safety

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

Each year, hundreds of near collisions occur on the Nation’s airport runways. In 2007, FAA, airline, and airport officials created the Call to Action Plan to reduce the risk of runway incursions. While the 2007 plan clearly had an impact on the reduction in serious incidents, other factors may have contributed to the decrease—including a drop in airport operations on runways and taxiways since 2007 and unreliable incident data. We also found that several major airports made key safety improvements before the plan was established.

To date, FAA and industry stakeholders have implemented several of the plan’s short-term initiatives, such as upgrading airport surface markings. However, if FAA is to achieve its goal of reducing runway incursions by 10 percent by fiscal year 2013, it must also set and meet milestones for the plan’s mid- and long-term initiatives. In the past, we found that FAA’s efforts diminished as it initially met its overall goal for reducing runway incursions, only to later see a rebound in the number of incidents. We made six recommendations to ensure FAA effectively implements its Call to Action Plan initiatives. FAA fully concurred with four of the six recommendations and proposed acceptable alternative courses of action for the remaining two.

August 4, 2010

Letter to Representative Petri Regarding Costs Associated with FAA’s Air Traffic Managers Conference

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

FAA held its December 2009 Air Traffic Organization Managers Conference in Atlanta, Georgia, to provide managers in-depth training on FAA’s new 3-year labor agreement with the National Air Traffic Controllers Association. The agreement is the product of years of negotiation between FAA and the union, and includes significant new pay and benefit provisions.

We found that conference costs—approximately \$5.1 million—were in line with FAA’s estimates, and that officials responsible for planning the event followed Agency guidance and best practices and selected the “best value” when determining the host city and venue. While there were some opportunities to reduce the overall cost of the event, FAA did have legitimate business reasons for not pursuing them. Based on our findings, we did not make recommendations to FAA.

Investigations

April 1, 2010

Investigation Substantiated Whistleblower's Concerns about FAA's Oversight of American Airlines' Maintenance Programs

After discovering American Airlines did not comply with an airworthiness directive, an Aviation Safety Inspector assigned to the American Certificate Management Office alleged that high-level officials in FAA's Flight Standards Service intervened and permitted American to continue operating noncompliant aircraft. The directive required mechanical system inspections, and the allegations involved American Airlines' rudder and wiring systems.

While our investigation found American Airlines noncompliant, we concluded that FAA exercised its discretion in allowing American to continue operating 124 aircraft while FAA sought an additional review of the problem. FAA ordered an inspection team to cease work and vacate American's maintenance facility in Tulsa, Oklahoma, while conducting an inspection of the rudders of Boeing 757 aircraft and the wiring of MD-80 aircraft. While these actions were not improper, they fostered the perception among inspectors that FAA was wrongly assisting American to avoid a service disruption. On August 26, 2010, based on American Airline's noncompliance, FAA announced a \$24.2 million civil penalty against the carrier.

June 17 and July 7, 2010

South Florida Aviation Repair Station Owner and Parts Brokers Jailed for Aircraft Parts Fraud

In March 2010, Jorge Cascante—owner and operator of CAS Honeycomb, an FAA Repair Station located in Miami, Florida—pled guilty to charges of aircraft parts fraud for manufacturing aircraft panel assemblies identified with Boeing parts numbers without the authority to apply the Boeing numbers. On June 17, Cascante was sentenced in U.S. District Court, Fort Lauderdale, Florida, to 30 months imprisonment, followed by 2 years supervised release.

In April 2010, Mariella Bianchi and Juan Beltran, owner and employee of The Airborne Group, an airplane parts broker company, pled guilty to a charge of aircraft parts fraud in connection with the sale of aircraft parts bearing Boeing part numbers that were not manufactured by Boeing. On July 7, 2010, Bianchi and Beltran were sentenced in U.S. District Court, Miami, Florida, to 30 months incarceration and 3 years supervised release, and ordered to pay \$1.9 million for selling the fraudulent aircraft parts. They were also ordered to forfeit \$130,706 in proceeds derived from the scheme.

These sentencing were the result of Operation Wingspan, an ongoing investigation into the fraudulent manufacture, distribution, and sale of military and civilian aircraft parts by brokers, manufacturers, and repair station owners throughout the United States who lack FAA or

Department of Defense approval. These aircraft parts include skins, wings, and control surfaces for various aircraft, including the military version of the Boeing 707/320 commercial airframe, which is used for the Air Force's E-3 Sentry, Airborne Warning and Control System, and KC-135 Airborne Refueling aircraft.

Manufacturers conspired with various brokers or authorized Defense contractors to sell the substandard aircraft parts to the Air Force. In cases where the customer required supporting FAA authorization documents, brokers further conspired with FAA repair stations to falsify FAA forms, giving the illusion that the manufactured parts had been approved by FAA and were suitable for installation on an aircraft.

Thus far Operation Wingspan has resulted in the execution of 12 search warrants; indictment of 6 individuals, all of whom have pled guilty; and sentencings culminating in about 14 years imprisonment; and \$3.4 million in restitution and forfeitures.

July 6, 2010

New Jersey Pilot Pleads Guilty to False Statements

In U.S. District Court, Newark, New Jersey, Ronald Negron pled guilty to knowingly and willfully making false statements to an FAA Medical Examiner, indicating that he was sober and not consuming alcohol when in fact he did consume alcohol and was being counseled for alcohol and substance abuse.

In 2006, FAA revoked Negron's First Class Medical Certification for drug and alcohol problems. In an attempt to regain his medical certification, Negron was examined by an FAA Medical Examiner in the Atlantic City, New Jersey, area but was not medically cleared. Our investigation determined that in October 2007, Negron provided an air carrier a fraudulent FAA First Class Medical Certification with no restrictions, bearing Negron's forged signature of the FAA Medical Examiner. Negron's sentencing is pending.

July 28, 2010

FAA Certified Mechanic Indicted on Aircraft Parts Fraud

Joseph J. Fisk, an FAA Mechanic Certificate Holder, was indicted in the Federal District Court of Missouri on one count of fraud involving aircraft parts in interstate commerce. The indictment charges that between March 2009 and September 2009, Fisk allegedly printed and sold for \$100 each labels certifying that a satisfactory 100-hour or annual inspection of an aircraft or engine was performed by an FAA inspection authorization certificate holder. Such labels were placed in aircraft maintenance logbooks in violation of Federal law.

Our investigation revealed that neither Fisk nor anyone to whom he sold the fraudulent labels was authorized to perform an annual or 100-hour inspection as represented by the labels he created. Fisk confessed to creating the labels and forging the signature of an FAA inspection certificate holder, who certified annual inspections on

as many as 12 aircraft. FAA issued an emergency order of revocation for Fisk's FAA Mechanic Certificate.

This case was conducted jointly with the Federal Bureau of Investigation (FBI) and with FAA's assistance. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

August 9, 2010

Investigation Substantiated Whistleblower's Safety Concerns at Detroit Metropolitan Airport

OIG investigators substantiated allegations that FAA managers at Detroit Metropolitan Airport compromised air safety by directing air traffic controllers to manage air traffic in a manner that violated local FAA orders. Specifically, we confirmed that on July 21, 2008, a front-line manager improperly directed controllers to authorize the departure of three Boeing 747 jets in a manner contrary to local policy. During the investigation, six additional violations of local policy were identified. None of the incidents, however, violated national standards regarding minimum separation between aircraft.

We also substantiated concerns that the airport's wind measuring equipment was unreliable. The investigation confirmed that the two wind detection devices available to air traffic controllers in the control tower had provided inconsistent wind readings; one malfunctioned after a sensor was replaced.

August 26 and 27, 2010

Investigations of Airfare Price Fixing Nets Charges against Two Executives and \$38 Million Fine of Airline Carrier

On August 26, 2010, Joo Ahn Kang and Chung Sik Kwak—former vice presidents of the Americas of Asiana, and Korean citizens and residents—were indicted by a Brooklyn, New York, Federal grand jury for conspiring to suppress or eliminate competition by fixing fares for passenger transportation services between January 2000 and February 2006. Kang and Kwak, along with co-conspirators, communicated and agreed on the price of one or more components of fares charged to passengers who purchased economy class tickets for flights between the United States and Korea.

On August 27, 2010, in United States District Court, Washington, D.C., Northwest Airlines LLC, through Northwest Airlines Cargo, now defunct, pled guilty to conspiring to fix the cargo rates charged to customers in the United States and elsewhere for international air cargo shipments from at least July 2004 until at least February 2006. The company carried out the conspiracy by agreeing to certain aspects of cargo rates for shipments between the United States and Japan. Northwest Airlines was ordered to pay a \$38 million criminal fine.

This joint investigation is being coordinated by the Department of Justice's Antitrust Division, with involvement of the FBI and the U.S. Postal Service's Office of Inspector General. To date, a total of 17 airlines and four executives have

pled guilty or have agreed to plead guilty. Fines of more than \$1.6 billion have been imposed, and all of the pleading executives have been sentenced to time in prison. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

September 27, 2010

Former Pilot of Defunct Private Jet Company Admits to Defrauding FAA and Flying Illegal Charter Flights

Francis Vieira, a former pilot of Platinum Jet Management, LLC—a now-defunct luxury charter jet company based out of Teterboro Airport in New Jersey—pled guilty to conspiracy to commit wire fraud and to defraud the United States as part of a scheme to mislead charter customers and brokers and to impede and obstruct FAA.

Vieira flew for Platinum Jet from January 2003 to February 2005, the month in which one of the company jets crashed after takeoff at Teterboro Airport. Our investigation revealed that from November 2002 through November 2003, Platinum Jet did not have FAA authority to fly commercial charter flights. However, Vieira and his conspirators agreed to operate Platinum Jet as a charter and flew several dozen illegal flights, many of which were for famous athletes, musicians, and other well-known individuals. They falsified load manifests by indicating that certain flights were private instead of charter. Vieira admitted that on more than two dozen occasions, he fraudulently altered the weight and

balance graphs for the jet that ultimately crashed at Teterboro. He also admitted to altering graphs on another Platinum Jet aircraft.

Two of Vieira's co-defendants have pled guilty to conspiracy charges, while four others are scheduled to stand trial on October 12, 2010, in U.S. District Court in Newark, New Jersey. Sentencing for Vieira and the others who have pled guilty is pending the outcome of the October trial.

September 29, 2010

Southern California Electron Tube Distributor Charged with Fraud Involving Aircraft Parts and Wire Fraud

Steven Jay Sanett, President and Chief Executive Officer of Penta Financial, Inc., doing business as Penta Laboratories (PENTA), was charged with fraud involving aircraft parts and mail fraud for falsely representing the origin, source, and condition of electron tubes.

Sanett instructed PENTA employees to prepare labels, packaging, and paperwork bearing false or misleading information about the electron tubes sold for use in commercial and military aircraft, medical equipment, and ground-based radar. In addition to removing and replacing the original manufacturers' logos and part numbers, Sanett directed PENTA employees to fill customer orders with modified electron tubes and refurbished electron tubes.

This investigation was conducted jointly with the Defense Criminal Investigative Service, and the Department of Homeland Security's Immigration

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

September 29, 2010

Woman Pleads Guilty and Is Sentenced for Distributing Unregistered Pesticides

Yuqiong Zheng pled guilty and was sentenced in U.S. District Court, Saipan, Northern Mariana Islands, to 2 years probation for distributing unregistered pesticides. In October 2008, when Zheng arrived on a Northwest Airlines flight in Saipan from China, Customs officials

noticed a spill inside a large sack containing smaller packets of pesticides. The investigation revealed that Zheng knowingly transported several hundred packets weighing more than 200 pounds of Buprophezin, an unregistered pesticide designated by the Secretary of the Department of Transportation as hazardous for air transportation.

This investigation was conducted jointly with the Environmental Protection Agency - Criminal Investigation Division, with assistance from the U.S. Coast Guard Investigative Service; FAA; and the Commonwealth of the Northern Mariana Islands Divisions of Environmental Quality, Customs, and Quarantine Office.



Major air carriers are increasingly relying on contract maintenance facilities for aircraft repairs. Since 2003, outsourced maintenance costs have accounted for 60 percent or more of total maintenance costs. Despite this significant outlay, we have consistently found that FAA's oversight of aircraft repair facilities and parts manufacturers lacks the rigor needed to ensure outsourced repairs meet FAA standards and to uncover fraud and abuse in aircraft maintenance, certification, and parts supply.

Several ongoing and completed investigations conducted jointly by FAA and OIG exemplify the surreptitious schemes businesses and individuals use to deceive FAA regulatory officials and the significant risks these deceptions introduce. For example, our investigations uncovered a scam involving the sale and use of fraudulent labels that indicated a satisfactory 100-hour or

annual inspection of an aircraft or engine had been performed by an FAA-authorized inspector. Because inspections validate an aircraft's structural and operational integrity and help identify stress of aircraft components, these fraudulent labels could mask a catastrophic failure. FAA issued an emergency order of revocation for the fraudulent certificates.

Through Operation Wingspan, we uncovered the fraudulent manufacture, distribution, and sale of military and civilian aircraft parts. Manufacturers conspired with various brokers and authorized DOD contractors to sell substandard aircraft parts—including skins, wings, and control surfaces—to the Air Force for use in its E-3 Sentry, Airborne Warning and Control System, KC-135 Airborne Refueling, and other aircraft. In some cases, brokers further conspired with FAA repair stations to falsify FAA authorization documents,

giving the illusion that the manufactured parts had been approved by FAA and were suitable for installation on aircraft. Thus far, Operation Wingspan has resulted in the indictment of 6 individuals, all of whom have pled guilty; sentencings culminating in 14 years imprisonment; and \$3.4 million in restitution and forfeitures.

A number of our investigations are prompted by whistleblower disclosures of potential dangers. OIG investigators recently substantiated whistleblower concerns about safety at Detroit Metropolitan Airport. Specifically, we confirmed that in July 2008, a front-line FAA manager directed controllers to authorize the departure of three Boeing 747 jets in a manner that violated

local FAA orders regarding aircraft separation. Our investigation also confirmed that two wind detection devices available to controllers in the Air Traffic Control Tower had provided inconsistent wind readings and one malfunctioned even after a sensor was replaced.

By combining regulatory and law enforcement efforts, we have uncovered blatant violations that resulted in criminal prosecutions, enforcement action, dissemination of public safety notices, and hundreds of thousands of unapproved parts taken out of the aircraft parts supply chain. We will continue to work with FAA to identify and investigate businesses and individuals who unscrupulously undermine air safety efforts.



Highway and Transit Programs

Audits

April 20, 2010

The Commonwealth of Massachusetts' Safety Review of the Central Artery/Tunnel Project Was Comprehensive, but FHWA's Oversight Approach Has Shortcomings

Mandated by the National Transportation Safety Board Reauthorization Act of 2006

In July 2006, a concrete ceiling panel fell and killed a motorist in one of the Central Artery/Tunnel (CA/T) project's tunnels, prompting the Commonwealth of Massachusetts to initiate an independent, two-phase safety review of the Boston Metropolitan Highway System, including

the CA/T Project. As we reported In August 2007, the Phase I review—intended to identify immediate safety risks—was generally comprehensive.

The Phase II safety review—an evaluation of all safety risks, completed in August 2008—was comprehensive and rigorous, and actions to address many of the identified safety risks have been taken. However, several risks remained unresolved, including implementing measures to improve the CA/T Project's preparedness for a tunnel fire. While the Federal Highway Administration (FHWA) has taken action to oversee the Commonwealth's efforts to resolve safety risks, its approach has several shortcomings. First, FHWA's definition of a safety risk requiring independent field verification is less stringent than the one used during the safety review. Second, FHWA's protocol for conducting independent field verifications is not

always followed. Third, FHWA's working list for monitoring the Commonwealth's actions omits some potentially significant activities.

FHWA concurred or concurred in part with our recommendations for strengthening its oversight of the Commonwealth's actions to address unresolved safety risks. While FHWA disagreed with our position pertaining to independent field verifications, the Federal Highway Administrator expressed his commitment to ensuring the safety of the CA/T.

April 29, 2010

Final Report on Consumer Assistance to Recycle and Save Program: Most Transactions Met Program Requirements, but Program Completion Activities Continue

Mandated by the Consumer Assistance to Recycle and Save (CARS) Act of 2009

CARS required the National Highway Traffic Safety Administration (NHTSA) to establish and administer a program that would encourage consumers to trade in their vehicles for new, more fuel-efficient vehicles. Congress established an aggressive implementation schedule, and tripled program funding 12 days into implementation. After 1 month, dealers requested payment for over 690,000 vehicle sales, nearly exhausting the \$3 billion in program funds.

NHTSA's controls over this complex program ensured that most CARS transactions met basic program eligibility requirements—such as fuel

efficiency, ownership, and insurance. However, controls related to trade-in vehicle disposal were less effective. Immediate consumer response and the infusion of additional program dollars presented significant implementation challenges. We also found that NHTSA lacked a comprehensive plan to efficiently carry out remaining close-out activities—including evaluating program compliance and determining total program costs—and better inform the Secretary of Transportation and Congress of its progress and overall program performance. NHTSA concurred with our recommendations and provided a description of the actions it took to address program implementation challenges.

May 17, 2010

Final Report on Actions Needed to Mitigate Risks Associated with the Access to the Region's Core Project Self-Initiated

New Jersey Transit's (NJT) Access to the Region's Core (ARC) project is one of the largest transit infrastructure projects in the United States. Project costs are estimated at more than \$9 billion and the Federal Transit Administration (FTA) plans to commit \$3 billion through its New Starts program. Given this considerable investment and the risks inherent in a project of this magnitude, we evaluated FTA's oversight of the project.

FTA's oversight provided reasonable assurance that significant project risks were identified. However, FTA did not have NJT's final project documents that describe strategies for mitigating

identified risks. We also found that NJT had yet to address certain ARC funding challenges, including uncertainty over long-term local funding, and lacked sufficient controls to detect fraud and ensure contractor integrity.

We made six recommendations to help ensure FTA's planned actions fully address ARC's risks and challenges. FTA concurred with five, and partially concurred with one. We consider the actions FTA has taken and plans to take as being fully responsive to our recommendations.

July 21, 2010

FHWA Has Taken Actions but Could Do More to Strengthen Oversight of Bridge Safety and States' Use of Federal Bridge Funding

Hearing before the House Transportation and Infrastructure Subcommittee on Highways and Transit

FHWA has estimated that approximately \$100 billion would be needed to address the more than 150,000 bridges nationwide that have deterioration, cracks, or other structural deficiencies. OIG's Assistant Inspector General for Highway and Transit Audits testified that while FHWA has taken action to prioritize bridge inspections and better enforce National Bridge Inspection Standards, sustained management attention is needed to ensure that identified safety risks are addressed, and that planned improvements in the inspection oversight program are implemented in time for FHWA's 2011 inspection of states' compliance with Federal bridge standards.

The Assistant Inspector General also noted that FHWA's current practices do not ensure that states are effectively using Highway Bridge Program and American Recovery and Reinvestment Act funds to improve their deficient bridges.

August 17, 2010

Letter to Ranking Member Issa Regarding DOT's Use of ARRA Signage

Requested by the Ranking Member of the House Committee on Oversight and Government Reform

We examined DOT's policies and guidance on the use of ARRA signage and found that two of five DOT operating administrations (OA) receiving ARRA funds—FTA and Federal Railroad Administration (FRA)—originally required ARRA recipients to post signage to publicly identify the source or expenditure of ARRA funds. FTA and FRA have relaxed their original ARRA signage requirements, and currently all five OAs encourage, rather than require, recipients to post signs.

Investigations

April 26, 2010

Three Sentenced to Imprisonment for Fraud Related to Fatal Truck Accident in Philadelphia, Pennsylvania

Victor Kalinitichll, Valerjis Belovs, and Joseph Jadczyk were sentenced in Montgomery County Court of Common Pleas, Norristown, Pennsylvania, on charges related to an accident on U.S. Interstate 76 in Philadelphia, Pennsylvania, in which one person died and five others were seriously injured. Belovs drove a commercial vehicle owned by Kalinitichll into stopped traffic. Each individual was sentenced to 23 months incarceration and fines ranging from \$300 to \$2,000. Kalinitichll was also ordered to pay \$26,000 in restitution.

The investigation determined that the crash resulted from the failure of the tractor-trailer's brakes to function properly. Both Belovs and Kalinitichll admitted they were aware of the problem and took no steps to fix it. The investigation further determined that the commercial vehicle displayed a valid inspection sticker provided by Jadczyk, who admitted that he had not inspected the truck. We also found that at the time of the accident, Belovs was driving in excess of the maximum hours set by the Federal Motor Carrier Safety Administration (FMCSA) for operating a commercial vehicle.

The investigation was conducted jointly with the Montgomery County District Attorney's Office

and the Pennsylvania State Police with FMCSA assistance.

May 06, 2010

More Charges Filed in Iowa Ready-Mix Concrete Price Fixing Conspiracy

Kent R. Stewart, President of Great Lakes Concrete, was charged in U.S. District Court, Sioux City, Iowa, with violating the Sherman Antitrust Act. It is alleged that Stewart conspired with others from January 2008 until August 2009 to fix prices of ready-mix concrete sold to various companies in Iowa.

As part of the same investigation, Steven K. VandeBrake, President of Alliance Concrete, Inc., pled guilty on May 4, 2010, to antitrust violations for his role in ready-mix price fixing conspiracies. VandeBrake admitted that he conspired with individuals from three different companies to set pricing for ready-mix concrete sold to Iowa companies from January 2008 until August 2009.

This joint investigation involved FBI, the U.S. Attorney's Office, and the Department of Justice's Antitrust Division's Chicago Field Office.

May 07, 2010

North Carolina Motor Carrier Sentenced for Making False Statements

In U.S. District Court, Winston-Salem, North Carolina, Charles D. Goodwin, Inc. (CDGI), doing business as Goodwin's Trucking Company, was

sentenced to 5 years probation, a \$35,300 fine, and \$400 special assessment for making false statements to FMCSA regarding the company's drivers' hours of service.

A FMCSA compliance review of CDGI following a multiple-fatality accident involving a company driver revealed that the driver had violated FMCSA hours of service regulations. The driver was found not to be at fault in the accident, but a subsequent investigation determined that between June 2007 and May 2008 CDGI drivers made numerous false entries in their drivers' duty status logs to cover up violations of the FMCSA hours of service regulations. In October 2009, CDGI management pled guilty and admitted to falsifying drivers' duty status logs. While on probation, and pursuant to a plea agreement, electronic onboard recording devices that capture hours driven and speed must be installed and maintained in all trucks owned by or under the control of CDGI.

This case was investigated with significant assistance from FMCSA.

May 18, 2010

Mississippi State Troopers Indicted for False Statements Related to Fraudulent Commercial Drivers' Licenses

In U.S. District Court, Jackson, Mississippi, Lieutenant Colonel (Retired) Joseph L. Rigby, Captain (Retired) Johnny D. Rawls, Lieutenant James C. Smith, and Master Sergeant Darrell D. Walker—former troopers with the Mississippi

Department of Public Safety—were indicted on multiple counts of making false statements related to commercial drivers' licenses (CDL).

The Mississippi Bureau of Investigation (MBI) requested assistance in investigating allegations that state troopers had aided and abetted others in creating false test scores to obtain CDLs, and had made operational enhancements such as hazmat and passenger endorsements without going through mandated state and Federal testing requirements. The troopers were also alleged to have aided and abetted others in altering CDL driver records to reduce speeding infractions to lesser charges and altering guilty judicial dispositions in driving records. If convicted, the troopers are each subject to fines and a maximum of 5 years imprisonment.

OIG is coordinating with FMCSA's Southern Service Center to correct the driving records in an effort to mitigate any public safety concerns. Ongoing analysis of the Commercial Driver Licensing System and the National Driver Registry will determine if false statements were made by other Mississippi Department of Public Safety personnel. This investigation is being conducted jointly with the FBI and MBI. FMCSA assistance has been instrumental to the progress of the investigation. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

June 4, 2010

Jury Convicts Man on Charges Related to Household Goods Fraud Scheme

A Federal Jury in U.S. District Court, Portland, Oregon, convicted Lester C. Kasprowicz on seven counts of mail fraud in connection with his operation of illegal household goods moving companies.

This investigation—prompted by allegations of violations of FMCSA household goods regulations—determined that Kasprowicz continued to operate his Oregon-based moving company following Federal and state permanent injunction orders in May 2002, prohibiting him from doing business in household goods. Kasprowicz defrauded customers by e-mailing or faxing misleading or false estimates, then almost doubled charges after customers entered into a contract and their goods were loaded onto the moving truck. If a customer refused to pay the inflated amount, Kasprowicz threatened to leave the customer's goods on the street or store them at an unknown location until the customer paid.

Kasprowicz illegally operated the household goods moving company for years by using a host of ghost companies, false names, mail drops, and multiple business names that resembled those of well-known, legitimate moving companies. Kasprowicz was convicted at trial and scheduled for a detention hearing on June 8, 2010.

This investigation was conducted jointly with the Oregon Department of Justice and FMCSA.

June 10, 2010

Engineering Company President Sentenced to 12 Months Imprisonment and Ordered to Pay \$1.6 Million in Restitution for Mail Fraud Involving FHWA-Funded Contracts

Kamleshwar Gupta, President and CEO of Kam Engineering, Inc. (KEI), was sentenced in U.S. District Court, Chicago, Illinois, for mail fraud related to falsified information submitted to the Illinois Department of Transportation (IDOT) and other state entities for payment on state transportation contracts. From 1994 to 2003, Gupta submitted false invoices and financial information regarding overhead expenses and the number of hours worked by KEI employees on contracts for IDOT, Chicago Department of Transportation, Metra, and the Illinois State Tollway Authority, many of which FHWA helped fund. In the scheme to defraud, Gupta directed KEI's 30-plus employees to complete time sheets in pencil and then altered the time sheets by moving hours among different jobs and contracts. Fraudulent invoices were then mailed to IDOT for payment. The total amount of fraudulent invoices equaled more than \$1.6 million.

Gupta was sentenced to 12 months and 1 day imprisonment and 2 years supervised release, and ordered to pay \$1.6 million in restitution. Gupta has made full restitution to all parties involved. Charges against KEI were dropped after indictment. KEI, now defunct, and Gupta were suspended by FHWA.

June 17, 2010

Louisiana Commercial Driver's License Third-Party Examiner Sentenced

A Louisiana Department of Public Safety, Office of Motor Vehicles (LADPS-OMV) compliance review revealed that Harold G. Stewart—owner of Stewart Auto Sales (SAS), a registered third-party CDL tester in Zwolle, Louisiana—tested a large number of CDL candidates with no failure ratings, a fraud indicator. During OIG's interview of Stewart, he admitted to falsifying the skills tests for 250 CDL candidates for which he was paid approximately \$200 per test. The LADPS-OMV recalled and retested all 320 CDL drivers SAS had tested.

Stewart pled guilty to making a false statement for his role in falsifying 250 (out of 320) CDL skills tests. Stewart was sentenced to 5 years probation and 25 hours of community service, assessed a \$500 fine, and ordered to make restitution in the amount of \$7,316.03 to LADPS for expenses the State incurred in recalling and re-testing drivers who obtained CDLs through Stewart.

July 21, 2010

Texas Transportation Company and Officials Sentenced for Hazmat Violations

Texas Oil and Gathering, Inc. (TOG), its owner John Kessel, and operations manager Edgar Pettijohn were sentenced in U.S. District Court, Houston, Texas, on one count of conspiracy to violate the Safe Drinking Water Act, and one count of knowingly disposing of waste in violation

of the act. Kessel and Pettijohn directed the falsification of documents such as bills of lading and drivers' logs in order to illegally dispose of hazardous waste water.

Kessel and Pettijohn were each sentenced to 5 years probation, and ordered to perform 500 hours of community service and pay a \$200 special assessment. Kessel was also ordered to pay a \$40,000 fine. TOG was sentenced to 3 years probation, ordered to pay a \$40,000 fine, and a \$200 special assessment.

This continuing investigation is being jointly conducted with the Environmental Protection Agency - Criminal Investigation Division, with assistance from state environmental agencies.

August 16, 2010

Former Owners of Pennsylvania Bridge Beam Manufacturer Plead Guilty in \$136 Million DBE Fraud

Ernest G. Fink, Jr.—former co-owner, Vice President, and Chief Operating Officer of Schuylkill Products, Incorporated (SPI) and its wholly-owned subsidiary CDS Engineers Incorporated (CDS)—pled guilty in U.S. District Court, Harrisburg, Pennsylvania, to charges of criminal conspiracy to commit wire fraud to defraud DOT's Disadvantaged Business Enterprise (DBE) program. Fink and others at SPI manufactured concrete products for highway and transit construction projects, and CDS operated as SPI's engineering and erection division. The "pass-through" scheme, which is alleged to have run for over 15 years, involved the improper

award of over 330 federally-funded highway and transit contracts in Pennsylvania valued at over \$136 million, making it the largest reported DBE fraud in DOT history.

Fink admitted that he and others used Marikina Construction Company, a Pennsylvania DOT- approved DBE since 1993, as a front company to obtain lucrative government contracts reserved for small and disadvantaged businesses. The indictment alleged that between 1993 and 2008, SPI and CDS personnel negotiated, coordinated, performed, managed, and supervised over \$136 million in DOT-funded contracts awarded to Marikina. Fink admitted that all the profits from the contracts ended up with SPI and CDS. In exchange for allowing SPI and CDS to use its name, Marikina was paid a fixed fee for each contract.

Previously, three former executives associated with SPI, CDS, and Marikina pled guilty to criminal charges and admitted that they took numerous fraudulent steps to conceal the scheme. The scheme included SPI and CDS personnel pretending to be Marikina employees by using Marikina passwords, signature stamps, business cards, letterhead, and e-mail addresses, as well as placing magnetic placards and decals with the Marikina logo to cover up logos on SPI and CDS trucks.

This investigation was conducted jointly with the FBI, the Department of Labor OIG, and the Internal Revenue Service's Criminal Investigation Division. A criminal trial for the remaining defendant, SPI's former co-owner, president and CEO, is pending.

August 17, 2010

Pennsylvania Motor Carrier Broker and Sons Plead Guilty to Double Brokering Scheme

Rubik Avetyan and his two sons, Alfred and Allen Avetyan, pled guilty in U.S. District Court, Harrisburg, Pennsylvania, to one count of criminal conspiracy related to a "double brokering" scheme in which they provided false information to FMCSA to illicitly acquire a DOT motor carrier registration number for their company, State Transport, Inc. The Avetyans admitted that they obtained loads from unsuspecting brokers as State Transport, Inc., and then used a different company name to broker the loads to other carriers with the intent of not paying the carriers that actually delivered the loads. The Avetyans received payments from the original brokers but did not pay the carriers. State Transport used a post office drop box and a telephone service to forward calls and facsimiles from the Harrisburg area to California to conceal its true identity and location.

The forfeiture agreement associated with the Avetyans' plea requires recovery of \$1,060,902.26. A sentencing date has not yet been set. In June 2009, FMCSA revoked State Transport's new entrant registration and ordered it to cease interstate operations.

The investigation was conducted jointly with the U.S. Postal Inspection Service and the Bureau of Alcohol, Tobacco, Firearms, and Explosives with the assistance of FMCSA.

August 18, 2010

Pennsylvania Driver's License and Commercial Drivers' Licenses Fraud Rings Busted

A Federal grand jury in Philadelphia, Pennsylvania, charged Vitaliy Kroshnev, his wife Tatyana Kroshnev, and seven others with making false statements, identification document fraud, and bank fraud for their role in a conspiracy that allegedly aided more than 300 unqualified individuals in fraudulently obtaining Pennsylvania CDLs.

From 2007 to 2010 the defendants, under the auspices of the Kroshnevs' International Training Academy (ITA)—a truck-driving training facility and business that rented tractor-trailers for FMCSA-regulated CDL Skills Tests—arranged for hundreds of non-residents of Pennsylvania to fraudulently obtain Pennsylvania CDLs. The indicted conspirators allegedly bypassed federal regulations by providing applicants with false Pennsylvania residency documents, as well as foreign language interpreters to provide applicants the answers for the CDL Knowledge Test.

While examining allegations involving the alleged false CDLs, we initiated investigations of a sophisticated, fraudulent government identification document ring that uncovered illegal cash payments to Pennsylvania DOT (PennDOT) officials, including Alexander Steele, a driver's license examiner. Our investigations uncovered evidence that Pierre E. Jean-Louis, a former PennDOT-approved interpreter and CDL holder, participated in a scheme with Alphonso

Wilson and Michel Lominy, both driving school operators, in which cash payments were made to PennDOT driver's license examiners in exchange for issuing illicit drivers' licenses to unqualified foreign nationals. Lominy employed Jean-Louis who, instead of acting as an interpreter, assisted Lominy's customers in cheating on the Pennsylvania driver's license examination. Lominy charged his customers up to \$2,000 for each fraudulent driver's license. Another license examiner, Roy G. Davila, allegedly used his position as an examiner to obtain cash payments in exchange for issuance of Pennsylvania drivers' licenses.

In July 2010, Lominy was sentenced to 4 years imprisonment after pleading guilty to Federal charges of conspiracy, extortion, and identification fraud. On August 18, 2010, Jean-Louis was sentenced to 1 year imprisonment, 3 years supervised release, and fined \$1,200 in connection with extortion and identification fraud charges. On September 9, 2010, a Federal grand jury in Philadelphia, Pennsylvania, charged Davila with manufacturing fraudulent identification documents, extortion, and aggravated identity theft. Wilson has pled guilty and his sentencing is pending. Steele is awaiting trial for his role in the scheme.

OIG continues to analyze ITA business records to assist PennDOT in identifying and addressing CDL holders who obtained their licenses through ITA. OIG, PennDOT, and FMCSA continue to develop a strategy for best addressing the drivers who allegedly used false residency documents and corrupt interpreters to obtain their CDLs. These ongoing investigations are

being conducted jointly with the Department of Homeland Security's Immigrations and Customs Enforcement, the Internal Revenue Service, the FBI, and with assistance from FMCSA and the Pennsylvania State Police. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

August 30, 2010

North Carolina Man Sentenced to 22 Months in Jail for Fraudulent Medical Review Officer Scheme

Michael R. Bennett—doing business as Workplace Compliance, Inc. (WCII), a drug and alcohol testing consortium—was sentenced in U.S. District Court, Winston-Salem, North Carolina, to 22 months imprisonment and 3 years supervised release, and ordered to perform 100 hours of community service and pay a \$400 special assessment for fraudulently conducting unauthorized final reviews on numerous drug test results from laboratories used by motor carriers and air carriers. WCI was placed on 3 years probation and ordered to pay a \$1,200 special assessment. Mr. Bennett and WCI are both liable for restitution up to \$209,030.

Our investigation revealed that between 2005 and 2009 Mr. Bennett obtained lab test results and used computer software to generate fraudulent Medical Review Officer (MRO) reports. These reports claimed that an MRO had verified the lab test results and that the report was in compliance with the Department's regulations of

transportation workplace drug and alcohol testing programs.

This investigation was conducted with significant investigative assistance from FAA, FMCSA, and DOT's Office of Drug and Alcohol Policy and Compliance.

September 7, 2010

Former West Virginia Department of Transportation Employee Sentenced to Five Years Probation for Interference with Commerce by Extortion

Gwen Conley, former transportation engineering technician with the West Virginia Department of Transportation (WVDOT) Division of Highways, was sentenced in U.S. District Court, Charleston, West Virginia, to 5 years probation and ordered to pay a \$6,000 fine as a result of his guilty plea to interference with commerce by extortion, a Hobbs Act violation.

Conley used his WVDOT position—which included oversight authority for the federally funded \$21 million Route 10 project in Man, Logan County, West Virginia—to extort thousands of dollars from Environmental Solutions, LLC (ESL), a project subcontractor responsible for temporary erosion control and hydroseeding. From November 2007 through August 2008, Conley asked for and received money from ESL for claiming that ESL performed more erosion control services than it did. The owner of ESL paid Conley based on a percentage of the money Conley calculated ESL would make on the work it did not perform.

This investigation was conducted jointly with the West Virginia State Police and with substantial assistance from FHWA.

September 23, 2010

Former New York Construction Company Vice President Convicted for Soliciting Kickbacks from Subcontractor

Joseph Iorio, former Vice President of Construction of Yonkers Contracting Company, was convicted by a Federal jury, Brooklyn, New York, on charges of mail and wire fraud. The charges were based on his role in soliciting approximately \$194,000 in kickbacks from a trucking subcontractor on construction projects, including an FHWA-funded project.

The investigation revealed that between March and October 2008, Iorio solicited kickbacks from

a trucking company subcontractor in connection with at least three New York State Metropolitan Transportation Authority construction projects on which Yonkers was bidding—including the Atlantic Yards Arena Development in Brooklyn, a federally funded project on which Yonkers bid around \$346 million. The arrangement involved the trucking company owner building 25 to 50 cents a ton into his price proposals, payable in kickbacks to Iorio, who would use his influence to ensure the trucking company was chosen for the subcontract work if Yonkers was awarded the projects. The arrangement was kept discrete and hidden from Yonkers; Iorio was paid by checks made out to JJA Construction, a business entity associated with Iorio.

A future sentencing date will be set by the Court. This investigation was conducted jointly with the Department of Labor OIG and the Port Authority of New York and New Jersey OIG.





In Focus: Ensuring Safety of the Nation's Bridges through Enhanced Oversight of Federal Investments

FHWA estimates that \$100 billion is needed to address existing bridge deficiencies and make other improvements. Nearly 150,000 of the Nation's bridges are considered deficient due to major deterioration, cracks, or other structural deficiencies, and more than 23,000 of these bridges are part of the National Highway System—roadways that FHWA classifies as important to our economy, defense, and mobility. Instituting effective bridge funding and inspection programs is critical to maximizing investments and overseeing states' bridge safety efforts.

Over the last several years, we have reported on the challenges FHWA has encountered in establishing and maintaining effective bridge funding and inspection programs. Key among these challenges is the lack of a data-driven, risk-based approach to bridge oversight—one that would target the most significant bridge safety risks. We first identified this challenge in 2006 when

we found that inaccurate or outdated maximum bridge weight limit calculations and posting entries were recorded in state and national bridge databases, possibly causing decision makers to misdirect funds and actions intended to reduce the number of deficient bridges. We also reported that limitations in FHWA's Fiscal Management Information System impede FHWA's ability to track how states are using Federal dollars to improve deficient bridges.

FHWA's bridge safety programs are also hindered by a lack of clear and comprehensive guidance on what actions FHWA bridge engineers should take when states fail to comply with bridge inspection standards, providing little assurance that states are taking needed actions to improve bridge safety. In early 2010, we reported that 7 of the 11 bridge engineers we surveyed responded that FHWA's guidance did not adequately define when to suspend funds to enforce compliance.

Consequently, Federal-aid highway funds were provided to states with serious incidents of non-compliance. In one case, a bridge engineer reported to FHWA that a state was substantially compliant, despite the state's failure to close 96 bridges as required by bridge inspection standards.

As we testified in July 2010, FHWA is taking steps to respond to our recommendations. Specifically, FHWA is developing a uniform definition of compliance with its bridge standards, and data-driven, risk-based metrics for assessing state compliance. The Agency also launched a pilot

program in 12 division offices that uses the new metrics and a prototype database for recording results and generating reports. However, FHWA has shown little progress in acquiring data to evaluate states' use of Highway Bridge Program funding. Sustained management attention is needed to ensure that data weaknesses are corrected and that the pilot program is fully implemented during the next bridge inspection cycle, scheduled for 2011.

We will continue to monitor FHWA's efforts to fully implement our recommendations.



Rail and Maritime Programs and Economic Analysis

Audits

April 8, 2010

Letter to Appropriations Committees Regarding Amtrak User Fees for Right-of-Way Access and Incentive Payments for On-Time Performance

Mandated by the Fiscal Year 2009 Omnibus Appropriations Act

Our report to the Committees on Appropriations identified user fees paid by Amtrak to freight railroads, irrespective of funding source, for access to the right-of-way and any incentive payments paid related to on-time performance. Amtrak does not pay a market-based “access fee” for use of a host freight railroad’s track. Instead, pursuant to the Railroad Passenger Service Act

of 1970, Amtrak is only required to pay host railroads for the incremental cost associated with its track usage. During fiscal year 2009, Amtrak paid \$115 million in track usage payments to freight railroads, accounting for roughly 3.3 percent of its total operating expense.

April 29, 2010

Federal Railroad Administration Faces Challenges in Carrying Out Expanded Role

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

The Deputy Inspector General testified on the challenges FRA faces in carrying out the duties of its expanded role under the Passenger Rail Investment and Improvement Act (PRIIA) and

the Rail Safety Improvement Act (RSIA) while still carrying out its prior responsibilities, including overseeing Amtrak. Together PRIIA and RSIA call for the implementation of a high-speed rail program, improvements in intercity passenger rail services, and safety enhancement initiatives. The Deputy Inspector General noted that each new mandate carries a unique set of challenges for FRA, especially as they relate to implementing the high-speed rail program. She also noted that ARRA exacerbated these challenges by accelerating timelines and providing FRA with an additional \$8 billion. Finally, the Deputy Inspector General noted that while we have found that Amtrak has improved its operating and capital planning, new PRIIA mandates and ARRA funding could require Amtrak to make more improvements.

May 17, 2010

Semiannual Report on Amtrak's Financial and Operating Performance and Savings from Reform

Mandated by the Consolidated Appropriations Act, 2010

Our semiannual report to the House and Senate Appropriations Committees identified Amtrak's year-to-date financial performance and savings from operational reforms. In the first 6 months of fiscal year 2010, Amtrak's operating loss of \$263.3 million was \$71.4 million, or 21.3 percent, better than budgeted. However, this loss is \$12.2 million more than the loss during the first 6 months of fiscal year 2009. The lower-than-budgeted loss was due to higher-than-expected revenues and lower-than-expected expenses.

Much of the savings achieved in the first half of the year are expected to erode in the second half as Amtrak forecasts a year-end operating loss of \$552.1 million—\$10.9 million or 1.9 percent better than budget, but \$94.2 million more than fiscal year 2009.

While Amtrak no longer focuses on measuring savings from reform initiatives, its use of recently implemented key performance indicators appears to be an efficient approach to gauge company performance and monitor operating and financial performance to budget.

September 23, 2010

Implementation of New Metrics and Standards Is Key to Sustaining Improvement in On-Time Performance on Amtrak's Cascades and Coast Starlight Routes

Mandated by the Passenger Rail Investment and Improvement Act of 2008

Together, the Coast Starlight and Amtrak Cascades passenger rail corridors run more than 1,800 miles between Vancouver, British Columbia, and Los Angeles, California. On-time performance (OTP) of these and other intercity passenger trains directly impacts Amtrak's bottom line and its efforts to successfully implement high-speed and intercity passenger train service.

While the Coast Starlight and Amtrak Cascades lines experienced significant delays from 2004 through 2009, total minutes of delay on both lines dropped after 2006. Several factors contributed

to the decrease in delays—and ultimately the lines' improved OTP—including improved operations by the host railroads and Amtrak, and reduced freight traffic caused by the depressed economy. FRA has taken action to develop new OTP metrics and standards, as required by PRIIA. However, delays in issuing these new performance measures have stalled other actions that could further improve OTP over the

long term. We made recommendations to the FRA Administrator to ensure that the benefits of recent Federal intercity passenger rail legislation are fully realized and improvements in OTP for the Coast Starlight and Amtrak Cascades are sustainable. FRA concurred with all of our recommendations and proposed appropriate action plans.





In Focus: The Federal Railroad Administration's Challenges in Meeting Its Expanded Role

In April 2009, the President, along with the Vice President and the Transportation Secretary, announced a vision for a new national network of high-speed rail corridors. Implementing the High-Speed Intercity Passenger Rail (HSIPR) program significantly changes the Nation's transportation system and requires substantial planning on the part of the states and the Federal Government. PRIIA, RSIA, and ARRA outline the goals of HSIPR.

The greatest responsibility for implementing HSIPR falls on FRA, dramatically altering FRA's role. Together, PRIIA and RSIA call for the implementation of a high-speed rail program, improvements in intercity passenger rail services, and safety enhancement initiatives. FRA must coordinate with hundreds of public and private stakeholders to establish a national rail plan that addresses interconnectivity with other modes of transportation and recognizes the need for a sustainable funding mechanism to support passenger rail. FRA must also develop written policies

and practices to guide the program's grant life-cycle process and oversight activities, and obtain adequate staff to oversee implementation. ARRA exacerbated these challenges by accelerating timelines and providing FRA an additional \$8 billion for discretionary grant programs to jump start the development of high-speed rail corridors and enhance intercity passenger rail service. Since then, Congress has appropriated an additional \$2.5 billion for HSIPR program grants.

While FRA is charged with implementing a high-speed rail program, it must also continue to execute its rail safety responsibilities and its oversight of Amtrak. Specifically, FRA must effectively manage the Rail Line Relocation discretionary grant program, the Railroad Rehabilitation and Improvement Financing Loan program, and the Amtrak grant program. Together, these programs account for more than a third of FRA's total budget.

Our November 2009 Top Management Challenges report, along with our ARRA-related work, identified the risks inherent in FRA's expanded role and in investing Federal grant funds in private rail infrastructure. We have ongoing work reviewing access agreements between states and private freight railroads that will assist FRA in achieving HSIPR program benefits. At this time, FRA is working with freight railroads to address their concerns about the requirements outlined

in FRA's guidance for access agreements. We also have ongoing work to identify best practices in financial forecasting for HSIPR projects. This work will assist FRA in awarding and monitoring the development of projects that receive HSIPR grants. Through our monitoring and evaluation of FRA's implementation of the HSIPR program, we will continue to communicate to the Secretary, the Congress, and the public the important issues associated with FRA's transformation.



Financial and Information Technology

Audits

May 19, 2010

Quality Control Review of Single Audit on the Washington Metropolitan Area Transit Authority

During fiscal year ending June 30, 2009, the Washington Metropolitan Area Transit Authority expended approximately \$281 million in grants from FTA and FHWA. Clifton Gunderson LLP rendered an unqualified (clean) opinion on the Authority's financial statements and compliance with major Federal programs. However, Clifton Gunderson recommended that the Authority correct deficiencies related to the application of its indirect cost rate. We determined that Clifton Gunderson's work generally met the

requirements of generally accepted government auditing standards; the Single Audit Act of 1984, as amended; and OMB Circular A-133. We found nothing to indicate that Clifton Gunderson's opinion on the financial statements or reports on internal control and compliance were inappropriate or unreliable.

June 18, 2010

Information Security and Privacy Controls over the Airmen Medical Support Systems

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

FAA's Airmen Medical Support Systems (MSS) currently stores more than 18 million medical

records supporting the medical assessments of over 3 million airmen. To ensure aviation safety and protect the privacy of airmen, it is critical that this information be secure. However, we found that serious security lapses in FAA's management of MSS made airmen's personally identifiable information (PII) vulnerable to unauthorized access. Further, only limited progress has been made in identifying airmen who receive disability benefits while holding medical certificates.

We made a series of recommendations to strengthen the confidentiality, integrity, and availability of airmen's PII, and to ensure unqualified airmen do not receive medical certifications allowing them to fly. FAA concurred with all but one of our recommendations: to implement multifactor user authentication, as required by OMB. FAA has begun to take action to address identified weaknesses in order to provide greater assurance that sensitive information is protected from misuse and airmen holding medical certifications are fit to fly.

July 21, 2010

Quality Control Review of Single Audit on the Port Authority of Allegheny County

For fiscal year ending June 30, 2009, the Port Authority of Allegheny County expended approximately \$115 million in grants from FTA

and FRA. Maher Duessel, CPAs, rendered an unqualified (clean) opinion on the Authority's financial statements and compliance with major programs. We determined that Maher Duessel's work generally met the requirements of generally accepted government auditing standards; the Single Audit Act of 1984, as amended; and OMB Circular A-133. We found nothing to indicate that Maher Duessel's opinion on the financial statements or reports on internal control and compliance were inappropriate or unreliable.

August 9, 2010

Letter to Representatives Mica and Petri Regarding Air Traffic Control Web Security

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

As the result of a roundtable discussion on FAA's air traffic control system's vulnerability to cyber attack, Representatives Mica and Petri asked us to provide an update on FAA's efforts to implement recommendations made in our "Web Applications Security and Intrusion Detection in Air Traffic Control Systems" report, issued in May 2009. Of the five recommendations we made, FAA has implemented four, but has not yet established a timetable for completing the work necessary to address the remaining recommendation.

Investigations

July 15, 2010

Pilot Sentenced for Making False Statements on His Medical Application

In the Northern District of California, Bruce N. Moody was sentenced to 12 months probation and ordered to pay \$1,000 in restitution for his role in falsifying his airman medical application. Moody failed to report on his 2001, 2003, 2005, 2007, and 2008 airman medical applications that he suffered from insomnia, depression, poor concentration, anxiety, fatigue, and memory difficulties while serving as a pilot in command. Moody admitted to lying about his condition on FAA Form 8500.8.

This investigation was initiated as a result of a referral from FAA alleging that Moody had been receiving disability benefits from the Social Security Administration (SSA) and the Department of Veterans Affairs (VA) for a psychiatric diagnosis, yet failed to disclose the information to FAA. The investigation was conducted by the OIG, with technical assistance from the SSA, VA, and FAA.

September 20, 2010

Former Federal Railroad Administration Employee Sentenced for Theft of Government Property

Contonja Saunders, a Financial Management Specialist formerly with the Research and Innovative Technology Administration (RITA) and FRA, was sentenced in U.S. District Court, Greenbelt, Maryland, to 5 years probation and 240 hours of community service, and ordered to pay \$30,090 in restitution for theft of Government property.

Saunders admitted to taking five U.S. Government cell phones in April 2007 and distributing them for her and her family's personal use. She designated herself the Verizon account representative without authorization, then accessed DOT accounting systems to approve payments of over \$30,000 in Government funds on the Verizon account. To avoid detection, Saunders changed the Verizon billing address from DOT to her home address after she transferred from RITA to FRA and enlisted the aid of a DOT intern to screen Verizon account notifications. Saunders resigned from her position with FRA on August 7, 2010.





Acquisition and Procurement

Audits

August 24, 2010

Federal Motor Carrier Safety Administration Lacks Core Elements for a Successful Acquisition Function

Requested by the Federal Motor Carrier Safety Administrator

To achieve its primary mission of reducing crashes, injuries, and fatalities involving large trucks and buses, FMCSA spends about 40 percent of its procurement dollars on contract arrangements—compared to about 5 percent governmentwide. FMCSA's contracts are considered high risk because they tie contractors' profits to numbers of hours worked. However,

we found that FMCSA's pre-award processes were inadequate for ensuring effective business arrangements and maximizing competition. We also found that FMCSA lacked effective administration and oversight of its contracts to ensure that the Agency's needs were met in the most efficient and economical manner. FMCSA's acquisition framework lacked organizational alignment and leadership, policies and processes, acquisition data, and human capital—all of which are critical components for operating effectively.

Throughout our audit, FMCSA officials cited actions they had undertaken to improve procurement practices and stated that additional enhancements were under way. We made a number of recommendations to improve FMCSA's acquisition practices—practices that should enable the Agency to better position itself to

fulfill its mission. FMCSA concurred with all of our recommendations.

August 25, 2010

Improvements in Cost-Plus-Award-Fee Processes Are Needed to Ensure Millions Paid in Fees Are Justified Self-Initiated

While cost-plus-award-fee (CPAF) contracts can encourage excellence by providing financial incentives based on contractor performance, they require effective monitoring to ensure contract dollars are spent wisely and award fees are justified based on contractor performance and related expected outcomes.

However, DOT's Operating Administrations have not effectively designed, administered, or justified their CPAF contracts. For example, we found

that (1) performance evaluation plans did not include measurable criteria to adequately evaluate contractor performance; (2) rating descriptions were vague and/or inconsistent and did not clearly define the basis for performance; (3) performance monitors did not provide adequate support to justify contractor ratings; (4) payment structures allow for award fees for average or below-average performance; and (5) contracting officials did not justify the cost effectiveness of selecting a CPAF contract.

We made a number of recommendations to improve DOT's design, administration, and overall management of CPAF contracts and increase the effectiveness of award fees as an incentive for excellent contractor performance. In a consolidated response from the Office of the Secretary of Transportation (OST), FAA concurred with our recommendations targeted for FAA. OST concurred with two of our recommendations for OST and partially concurred with the other two.

Investigations

September 10 2010

New Jersey Construction Firm Owner Pleads Guilty to DBE Fraud Scheme

Eva C. Glasgow, owner of Eva Glasgow Contractors, Inc. (EGC), Pennsauken, New Jersey, pled guilty in U.S. District Court, Camden, New Jersey, to charges of conspiring to make false statements on DBE utilization reports and to making false statements and concealing material facts related to prevailing wage statutes.

Our investigation revealed that Glasgow conspired with two unindicted contractors to use EGC as a pass-through in order for one of the unindicted contractors to claim credit for meeting DBE contract goals on a \$26 million FHWA-funded road construction project. Glasgow admitted that as part of the conspiracy, one of the unindicted contractors was able to claim credit for millions of dollars in fraudulent DBE work that was reportedly performed by EGC but in actuality was performed by a non-DBE subcontractor. Additionally, Glasgow admitted to having submitted false certified payroll records to New Jersey claiming that EGC employees who did work at the construction site were paid the prevailing rate and benefits, when the evidence in the investigation indicated that they were paid less than the required rate.

This investigation is being conducted jointly with the Internal Revenue Service and the Department of Labor OIG.

September 13, 2010

Buffalo Concrete Supplier Pleads Guilty to Fraud and Forfeits \$1.8 Million

Oscar Rayford, owner of Rayford Enterprises, a certified DBE, pled guilty in the Western District of New York to one count Information charging him with mail fraud in connection with a scheme to defraud the Federal DBE program. As part of the plea, Mr. Rayford agreed to forfeit \$1.8 million to the Government.

Between 2001 and 2007, Rayford falsely represented to various Government agencies that his company, a concrete manufacturer, performed a “commercially useful function” on five separate FHWA-funded highway construction projects. The investigation disclosed that Lafarge North America, a non-DBE concrete supplier, performed in excess of \$3.2 million of work on Rayford’s behalf, with Rayford keeping a small percentage of the value of the subcontracts.

A sentencing date has not been scheduled.

September 27, 2010

FAA Employee Pleads Guilty to Stealing \$123,774

Keysha Logan, a management assistant in FAA’s Finance Services Comptroller Group, Washington, D.C., pled guilty in U.S. District Court in Greenbelt, Maryland, to embezzlement.

Logan admitted that from 2007 to 2010, she used her Government-issued credit card to buy gift cards from Office Depot and other retailers, kept the gift cards for personal use, and approved Government funds to pay for the purchase of the gift cards. For example, on January 23, 2010, Logan charged \$535.43 on her Government MasterCard at Office Depot to purchase a \$200 American Express gift card and three \$100 Visa

gift cards. Logan used the gift cards for her personal benefit and used FAA's computer system to approve the Government's payment for the charge.

The total loss resulting from the embezzlement scheme is \$123,774.47. FAA has initiated administrative proceedings against Logan. Logan is scheduled to be sentenced in January 2011.



Departmentwide Issues

April 23, 2010

Letter to Ranking Member Issa Regarding the Status of Open Audit Recommendations

*Requested by the Ranking Member of the House
Committee on Oversight and Government
Reform*

In his March 24, 2010, letter, Congressman Issa asked OIG to provide information on the number of open recommendations; estimated cost savings associated with these open recommendations; our top three open recommendations; and the number of recommendations that have been implemented since January 5, 2009.

As of April 6, 2010, we identified 341 open recommendations included in 107 audit reports. Of the 341 open recommendations, 45 recommendations in 33 reports carry an estimated monetary benefit or cost savings. We determined the three most important recommendations based on whether the recommendation will lead to significant improvements in safety, significant financial benefits, or significant improvements in the economy or efficiency of the program audited. Last, between January 5, 2009 and April 6, 2010, we closed 424 recommendations contained in 173 audit reports.

June 18, 2010

Letter to Senators Grassley and Coburn Regarding Information in Support of OIG's Mission

Requested by Senators Grassley and Coburn

In response to Senators Grassley and Coburn's April 8, 2010, letter, we provided information on the independence necessary to carry out our audits, evaluations, and investigations. We reported (1) that the Department is generally responsive to our requests for information; (2) a summary of our non-public investigations and management advisories; (3) no threats to or attempted obstruction of our ability to communicate with Congress on the budget or other matters; and (4) the number of open recommendations and associated cost savings estimates, our top three open recommendations, and the number of recommendations implemented since January 5, 2009.

August 23, 2010

Letter to Chairman Towns on OIG's Top Three Open Audit Recommendations Rendering the Greatest Cost Savings to the Federal Budget

Requested by the Chairman of the House Committee on Oversight and Government Reform

We identified the following top three open recommendations: (1) the Department should monitor its field offices' quarterly inactive project reviews, particularly on stagnant projects, to ensure that inactive obligations are liquidated in a timely manner throughout the year (totaling \$800 million); (2) FAA should direct airport sponsors to develop and implement plans to recover FAA's share from the disposition of 3,608 unneeded noise land acres (estimated at \$160.6 million); and (3) RITA should coordinate with FHWA to identify and review old Intelligent Transportation Systems program contracts and agreements and de-obligate nearly \$20 million in unneeded funds.

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

April 16, 2010

Spoke on Issues of Concern to the Aviation Industry in Implementing ARRA

A Program Manager from Aviation and Special Program Audits presented our ARRA FAA work to the annual Airports Council International-North America Spring Legal Issues Conference in San Antonio, Texas. The conference consisted of an audience of airport and FAA personnel, and DOT Attorneys. The Program Manager discussed ARRA requirements and funding, DOT OIG oversight plan, ARRA challenges, ARRA scan results, ongoing audit work, and lessons learned.

May 4, 2010

Briefed Brazilian Officials on DOT OIG Mission

The Deputy Inspector General, Principal Assistant IG for Investigations, Deputy Assistant IG for Aviation and Special Program Audits, Associate Counsel, and a Special Agent briefed top Brazilian officials on our mission at the 2010 Brazilian National Briefing, sponsored by The George Washington University's Brazilian anti-corruption program. Participants included more than 20 Brazilian officials, including those from the Ministry of

Health; representatives from the Internal Revenue Service, Inspector General Office; and officials from the Federal Police Department.

May 19, 2010

Spoke on Federal Audit Approaches Related to ARRA

The Inspector General spoke at the 18th Biennial Forum of Government Auditors in San Antonio, Texas, on the OIG community's strategy for promoting accountability in ARRA funded projects.

June 3, 2010

Spoke on OIG's ARRA Oversight Strategies

The Deputy Inspector General presented a keynote address, "Promoting Transparency and Accountability in DOT's Implementation of ARRA" at the Mid-Atlantic Intergovernmental Audit Forum in Ocean City, Maryland. The Deputy Inspector General's presentation highlighted our audit and investigation work on ARRA as it relates to aviation, surface safety, information security, and acquisitions and procurement; the challenges we identified in each of these areas; and OIG outreach efforts to combat fraud, waste, and abuse.

July 26 through 29, 2010

Co-Sponsored the Sixth Biennial National Fraud Awareness Conference on Transportation Infrastructure Programs

OIG co-sponsored this week-long conference with the American Association of State Highway and Transportation Officials, the District of Columbia Department of Transportation, the Washington Metropolitan Area Transit Authority, the Maryland Department of Transportation, the Virginia Department of Transportation, and the Delaware Department of Transportation to sharpen awareness of fraud schemes; share best investigative, audit, and oversight practices; and strengthen work relationships among attendees. Participants who attended the conference, held in Arlington, Virginia, included attorneys, auditors, engineers, contract and procurement officers, investigators, and law enforcement personnel from all levels of government.

The conference provided a unique opportunity to educate stakeholders in Federal, state, and local government as well as the private sector on how to identify and prevent fraud, waste, and abuse and protect taxpayer investments. The agenda covered topics such as ARRA stewardship and oversight challenges; fraud schemes, including those related to DBE, as well as contract, grant,

and anti-trust fraud; effective audit practices; and ensuring safety in infrastructure projects.

This year's conference was our most successful to date, with more than 400 participants. In addition to OIG presenters, the conference included a number of high-level external speakers, including The Honorable John D. Porcari, Deputy Secretary of DOT; The Honorable James L. Oberstar, U.S. House of Representatives; Helen Lew, the first Inspector General for the Washington Metropolitan Area Transit Authority; and representatives from the Virginia, District of Columbia, Delaware, Maryland, and North Carolina Departments of Transportation.

September 15, 2010

Spoke on Suspension and Debarment Programs

The Inspector General and IGs from the Department of Homeland Security and the General Services Administration discussed suspension and debarment policies, procedures, and practices at their respective departments and agencies at the Association of Government Accountants' Fifth Annual Internal Control and Fraud Conference. The panel discussion, "How Effectively Are We Using Suspension and Debarment Actions for Poorly Performing Contractors?," was moderated by the Tennessee Valley Authority IG.

This section describes OIG's ongoing and planned work for October 1, 2010, through March 31, 2011. This work focuses on the Department's Strategic Plan and its core missions of transportation safety and mobility, as well as responds to requests by Administration officials and Congress. We take into account the need to support DOT's most critical programs and ensure that departmental resources are protected from fraud, waste, and abuse.

AVIATION AND SPECIAL PROGRAMS

IN PROGRESS

FAA Progress in Developing and Implementing NextGen Transformational Programs

At the request of the Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is assessing FAA's actions to address recommendations made by an RTCA task force convened to review mid-term actions in NextGen's development. Specifically, OIG is determining the extent to which FAA is (1) responding to the task force's recommendations, including adjusting its budgets and establishing mechanisms for continued collaboration with industry and (2) addressing barriers that may hinder its ability to successfully implement the recommendations.

Certification of NextGen Technologies

At the request of the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is assessing FAA's revised certification procedures,

which require Agency certification for FAA-owned systems but not for contractor-owned systems. The Chairmen raised questions about how this is impacting FAA's continued responsibility to oversee the performance of key NextGen technologies that will be owned by the private sector, such as Automatic Dependent Surveillance-Broadcast (ADS-B). Accordingly, we are examining the new procedures, as applied to ADS-B, to (1) determine the impact of the procedures on FAA's statutory responsibility for maintaining the safety and integrity of air traffic control systems and (2) identify the challenges and risks associated with the private sector operating and maintaining key air traffic control systems.

FAA's System Wide Information Management Program (SWIM)

SWIM is a secure, web-based architecture that is expected to streamline information sharing to airspace users and provide access to weather and flight management information, and aeronautical services and applications. OIG is examining (1)

the status of FAA's efforts to develop and implement SWIM and (2) problems that could affect nationwide deployment or limit anticipated benefits.

Progress and Problems Implementing the En Route Automation Modernization (ERAM) Program

At the request of the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, OIG is reviewing FAA's implementation of ERAM—a \$2.1 billion program to replace existing hardware and software at facilities that manage high altitude air traffic in the National Airspace System. Our objectives are to (1) determine FAA's progress in implementing ERAM and address persistent software problems and (2) identify the risks these problems may pose on FAA's plans to implement critical NextGen systems.

FAA Oversight of Pilot Training and Regional Airlines

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security; the Chairman of the House Transportation and Infrastructure's Subcommittee on Aviation; and Representatives Slaughter, Lee, and Higgins, OIG is performing an audit of pilot training and regional airlines to assess (1) FAA oversight of air carrier pilot training and proficiency programs and (2) the processes and data that FAA and air carriers use to evaluate the competence and qualifications of pilots when they are hired.

Commercial Aviation Accidents, Pilot Experience, and Pilot Compensations

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security, OIG is conducting an audit to identify and assess trends in commercial aviation accidents, including correlations between pilot experience and compensation.

FAA's Organization Designation Authorization and Risk-Based Resource Targeting Processes

At the request of Representative Lipinski, OIG is assessing FAA's Organization Designation Authorization (ODA) program and its Risk-Based Resource Targeting (RBRT) process. The ODA program authorizes companies to perform certain functions on FAA's behalf, including issuing airworthiness certificates, approving certain aircraft engineering designs and test data, and modifying existing approved designs. RBRT classifies certification projects in low, medium, and high risk categories so that engineers and managers can focus their oversight on projects deemed to have the highest risk. OIG is determining (1) the role FAA plays in the selection process for individuals who perform work under the ODA program, (2) the adequacy of FAA's safety oversight of the program, and (3) the effectiveness of FAA's RBRT assessment process.

Department of Transportation and FAA Oversight of Domestic Code-Share Relationships

At the request of the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is conducting an audit of DOT and FAA oversight of code-share agreements between domestic air carrier partners. Our audit objectives are to (1) examine DOT's and FAA's legal authority to review agreements between mainline air carriers and their regional partners, (2) assess how mainline air carriers ensure that their regional partners have the same level of safety, and (3) determine whether the public has adequate information on carriers to make informed decisions when purchasing airline tickets.

FAA Regulations and Airline Policies Regarding Crew Rest Requirements and Fatigue Issues

At the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security, OIG is conducting an audit to (1) identify FAA regulations and airline policies on crew rest requirements and fatigue issues, including the role of pilot domicile and duty locations; (2) determine how FAA and airlines enforce these regulations and policies; and (3) assess how FAA and airlines update these policies and procedures to ensure they address changing conditions in the aviation industry.

Costs and Controls Associated with the 2009 FAA/National Air Traffic Controllers Association Contract

At the request of Representative Mica, Ranking Member of the House Committee on Transportation and Infrastructure, OIG is conducting an audit of the new collective bargaining agreement between FAA and the National Air Traffic Controllers Association to (1) evaluate the accuracy and completeness of FAA's cost estimate of the new contract, (2) identify contract provisions that could increase costs, and (3) determine if FAA has sufficient controls in place to prevent cost increases.

FAA's Efforts To Improve Its System for Tracking Controller Training

In July 2009, the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies directed OIG to provide an update on FAA's progress in developing procedures for collecting accurate data on controller training failures to more effectively monitor and improve the controller training program. The Subcommittee also requested that OIG review FAA's metrics for measuring and reporting the effectiveness of its controller training program. Accordingly, OIG is (1) evaluating FAA's actions taken to improve its system for tracking the training progress of newly hired controllers and (2) determining if FAA uses appropriate training attrition metrics in reporting controller training progress.

Job Creation under the American Recovery and Reinvestment Act of 2009

At the request of Representative Mica, Ranking Member of the House Committee on Transportation and Infrastructure, OIG is reviewing job creation and reporting associated with ARRA funding for two FAA accounts: the Airport Improvement Program (AIP) and Facilities and Equipment (F&E). OIG is determining whether (1) AIP and F&E projects funded under ARRA are preserving and creating jobs and (2) the reporting of job data satisfies ARRA requirements.

FAA Oversight of Venice, Florida, Municipal Airport Revenues

At the request of Senator LeMieux, OIG is assessing whether FAA's oversight ensures that the City of Venice is using airport revenues for appropriate purposes and that the airport is as self-sustaining as possible.

FAA Implementation of RTCA's NextGen Task Force Recommendations

At the request of the Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is assessing FAA's implementation of recommendations made by RTCA, a Federal advisory committee. Specifically, we are determining the extent to which FAA is (1) responding to the task force's recommendations, including adjusting its budgets and establishing mecha-

nisms for continued industry collaboration, and (2) addressing barriers that may hinder its ability to successfully implement the recommendations.

FAA Oversight of Use of Airport Revenue – Denver International Airport

OIG is determining whether FAA's oversight ensures that (1) Denver International Airport is as self-sustaining as possible and obtains fair market value for land sales and (2) the City of Denver, the airport sponsor, uses airport revenues only for airport purposes in accordance with Federal law.

PLANNED

FAA Oversight of Aircraft Repair Stations

At the request of the Chairman of the House Transportation and Infrastructure's Subcommittee on Aviation, OIG will assess U.S. airlines' use of aircraft repair stations. Specifically, OIG plans to (1) identify the changes that FAA has made to its repair station oversight in response to OIG recommendations, (2) assess the effectiveness of these changes in improving FAA oversight, and (3) identify any challenges that need to be addressed.

Controller Staffing and Training at Critical Air Traffic Control Facilities

In July 2010, the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies directed OIG to review training and staffing at FAA's most critical facilities to assess whether FAA's training

protocol ensures that all air traffic control facilities, especially the busiest and most complex facilities, have enough controllers to maintain the safety of the National Airspace System. Accordingly, OIG will review FAA's plans to provide its most critical air traffic control facilities with controller staffing, training resources, and other support needed to ensure the continuity of facility operations.

FAA Efforts To Improve Alaskan Aviation Safety

Alaskans depend far more than the rest of the Nation on aviation to meet their daily needs. Small aircraft meet much of this demand for aviation services but often lack the technology needed to safely navigate Alaska's challenging terrain in bad weather. During summer 2010, small aircraft in Alaska experienced a spike in accidents and fatalities, including a crash that killed Alaska's former U.S. Senator Ted Stevens and four others. Because Alaska's accident rate exceeds the national average, OIG will assess FAA's technology strategies and investments for improving aviation safety in the State.

FAA Oversight of ARRA Expenditures

ARRA requires OIG to conduct audits of ARRA-funded projects to ensure the effective and efficient use of DOT's ARRA funds. Accordingly, OIG plans to determine whether FAA oversight of ARRA grants is ensuring that airport sponsors are being reimbursed for only eligible expenditures.

PHMSA Management and Oversight of Hazardous Materials Emergency Preparedness Grants Program

At the request of the Chairman of the House Committee on Transportation and Infrastructure, OIG will audit PHMSA's management and oversight of the Hazardous Materials Emergency Preparedness (HMEP) grant program. Specifically, OIG will evaluate the effectiveness of PHMSA's (1) policies, processes, and resources to execute the program; (2) guidance to states, local governments, and tribal organizations on HMEP and the use of Federal funds; and (3) program oversight to ensure Federal funds are used for eligible activities in accordance with Federal law, regulations, and submitted grant applications.

PHMSA Oversight of Hazardous Liquid Pipeline Management Programs

In July 2010, the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies called on OIG to assess PHMSA's implementation of Federal pipeline safety regulations regarding human factors and other aspects of control room management. OIG will also examine pipeline operators' integrity management programs.

HIGHWAY AND TRANSIT PROGRAMS

IN PROGRESS

FTA Oversight of Major Transit Projects in New York City

OIG is conducting audits of four transit projects in New York City, totaling approximately \$7 billion in Federal funding: (1) the Fulton Street Transit Center, (2) the Port Authority Trans-Hudson Terminal, (3) the Second Avenue Subway, and (4) the East Side Access projects. OIG is evaluating the effectiveness of FTA's oversight of each project and assessing whether ARRA goals and requirements are being met, if applicable.

FTA Oversight of the Dulles Corridor Metrorail Project

OIG is conducting an audit of FTA's oversight of Phase 1 of the Dulles Corridor Metrorail Project in the Washington, D.C., metropolitan area. This infrastructure project involves a Federal investment of \$900 million through FTA's New Starts program, including \$77.3 million in ARRA funds. Our audit objectives are to (1) evaluate the effectiveness of FTA's oversight of the Dulles Corridor Metrorail Project and (2) assess safety concerns.

Oversight Challenges Associated with Transit Safety Programs

OIG is reviewing challenges associated with enhancing federal oversight authority for transit safety programs. Our audit objective is to highlight

challenges and risks related to increasing Federal oversight of transit safety and actions the Department can take to enhance its effectiveness.

NHTSA Office of Defects Investigation

OIG is reviewing actions taken by NHTSA's Office of Defects Investigation (ODI) with regard to Toyota recalls and the overall process for identifying and investigating safety defects. Our audit objectives are to (1) examine NHTSA's efforts to ensure ODI has the appropriate information systems and processes in place to promptly identify and take action to address potential safety defects as intended by the Transportation Recall Enhancement, Accountability, and Documentation Act; (2) assess NHTSA's procedures and processes for ensuring companies provide timely notification of potential safety defects; and (3) examine lessons learned from the Toyota recalls to identify needed improvements to current policies and procedures.

NHTSA Ethics Policies

At the request of the Chairmen of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Consumer Protection, Product Safety, and Insurance, OIG is reviewing NHTSA's ethics policies and practices. We are assessing whether (1) NHTSA's ethics policies, procedures, and training are adequate to prevent pre- and post-employment ethics violations or appearances of impropriety and (2)

any favoritism or bias is shown towards industry during the normal course of conducting defect investigations.

FHWA's National Review Teams

OIG is assessing whether FHWA's National Review Teams have been effective in helping FHWA oversee \$26 billion in ARRA funding and mitigate the key risks posed by ARRA's implementation.

Oversight of Highway Projects Administered by Local Public Agencies

OIG is assessing FHWA's oversight of the \$6 billion to \$8 billion provided annually to localities for highway projects along with \$8 billion in ARRA funding. Our audit will compare the oversight provided to local public agency programs approved through ARRA with that provided to programs funded by regular Federal aid.

FHWA Oversight of High-Dollar ARRA Highway Projects

OIG is conducting an audit to determine if FHWA's oversight of selected higher dollar ARRA projects has resulted in project compliance with Federal-aid highway requirements for cost, schedule, and quality. ARRA provided \$27.5 billion to FHWA for highway infrastructure investments and required FHWA to ensure that states receiving ARRA funds adhere to Federal-aid highway program requirements.

Denali Commission's Use of Federal-aid Highway and Transit Funds

At the request of Senator Bond, OIG is assessing the Denali Commission's use of Federal-aid highway and transit funds and evaluating DOT's oversight of the Commission and state transportation agencies.

PLANNED

OST's Transportation Investments Generating Economic Recovery (TIGER) Grants

OIG plans to assess whether the Department met ARRA discretionary grant requirements and to evaluate the strategy for discretionary grant administration and oversight. ARRA created new discretionary grant programs, including \$1.5 billion for surface transportation infrastructure projects to be administered by the Office of the Secretary.

FTA's Charter Bus Regulation

In response to a provision in the Conference Report accompanying the fiscal year 2010 Departments of Transportation, Housing and Urban Development, and Related Agencies appropriations bill, OIG plans to review the effect of charter tour regulations on quality and price of transit services.

RAIL AND MARITIME PROGRAMS AND ECONOMIC ANALYSIS

IN PROGRESS

MARAD's Title XI Loan Guarantee Program

At the request of the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, OIG is assessing the Maritime Administration's (MARAD) response to recommendations we made in our 2003 and 2004 audit reports on the Title XI Loan Guarantee Program and the degree to which information is readily available for monitoring the program.

Amtrak Semiannual Reports on Operational Savings

As mandated by Congress, OIG is issuing semi-annual reports to the House and Senate Committees on Appropriations on our estimates of the savings accrued as a result of operational reforms instituted by Amtrak.

Amtrak's Five-Year Capital Plan

At the request of the House Committee on Appropriations, we are reviewing Amtrak's capital planning process. Specifically, we are assessing (1) how Amtrak's 5-year capital requirements align with its business and strategic goals, (2) Amtrak's efforts to prioritize its capital projects among competing needs, (3) Amtrak's ability to implement its increased capital budget provided by ARRA, and (4) Amtrak's approach to evaluating the performance of capital projects.

Utilization of Amtrak's Maintenance Facilities

In accordance with Section 227 of PRIIA of 2008, OIG is auditing Amtrak's utilization of its existing equipment maintenance and repair facilities. Our objectives are to examine (1) Amtrak's use of its three back shop facilities; (2) the productivity of these facilities; and (3) the extent to which Amtrak is maximizing the use of each facility, including the provision of maintenance and repair services to other rail carriers.

High-Speed Rail Program State-Freight Railroad Access Agreements

OIG is conducting an audit to (1) evaluate whether access agreements between states and freight railroads comply with PRIIA requirements and FRA's June 2009 Interim Guidance and (2) determine whether the access agreements adequately address cost, schedule, and performance goals and thus ensure high-speed intercity passenger rail benefits.

Adequacy of Measures Taken To Address the Solvency of the Highway Trust Fund

At the request of the Ranking Minority Member of the Senate Budget Committee, OIG is conducting an audit to evaluate the reasonableness of the Department's policies and procedures for moni-

toring the solvency of the Highway Trust Fund, and compare these policies and procedures to those used by FAA to manage the Airport and Airway Trust Fund.

Causes of Amtrak Delays / Intercity Passenger Rail Service Bottlenecks

OIG is using an econometric model to identify bottlenecks along Amtrak routes and determine the causes. We plan to determine which of these bottlenecks are due to congestion or relative lack of capacity, and identify the locations that warrant more in-depth examination as candidates for rail infrastructure investments.

Best Practices in High-Speed Rail Forecasting

OIG is performing an analysis to (1) assess the strengths and weaknesses of various methodologies used in developing forecasts of high-speed rail and intercity passenger rail ridership and revenue, cost estimates, and public benefits valuations and (2) identify best practices in preparing these forecasts, estimates, and valuations.

Rail Service Disruptions

As directed by the Conference Report accompanying the fiscal year 2008 Consolidated Appropriations Act, OIG is examining the timeliness and reliability of freight rail service and disruptions since 2004. We are focusing on the quality of and disruptions to service received by shippers of coal, wheat, ethanol, and lumber.

Financial Analysis of Transportation Related Public-Private Partnerships

OIG is performing an analysis to (1) determine the extent to which public-private partnerships (PPP) address transportation infrastructure funding needs, (2) identify disadvantages to the public sector of PPP transactions compared to more traditional financing methods, and (3) identify factors that allow both the private and public sector to derive value from PPP transactions.

PLANNED

Amtrak's Financial Accounting and Reporting System

Pursuant to section 203(b) of PRIIA; OIG is planning to conduct a review of Amtrak's modern financial accounting and reporting system.

State Capacity to Meet High-Speed Rail Demands

OIG plans to (1) evaluate states' capabilities for planning, designing, and managing high-speed rail projects; (2) determine what constitutes a strong state passenger rail department and how these strong departments develop; and (3) identify states' capacity for managing other state-led Federally-funded programs, such as Federal-aid highways, and how these capacities developed.

FRA and Amtrak Implementation of PRIIA Provisions

Pursuant to section 221 of PRIIA, OIG, in conjunction with the Amtrak OIG, plans to review Amtrak's and DOT's progress in implementing PRIIA provisions. As directed by the act, at a minimum we will assess FRA's and Amtrak's (1) effectiveness in improving annual financial planning; (2) effectiveness in implementing improved financial accounting; (3) efforts to implement minimum train performance standards; and (4) progress in maximizing revenues, minimizing Federal subsidies, and improving financial results.

FINANCIAL AND INFORMATION TECHNOLOGY

IN PROGRESS

Information Technology Vulnerability Assessment of FAA's Operational Air Traffic Control System

At the request of the Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation, OIG has contracted with Clifton Gunderson LLP, an independent public accounting firm, to perform an information technology vulnerability assessment of FAA's Operational Air Traffic Control System to determine whether operational air traffic control systems can be accessed by unauthorized users from inside air traffic control facilities through FAA's Mission Support/Administrative System Network.

NextGen Automatic Dependent Surveillance Broadcast (ADS-B) Security and Controls

At the request of the Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is determining whether (1) ADS-B security requirements specified in the contract have been properly defined and satisfied by the contractor, (2) the contractor is following FAA's security architecture in developing ADS-B, and (3) the contractor has identified and mitigated security risks.

DOT Implementation of Personal Identity Verification (PIV) Cards

OIG is determining if DOT (1) has an effective process for issuing, maintaining, and terminating PIV cards for employees and contractors and (2) is adequately protecting the personal information collected, stored, processed, and transmitted on PIV systems in accordance with Homeland Security Presidential Directive 12, "Policy for a Common Identification Standard for Federal Employees and Contractors."

DOT Information Security Program and Practices for Fiscal Year 2010

The Federal Information Security Management Act of 2002 requires OIG to perform an annual review of DOT's information security program and practices to determine their effectiveness and complete OMB's template for security assessments and performance measures.

DOT Network Access Accounts Management

OIG is determining if the Department is (1) properly identifying all users and network devices for account management; (2) adequately establishing, activating, modifying, disabling, and removing accounts; and (3) sufficiently authenticating account users.

DOT's Implementation of Single Audit Recommendations and Cost Recovery

OIG is determining if DOT Operating Administrations have (1) issued management decisions approving grantees' corrective action plans, (2) ensured the prompt implementation of corrective actions by grantees, (3) taken timely action to recover questioned costs, and (4) used single audit results to identify grantees requiring close monitoring.

FAA Expenditures for Airport Improvements at the Kabul, Afghanistan International Airport

In response to an FAA request, OIG is performing a review of FAA expenditures at the Kabul, Afghanistan International Airport. In 2006, the United States Agency for International Development (USAID), under an agreement with FAA, transferred \$25 million to FAA for improvements at the airport. Our audit objective is to determine if FAA's costs in support of these improvements were supported and valid under the terms and conditions of the agreement with USAID.

PLANNED

FTA Improper Payment Controls

OIG will review the controls implemented by FTA headquarters and regional offices to prevent and detect improper payments to Federal transit grant recipients.

Quality Control Reviews of Single Audits on DOT Grantees

As mandated by OMB Circular A-133, OIG will conduct quality control reviews of selected single audits performed by independent public accounting firms on grant recipients' use of DOT funds.

Standards for Attestation Engagements (SSAE-16) Review of FAA Enterprise Center Security Controls

OIG will conduct a quality control review of the audit performed by an independent public accounting firm and determine if the audit was performed in accordance with applicable audit standards.

Quality Control Reviews for Fiscal Years 2010 and 2011 of DOT Consolidated Financial Statements, FAA Financial Statements, and National Transportation Safety Board Financial Statements

As mandated by the Chief Financial Officers Act, OIG will conduct quality control reviews of the audits by independent public accounting firms to determine if they were performed in accordance with applicable auditing standards.

Implementation of DOT Enterprise Architecture for Information Technology Investment

OIG will review DOT's development and implementation of an enterprise architecture to direct future information technology system development efforts.

Security Protection of Airmen Registry System

OIG will review FAA's security protection of airmen's personally identifiable information and the integrity of the data collected.

Use of NHTSA Drug Control Funds

As mandated by the Office of National Drug Control Policy, OIG will conduct an annual attestation review to ensure that the Fiscal Year 2010 Drug Control Report submitted to the Office of National Drug Control Policy is not materially misstated.

DOT Compliance with Reporting Requirements Outlined in Executive Order 13520, Reducing Improper Payments and Eliminating Waste in Federal Programs

As mandated by Executive Order 13520, OIG will review Department compliance with the Executive Order; assess the level of risk associated with applicable programs; determine the extent of oversight warranted; and make recommendations, where appropriate.

DOT's Information Security Program and Practices for Fiscal Year 2011

As mandated by the Federal Information Security Management Act of 2002, OIG will conduct an annual review of DOT's information security program and practices to (1) determine their effectiveness and (2) complete OMB's template for security assessments and performance measures.



ACQUISITION AND PROCUREMENT

IN PROGRESS

Planning for FAA's Acquisition Workforce Requirements

OIG is assessing the adequacy of FAA's plans for determining its acquisition workforce needs and progress in addressing those needs. Specifically, we are assessing how FAA (1) determined and identified the required skills and competencies needed for its current and future acquisition workforce; (2) addressed gaps in the hiring and development of its acquisition workforce; and (3) identified the programs, policies, and practices needed to ensure an adequate workforce.

FHWA Oversight of Federal-aid State ARRA Contract Award Practices

OIG is determining whether FHWA's oversight of state-level contract award practices is adequate to ensure compliance with laws and regulations. ARRA designated about \$27 billion for the Federal-aid Highway Program to achieve several goals, including (1) preservation and creation of jobs, (2) promotion of economic recovery, and (3) investment in transportation infrastructure to provide long-term economic benefits.

OST's Acquisition Function

OIG is assessing OST's acquisition function to identify vulnerabilities that could impact OST's ability to manage its acquisitions and implement effective acquisition processes departmentwide.

Specifically, we are assessing OST's acquisition function against best practices (such as OMB guidelines on conducting acquisition assessments under Circular A-123), including its (1) structure, organization, and support of DOT's mission needs; (2) policies and processes for planning, awarding, administering and overseeing acquisitions; and (3) internal controls, tools, and data for managing acquisitions.

FAA's Award of Systems Engineering 2020 Contracts

At the request of the Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is reviewing FAA's Systems Engineering 2020 (SE-2020) contracts. This portfolio of contracts for support services, which FAA estimates may have a maximum value of \$7 billion, is being used to implement NextGen, FAA's plan to transform the National Airspace System to meet growth in air traffic operations and an aging infrastructure. OIG is reviewing whether these contracts are being planned, structured, administered, and overseen in accordance with acquisition policy and meet FAA's mission needs.

FAA's Use of Price Analysis When Awarding Noncompetitive Contracts

OIG is assessing the adequacy of FAA's price analyses for awarding noncompetitive contracts

and its reasons for awarding noncompetitive contract awards.

PLANNED

FTA's Oversight of ARRA Grantees' Contract Award and Administration Practices

OIG plans to determine whether FTA's oversight of transit administration-level contracting practices by ARRA grantees is adequate to ensure compliance with laws and regulations and to promote the delivery of infrastructure investments at appropriate prices.

FHWA's Oversight of State DOT ARRA Contract Administration Practices

OIG plans to determine if FHWA's oversight of state-level ARRA contract administration practices is adequate to ensure that states promote the delivery of infrastructure investments at appropriate prices and comply with ARRA bidding requirements and contract procedures. These requirements and procedures call for awarding fixed-price contracts through competitive procedures to the maximum extent possible.

Planning for the Department's Acquisition Workforce Requirements

OIG plans to determine whether DOT and its Operating Administrations, other than FAA, have made adequate progress developing a strategic plan for the acquisition workforce. Specifically, we plan to determine whether the Department

has (1) identified its current acquisition workforce and sufficiently estimated workforce needs based on expected acquisitions; (2) assessed capabilities of the current workforce and identified the required skills and competencies needed for its future acquisition workforce; and (3) developed policies and procedures to effectively recruit, train, and retain an adequate workforce to accomplish agency missions.

FHWA Oversight of Award and Administration of Contracts to Disadvantaged Business Enterprises

OIG plans to determine whether FHWA's oversight of state-level contract administration practices is adequate to ensure proper award and administration of DOT-assisted DBE contracts. Specifically, we will assess the adequacy of FHWA's oversight procedures for systematically ensuring that only bona fide, small firms owned and controlled by socially and economically disadvantaged individuals are performing work under the program.

FAA's Acquisition Function

OIG will assess FAA's organizational structure, policies, and processes for complying with OMB Circular A-123 guidelines on effective acquisition functions. Specifically, we plan to assess whether FAA has (1) structured and aligned its acquisition function to best support FAA's mission needs; (2) implemented clear and transparent policies and processes for governing its acquisition planning, awards, administration, and oversight; and (3) developed internal controls for managing its acquisition data.

Summary of Performance

Office of Inspector General

April 1, 2010 - September 30, 2010

(Dollars in Thousands)

Reports Issued	78
Recommendations Issued	234
Congressional Testimonies	4
Total Financial Recommendations	\$633,259
That Funds Be Better Used	\$449,200
Questioned Costs (includes Unsupported Costs)	\$184,059
Indictments	53
Convictions	41



Audits

Completed OIG Reports

April 1, 2010 - September 30, 2010

(Dollars in Thousands) *

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds to Be Put to Better Use
Internal Audits					
Performance Audits	11	75	\$0	\$140,600	\$449,200
Financial Audits	0	0	\$0	\$0	\$0
Attestation Engagements	0	0	\$0	\$0	\$0
Other OIG Reports	0	0	\$0	\$0	\$0
Total Internal Audit Reports	11	75	\$0	\$140,600	\$449,200
Grant Audits					
Audits of Grantees under Single Audit Act	67	159	\$43,459	\$0	\$0
Total Completed OIG Reports	78	234	\$43,459	\$140,600	\$449,200

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

Department of Transportation programs and operations are primarily carried out by Department personnel and recipients of Federal grants. As a result, audits by DOT's Office of Inspector General generally fall into three categories: internal audits of departmental programs and operations, audits of grant recipients, and other OIG reports.

OID Reports with Recommendations that Questioned Costs

April 1, 2010 - September 30, 2010

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs
A. For which no management decision had been made by the start of the reporting period	8	13	\$3,829	\$0
B. Which were issued during the reporting period	36	57	\$43,459	\$0
Totals (A+B)	44	70	\$47,288	\$0
C. For which a management decision was made during the reporting period	36	59	\$45,140	\$0
(i) dollar value of disallowed costs*	28	48	\$41,307	\$0
(ii) dollar value of costs not disallowed*	9	11	\$3,835	\$0
D. For which no management decision had been made by the end of the reporting period	10	11	\$2,147	\$0

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

OIG Reports Recommending Changes for Safety, Economy or Efficiency

April 1, 2010 - September 30, 2010

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	11	36
B. Which were issued during the reporting period	51	173
Totals: (A+B)	62	209
C. For which a management decision was made during the reporting period *	50	157
D. For which no management decision had been made by the end of the reporting period *	20	56

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

Management Decisions Regarding OIG Recommendations

April 1, 2010 - September 30, 2010

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds to Be Put to Better Use
Unresolved as of 4/01/2010	19	49	\$3,829	\$0	\$0
Audits with Findings During Current Period	73	234	\$184,059	\$140,600	\$449,200
Total to be Resolved	92	283	\$187,888	\$140,600	\$449,200
<i>Management Decisions:</i>					
Audits Prior Period ‡	14	32	\$3,819	\$0	\$0
Audits Current Period ‡	62	188	\$41,321	\$0	\$449,200
Total Resolved	76	220	\$45,140	\$0	\$449,200
<i>Aging of Unresolved Audits: *</i>					
Less than 6 months old	20	46	\$142,738	\$140,600	\$0
6 months – 1 year	2	7	\$0	\$0	\$0
1 year – 18 months	3	4	\$10	\$0	\$0
18 months – 2 years	1	2	\$0	\$0	\$0
Over 2 years old	3	8	\$0	\$0	\$0
Unresolved as of 03/31/2010	29	67	\$142,747	\$140,600	\$0

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

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

OIG Published Reports

April 1, 2010 - September 30, 2010

DEPARTMENTWIDE

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
ZA-2010-092	8/25/2010	Improvements in Cost-Plus Award-Fee Processes Are Needed To Ensure Millions Paid in Fees Are Justified	Performance evaluation plans did not include measurable criteria to evaluate contractor performance, and descriptions defining ratings were vague. In addition, payment structures allow for average or below-average performance. Contracting officers did not adequately justify the cost effectiveness of selecting cost-plus award-fee contracts. Funds put to better use total \$4,600,000; unsupported costs total \$140,600,000.

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance/Attestation – 5 reports

Report	Date	Title	Focus of Report/ Recommendations
AV-2010-049	04/01/2010	Review of Screening, Placement, and Initial Training of Newly Hired Air Traffic Controllers	FAA needs to evaluate and redesign its current screening test to consider candidates' skill sets, assign candidates to a facility based on their Academy performance and improve its Academy training program.
AV-2010-068	06/16/2010	Timely Actions Needed To Advance the Next Generation Air Transportation System	FAA has made some progress in engaging the private sector to develop NextGen and shape related policies; however, it must better define the role of the NextGen Institute and ensure demonstration projects are more outcome focused.

Report	Date	Title	Focus of Report/ Recommendations
FI-2010-069	06/18/2010	Information Security and Privacy Controls Over the Airmen Medical Support Systems	Personally identifiable information of airmen was not properly secured to prevent unauthorized access due to serious security lapses in FAA's management of user access to the system. Only limited progress has been made in identifying airmen who receive disability benefits while holding medical certificates.
AV-2010-071	07/21/2010	Review of FAA's Call to Action Plan for Runway Safety	While FAA's plan has helped reduce some serious incidents, other factors may have contributed to the decrease, such as fewer runway incursions, key safety improvements at major airports made prior to the plan, and inconsistencies in FAA's runway incursion severity rating process.
AV-2010-126	09/30/2010	FAA's Air Traffic Controller Optimum Training Solution Program: Sound Contract Management Practices Are Needed To Achieve Program Outcomes	FAA faces significant challenges in achieving the goals of the Air Traffic Control Optimum Training Solution program due to failure to mitigate staffing and cost issues, determine controller staffing needs, and ensure contractor services controls. Although funds are only sufficient to support existing training, innovations to reduce training time and cost have not been implemented. Funds put to better use total \$444,600,000.

Grant Audits: Audits of Grantee Under Single Audit Act – 12 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-056	05/07/2010	Collier County, Florida	\$183,452 questioned
SA-2010-059	05/07/2010	State of Wisconsin (also listed under the Federal Highway Administration)	Improve grantee oversight
SA-2010-061	05/07/2010	Antonio B. Won Pat International Airport Authority, Guam	Improve grantee oversight

SA-2010-063	05/07/2010	State of Texas (also listed under the Federal Highway Administration, the Federal Transit Administration, and the National Traffic Safety Administration)	\$788,771 questioned
SA-2010-079	07/22/2010	City of Cle Elum, Washington	\$21,435 questioned
SA-2010-081	07/22/2010	City of St. Louis, Missouri	\$1,449,492 questioned
SA-2010-086	07/27/2010	County of Sacramento, California	Improve grantee oversight
SA-2010-088	07/27/2010	City of San Diego (also listed under the Federal Highway Administration)	\$281,149 questioned
SA-2010-115	09/21/2010	Federated States of Micronesia Government	\$252,411 questioned
SA-2010-122	09/27/2010	Augusta, Georgia (also listed under the Federal Transit Administration)	\$30,702 questioned
SA-2010-124	09/27/2010	City and County Denver, Colorado - ARRA (also listed under the Federal Highway Administration)	Improve grantee oversight
SA-2010-125	09/29/2010	State of Illinois - ARRA (also listed under the Federal Highway Administration)	Improve grantee oversight

FEDERAL HIGHWAY ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
MH-2010-050	04/20/2010	The Commonwealth of Massachusetts' Safety Review of the Central Artery/ Tunnel Project Was Comprehensive, but FHWA's Oversight Approach Has Shortcomings	The Commonwealth's safety review was comprehensive and rigorous. Actions to address safety risks identified in the review have been taken; however, FHWA's approach has shortcomings.

Grant Audits: Audits of Grantee Under Single Audit Act – 31 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-052	04/22/2010	Wilmington Area Planning Council, Delaware (also listed under the Federal Transit Administration)	\$15,523 questioned
SA-2010-053	04/22/2010	City of Tracy, California (also listed under the Federal Transit Administration)	\$52,723 questioned
SA-2010-055	05/07/2010	State of Nebraska	Improve grantee oversight

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-057	05/07/2010	State of Minnesota (also listed under the Federal Transit Administration)	\$30,353,000 questioned
SA-2010-058	05/07/2010	State of Nevada	Improve grantee oversight
SA-2010-059	05/07/2010	State of Wisconsin (also listed under the Federal Aviation Administration)	Improve grantee oversight
SA-2010-060	05/07/2010	State of Maryland (also listed under the Federal Transit Administration)	Improve grantee oversight
SA-2010-062	05/07/2010	Commonwealth of Kentucky	Improve grantee oversight
SA-2010-063	05/07/2010	State of Texas (also listed under the Federal Aviation Administration, the Federal Transit Administration, and the National Highway Traffic Safety Administration)	\$788,771 questioned
SA-2010-065	05/10/2010	State of Hawaii, Department of Transportation, Highway Division	Improve grantee oversight
QC-2010-070	07/19/2010	State of Nevada	Improve grantee oversight
SA-2010-073	07/22/2010	State of Louisiana	Improve grantee oversight
SA-2010-074	07/22/2010	State of North Carolina	Improve grantee oversight
SA-2010-077	07/22/2010	State of Utah	Improve grantee oversight
SA-2010-080	07/22/2010	Puerto Rico Highways and Transportation Authority	Improve grantee oversight
SA-2010-082	07/22/2010	State of West Virginia	Improve grantee oversight
SA-2010-083	07/22/2010	State of Connecticut	\$483,642 questioned
SA-2010-084	07/22/2010	State of Washington (also listed under the Federal Transit Administration)	\$740,889 questioned
SA-2010-088	07/27/2010	City of San Diego, California (also listed under the Federal Aviation Administration)	\$281,149 questioned
SA-2010-089	07/27/2010	State of New Jersey	Improve grantee oversight
SA-2010-090	07/29/2010	State of Georgia (also listed under the Federal Transit Administration)	\$394,529 questioned
SA-2010-091	08/05/2010	State of Iowa	Improve grantee oversight

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-098	08/26/2010	State of Ohio	Improve grantee oversight
SA-2010-099	08/26/2010	City of Wichita, Kansas (also listed under the Federal Transit Administration)	\$397,842 questioned
SA-2010-101	08/26/2010	State of Rhode Island and Providence Plantations	\$25,391 questioned
SA-2010-103	08/30/2010	State of South Dakota	\$150,146 questioned
SA-2010-104	08/30/2010	Oglala Sioux Tribe, South Dakota	\$374,581 questioned
SA-2010-107	08/30/2010	American Road and Transportation Builders Association, Washington, DC	\$90,760 questioned
SA-2010-120	09/27/2010	Snoqualmie Indian Tribe, Washington	\$52,042 questioned
SA-2010-124	09/27/2010	City and County of Denver, Colorado - ARRA (also listed under the Federal Aviation Administration)	Improve grantee oversight
SA-2010-125	09/29/2010	State of Illinois - ARRA (also listed under the Federal Aviation Administration)	Improve grantee oversight

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
ZA-2010-093	08/24/2010	The Federal Motor Carrier Safety Administration Lacks Core Elements for a Successful Acquisition Function	FMCSA lacked adequate contract pre-award processes in place, leaving it vulnerable to using ineffective business arrangements and ultimately hindering its ability to maximize competition. Also, FMCSA lacked effective administration and oversight of its contracts to ensure the Agency's needs were met in the most efficient and economical manner.

Grant Audits: Audits of Grantee Under Single Audit Act – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-106	08/30/2010	American Association of Motor Vehicle Administrators and Affiliates, Virginia (also listed under the National Highway Traffic Safety Administration)	\$19,408 questioned
SA-2010-114	09/21/2010	Commonwealth of Pennsylvania	\$15,519 questioned

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
CR-2010-117	09/23/2010	Amtrak Cascades and Coast Starlight Routes: Implementation of New Metrics and Standards Is Key to Improving On-Time Performance	While the Coast Starlight and Amtrak Cascades lines experienced significant delays from 2004 through 2009, total minutes of delay on both lines dropped after 2006. Several factors contributed to the decrease in delays—and ultimately the lines' improved on-time performance, including improved operations by the host railroads, and Amtrak and reduced freight traffic caused by the depressed economy.

FEDERAL TRANSIT ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
MH-2010-066	05/17/2010	Actions Needed To Mitigate Risks Associated with the Access to the Region's Core Project	FTA's oversight activities provided reasonable assurance that significant project risks have been identified and has taken proactive steps to increase its oversight of the Access to the Region's Core project. However, New Jersey Transit needs to address certain funding resource challenges, including the uncertainty over the long-term availability of local funding.

Grant Audits: Audits of Grantee Under Single Audit Act – 30 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-051	04/22/2010	Alameda-Contra Costa Transit District, California	Improve grantee oversight
SA-2010-052	04/22/2010	Wilmington Area Planning Council, Delaware (also listed under the Federal Highway Administration)	\$15,523 questioned
SA-2010-053	04/22/2010	City of Tracy, California (also listed under the Federal Highway Administration)	\$52,723 questioned
SA-2010-057	05/07/2010	State of Minnesota (also listed under the Federal Highway Administration)	\$30,353,000 questioned
SA-2010-060	05/07/2010	State of Maryland (also listed under the Federal Highway Administration)	Improve grantee oversight
SA-2010-063	05/07/2010	State of Texas (also listed under the Federal Aviation Administration, the Federal Highway Administration, and the National Highway Traffic Safety Administration)	\$788,771 questioned
QC-2010-067	05/19/2010	Washington Metropolitan Area Transit Authority, Washington, D.C.	Improve grantee oversight
QC-2010-072	07/21/2010	Port Authority of Allegheny County, Pennsylvania	Improve grantee oversight
SA-2010-074	07/22/2010	State of North Carolina	\$206,564 questioned
SA-2010-075	07/22/2010	Los Angeles County Metropolitan Transportation Authority, California	\$351,793 questioned

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-076	07/22/2010	Wyoming Department of Transportation	\$31,923 questioned
SA-2010-078	07/22/2010	City of Roanoke, Virginia	\$543,307 questioned
SA-2010-084	07/22/2010	State of Washington (also listed under the Federal Highway Administration)	\$740,889 questioned
SA-2010-085	07/22/2010	San Joaquin Regional Rail Commission, California	\$1,635,151 questioned
SA-2010-087	07/27/2010	Miami-Dade County Transit Department, Florida	\$528,217 questioned
SA-2010-090	07/29/2010	State of Georgia (also listed under the Federal Highway Administration)	\$394,529 questioned
SA-2010-094	08/26/2010	Metropolitan Transit Authority of Harris County, Texas	Improve grantee oversight
SA-2010-095	08/26/2010	Chicago Transit Authority, Illinois	Improve grantee oversight
SA-2010-096	08/26/2010	City of Brownsville, Texas	Improve grantee oversight
SA-2010-097	08/26/2010	Lakeland Area Mass Transit District, Florida	Improve grantee oversight
SA-2010-099	08/26/2010	City of Wichita, Kansas (also listed under the Federal Highway Administration)	\$397,842 questioned
SA-2010-100	08/26/2010	City of Fort Collins, Colorado	\$684,281 questioned
SA-2010-102	08/30/2010	Kansas City Area Transportation Authority, Missouri	\$61,754 questioned
SA-2010-105	08/30/2010	Puerto Rico Metropolitan Bus	\$2,460,001 questioned
SA-2010-108	09/01/2010	City of Wilkes-Barre, Pennsylvania	\$448,000 questioned
SA-2010-111	09/21/2010	Metropolitan Transportation Authority, New York	\$14,756 questioned
SA-2010-118	09/27/2010	South Tahoe Transit Authority, California	\$293,500 questioned
SA-2010-119	09/27/2010	Lorain County, Ohio	Improve grantee oversight
SA-2010-122	09/27/2010	Augusta, Georgia (also listed under the Federal Aviation Administration)	\$30,702 questioned
SA-2010-123	09/27/2010	Yuma Metropolitan Planning Organization, Arizona	\$11,948 questioned

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
MH-2010-054	04/29/2010	Consumer Assistance to Recycle and Save Program: Most Transactions Met Program Requirements, but Program Completion Activities Continue	Immediate consumer response and the infusion of additional program dollars presented significant challenges to NHTSA's implementation of the Consumer Assistance to Recycle and Save program. NHTSA has begun to take action to evaluate program compliance and determine total program costs.

Grant Audits: Audits of Grantee Under Single Audit Act – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-063	05/07/2010	State of Texas (also listed under the Federal Aviation Administration, the Federal Highway Administration, and the Federal Transit Administration)	\$788,771 questioned
SA-2010-106	08/30/2010	American Association of Motor Vehicle Administrators and Affiliates, Virginia (also listed under the Federal Motor Carrier Safety Administration)	\$19,408 questioned

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Grant Audits: Audits of Grantee Under Single Audit Act – I report

Report	Date	Title	Focus of Report/ Recommendations
SA-2010-064	05/10/2010	State of New Mexico Public Regulation Commission	\$14,000 questioned

OIG Congressional Testimonies

April 1, 2010 - September 30, 2010

Control No.	Date	Subject	Before
CC-2010-066	07/21/2010	FHWA Has Taken Actions but Could Do More to Strengthen Oversight of Bridge Safety and States' Use of Federal Bridge Funding	Committee on Transportation and Infrastructure Subcommittee on Highways and Transit U.S. House of Representatives
CC-2010-050	04/29/2010	Federal Railroad Administration Faces Challenges in Carrying Out Expanded Role	Committee on Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies U.S. Senate
CC-2010-044	04/22/2010	Actions Taken and Needed To Improve Management and Oversight of PHMSA's Hazardous Materials Special Permits and Approvals Program	Committee on Transportation and Infrastructure U.S. House of Representatives
CC-2010-048	04/21/2010	Challenges in Meeting FAA's Long-Term Goals for the Next Generation Air Transportation System	Committee on Transportation Infrastructure Subcommittee on Aviation U.S. House of Representatives

Unresolved Recommendations Over 6 Months Old

Cited in Semiannual Report for October 1, 2005 – March 31, 2006

Title	Report Number	Final Issue Date
Air Carriers' Use of Non-Certificated Repair Facilities	AV-2006-031	12/15/2005

Cited in Semiannual Report for April 1, 2007 – September 30, 2007

Title	Report Number	Final Issue Date
Amtrak's Board of Directors Provides Leadership to the Corporation but Can Improve How It Carries Out Its Oversight Responsibilities	CR-2007-074	9/14/2007

Cited in Semiannual Report for April 1, 2008 – September 30, 2008

Title	Report Number	Final Issue Date
FAA's Safety Oversight of Airlines and Use of Regulatory Partnership Programs	AV-2008-057	6/30/2008

Cited in Semiannual Report for October 1, 2008 - March 31, 2009

Title	Report Number	Final Issue Date
FAA's Process for Reporting and Investigating Operational Errors	AV-2009-045	3/24/2009

Cited in Semiannual Report for April 1, 2009 - September 30, 2009

Title	Report Number	Final Issue Date
Air Traffic Control: Potential Fatigue Factors	AV-2009-065	6/29/2009
City of Fort Worth, Texas	QC-2009-058	5/19/2009
FAA Is Not Realizing the Full Benefits of the Aviation Safety Action Program	AV-2009-057	5/14/2009

Cited in Semiannual Report for October 1, 2009 - March 31, 2010

Title	Report Number	Final Issue Date
FAA's Oversight of American Airlines' Maintenance Programs	AV-2010-042	02/16/10
State of Illinois	SA-2010-021	11/16/09

Investigations

Statistical Outcomes

April 1, 2010 - September 30, 2010

Financial Impact	
Fines (and Special Assessments)	\$38,260,225
Restitution	\$6,405,892
Recoveries	\$7,261,327
Cost Avoided	\$3,200,000
Total	\$55,127,444

Referrals

Referred for Prosecution	44
Accepted for Prosecution	28
Declined for Prosecution	35
Civil Prosecution Referral	8
Civil Prosecution Acceptance	5
Civil Prosecution Declination	10

Judicial and Administrative Actions

Indictments	53
Convictions	41
Years Incarceration	82
Years Supervised Release	79
Years Probation	72
Hours Community Service	5,290
Debarment	4
Decertification MBE/DBE	2
Disallowance of DBE Credit	4
Reduction in Federal Funding	3
Certification/License/Permit application denied	1

Investigative Workload

Current Investigations Inventory	419
Investigations Opened	86
Investigations Closed	95

OIG Hotline Contacts

Email	1,882
Fax	50
Letters	30
Web	158
Telephone	399
Total	2,519

Profile of All Pending Investigations as of September 30, 2010

Types of Cases

	Number of Investigations	Procurement Fraud	Employee Integrity	Grant Fraud	Hazmat	Motor Carrier	Other	Transportation Safety	
Departmentwide	1	0	1	0	0	0	0	0	
FAA	148	95	3	17	21	6	0	5	
FHWA	119	0	0	2	112	1	0	4	
FMCSA	55	0	0	2	0	7	46	0	
FRA	4	0	0	1	0	2	0	1	
FTA	33	0	1	0	31	0	0	0	
MARAD	6	0	2	1	1	1	0	1	
NHTSA	14	0	0	1	5	0	0	1	
OIG	1	0	0	1	0	0	0	0	
OST	6	0	3	2	0	0	0	1	
Other	1	0	1	0	0	0	0	0	
PHMSA	27	0	0	1	0	26	0	0	
RITA	3	0	2	1	0	0	0	0	
SLSDC	1	0	0	1	0	0	0	0	
Total	419	95	13	29	170	43	46	13	9
Percent of total		23%	3%	7%	41%	10%	11%	3%	2%

Within the Office of Investigations, the Special Investigations staff investigates disclosures of possible (1) violations of a law, rule, or regulation; (2) gross mismanagement; (3) gross waste of funds; (4) abuse of authority; and/or (5) a substantial and specific danger to public health or safety that the Office of Special Counsel (OSC) refers to the Transportation Secretary. The results of these investigations are used by DOT's General Counsel as the basis for the Secretary's response to OSC referrals. The Secretary's response must include a list of any apparent violations Special Investigations found and a description of any action to be taken as a result of the investigation. Our current inventory consists of 10 investigations of OSC whistleblower complaints in the area of aviation safety.



OIG was not the subject of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) peer review during this reporting period. The last peer reviews conducted on our Office of Audits and Office of Investigations were performed in fiscal year 2010 by the Department of Veterans Affairs (VA) OIG and the General Services Administration (GSA) OIG, respectively. VA OIG determined 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, VA OIG provided a “pass” rating, and no recommendations were made. The report was released on March 3, 2010. GSA OIG concluded that our Office of Investigations was in compliance with quality standards established by the CIGIE and Attorney General Guidelines, and no recommendations were made. The report was released on January 4, 2010.

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

Our Office of Audits and Office of Investigations also did not conduct a CIGIE peer review during this reporting period. The last peer review that our Office of Audits conducted was in fiscal year 2010 on the Department of Labor OIG. We provided a “pass” rating, and no recommendations were made. Our report was released February 23, 2010. The last peer review that our Office of Investigations conducted was in fiscal year 2009 on the Small Business Administration (SBA) OIG. We found that the SBA OIG was in compliance with quality standards established by the CIGIE and Attorney General Guidelines, and no recommendations were made. Our report was released May 7, 2009.



Mission and Organization

The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95-452). 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:

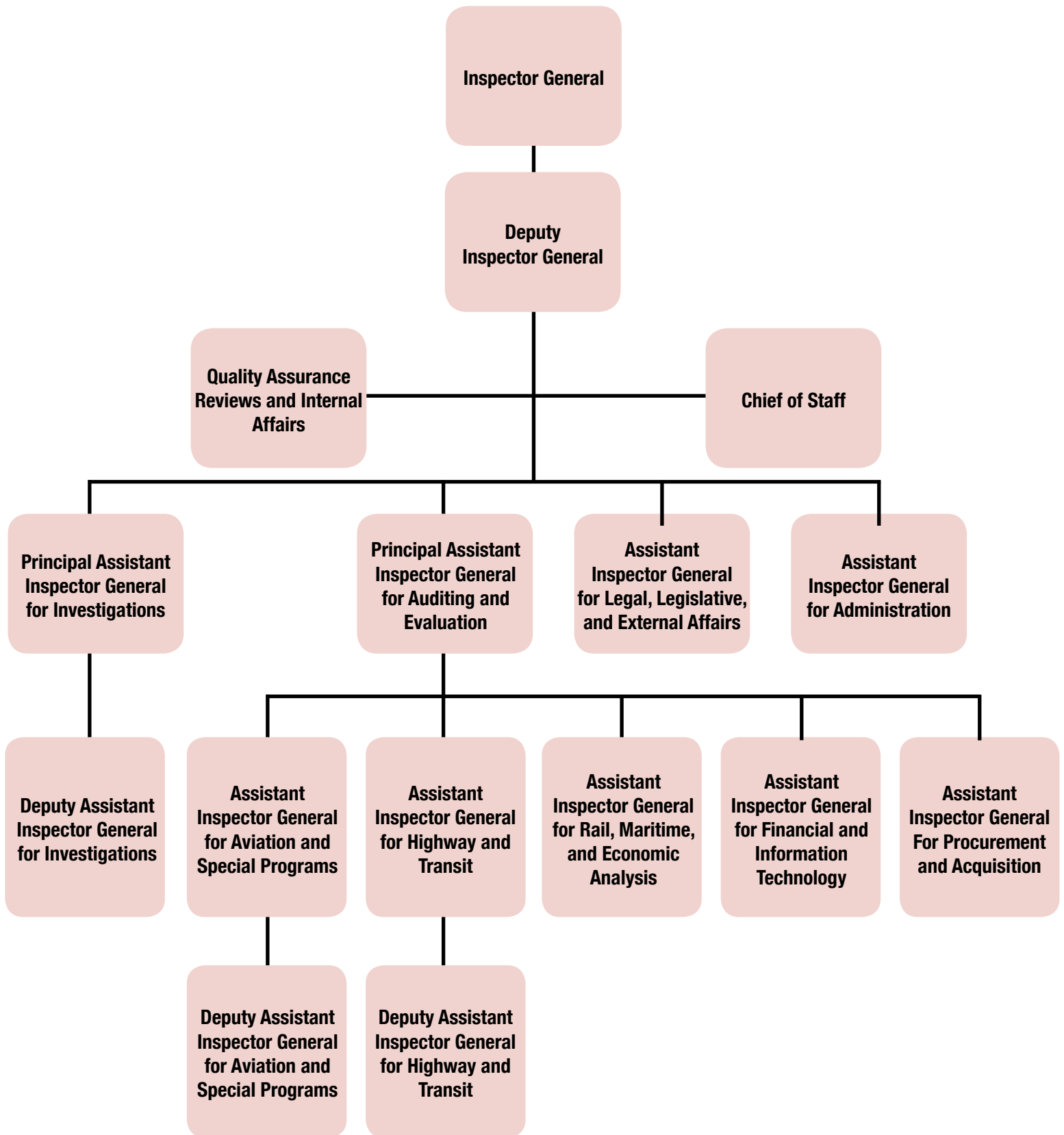
The Office of the Principal Assistant Inspector General for Auditing and Evaluation supervises and conducts all audit activities related to DOT programs and operations through its five suboffices, which are divided according to specific DOT program areas: Aviation and Special Programs; Highway and Transit; Rail, Maritime, and Economic Analysis; Financial and Information Technology; and Acquisition and Procurement. Audit staff are located in headquarters and field offices across the country.

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 analysis 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.



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