



**OFFICE OF INSPECTOR GENERAL**  
U.S. Department of Transportation

# Semiannual Report to Congress

*April 1, 2009 – September 30, 2009*



# Table of Contents

<b>From the Inspector General</b> .....	<b>iii</b>
<b>American Recovery and Reinvestment Act of 2009 (ARRA)</b> .....	<b>1</b>
In Focus: Oversight of ARRA Projects .....	1
ARRA Oversight Activities .....	5
<b>Audits and Investigations</b> .....	<b>7</b>
Transportation Safety Oversight .....	7
In Focus: Vulnerabilities in Safety Oversight .....	7
Aviation and Special Programs .....	11
Highway and Transit Programs .....	21
In Focus: Highway Trust Fund Solvency .....	21
Rail & Maritime Programs and Economic Analysis .....	33
Financial and Information Technology .....	37
Department-Wide Issues .....	41
<b>Other Accomplishments</b> .....	<b>43</b>
<b>Work Planned and in Progress</b> .....	<b>47</b>
Aviation and Special Programs .....	47
Highway and Transit Programs .....	50
Rail & Maritime Programs and Economic Analysis .....	52
Financial and Information Technology .....	54
Acquisition and Procurement .....	56
<b>Statistical Performance Data</b> .....	<b>59</b>
Summary of Performance .....	59
<b>Audits</b> .....	<b>60</b>
Completed OIG Reports .....	60
OIG Reports with Recommendations that Questioned Costs .....	61
OIG Reports with Recommendations that Funds Be Put to Better Use .....	62
OIG Reports Recommending Changes for Safety, Economy, or Efficiency .....	63
Management Decisions Regarding OIG Recommendations .....	64
OIG Published Reports .....	65
Office of Inspector General Congressional Testimonies .....	72
Unresolved Recommendations Over 6 Months Old .....	74
<b>Investigations</b> .....	<b>76</b>
Judicial and Administrative Actions .....	76
Profile of All Pending Investigations as of September 30, 2009 .....	77
<b>Mission and Organization</b> .....	<b>79</b>
<b>Contacts</b> .....	<b>82</b>
<b>Abbreviations</b> .....	<b>83</b>



I am pleased to present the Department of Transportation (DOT), Office of Inspector General (OIG) Semiannual Report to Congress for the 6-month period ending September 30, 2009. Our audit and investigative work continues to support the Department's goals of safety, reducing congestion, global connectivity, environmental stewardship, security, and organizational excellence. During the past 6 months, we issued 61 reports with 138 recommendations, including financial recommendations totaling nearly \$25 million. Our investigative work resulted in 63 convictions and a total of \$244 million in fines, restitutions, and recoveries.

The second half of fiscal year 2009 presented unique challenges for the Department and OIG. The implementation of historic initiatives under the American Recovery and Reinvestment Act (ARRA) of 2009 demanded unprecedented levels of transparency and accountability. The Department has been proactive on several fronts, including establishing the Transportation Investment Generating Economic Recovery team to coordinate DOT's role in the recovery program, ensure accountability, and develop a risk management and financial reporting plan.

For OIG, our auditors and investigators have worked diligently to maximize the return on Congress' investment in our office to help DOT effectively oversee \$48 billion in ARRA funds provided for transportation programs. Our efforts have paid off. We reported on a number of areas that DOT must focus on to successfully manage the large infusion of funds and meet new statutory and Office of Management and Budget requirements. We also issued several ARRA advisories to alert the Secretary of business risks needing immediate attention—including the risk of improper payments and awarding ARRA contracts and grants to dishonest, unethical, or irresponsible businesses and individuals. Our investigators alone initiated 12 ARRA-related criminal investigations—6 of which have been accepted for prosecution—and conducted about 400 training and outreach sessions to over 7,000 Federal, state, and local officials and industry representatives in all 50 states, the District of Columbia, and Puerto Rico.

Our work covered a range of other challenges facing DOT as well as progress made. We continued to focus on significant aviation issues, such as overseeing on-demand operators, addressing pilot and controller fatigue, improving runway safety, and advancing Federal Aviation Administration modernization efforts to enhance mobility and reduce air traffic congestion through its Next Generation Air Transportation System.

We also recommended critical surface safety improvements, including targeting unsafe motor carriers and commercial drivers for enforcement, and continued to monitor the Federal Motor Carrier Safety Administration’s implementation of Cross-Border trucking provisions and the Federal Highway Administration’s efforts to restore our Nation’s aging bridges. The solvency of the Highway Trust Fund—another subject of our audit work—will be key to addressing some of these issues.

Establishing a robust information security program to support the Department’s mission also warranted continued scrutiny. Of particular concern are security gaps that make air traffic control systems vulnerable to cyber attacks and the need to secure personally identifiable information. Finally, we found that the Department must take action to ensure a sufficient and competent acquisition workforce.

Our work reflects our strong commitment to provide in-depth analyses on key transportation issues to serve and inform the public and congressional lawmakers. I commend and thank the hard-working OIG staff for their outstanding efforts and dedication to our mission. I would also like to commend Secretary LaHood for his leadership and tireless efforts in these challenging times. I look forward to continuing to work closely with him, 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 the security of the United States.

  
Calvin L. Scovel III

# American Recovery and Reinvestment Act of 2009



## American Recovery and Reinvestment Act of 2009 (ARRA)

### IN FOCUS: OVERSIGHT OF ARRA PROJECTS

The American Recovery and Reinvestment Act of 2009 (ARRA) designated \$48 billion to the Department for highway, transit, aviation, maritime, and rail programs. According to the Secretary of Transportation, ARRA represents “the largest investment in America’s roads, bridges, transit lines, and rail systems since the creation of the interstate highway system.” ARRA presents daunting challenges for DOT by substantially increasing funding for existing programs, mandating the creation of new programs, and adding extensive new reporting requirements for DOT and its grantees, such as the number of jobs created or preserved by recovery projects. The President and Congress also stressed the need

for an unprecedented level of accountability and transparency in the spending of ARRA funds, including recognition of the critical role of agency Inspectors General.

Based on our prior and ongoing audits and investigations, we determined that the Department will face three key challenges in carrying out its portion of the recovery program:

- *overseeing grantees receiving ARRA funding;*
- *implementing significant new reporting requirements and programs mandated by ARRA; and*
- *combating fraud, waste, and abuse.*



Since ARRA's enactment last February, we have assembled a cross-modal team of auditors, analysts, investigators, engineers, and attorneys to review and promptly report on DOT's management of recovery program funds. Our audit and investigative strategy has three phases:

### **Phase 1: Initial Measures and Activities**

#### ***Conducting scans of DOT's ARRA-programs.***

We deployed teams to each Operating Administration that received ARRA funding to assess their implementation efforts and identify vulnerabilities that could impede DOT's ability to (1) provide effective oversight to ARRA-funded projects, and (2) meet new requirements mandated by ARRA and the Office of Management and Budget.

#### ***Conducting outreach with Federal, state, and local officials.***

Since ARRA's passage, we have conducted approximately 190 briefings with a total of more than 7,500 participants at all levels of government and industry groups. Outreach was launched in March 2009, when the Inspector General and the Secretary co-hosted a fraud prevention briefing for DOT Headquarters' staff, a video of which is available on the Internet. OIG fraud awareness and prevention briefings provided examples of conflicts of interest and schemes that may be used to illicitly obtain money from ARRA funded projects, including bid rigging, disadvantaged business enterprise fraud, product substitution, false claims, false certifications, false testing, overcharging for labor and equipment, and bribery and kickbacks. OIG has also participated in ARRA-related forums and coordinated with the accountability and law enforcement communities.



### **Phase 2: Current Measures and Activities**

***Issuing ARRA advisories.*** Issuing timely ARRA-related reports to DOT and Congress is a priority. To bolster this effort, we have been publishing interim ARRA advisories to highlight key results of ongoing audits that may warrant immediate attention by DOT agencies.

#### ***Pursuing criminal and civil investigation.***

Through the end of September 2009, our investigative offices had 12 open ARRA investigations, eight of which are associated with Federal Highway Administration grants and four with Federal Aviation Administration grant programs. The investigations involve allegations of disadvantaged business enterprise violations, false claims/statements, conflict of interest, Recovery fund ineligibility, and anti-trust violations. Six of our 12 open ARRA investigations have been accepted for prosecution by the Department of Justice, one has been referred for administrative action, and five are pending referral to a prosecutor.

**Leveraging existing work on ARRA-funded programs.** A number of audits undertaken before the passage of ARRA directly relate to the DOT programs that received additional funding in ARRA. Any actions that DOT takes to improve these programs based on our findings and recommendations may increase the likelihood that ARRA dollars will be spent efficiently and effectively.

**Working with the Recovery Accountability and Transparency Board.** The Board—which is comprised of a Chairman and 12 Inspectors General from various government agencies, including Transportation—has two principal goals: (1) preventing and detecting waste, fraud, and mismanagement; and (2) providing the American people with transparency on how ARRA funds are being used by states, local governments, and private recipients. To achieve these goals, the Board has established three committees to address accountability, technology, and oversight of ARRA funds. DOT’s Inspector General is the Chairman of the Recovery Funds Working Group Committee and the Co-Chairman of the

Recovery Working Group, which is comprised of 28 Inspectors General responsible for overseeing their agency’s ARRA funds.

### **Phase 3: Proactive and Future Activities**

**Initiating new audits and investigations that target high-risk areas.** In addition to our ongoing work, we initiated ARRA-specific audits and investigations. We will identify and contact the project managers of the high-dollar and/or high-risk ARRA transportation projects. By working closely with these key personnel we will make risk assessments to explore areas that may be vulnerable to possible fraud on these projects. In addition to opening investigations of any substantive allegation of fraud arising from our proactive efforts, we will continue to open investigations of credible allegations of fraud that we receive through other means.

**Providing proactive oversight of ARRA programs.** We will continue to independently assess risks, develop relationships with agency officials, and collect data that can be analyzed to identify the potential for fraud. We recognize that there is a need for a consistent, methodical approach to carrying out oversight among our seven regions. Key elements of this approach include

- *contacting project managers of high-dollar or high-risk ARRA projects in each state and large cities within a region; identifying the prime contractors, subcontractors, and disadvantaged business enterprises;*
- *completing background checks on businesses receiving ARRA contracts for previous criminal activity or suspensions and debarments;*





- *discussing with project managers potential problem areas on current ARRA contracts, such as change orders or supplemental agreements; and*
- *monitoring the progress of ARRA projects within a particular region to check for indicators of common fraud schemes.*

**Continuing outreach.** We anticipate continuing our outreach efforts with a special emphasis on those Operating Administrations and DOT grantees that have not received our message to date and/or that appear to have a need to strengthen its oversight.

Our three-phase strategy has resulted in the timely identification and reporting of critical ARRA concerns:

- *Our scans pointed to vulnerabilities in project selection and oversight processes for existing programs as well as vulnerabilities in establishing new programs created by ARRA, including a large high-speed passenger rail initiative. We also identified challenges in meeting substantial new reporting requirements designed to promote accountability and transparency.*
- *Since ARRA's passage, we have issued three advisories, including advisories on the Airport Improvement Program, DOT's suspension and debarment program, and sampling of improper payments. Our advisory on the suspension and debarment program emphasized the need for timelier processing and reporting of DOT suspension and debarment actions to help protect the government from doing business with dishonest, unethical, or irresponsible businesses and individuals.*

- *In addition to our ongoing audits that relate to ARRA—including DOT's use of award fee contracts, Amtrak capital, FHWA's oversight of highway bridge program funds, and the National Bridge Inspection Program—we have initiated new audits on issues identified in our agency scans. These include FAA's process for awarding grants through the Airport Improvement Program, and capital assistance for the High Speed Rail Corridors and Intercity Passenger Rail Service Programs. ■*



## ARRA Oversight Activities

### *Testimony: American Recovery and Reinvestment Act: DOT's Implementation Challenges and the OIG's Strategy for Continued Oversight of Funds and Programs*

April 29, 2009

The Inspector General testified before the House Committee on Transportation and Infrastructure on our March 31, 2009 audit report regarding the challenges facing the DOT implementation of the American Recovery and Reinvestment Act of 2009, as well as the OIG's ongoing ARRA-related audits and investigative initiatives and its strategy for continued oversight of ARRA funds



and programs.

### *Testimony: American Recovery and Reinvestment Act: DOT's Implementation Challenges and the OIG's Strategy for Continued Oversight of Funds and Programs*

April 30, 2009

The Inspector General testified before the Senate Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies on our March 31, 2009 audit report regarding the challenges facing the DOT implementation of the American Recovery and Reinvestment Act of 2009, as well as the OIG's ongoing ARRA-related audits and investigative initiatives and its strategy for continued oversight of ARRA funds and programs.

### *ARRA Advisory: DOT's Suspension and Debarment Program*

May 18, 2009

The Inspector General issued an ARRA Advisory to alert DOT officials of risks identified within the DOT's Suspension and Debarment Program. We found that the Department's Suspension and Debarment Program needs to ensure timelier processing and reporting of suspension and debarment actions. Inattention to this vulnerability creates the risk that government funds, including ARRA program dollars, will be awarded to businesses and individuals that have committed fraud or are otherwise known to be irresponsible. We suggested the Office of the Secretary of Transportation (1) revise the

Suspension and Debarment Program to better prevent irresponsible businesses and individuals from conducting business with the Department, and (2) assign responsibility to a specific office to monitor and oversee Operating Administrations' implementation and compliance with the Program.

### ***ARRA Advisory: Sampling of Improper Payments in Major DOT Grant Programs***

June 22, 2009

The Inspector General issued an ARRA Advisory to alert DOT officials of risks identified with the sampling of improper payments in major Department grant programs. The Department will distribute 77 percent (approximately \$37 billion) of its total Recovery Act funding through major grants programs. The Department has determined that four of its major grants programs are at risk and susceptible to improper payments, and therefore need to be tested annually. We reviewed the Department's sampling for improper payments made to grant recipients in Fiscal Year 2008 and found that the results were not credible due to an extremely small sample size and the lack of randomness in sample selection. Consequently, the test results did not accurately represent the seriousness and extent of the Department's improper payments. Because the Department is about to award a new contract for testing Fiscal Year 2009 payments, we emphasized the need for the Department to increase its oversight of the contractor's sampling to develop a more reliable test for improper payments.

### ***ARRA Advisory: The FAA's Award of ARRA Grant Funds to Airport Improvement Program Projects***

August 6, 2009

The Inspector General issued an ARRA Advisory to alert DOT officials of risks identified within FAA's award of Recovery Act funds to Airport Improvement Program projects. The Recovery Act calls for the FAA to award \$1.1 billion in grants to airport operators for projects that improve airport safety, capacity, and security. When reviewing FAA's process for selecting and funding the projects, we found that FAA selected some low-priority projects that provide questionable long-term economic benefits—a key Recovery Act requirement. Also, in some cases, FAA awarded money to recipients with histories of grant-management problems, which raised doubts about their ability to administer effectively their Recovery funds. We urged the FAA to revise its guidance on selecting Recovery-related airport improvement projects, and to ensure that funding is awarded only for the highest-priority projects with demonstrated economic merit. In addition, we suggested that FAA provide stronger oversight of the entities receiving grant money. ■





SAFETY FIRST

## *Transportation Safety Oversight*

### **IN FOCUS: VULNERABILITIES IN SAFETY OVERSIGHT**

Safety is the Department's primary mission and involves all modes of transportation—air, highway, rail, transit, maritime, and pipeline. OIG carries out audits and investigations to identify vulnerabilities in the Department's safety oversight, and recommends actions for mitigating associated risks. At the direction of the Inspector General, in August 2009, we established a task force to develop a comprehensive catalog of vulnerabilities to safety oversight for each transportation mode. This past year, we also issued a number of reports and have a series of ongoing work focusing on safety oversight. Three cross-cutting areas are of key concern: addressing human factors, applying a data-driven, risk-based approach to oversight, and improving regulatory enforcement.

#### **Addressing Human Factors**

Human factors have been on the National Transportation Safety Board's (NTSB) Most Wanted List since the list was created 19 years ago. Of particular concern are flight crew and air traffic controller fatigue and lack of training. NTSB's preliminary investigation into the cause of the Continental Express flight 3407 accident, which resulted in 50 fatalities, found some evidence that suggested pilot fatigue and lack of training may have contributed to the crash. These issues are particularly critical for regional carriers, which typically perform many short and medium flights to hub airports in a day. Multiple studies by agencies such as the National Aeronautics

and Space Administration have concluded that these types of operations can contribute to pilot fatigue. Regional carriers were involved in the last six fatal Part 121<sup>1</sup> accidents, and NTSB cited pilot performance as a potential factor in four of those accidents. Despite these findings, FAA has yet to revise its rules governing crew rest requirements. Fatigue among air traffic controllers is also a major air safety issue. For example, in its investigative report, NTSB noted that the one controller on duty at the time of the August 2006 crash of Comair Flight 5191 had only 2 hours of sleep prior to his shift. Our June 2009 report on controller fatigue found that minimal hours between shifts, counter rotational shifts with progressively earlier start times, scheduled overtime, and on-the-job training likely contribute to controller fatigue.<sup>2</sup> FAA is currently amending its policies governing controller rest requirements; however, changes have not yet been implemented.

Surface transportation also remains a key area of safety concern. Alcohol-related fatalities accounted for 32 percent of all traffic fatalities in 2007 and 2008, and the percentage of unrestrained passenger fatalities rose to 55 percent of all passenger fatalities in 2008. Our work has shown that requiring states to use more meaningful performance indicators linked to proven strategies would improve the Department's and states' ability to measure the effectiveness of state strategies and the use of resources. Targeting unsafe motor carriers and commercial drivers also continues to be a priority. One in eight

highway fatalities in 2008 were related to crashes involving large trucks or buses. To reduce these fatalities, the Department must take stringent action against carriers that repeatedly violate safety regulations—an action we recommended in 2006—and ensure that unsafe carriers are placed out of service and not re-issued authority under new identities. The Department must also improve enforcement and data systems used to oversee the motor carrier industry and commercial motor vehicle drivers. Finally, the Department must address transit safety concerns related to operator performance, physical infrastructure, fleet operations and control systems, and management of rail cars and transit buses. The Department established a multimodal team of safety officials and experts to address transit safety and statutory authority reform. However, to define a transit safety oversight structure, the Department and safety officials must overcome significant challenges—including closing gaps in regulatory and enforcement authority, and identifying safety practices that can be applied effectively by all transit agencies.



<sup>1</sup> 14 CFR 121 Operating Requirements: Domestic, Flag, and Supplemental Operations. This FAA regulation governs commercial air carriers, including regional air carriers, with primarily scheduled flights.

<sup>2</sup> Air Traffic Control: Potential Fatigue Factors, OIG Report No. AV-2009-065 issued June 29, 2009.



# In Focus: Vulnerabilities in Safety Oversight

## Applying a Data-Driven, Risk-Based Approach to Oversight

To prioritize safety concerns and target areas of greatest risk, our work has consistently shown that the Department needs to implement a data-driven, risk-based approach to oversee programs. In January 2009, for example, we reported that the Federal Highway Administration (FHWA) continues to lack such an approach in overseeing the National Bridge Inspection Program<sup>3</sup> to assess and prioritize safety risks in the Nation's bridges—one-quarter of which were determined to be deficient by the American Society of Civil Engineers (ASCE) in 2009.

Our review of FAA's Aviation Safety Action Program (ASAP)—a joint FAA and industry program that allows aviation employees to self-report safety violations without fear of reprisal—similarly showed that FAA was not using data from the program to target highest risk areas.<sup>4</sup> ASAP is a potentially valuable safety tool, but FAA had not devised a method to fully compile data reported through ASAP for analysis on a national level. Therefore, little was understood about nationwide trends in the types of violations reported under ASAP, and ASAP reports did not help FAA determine whether systemic, nationwide causes of safety violations were identified and addressed. Both FHWA and FAA agreed with our recommendations and are taking appropriate actions.

FAA has implemented a risk-based approach for overseeing air carrier safety—the Air Trans-

portation Oversight System. We are currently conducting an audit of this system, and plan on issuing our results early next year.



## Improving Regulatory Enforcement

We have also identified the need for greater enforcement of existing regulations or identifying where regulations need to be changed to keep pace with industry. For example, in July 2009 we identified the need to strengthen FAA regulations and oversight of on-demand carriers.<sup>5</sup> In 2007 and 2008, small, commercial on-demand carriers experienced 33 fatal accidents resulting in 109 deaths—a bleak safety record when compared to large U.S. commercial air carriers, which had no passenger deaths in the same period. On-demand carriers typically operate in a riskier environment than commercial aircraft. Despite these risks, on-demand operators have less restrictive regulations and oversight than commercial carriers. For example, on-demand regulations allow lower minimum pilot experi-

<sup>3</sup> National Bridge Inspection Program: Assessment of FHWA's Implementation of Data-Driven, Risk-Based Oversight, OIG Report No. MH-2009-013 issued January 12, 2009.

<sup>4</sup> FAA Is Not Realizing the Full Benefits of the Aviation Safety Action Program, OIG Report No. AV-2009-057, issued May 14, 2009.

<sup>5</sup> On-Demand Operators: Less Stringent Safety Requirements and Oversight than Large Commercial Carriers, OIG Report No. AV-2009-066 issued July 13, 2009





ence for flight crews than commercial air carriers, and maintenance inspection requirements are less restrictive for smaller on-demand aircraft. In addition, many of the existing regulations for on-demand operators have not been updated to address changes in the industry. Some regulations date as far back as 1978.

In September 2009, we testified before the House Transportation and Infrastructure Committee regarding safety issues in the Pipeline and Hazardous Materials Safety Administration's (PHMSA) Special Permits and Approvals Program.<sup>6</sup> Special permits exempt their holders from certain Federal regulations. Approvals are specific provisions that are written into the regulations that require approval from the Associate Administrator in order for a person to perform a certain function or action. These include such things as non-explosive and fireworks classifications, new cylinder designs, and other exceptions to the regulations.

<sup>6</sup> PHMSA's Process for Granting Special Permits and Approvals for Transporting Hazardous Materials Raises Safety Concerns, OIG Testimony No, CC-2009-096 September 10, 2009.

Yet we found that PHMSA grants special permits and approvals without exercising its regulatory authority to review applicants' safety histories and without consistent coordination with partner safety agencies. Despite these weaknesses, PHMSA does not target individuals and companies that hold special permits and approvals for safety compliance reviews. These issues—along with safety concerns previously raised by our office, FAA, and NTSB—call into question the effectiveness of PHMSA's process for granting special permits and approvals. The Secretary, Deputy Secretary, and FAA Administrator directed PHMSA and FAA to formalize action plans addressing these and other concerns regarding the Special Permits and Approvals Program and On-Demand Carriers.

We also identified weaknesses in the Commercial Driver's License (CDL) Information System, including state tardiness in posting commercial driver convictions and inadequate system security. One of our numerous criminal investigations of fraudulent CDL schemes led to retesting more than 5,000 people who trained at a private driving academy and were issued fraudulent CDLs. The Department also lacks reliable traffic conviction data on holders of driver's licenses from Mexico, diminishing its ability to effectively oversee cross-border trucking.

We have a series of ongoing audits addressing different aspects of the Department's regulatory enforcement and programmatic oversight, including the following:

- FAA's joint government/industry plan for improving runway safety
- The National Highway Traffic Safety Administration's oversight of Research and Development Projects



## *Aviation and Special Programs*

### **Audits**

#### *Controller Staffing at Key California Air Traffic Control Facilities*

April 23, 2009

We issued our report on controller staffing at three key California air traffic control facilities: the Los Angeles International Airport Traffic Control Tower (LAX), the Southern California Terminal Radar Approach Control (TRACON) (SCT), and the Northern California TRACON (NCT). We conducted this review at the request of Senator Dianne Feinstein of California. Our audit objective was to evaluate the Federal Aviation Administration's plans for ensuring adequate air traffic controller staffing at the three

California air traffic control facilities and to offer recommendations as needed. We found that while FAA has taken steps at LAX, SCT, and NCT to offset controller attrition, all three facilities are facing increased numbers of new controllers over the next 2 years. We recommended that FAA take several actions in the following areas to maximize its staffing efforts and maintain enough veteran controllers at these facilities: (1) make SCT and NCT a top priority in the Agency's ongoing efforts to validate staffing ranges at large TRACON facilities; (2) expand the use of relocation and retention incentives to maintain a cadre of experienced controllers at LAX and SCT; (3) provide enough instructors and other training resources at all three facilities to handle the influx of new controllers; and (4) ensure appropriate use of overtime hours,

which increased significantly at all three facilities over the last 2 years. FAA agreed with our recommendations and has either taken or planned corrective actions.

## ***Aviation Industry Performance: A Review of the Aviation Industry in 2008***

May 06, 2009

We issued the tenth in a series of our periodic updates to our Aviation Industry Performance Report. This report provided a comprehensive analysis of aviation industry trends in 2008 and their impact on aviation system performance, demand and capacity for domestic and international flights, and air service in small communities. Airlines faced many challenges in 2008 – unprecedented fuel prices in the first three quarters of the year were followed by a worsening global economic recession in the fourth quarter. Both of these led to leading network, low cost and regional airlines reporting \$5.8 billion in operating losses for the year and multiple airline bankruptcies. This report looked at the industry’s response to these operating challenges and the impact of the measures implemented by airlines on air service across the National Airspace System and the flying public in general.

## ***FAA Is Not Realizing the Full Benefits of the Aviation Safety Action Program***

May 14, 2009

We issued our report on the FAA’s Aviation Safety Action Program (ASAP), which allows aviation employees to self-report safety violations to air

carriers and FAA without fear of reprisal. We conducted this audit following a complaint from a FAA inspector regarding the acceptance of a fatal accident into the ASAP. Our objective was to assess FAA’s implementation of ASAP and identify any improvements necessary for FAA to obtain maximum safety benefits from the program. We found that ASAP is a potentially valuable safety tool; however, FAA is not realizing the full benefits of the program. To maximize the safety benefits from ASAP, we recommended that FAA (1) revise current ASAP guidance to exclude accidents from the program and clarify what constitutes an “intentional disregard for safety;” (2) require that FAA representatives on the Executive Review Committee (ERC) receive ASAP reports in a timely manner and concurrently with other ERC members; (3) modify Advisory Circular 120-66B to clarify that ASAP is not an amnesty program and that employees submitting ASAP reports are subject to administrative action by FAA and corrective action by the air carrier; (4) revise its ERC training to emphasize the need for FAA’s ERC members to remain impartial and require periodic refresher training in this area; (5) clarify field office management responsibilities to ensure personal relationships between inspectors and airline personnel do not influence decisionmaking; (6) standardize current ASAP guidance regarding quarterly report submissions and ensure they include, at a minimum, summary information regarding the ASAP reports submitted; (7) require inspectors to examine repetitive reports of safety concerns and enhancements to ensure that corrective actions are completed in a satisfactory manner; and (8) develop a central database of all air carriers’ ASAP reports that the Agency can use for trend analysis at a national level. FAA concurred with recommendations 2 through 8 and partially concurred with recommendation 1. FAA has proposed acceptable actions and target completion dates.





### *Progress and Remaining Challenges in Reducing Flight Delays and Improving Airline Customer Service*

May 20, 2009

The Inspector General testified before the House Transportation and Infrastructure Committee's Aviation Subcommittee on DOT's and FAA's progress and remaining challenges in reducing flight delays and improving airline customer service. In 2008, there were fewer flight delays and customer complaints than in 2007, but this mainly resulted from airlines' flight cutbacks to offset higher fuel prices and the economic downturn. Despite the overall decrease in airline delays, delays continued at some larger, congested airports, which can affect flights throughout the system. The Inspector General noted key actions DOT and FAA could take to prepare for a rebound in air travel: reevaluate the 77 initiatives recommended by DOT's Aviation

Rulemaking Committee to reduce delays in the New York area, pursue short-term initiatives that can boost capacity systemwide before FAA implements Next Generation Air Transportation System in 2018, and finalize a rulemaking to enhance airline passenger protections.

### *Training Failures Among Newly Hired Air Traffic Controllers*

June 08, 2009

We issued our report on training failures among newly hired air traffic controllers. We conducted this review at the request of Jerry F. Costello, Chairman of the House Transportation and Infrastructure Committee's Aviation Subcommittee. The Chairman expressed specific concerns that the FAA was facing a high number of training failures among newly hired air traffic controllers, especially at some of the busiest and most complex facilities. Our audit objectives were to determine (1) the training failure rate among newly hired air traffic controllers, and (2) the common causes and factors that are contributing to this rate. We found that FAA's reported rate of training failures is not accurate because (1) FAA was not tracking the training failures among the new controllers as a separate metric; (2) FAA's current rate was based on FY 2007 training failures and would likely increase as FAA hires more new controllers between FY 2009 and FY 2017; (3) FAA did not have a uniform definition of training failures and other types of attrition; and (4) FAA's training failure data in the National Training Database were incomplete, inaccurate, or understated. To address the second part of the Chairman's request, we examined a series of factors that could indicate potential trends

or root causes of training failures. We found, however, that it was premature to make such conclusions since, at the time of our review, FAA was still in the early stages of its hiring and training efforts. We are further examining this issue as part of a separate review requested by the Chairman. Our recommendations to FAA focused on developing procedures to obtain accurate data on training failures in order to effectively monitor and improve its controller training program. FAA concurred with all of our recommendations.

## *The FAA's Role in Safety Oversight of Air Carriers*

June 10, 2009

The Inspector General testified before the Senate Subcommittee on Aviation Operations, Safety, and Security regarding the FAA's role in the oversight of air carriers. The Inspector General noted that while FAA had made progress toward improving aspects of its safety oversight, there are still vulnerabilities that must be addressed, especially in five critical areas: risk-based inspections, repair stations, aging aircraft, disclosures of safety violations made through the Aviation Safety Action Program, and internal reviews of whistleblower complaints. The Inspector General also noted operational differences between regional and mainline carriers that could impact safety and initiated a review in this area. This review was requested by the

Subcommittee as a result of a National Transportation Safety Board (NTSB) hearing in May 2009 that highlighted pilot training and fatigue issues following the crash of Colgan flight 3407. The OIG's review will focus on (1) aspects of pilot training, such as FAA's standards for and oversight of certification of commercial pilot training; (2) FAA regulations and airline policies regarding crew rest requirements; and (3) possible correlations between accidents and pilot experience and compensation.

## *Regional Air Carriers and Pilot Workforce Issues*

June 11, 2009

The Inspector General testified before the House Transportation and Infrastructure Committee, Subcommittee on Aviation regarding regional air carriers, pilot workforce issues, and concerns with FAA oversight of the aviation industry. The May 2009 NTSB hearing after the crash of Colgan flight 3407 highlighted the need to closely examine regulations governing pilot training and rest requirements and the oversight necessary to ensure their compliance. This is a particular concern at regional carriers,



which constitute an increasing proportion of U.S. operations. The Inspector General noted several issues with regional and mainline carriers that could impact safety, such as identified differences in operating environments and potential differences in pilots' flight experience, training programs, fatigue levels, and compensation. Despite these differences, FAA maintains it has one level of safety for all types of air carrier operations. The Inspector General stated that while FAA has improved some aspects of its safety oversight, there are still weaknesses in its oversight and inconsistencies in how its rules and regulations are enforced. Given the concerns with regional carriers noted by the NTSB and the vulnerabilities previously identified with FAA's safety oversight, the Subcommittee requested that the OIG review aspects of pilot training and rest requirements.

### *Air Traffic Control: Potential Fatigue Factors*

June 29, 2009

We issued our report on fatigue factors that could impact air traffic controllers. We conducted this audit at three critical Chicago air traffic control facilities at the request of Senator Richard Durbin of Illinois. These 3 facilities are among the top ten busiest in the United States, and Senator Durbin expressed concerns that staffing shortfalls, longer hours on the job, and a growing shortage of certified controllers may be causing controller fatigue. Accordingly, our audit objectives were to (1) identify and evaluate key factors that could cause controller fatigue at Chicago O'Hare International Airport Air Traffic Control Tower, Chicago Terminal Radar Approach Control Facility,

and Chicago Air Route Traffic Control Center; and (2) identify what measures FAA had taken to mitigate potential controller fatigue at these locations. We identified a number of factors at these three facilities that could create potential fatigue conditions for controllers. These factors included: minimal hours between shifts; scheduled overtime; and on-the-job training, which requires a high level of concentration and focus from the instructing controller. Facility personnel also identified other factors that could cause fatigue, including inadequate staffing levels; increased work load (i.e., traffic volume and complexity); and extended time on position or lack of position rotation. While our review focused only on the three Chicago facilities, it is likely that the fatigue factors that we identified exist at other large air traffic control facilities throughout the Nation. Our recommendations focused on actions FAA needed to take at the national level to mitigate potential fatigue factors and enhance the level of safety of the National Airspace System. FAA generally concurred with our recommendations.

### *Report on On-Demand Operators: Less Stringent Safety Requirements and Oversight than Large Commercial Air Carriers*

July 13, 2009

We issued our report on the FAA's less stringent safety requirements and oversight for on-demand operators compared to larger, commercial air carriers. We conducted this audit at the request of the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, who were concerned



with disparate regulatory requirements between large commercial and on-demand operators and the level of FAA oversight of on-demand operators. Our audit objectives were to (1) evaluate the differences between FAA regulation and oversight for on-demand operators and larger, commercial air carriers; and (2) identify specific issues that may hinder FAA's oversight of on-demand operators. This report focused solely on the first objective. We found that on-demand operators did not have to meet many of the regulatory requirements that large, commercial air carriers must follow. These operators also have more risk in their operating environments and receive less oversight from FAA. Further, FAA did not effectively target inspections to higher-risk on-demand operators. We recommended that FAA revise outdated regulations and strengthen its oversight of on-demand operators by (1) establishing milestones to track the implementation of recommendations made by the Aviation Rulemaking Committee and the NTSB, (2) implementing an interim risk assessment oversight process, and (3) developing risk indicators for the new risk-based Part 135 oversight system. FAA concurred with all of our recommendations.

## *Challenges in Implementing Performance-Based Navigation in the U.S. Air Transportation System*

July 29, 2009

The Principal Assistant Inspector General for Auditing and Evaluation (PAIGAE) testified before the House Transportation and Infrastructure Committee, Subcommittee on Aviation regarding the FAA's efforts to modernize

airspace through Area Navigation (RNAV) and Required Navigation Performance (RNP). The PAIGAE noted that RNAV and RNP are key to the Next Generation Air Transportation System's (NextGen's) success and have shown some benefits, but fundamental issues need to be addressed. While RNAV and RNP have considerable industry support, some stakeholders are dissatisfied with the FAA's overall method for implementing these initiatives. Of particular concern is FAA's practice of laying most "new" routes over existing routes and the fact that air carriers are not using them. Stakeholders and FAA also disagreed on the potential role and responsibilities of non-Government third parties in speeding the adoption of RNP. Unless these are clearly defined, it will be difficult to establish an effective oversight framework for third parties. To ensure the safe and effective implementation of RNAV and RNP—and to realize their full benefits—the PAIGAE stated that FAA will need to focus on the following areas: (1) aligning FAA goals with producing quality RNP procedures that have significant benefits rather than focusing on the number of procedures, (2) establishing priorities for new routes and funding requirements for related airspace redesign projects and systems that controllers rely on to manage traffic, (3) performing cost-benefit analyses in close coordination with all stakeholders before and after implementing RNP procedures, (4) ensuring controllers and pilots are aware of and trained on procedures before they are implemented, and (5) developing and establishing a policy on how and to what extent third parties will be used to help support FAA's NextGen efforts and ensure an effective oversight approach.

### *PHMSA's Process for Granting Special Permits and Approvals for Transporting Hazardous Materials Raises Safety Concerns*

September 10, 2009

The Inspector General testified before the House Committee on Transportation and Infrastructure regarding the Pipeline and Hazardous Materials Safety Administration's (PHMSA) Special Permits and Approvals Program. The Inspector General highlighted concerns with how PHMSA authorizes transport of hazardous materials under these regulatory exemptions across three areas: (1) PHMSA granted special permits and approvals without assessing applicants' prior incidents and enforcement violations or coordinating with other affected Operating Administrations; (2) PHMSA's risk-based oversight criteria did not target holders of special permits and approvals for compliance reviews; and (3) PHMSA had not addressed longstanding safety issues raised by the OIG, the FAA, and the NTSB. The Inspector General stated that these issues called into question the effectiveness of PHMSA's process for granting special permits and approvals. PHMSA recently developed an action plan to address these and other issues in response to the OIG's July 2009 management advisory and Departmental direction. ■

### **Investigations**

#### *Las Vegas Man Pleads Guilty to Attempting to Board an Aircraft with a Pipe Bomb Consisting of Hazardous Materials*

May 1, 2009

Steven Dion Nobles pled guilty on May 1 in U.S. District Court, Eastern District of New York, Central Islip, New York, to making a pipe bomb, following his indictment on numerous violations including the illegal transportation of hazardous materials. On October 16, 2008, Mr. Nobles attempted to board a Southwest Airlines flight with a pipe bomb in his carry-on luggage and explosives (fireworks and nail-gun rounds) in his checked luggage. Mr. Nobles admitted that the bomb was made of hazardous materials and that he intended to use the bomb as part of a 4th of July celebration in Las Vegas. This investigation was conducted jointly by DOT/OIG and the Federal Bureau of Investigation (FBI).



## ***Owner of New Jersey Airport Pleads Guilty to Charge of Theft of \$375,000 in Airport Improvement Program (AIP) Funds***

May 26, 2009

Paul George Styger, owner of a local public use airport in Sussex County, New Jersey (Sussex Airport, Inc.) pled guilty on May 26 in U.S. District Court, Newark, New Jersey, to an Information charging him with one count of theft in connection with embezzling more than \$375,000 in FAA AIP grant funds. Mr. Styger, as owner of Sussex Airport, Inc., applied for and received approximately 6 FAA AIP grants totaling more than \$1.3 million to perform improvements at the Sussex airport. Mr. Styger failed to forward funds provided by the FAA to contractors who had completed improvements to the airport. This investigation was conducted by the OIG with the assistance of the Sussex County Prosecutor's Office and the FAA.

## ***Co-Founder of Charter Jet Company Pleads to Operating Commercial Flights Without License***

June 22, 2009

Andre Budhan, a co-founder and manager of Platinum Jet Management (PJM), a defunct luxury charter jet company, pled guilty on June 22 in U.S. District Court, Newark, New Jersey, to conspiracy to defraud charter customers and brokers, and to impede and obstruct the FAA. In 2005, one of PJM's flights crashed into a warehouse during an attempt to take off. Mr. Budhan admitted, in part, that he and his

conspirators booked and flew approximately 100 illegal flights valued at more than \$1 million during a period when PJM did not have an FAA issued Part 135 Certificate, which would have permitted PJM to fly on-demand commercial flights. Budhan's co-conspirators were indicted on charges of conspiracy, false statements, and destruction of an aircraft. Sentencing for Mr. Budhan is pending. This investigation was conducted by DOT/OIG with assistance from the FAA.

## ***Owner of Former FAA Repair Station Sentenced to \$403,289 in Restitution and Three Years Probation***

June 22, 2009

Jerry Roy Comeaux, owner of Quality Aircraft Support (QAS), a repair and overhaul aircraft parts business, pled no contest on June 22 in U.S. District Court, Greenville, South Carolina, to a felony charge of fraud involving aircraft parts. Mr. Comeaux was sentenced to pay approximately \$403,289 in restitution to the victims and serve 3 years probation. Mr. Comeaux had been licensed by the FAA as a repair station but voluntarily surrendered his license in April 2006. Following surrender of his license, he continued to send out parts with fraudulent forms that suggested QAS was licensed by the FAA. These parts were shipped to various commercial carriers in Texas, Florida, Illinois, Ohio, and other locations throughout the country. This investigation was conducted by DOT/OIG with the Defense Criminal Investigative Service, and the FAA.

### *Indiana Man Sentenced to Over 4 Years Imprisonment and \$906,000 in Restitution for the Willful Destruction of an Aircraft and False Distress Calls*

August 19, 2009

Marcus Schrenker was sentenced on August 19 in U.S. District Court, in, Pensacola, Florida, to 51 months imprisonment, followed by 3 years supervised release, and ordered to pay \$34,649.07 restitution to the U.S. Coast Guard and \$871,387.85 to Harley Davidson Credit Corporation, the finance company for his aircraft. On January 11, 2009, Mr. Schrenker, while piloting his Piper aircraft to Destin, Florida, made several false distress calls to the Atlanta Air Route Traffic Control Center. In response to the calls, the U.S. Coast Guard, among others, launched a search and rescue effort. It was later determined that Mr. Schrenker set the aircraft on autopilot and parachuted out of it. Mr. Schren-

ker subsequently admitted to making the false distress calls intending to crash the aircraft in the Gulf of Mexico.

This investigation was conducted jointly with the U.S. Coast Guard Investigative Service, with assistance from the FAA, the U.S. Marshal's Service, and a variety of local police departments.

### *New Jersey Attorney Pays \$5,000 Civil Settlement for Improperly Soliciting Families within 45 Days After an Air Carrier Accident*

August 28, 2009

On August 28, New Jersey attorney Richard J. Weiner and the United States agreed to settle a civil action by the United States against Weiner for improperly soliciting families of victims of a fatal commercial air carrier accident that occurred in upstate New York in February 2009. The settlement came following a DOT/OIG investigation requested by the NTSB.

The DOT OIG investigation revealed that Weiner, a partner in the New Jersey law firm of Weiner, Carroll and Strauss, in violation of Federal statute, sent letters soliciting legal business to the families of victims of the Colgan Air Flight 3407 accident that occurred near Buffalo, New York, on February 12, 2009. Pursuant to the



The DOT OIG investigation revealed that Weiner, a partner in the New Jersey law firm of Weiner, Carroll and Strauss, in violation of Federal statute, sent letters soliciting legal business to the families of victims of the Colgan Air Flight 3407 accident that occurred near Buffalo, New York, on February 12, 2009. Pursuant to the



settlement agreement, which was negotiated by the United States Attorney's Office for the Western District of New York, the parties agreed that "Weiner engaged in conduct which violated 49 U.S.C. § 1136(g)(2) prohibiting solicitations by attorneys within 45 days after an air carrier accident[.]" The settlement was reached in lieu of a civil action being brought by the U.S. Attorney in the District Court of the Western District of New York.

### ***Former New York Pilot Pleads Guilty to Using a Fraudulent FAA Airworthiness Certificate***

September 8, 2009

Douglas Bradley, former pilot and ex-president of the New York Finger Lakes Soaring Club, pled guilty on September 8 in U.S. District Court, Rochester, New York, to a felony charge related to his use and possession of a forged FAA Standard Airworthiness Certificate (SAC) for a glider aircraft. In the summer of 2008, Mr. Bradley installed a fraudulent SAC on a newly-acquired glider aircraft that had not been inspected and certified as airworthy by the FAA. The investigation, which was initiated as the result of an FAA referral, revealed that the glider was flown by multiple club members, including Mr. Bradley, at least 41 times during the 2008 Labor Day weekend. The investigation was conducted by DOT/OIG with assistance from FAA.

### ***Dutch Airline Executive Sentenced to Eight Months Imprisonment and Fined \$20,000 for Role in Price Fixing Scheme on Air Cargo Shipments***

September 17, 2009

Franciscus Johannes De Jong, aka Frank De Jong, the former vice president of cargo sales in Europe for Martinair Holland N.V., was sentenced on September 17 in U.S. District Court, Washington, D.C., to 8 months imprisonment and fined \$20,000 for his involvement in a price fixing scheme of air cargo shipments in violation of the Sherman Anti-Trust Act.

The investigation determined that De Jong and his co-conspirators engaged in a conspiracy to fix the cargo rates charged to customers for international air shipments to and from the United States. Between April 2002 and February 14, 2006, Mr. De Jong and his co-conspirators carried out the price fixing conspiracy by participating in meetings, conversations and communications to discuss the cargo rates that would be charged on certain routes. Including this result, a total of 15 airlines and 4 airline executives have been convicted in connection with this investigation and over \$1.6 billion in criminal fines have been assessed.

This DOT/OIG investigation is coordinated by the U.S. Department of Justice, Antitrust Division and is being worked jointly with the FBI and the U.S. Postal Service/OIG. ■



## Highway and Transit Programs

### IN FOCUS: HIGHWAY TRUST SOLVENCY

In May 2009, the Department notified key congressional staff that barring congressional action to increase cash deposits into the Highway Account of the Highway Trust Fund (HTF), the Department would be forced to reduce or suspend reimbursement to States for eligible highway expenditures. Congress addressed this cash shortfall through a \$7 billion cash infusion from the General Fund. This most recent cash crisis came on the heels of a similar cash crisis at the end of fiscal year 2008 that resulted in an \$8 billion General Fund transfer into the Highway Account.

HTF, which consists of a Highway Account and a Mass Transit Account, channels federal excise

taxes on motor fuels and the sale of trucks and trailers to states to fund their surface transportation programs. The cash balance in the Highway Account increased steadily through the late 1990s, reaching a peak of \$23 billion in fiscal year 2000. However, beginning in fiscal year 2000—halfway through the period authorized by the Transportation Equity Act for the 21st Century (TEA-21)—outlays began to outpace receipts, which eroded the cash surplus. The surplus was further eroded following the enactment of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) in 2005, which increased contract authority over TEA-21 without an associated increase in funding. This coupled with the unforeseen decline in vehicle miles travelled over



the past couple of years—due primarily to high fuel prices and a lagging economy—caused the Highway Account balance to decline more rapidly than previously anticipated and led to the on-going solvency concerns.

### **OIG's Review of HTF's Solvency**

In view of the most recent cash crisis in the Highway Account and at the request of Senator Judd Gregg, Ranking Member of the Senate Budget Committee, the Office of Inspector General (OIG) initiated a review of the solvency of the Highway Account. The objectives of this review were to evaluate (1) the basis for the Department's projection of the magnitude and timing of a Highway Account cash shortfall, (2) how that projection would vary under different assumptions, and (3) the triggers the Department uses to decide that the risk of insolvency for the Highway Account requires action by the Administration and Congress.

Based on our review, we concluded that the Department used a reasonable methodology to project the magnitude and timing of a cash shortfall. However, some of its assumptions were outdated as the Department did not use actual year-to-date data to adjust total revenue or outlay estimates, which we estimated could yield a margin of error in those projections of up to \$1 billion.

The Department's cash balance forecasts are sensitive to two key macro-economic factors—real gross domestic product (GDP) and oil prices—both of which vary largely due to factors outside the Department's control, which make it difficult to estimate precisely either the magnitude or timing of the cash shortfall. Con-

sequently, the Department needs to consider managing expectations regarding the degree of precision possible in its projections. Additionally, the Department's cash management responsibility for the Highway Account is not always well served by the Department of the Treasury's official revenue projections, which are updated just twice a year. The Department's cash balance projections could be incrementally refined if the official forecasts were adjusted throughout the year based on actual year-to-date data.

The Department relies on cash balance forecasts to trigger formal notification to Congress and the States of a potential insolvency in the Highway Account. While the Department greatly increased the amount of data publicly available regarding the balance of the Highway Account, until recently it lacked a consistent and easily understood message regarding the timing and magnitude of a potential cash shortfall. Consequently, the Department could improve the effectiveness of current triggers by providing a simple, public interpretation of HTF's current and projected cash balance on a more regular basis.

While the \$7 billion cash infusion temporarily addressed the short-term solvency issues confronting the Highway Account, the inability of the current funding mechanisms to support existing spending levels suggests that barring a congressional fix that increases cash receipts or reduces outlays to states, the Highway Account will continue to face cash shortfalls in the future.

### **On-going Challenges Confronting HTF**

Because the current highway authorization—SAFETEA-LU—expired at the end of fiscal year 2009 and was extended rather than reautho-

# Audits and Investigations

## Highway and Transit Programs

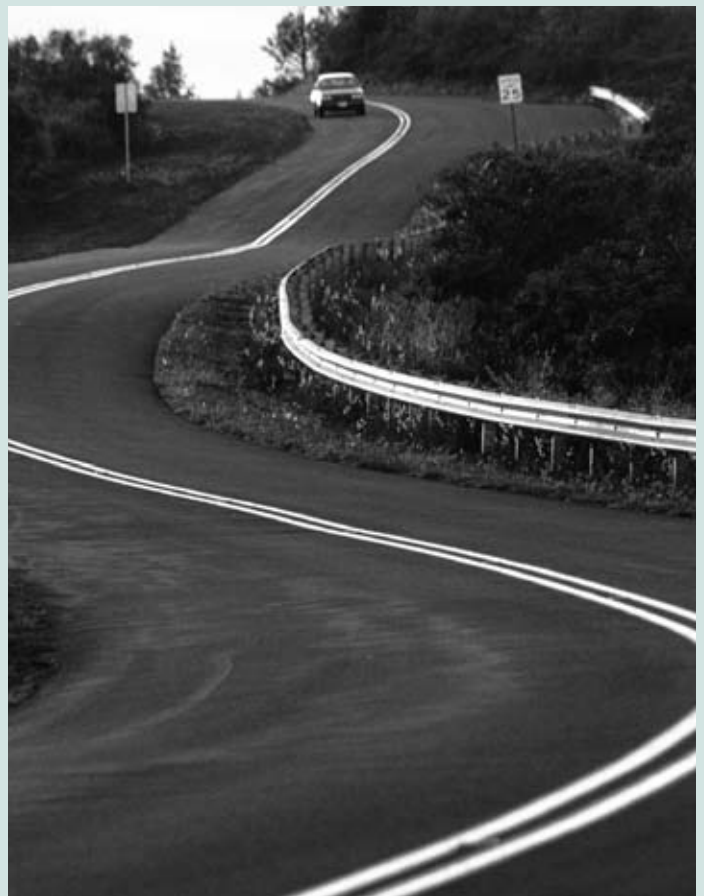
ized, measures to address future shortfalls in HTF have yet to be addressed. HTF's Highway Account will face a cash shortfall during the fiscal year until such measures are taken. To avoid disruptions in payments to states, the Department must work with Congress to manage HTF's on-going solvency concerns and replenish HTF funds.

Adding to the challenge confronting the Department is the acknowledgment by both the Administration and Congress for the need to increase federal funding in support of surface transportation. The House Transportation and Infrastructure Committee recently proposed legislation that would channel \$500 billion—\$450 billion for HTF and \$50 billion for high speed rail—in Federal funding to support State surface transportation programs over six years, or roughly \$83 billion per year. This proposed funding level is significantly higher than the spending levels laid out in SAFETEA-LU, which authorized outlays of roughly \$286 billion in Federal funding over a 5-year period, or roughly \$57 billion per year.

While the Department generally agrees with Congress about the need for an increase in Federal spending in support of State highway programs, it has yet to propose spending levels for the next highway reauthorization. Consequently, the Department must work closely with Congress and other stakeholder groups to develop a consensus on what an appropriate level of Federal funding for state surface transportation programs.

Additionally, the current funding mechanism is unable to generate adequate cash receipts to meet current outlay levels, let alone the higher levels implied by an increase in the Federal funding for surface transportation. Since the beginning

of SAFETEA-LU, the current funding mechanism was barely able to raise \$30 billion to \$35 billion annually for the Highway Account compared to annual outlays of \$33 billion to \$40 billion. Since the Administration has opposed any increase in the gas tax given the economic environment, the Department will have to work closely with Congress, States, and other stakeholders to evaluate all options—including potential changes to the current funding mechanism as well as the use of alternative funding mechanisms—to address the resulting funding gap. Following this, the Department will have to work with Congress to enact a comprehensive funding framework for the next surface transportation reauthorization that sufficiently increases HTF's cash receipts to match its outlays. ■



## Audits

### *American Recovery and Reinvestment Act (ARRA) - DOT's Implementation Challenges and the OIG's Strategy for Continued Oversight of Funds and Programs*

April 29, 2009

The Inspector General testified before the House Committee on Transportation and Infrastructure regarding DOT's oversight of ARRA and OIG's related audit and investigative strategy. The Inspector General highlighted key oversight challenges facing DOT and discussed our ongoing work examining vulnerabilities in program management and planning that could impede DOT's ability to provide effective oversight of ARRA-funded projects and meet new statutory and Office of Management and Budget requirements.



### *American Recovery and Reinvestment Act (ARRA) - DOT's Implementation Challenges and the OIG's Strategy for Continued Oversight of Funds and Programs*

April 30, 2009

The Inspector General testified before the Senate Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, regarding DOT's oversight of ARRA and OIG's related audit and investigative strategy.

### *Follow-Up Audit on the Implementation of NAFTA's Cross-Border Trucking Provisions*

August 17, 2009

We issued our report on the Federal Motor Carrier Safety Administration's (FMCSA) implementation of the North American Free Trade Agreement's (NAFTA) cross-border trucking provisions. This report is required under Section 350(c) of the FY 2002 Department of Transportation Appropriations Act. We found that FMCSA continually took actions to address our August 2007 recommendations for improving the border safety program, but needed to enhance the consistency of information reported to the Mexican Conviction Database and its capacity to perform safe and efficient bus inspections at border crossings. We provided FMCSA with specific recommendations in the areas of improving the monitoring of Mexican Federal Commercial Drivers License holders operating in the United States and improving the capacity to perform bus inspections at the United States-Mexico border bus crossings. FMCSA concurred with all five

of the report's recommendations for improvement and provided appropriate planned actions and target completion dates. ■

## Investigations



### *Massachusetts Company Indicted for Fraud on FTA Project*

April 2, 2009

On April 2, Michael Armitage, former Chief Executive Officer of EV Worldwide LLC (EVW); Christopher Willson, former senior vice-president of EVW; and the company itself were indicted by a Federal grand jury in the District of Massachusetts on a variety of charges, including falsifying information about the company's matching share of project costs and the expenses submitted in connection with a \$4.2 million Federal Transit Administration (FTA) funded grant given to the Pioneer Valley Transit Authority (PVTA) for the development of a nickel-hydrate bus battery. The investigation disclosed that between November 2004 and July 2006, Armitage, Willson, and EVW conspired to defraud FTA by submitting false, fraudulent, and fictitious invoices to FTA through PVTA. These invoices falsely claimed that the FTA share of project costs did not exceed the 50% level required under the

terms of the funding, sought reimbursement for fictitious, inflated, or ineligible expenses, and falsely claimed that certain milestones had been reached in order to justify the payment of claimed expenses. Through proceeds from the invoices, Armitage, Willson, and EVW received wire transfers of approximately \$703,000 that they used for their own benefit as well as for the benefit of a Canadian company founded by Armitage and Willson. Additionally, it is alleged that Armitage and Willson repeatedly lied to and attempted to obstruct DOT/OIG auditors during the course of a DOT/OIG audit. The investigation was conducted jointly with Internal Revenue Service (IRS)-Criminal Investigation Division and assisted by the Defense Contract Audit Agency.

### *Major Big Dig Contractor Pleads Guilty to Making False Statements*

May 8, 2009

Modern Continental Construction Company (MCC), Cambridge, Massachusetts, the single largest CA/T contractor with over \$2 billion in contracts, pled guilty on May 8 in U.S. District Court, Boston, Massachusetts to 39 counts of making false statements in connection with a federal highway project, i.e. Boston's Central Artery/Tunnel Project (CA/T). The false statements were related to the September 2004 mainline tunnel wall panel blowout and fraud on time and materials (T&M) change orders.

The guilty plea addresses the false statements made by MCC on the Certificate of Substantial Completion and Beneficial Occupancy (the Certificate) submitted in relation to the portion



of tunnel which had the blowout. The investigation showed that at the time of its construction, MCC was aware of major defects in the panel and noncompliance with construction specifications while providing the Certificate to the CA/T. On September 15, 2004, wall panel EO-45 in the mainline I-93 tunnel ruptured and the subsequent flooding of the roadway caused major traffic problems and resulted in a comprehensive structural review of wall panels in the tunnels. In addition, MCC also admitted submitting numerous false statements wherein apprentice level workers were billed as journeymen on T&M change order work on 5 CA/T contracts. Sentencing is pending. This investigation was worked jointly with Department of Labor/OIG and the FBI and prosecuted by the U.S. Attorney's Office for the District of Massachusetts.

### ***Pennsylvania Firm Agrees to \$330,000 Settlement to Resolve False Claims Involving Delaware DOT Contract***

May 13, 2009

Pennoni Associates, Inc., a consulting engineering firm located in Philadelphia, Pennsylvania, entered into a \$330,000 settlement agreement on May 13 with the U.S. Department of Justice to resolve civil false claims involving approximately \$975,760 in Federally-funded Delaware Department of Transportation (DELDOT) contracts for bridge and overhead structures materials testing and inspection services.

Between January 1, 1998 and December 31, 2001, Pennoni billed the Gov-

ernment for inflated labor hours, travel hours not compensable under the contracts, for inspectors' mileage in excess of the amounts allowed under the contracts, for unallowable subsistence expenses and for lodging and subsistence expenses that lacked support. In addition to the settlement agreement with the Department of Justice, Pennoni entered into an administrative settlement and compliance agreement with the FHWA. As part of the administrative settlement agreement, Pennoni will undertake independent auditing and revisions of its corporate compliance program as required by the FHWA. In exchange, FHWA has agreed not to recommend suspension or debarment action. This DOT/OIG investigation was worked jointly with the Delaware Department of Transportation and the U.S. Attorney's Office, District of Delaware.



### *Former Houston Fuel Distributor Sentenced to 12 Years Imprisonment and \$1 Million in Restitution for Motor Fuel Tax Evasion Scheme*

June 23, 2009

Sidney Baldon II, owner/operator of Mid-Coast International (Mid-Coast), a kerosene distribution company, was sentenced on June 23, in Texas State Court to 12 years imprisonment and ordered to pay \$1 million in restitution to the state of Texas for his role in a scheme to impede the State's collection of millions of dollars in motor fuel taxes. Baldon pled guilty to evading motor fuel taxes, blending motor fuel, and engaging in a motor fuel tax evasion scheme.

Between March 2002 and November 2003, Baldon acting through Mid-Coast, purchased kerosene under fraudulent pretenses. Baldon and his associates presented a letter to the refinery that indicated that the fuel was purchased for export to Mexico, which allowed Mid-Coast to acquire the fuel untaxed. The untaxed fuel was then mixed with other materials to produce over 22 million gallons of blended fuel. The untaxed, blended fuel was transported to retail filling stations in the Houston area and sold as taxable motor fuel. The scheme also resulted in impeding the collection of Federal fuel excise taxes, which negatively impacted the Highway Trust Fund. Baldon was also sentenced in Federal court in May 2009 to 5 years' imprisonment and \$1.6 million in restitution in connection with charges associated with impeding the Internal Revenue Service (IRS) in the proper collection of Federal fuel excise

taxes. This investigation was conducted jointly with IRS-Criminal Investigation Division (CID), Environmental Protection Agency-CID, Immigration Customs Enforcement, and the Texas State Comptroller's Office.

### *California Man Sentenced to Over 5 Years Imprisonment, \$2.9 Million in Restitution, and Forfeiture of \$1.4 Million for Defrauding Trucking Companies*

June 29, 2009

Nicholas Lakes, aka Dimitry Livshits, a Russian citizen, was sentenced on June 29 to over 5 years in prison for computer fraud, mail fraud, and aiding and abetting following a guilty plea to a superseding information filed in U.S. District Court Los Angeles, California. Mr. Lakes also was ordered to pay restitution to the victims in the amount of \$2,897,629 and will forfeit a T.D. Ameritrade account containing \$1,455,697. Mr. Lakes and his business partner, Viacheslav Berkovich, fraudulently established a trucking company and a broker company by illegally gaining access to the Safety and Fitness Electronic Records System, which is maintained by the FMCSA. Mr. Lakes and Mr. Berkovich accessed various motor carrier broker websites to "double broker" trucking jobs to legitimate trucking companies that were never paid for their actual deliveries. Mr. Lakes and Mr. Berkovich then deceived legitimate brokers into paying them by attesting that their fraudulent companies actually transported loads. On August 10, 2009, Mr. Berkovich pled guilty to charges related to the double broker scheme



and was sentenced to 4.5 years in prison and ordered to pay \$2,773,074 in restitution.

### ***Chicago Engineering Contractor Sentenced to Over 3 Years Imprisonment and \$10.5 Million in Restitution for Overbilling DOT–Funded Contracts***

June 30, 2009

Manu Shah, owner of Shah Engineering, Inc., (SEI), was sentenced on June 30 in U.S. District Court, Springfield, Illinois, to over 3 years imprisonment and ordered to pay \$10 million in restitution. Shah Engineering, Inc., was also sentenced to 2 years of probation and fined \$500,000. These sentences follow Mr. Shah's guilty plea to charges he defrauded the Illinois Department of Transportation (IDOT) and other State agencies and Municipal agencies by overstating the number of hours actually worked by his employees on certain projects and by inflating his overhead rates. IDOT conducted an audit of SEI and determined that SEI overstated their overhead expenses for IDOT contracts, for City of Chicago contracts, and for Illinois State Toll Highway Authority contracts. The investigation and further audit revealed overbilling of approximately \$2.2 million in FTA funds, \$2.6 million in FHWA funds, and approximately \$448,000 in FAA funding. Mr. Shah was the primary contractor or subcontractor on various projects for engineering and architectural services for IDOT and other state governmental agencies from 1997 to 2005. FTA debarred SEI for a 3 year period. This case was worked jointly with the FBI with assistance from Illinois Department of Transportation.



### ***Utah Corporation Pleads Guilty to Making False Statements Related to the Installation of Non–Conforming Crash Cushions***

July 7, 2009

Hikiau, Inc., (Hikiau), a Utah corporation specializing in the installation of highway safety devices, pled guilty on July 7 in U.S. District Court, Salt Lake City, Utah to falsifying certificates of compliance related to the installation of highway crash cushions on a Federally funded highway project. Hikiau was placed on 36 months of probation, ordered to pay a fine of \$10,000, and \$31,485.45 in restitution. During a Utah Department of Transportation (UDOT) debarment hearing, Hikiau, Inc. admitted to submitting false certificates of compliance for highway crash cushions to UDOT, even though Hikiau knew that the installation of these devices did not meet the UDOT standards and manufacturer's specifications and requirements. Representatives for Hikiau testified that Hikiau submitted the false certificates of compliance in order to get paid, knowing the crash cushions did not meet UDOT standards. This investigation was conducted with the assistance of FHWA and Utah Department of Transportation.

### *New York Construction Company President and Associate Sentenced for Bribing Union Officials and Utility Company Representatives on Roadway Reconstruction Projects*

July 14, 2009

Andrew Catapano, the president of AFC Enterprises, Inc., and John Mikuszewski, a consultant to Rosewood Contracting Corporation, were sentenced on July 14 in U.S. District Court, Brooklyn, New York, for their roles in an elaborate bribery scheme. Mr. Catapano was sentenced to 10 months in jail, 2 years of supervised release, 200 hours of community service, ordered to pay a \$25,000 fine, and \$60,000 in restitution to the IRS. Mr. Mikuszewski was sentenced to serve 5 months in jail, 5 months of home confinement, 2 years of supervised release, ordered to pay a \$25,000 fine, and \$139,880 in restitution for back taxes to the IRS. Prior to sentencing, the defendants paid a forfeiture of \$1.2 million to the United States. Mr. Catapano and Mr. Mikuszewski both admitted that from 1998 to 2001 they conspired to bribe union officials and utility company representatives on numerous roadway reconstruction projects awarded by DOT grantees throughout the New York City area. FHWA suspended Mr. Catapano and Mr. Mikuszewski and is considering debarment action as a result of their conviction. This DOT/OIG investigation was worked jointly with the Internal Revenue Service-Criminal, Labor/ OIG and the New York City Department of Investigation.

### *Motor Fuel Tax Fugitive Sentenced to Over 3 Years Imprisonment and \$1 Million Restitution*

July 27, 2009

Aron Misulovin, the former operator of Kings Motor Oils (Kings), was sentenced on July 31 in U.S. District Court, Camden, New Jersey, to over 3 years in prison and \$1 million restitution for crimes related to the evasion of motor fuel excise taxes. Mr. Misulovin was indicted on motor fuel tax evasion charges in 1995, but fled prior to prosecution. In February 2009, after being a fugitive for nearly 13 years, he pled guilty to numerous criminal charges. The 1995 indictment charged Mr. Misulovin and 24 other defendants with approximately \$138 million in evaded Federal and New Jersey state motor fuel excise taxes.

Federal motor fuel excise taxes provide revenue for the Department of Transportation's Highway Trust Fund. Mr. Misulovin operated Kings, a wholesale fuel distributorship. According to the indictment, Kings purchased hundreds of millions of gallons of tax-free home heating oil, but through an elaborate scheme the fuel was re-sold by a wholesaler as diesel fuel for highway use, with Federal and state taxes being charged and collected from unknowing customers. Instead of remitting payment to the IRS and the state, the taxes were distributed among Mr. Misulovin and other conspirators. Mr. Misulovin and the other tax evaders insulated themselves by creating "shell companies" and made it appear as though these sham entities bought and sold the fuel. In reality, these companies never took title or possession of the fuel and Mr. Misulovin created false invoices

and other documents to disguise the transactions between wholesale fuel distributorship and fuel wholesaler. This investigation was worked jointly with IRS-CID, the FBI, and the New Jersey Division of Taxation.

### ***Six Former Managers of Big Dig Supplier Convicted for Delivering Non-Specification Concrete***

August 3, 2009

On August 3, Robert Prospero, Gregory A. Stevenson, John J. Farrar, and Marc Blais were convicted of conspiracy and fraud charges following a 3 week trial in U.S. District Court, Boston, Massachusetts and in July, Gerard M. McNally and Keith Thomas each pled guilty to a variety of charges to include fraud on a Federal highway project. All 6 individuals, who were in managerial positions in the Aggregate Industries (AI) concrete division, were convicted of fraud and related offenses for engaging in a scheme to provide approximately 5,000 truckloads of concrete that did not meet specifications to Big Dig contracts between 1996 and 2005. The investigation was conducted by DOT/OIG, the Massachusetts State Police, and the FBI and prosecuted by the U.S. Attorney's Office for the District of Massachusetts with assistance from the Massachusetts Office of the Attorney General.



### ***Pennsylvania Motor Carrier Broker and Sons Indicted in \$1 Million Fraud Scheme***

August 25, 2009

The U.S. District Court of Harrisburg, Pennsylvania, unsealed a 40 count indictment on August 25 charging Rubik Avetyan, and his 2 sons, Allen and Alfred, with multiple counts of mail fraud, wire fraud, aggravated identity theft, and conspiracy. Mr. Avetyan and his sons allegedly created 2 shell companies and provided false identity information to the FMSCA. The indictment alleges that Avetyans used the shell companies to facilitate a double-brokerage scheme and transport stolen merchandise. They allegedly received approximately \$1,060,000 in illicit payments and goods. The indictment alleged

that the Avetyans utilized various motor carrier broker websites to procure loads for transport with unsuspecting businesses. The Avetyans entered into agreements with legitimate brokers which falsely indicated that their shell companies would haul and broker the load. They then allegedly brokered the load to a legitimate carrier and agreed to compensate

the legitimate carrier at a higher rate. The Avetyans allegedly obtained payments from the brokerage firm that listed the load, but failed to pay the carrier that actually delivered the load. Note: As in any criminal case, a person is presumed innocent unless and until proven guilty. The charges filed merely contain allegations of criminal conduct.

### *Big Dig Epoxy Supplier Pleads to Making False Statements in Connection with Ceiling Collapse and is Fined \$100,000*

September 18, 2009

Powers Fasteners, Inc., Brewster, New York, was charged on September 18 with making a false statement in connection with the construction of the Central Artery's (CA/T) I-90 connector tunnel. Powers supplied the epoxy product used by the general contractor to secure the suspended ceiling to the roof tunnel. Powers sold two versions of the epoxy: Fast Set and Standard Set. Powers was aware that the Fast Set version of the epoxy was not suitable for sustained loads, but failed to disclose this in its design manual that was ultimately submitted by the general contractor and approved by the CA/T. Once approved, the general contractor used the Fast Set epoxy to secure the anchor bolts to the ceiling panels.

On July 10, 2006, several of the ceiling panels collapsed on a vehicle killing a motorist. The NTSB ultimately determined that the cause of the collapse was the failure of the Fast Set epoxy. Powers entered into a plea agreement with the U.S. Attorney's Office, agreeing to plead guilty and be placed on probation. Powers will also pay a fine of \$100,000. The criminal fine was agreed upon taking into consideration Powers December 2008 deferred prosecution agreement, \$16 million payment to the Commonwealth of Massachusetts, and its payment of a \$6 million civil settlement to the estate of the victim. The case was investigated jointly with the FBI and the U.S. Attorney's Office for the District of Massachusetts.

### *New Jersey Man Sentenced for Impersonating a USDOT Federal Motor Carrier Inspector*

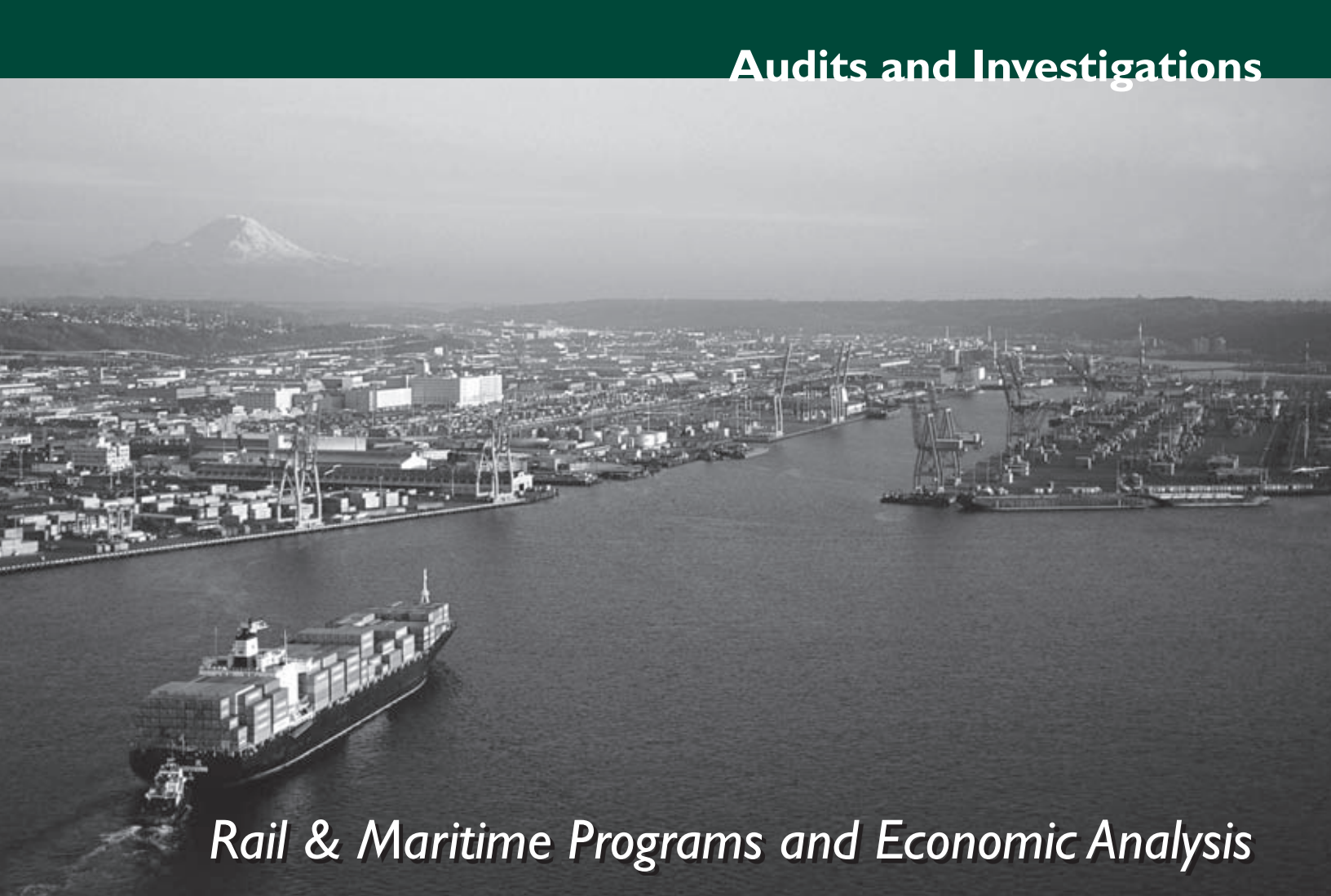
September 21, 2009

Hugo Daniel Solana, was sentenced on September 21 in U.S. District Court, Newark, New Jersey, to 1 year probation and a \$500 fine for impersonating a Federal Motor Carrier Safety Inspector. DOT/OIG's investigation determined that Mr. Solana owned a motor carrier consulting firm known as Redsol Safety Corporation (Redsol) in Union, New Jersey. Mr. Solana appeared at several trucking firms in the Newark, New Jersey, area where he displayed a gold badge, identified himself as a U.S. DOT Inspector, and produced a business card bearing the DOT seal. He then threatened to arrest individuals for perceived motor carrier violations. Solana later returned and advised the victim companies that they could hire Redsol to resolve their motor carrier issues. During Mr. Solana's DOT/OIG interview he identified himself as a USDOT Inspector and produced a gold badge. Mr. Solana was arrested by DOT/OIG special agents and the fraudulent badge was confiscated. ■









## *Rail & Maritime Programs and Economic Analysis*

### **Audits**

#### *Second Quarterly Report on Amtrak's FY 2009 Operational Reforms Savings and Financial Performance*

June 03, 2009

We issued our quarterly report to the House and Senate Appropriations Committees on Amtrak's savings from operational reforms and year-to-date financial performance, as mandated by the Fiscal Year 2008 Consolidated Appropriations Act. Amtrak's operating loss through March 2009 was \$259.9 million, 6.9 percent less than budgeted as declining passenger revenues were largely offset by declining fuel and employee benefit costs. Amtrak's financial performance was expected to continue to erode through the remainder of the fiscal year, resulting in a fore-

casted year-end operating loss of \$25.8 million. Amtrak has not yet identified the measures it will take to close this funding gap.

Amtrak had shifted \$24 million in costs from general operating to capital and expected to end the year with a cash balance of \$182 million, well above the minimum year-end level that OIG believes is necessary. These funds could be used to close the funding gap if Amtrak can not implement sufficient operating efficiencies.

#### *Letter to Ranking Member Gregg Regarding DOT's Projections of Highway Trust Fund Solvency*

June 24, 2009

We issued the results of our review related to the solvency of the Highway Trust Fund, con-

ducted at the request of Senator Judd Gregg, Ranking Member of the Senate Budget Committee. As requested, our objectives were to evaluate (1) the basis for the Department's projection of the magnitude and timing of a Highway Account cash shortfall, (2) how that projection would vary under different assumptions, and (3) the triggers the Department uses to decide that the risk of insolvency for the highway account requires action by the Administration and Congress. We found that the Department used a reasonable methodology to project the magnitude and timing of a cash shortfall. However, some of its assumptions were outdated, as the Department did not use actual year-to-date data to adjust total revenue or outlay estimates. This could yield a margin of error in those projections of up to \$1 billion in magnitude and 2 weeks in timing. We also found that the Department's cash balance forecasts varied largely due to factors outside the Department's control. While the accuracy of the Department's projections could be incrementally improved, the range of defensible values for the factors influencing those projections makes it difficult to estimate precisely either the magnitude or timing of the cash shortfall. Finally, we found that the Department relied on cash balance forecasts to trigger formal notification to Congress and the states of a potential insolvency in the highway account. While the Department greatly increased the amount of data publicly available regarding the balance of the highway account it had lacked a consistent and easily understood message regarding the timing and magnitude of a cash shortfall.



## *Third Quarterly Report on Amtrak's FY 2009 Operational Reforms Savings and Financial Performance*

July 31, 2009

We issued our quarterly report to the House and Senate Appropriations Committees on Amtrak's savings from operational reforms and year-to-date financial performance, as mandated by the Fiscal Year 2009 Consolidated Appropriations Act. Amtrak's operating loss through June 2009 was \$367.2 million, 0.6 percent more than budgeted, as declining passenger revenues were largely offset by declining fuel and employee benefit costs. Amtrak's financial performance was expected to continue to erode through the remainder of the fiscal year, resulting in a forecasted year-end operating loss of \$16.0 million more than budgeted. Amtrak has not identified the measures it would take to close this funding gap. Amtrak expected to end the year with a cash balance of \$192.8 million, well above the minimum year-end level the Office of Inspector General believes is necessary. These funds could be used to close the funding gap if Amtrak can not implement sufficient operating efficiencies. ■



## Investigations

### *New York Construction Company Accountant Sentenced Pay \$507,190 in Restitution for Prevailing Wage Kickback Fraud Scheme*

September 25, 2009

Noman Khalid-Hussein, accountant for Takbeer Enterprises, Incorporated, (Takbeer), was sentenced on September 25 in U.S. District Court, Brooklyn, New York, to 3 years probation and \$507,190 in restitution. Mr. Khalid-Hussein is jointly and severally liable to pay the restitution with other defendants in this matter. Mr. Khalid-Hussein previously pled guilty to making false statements, where he admitted that between 2004 and 2005, he participated in a scheme to defraud laborers by not paying them the proper prevailing wages and

facilitating a kickback scheme wherein the laborers were required to kickback some of their wages to the owners of Takbeer. The amount of fraud in this scheme was calculated at \$1.8 million. This scheme occurred on several construction projects, including a Federally funded Metro-North Commuter Railroad train station project in Larchmont, New York. Takbeer's portion of the Larchmont train station project was an \$800,000 subcontract by St. Francis Construction Company. To facilitate the overall scheme, several false documents, including false certified payrolls, were submitted to DOT grantee agencies. The investigation was conducted by DOT/OIG jointly with the OIGs of the Department of Labor and the Port Authority of New York & New Jersey (NY-&-NJ), and the New York City Department of Investigation. ■









## *Financial and Information Technology*

### **Audits**

#### *Quality Control Review of the Department's Implementation of Earned Value Management and Security Cost Reporting*

April 24, 2009

We issued our report on the audit of the Department of Transportation's (DOT's) implementation of earned value management (EVM), and the supportability of estimated security costs for major information technology (IT) investments. An independent firm—KPMG, LLP, of Washington, D.C.—under contract to the OIG assessed the effectiveness of DOT's program and practices in

these areas, specifically to determine if (1) the earned value management measures included in OMB Exhibit 300 submissions properly reflected project performance, and (2) security costs included in the submissions were supported.

KPMG concluded that the Department applied EVM controls inconsistently throughout the Operating Administrations. The Department lacked a standard EVM approach for implementation and was not consistent with requirements specified by OMB; consequently, the EVM-related processes used to collect and report the EVM measures included in Exhibit 300 submissions could not be relied upon to properly reflect project performance. Additionally, KPMG found the Department had not established a standard

## *Review of Web Applications Security and Intrusion Detection in Air Traffic Control Systems*

May 04, 2009

We issued our report on Federal Aviation Administration (FAA) Web applications security and intrusion detection in air traffic control (ATC) systems, requested by the Ranking Minority Members of the House Transportation and Infrastructure Committee and its Aviation Subcommittee. The objectives of this performance audit were to determine whether (1) Web applications used in supporting ATC operations were properly secured to prevent unauthorized access to ATC systems, and (2) FAA's network intrusion-detection capability was effective in monitoring ATC cyber-security incidents. We found that Web applications used in supporting ATC systems operations were not properly secured to prevent attacks or unauthorized access. During the audit, our staff gained unauthorized access to information stored on Web application computers and an ATC system, and confirmed system vulnerability to malicious code attacks. In addition, FAA had not established adequate intrusion-detection capability to monitor and detect potential cyber security incidents at ATC facilities. The intrusion-detection system has been deployed to only 11 (out of hundreds of) ATC facilities. Also, cyber incidents detected were not remediated in a timely manner. We made a series of recommendations to help enhance security over Web applications used in supporting ATC operations and improve the effectiveness of FAA's cyber-incident-monitoring and -response capabilities. FAA concurred with all of our recommendations and recognized that constant vigilance and effective action are the keys to addressing cyber security in its ATC systems.



method to accurately and consistently estimate the costs of implementing IT security. As a result, the security cost estimates for Exhibit 300 submissions cannot be fully supported. We made the following recommendations to address these weaknesses: (1) establish a target date to complete and distribute the DOT EVM implementation guidance to Operating Administrations, (2) require Operating Administrations to review all major IT investments in the development phase for compliance with key OMB requirements for EVM implementation and report results to the Chief Information Officer's (CIO's) office, and (3) establish security cost estimation standards consistent with the National Institute of Standards and Technology. The DOT CIO concurred with our findings and recommendations, and has provided plans to take specific actions to implement them.

### *Report on the Audit of the Data Integrity of the Commercial Driver's License Information System*

July 30, 2009

We issued our report on the audit of the Data Integrity of the Commercial Driver's License Information System (CDLIS), as required by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). SAFETEA-LU required that we perform a baseline audit that included an assessment of the validity of the data in CDLIS and an analysis of the revenues derived from the use of CDLIS. This audit addressed the validity of CDLIS data and security issues. We assessed (1) whether convictions received from the courts were recorded in a timely manner, (2) whether CDLIS and state department of motor vehicles (DMV) systems were adequately secured, and (3) the adequacy of contingency plans to ensure continued CDLIS service to DMVs following a disaster or other emergency.

FMCSA has taken measures to strengthen the CDL program, but additional action is necessary to increase the safety of the Nation's highways. First, DMVs are still experiencing delays in posting convictions to their driver history records for CDLIS users' access. Second, deficiencies in security controls persist. Specifically, system certification and accreditation reviews have not been completed, and states lag in developing and implementing

comprehensive security policies and procedures to better protect DMV systems. Third, enhanced contingency planning and testing of both CDLIS-Access and state DMV systems has not fully occurred.

We made specific recommendations to address weaknesses in the following areas: security policies and procedures and contingency planning and testing. The Acting Deputy Administrator, FMCSA concurred with our findings and recommendations, and has provided plans to take specific actions to implement them. ■









## *Department-Wide Issues*

### **Investigations**

#### *Virginia Resident Sentenced to 4 Years Imprisonment for the Theft of a DOT Laptop Computer and over \$100,000 in Transit Benefit Checks*

July 27, 2009

Vincent Land was sentenced on grand larceny charges on July 27 in Virginia State Court, Norfolk, Virginia, to 4 years imprisonment, 3 years of which were suspended. On August 10, 2009, co-conspirators Jacques Cowell and Marquis Vinson pled guilty to the aforementioned charge and each received a 2-year suspended sentence.

These sentences resulted from the defendants' roles in the May 2009 theft of a DOT laptop computer and over \$100,000 in transit benefit checks. The DOT/OIG investigation determined that the defendants and a fourth individual, who was not charged, checked into a Doubletree Hotel in Norfolk, Virginia, where a DOT contractor was staying. When the DOT contractor checked in, the hotel desk clerk failed to save the transaction in the hotel computer system; therefore, the hotel computer system indicated that the contractor's room was available and it was assigned as if it were a vacant room. Upon entering the room, the defendants took the government-issued laptop computer and roughly \$103,800 in transit benefit checks. The majority of the stolen transit benefit checks were recovered. ■





## Other Accomplishments

This section highlights other accomplishments and contributions by OIG staff 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.

### *Consumer Assistance To Recycle and Save Program (CARS)*

July 17, 2009, July 24, 2009, and August 13, 2009

We presented briefings to National Highway Traffic and Safety Administration management on non-audit research we conducted regarding risks and challenges associated with implementing the Consumer Assistance To Recycle and Save (CARS) Program. Major challenges facing the program included the compressed implementa-

tion schedule, internal control vulnerabilities in the oversight of CARS transactions, availability of qualified staff and resources, and management of supporting contracts. We also provided comments on draft versions of the CARS final rule. OIG provided technical comments and input on clarifying hearing procedures and requirements, ensuring accurate disposal facility and dealer lists, maintaining consistency throughout the rule, and capturing the data necessary to fulfill the Department's reporting requirements in the CARS Act.



## *Management Advisory on FAA's Contract for the Automatic Dependent Surveillance-Broadcast (ADS-B) Program.*

July 28, 2009

We issued our management advisory on our interim observations regarding FAA's contract for ADS-B and actions that need to be addressed. Our ongoing review of the ADS-B contract reveals a number of deficiencies in FAA's contract management. Taken together, these deficiencies, such as a lack of clearly defined requirements for critical services and inadequately documented contract changes, put the Government at risk of overpaying or paying for something it does not want. The purpose of this advisory was to alert FAA of the actions that can be taken to increase visibility into the contract and address problems with defining requirements, accounting for capital costs, and establishing mechanisms to track and monitor costs. Given the estimated cost of ADS-B and the role the new system is expected to play in transforming the National Airspace System, it is critical that FAA examine how the agency can best protect the Government's interests. We provided the results of our analysis to FAA officials responsible for managing the ADS-B Program.

## *Management Advisory on the Transport of Hazardous Materials Under Special Permits*

July 28, 2009

We issued a management advisory to the PHMSA regarding our ongoing review of the

transport of hazardous materials under certain special permits. Specifically, our review included examining PHMSA's special permits and approvals with respect to (1) PHMSA's policies and processes for reviewing and authorizing special permits and approvals, (2) coordination among operating administrations, and (3) oversight and enforcement of compliance. Our advisory identified shortcomings in the special permit review and authorization process that call into question applicants' fitness and level of safety for permits allowing use of bulk explosive vehicles. We also noted that coordination between PHMSA and the FMCSA must be improved so that violation and incident information is considered before a special permit is granted. In addition, we found that known safety concerns resulting from accident investigations still remain largely unaddressed by PHMSA.

## *Speaking Engagements*

In addition to our other accomplishments, members of the OIG shared their knowledge with the DOT and other areas of the auditing community through the following speeches:

- On April 21, 2009, the Inspector General, the Principal Assistant Inspector General for Auditing and Evaluation, the Assistant Inspector General for Financial and Information Technology Audits, the Deputy Assistant Inspector General for Surface and Maritime Program Audits, a Chief Counsel for Legal, Legislative, and External Affairs, the Director of Audit Planning, Policy, and Technical Support, and the Director of National Investigative Program and Operations all spoke with the China Ministry of Transport's delegation. They gave the delegation an overview of the OIG organization and business operation, audit process,

audit work on transportation infrastructure, investigative organization and priorities, and how the OIG preserved independence in oversight work.

- On April 22, 2009, the IG participated in a panel discussion at the FHWA's Annual Meeting. The discussion was on Risk Management which focused on our audit, "ARRA: Oversight Challenges Facing the Department." The IG spoke about three major challenges facing DOT and FHWA: (1) ensuring that DOT's grantees properly spend ARRA funds; (2) implementing new accountability requirements mandated by ARRA; and (3) combating fraud, waste, and abuse.
- On May 8, 2009, the Inspector General participated in a panel discussion at the National Academy of Public Administration. The discussion was on Management Challenges Facing the Department and the OIG's Role in Ensuring Accountability and Efficiency. The IG spoke on the following topics: OIG's Mission and Responsibilities; OIG's Organizational Structure and Performance Statistics; Key Examples of the Types of OIG Reports and Activities; OIG's New American Recovery and Reinvestment Act Responsibilities; DOT's Top Management Challenges; Examples of DOT Organizational Challenges; and Coordination Requirements Within DOT for the Recovery Act.
- On May 13, 2009, the Principal Assistant Inspector General for Auditing and Evaluation (PAIGAE) spoke to the Potomac Forum on the American Recovery and Reinvestment Act of 2009: Challenges Facing the Department of Transportation and the Office of Inspector General's Strategy for Promot-

ing Accountability. The PAIGAE's speech focused on how the Recovery Act provided billions of recovery funds to DOT, adding new challenges on top of longstanding ones and that the need for accountability is critical. She also discussed the following topics: (1) OIG's Risk-Based Strategy for Overseeing the Recovery Act: 3 Phased Approach; (2) Results of Phase I Comprehensive Report: Major Challenges Facing DOT; (3) Ensuring that DOT's Grantees Properly Spend Recovery Funds; (4) Implementing New Accountability Requirements and Programs Mandated by the Recovery Act; (5) Combating Fraud, Waste, and Abuse; (6) Phase 2: Agency Scans to Identify Major Vulnerabilities and Needed Improvements of Course Corrections; and (7) Phase 3: Long-term Audit Plan Focusing on High-Risk Areas. Also on June 4, 2009, the PAIGAE spoke to the Mid-Atlantic Intergovernmental Audit Forum regarding this same information.

- On May 14, 2009, the Assistant Inspector General for Surface and Maritime Program Audits, attended the Government Accountability Offices' Domestic Working Group Meeting and provided a presentation on our ARRA work as part of a discussion of audit coordination facilitated by Gene Dodaro, Acting Comptroller General.
- On May 14, 2009, a Program Director for Surface and Maritime Program Audits, spoke before the Federal Audit Executive Council's monthly meeting and discussed OIG's work on identifying key challenges facing DOT with the implementation of ARRA. He also discussed OIG's plans for conducting audit and investigative work on

DOT's ARRA-funded programs.

- On June 11, 2009, a Program Director for Surface and Maritime Program Audits, spoke before the Federal Audit Executive Council's ARRA seminar on OIG's strategy for conducting audit and investigative work on ARRA-funded programs.
- On July 20, 2009, the Assistant Inspector General for Surface and Maritime Program Audits spoke to the American Association of State Highway and Transportation Officials (AASHTO) Audit Conference on challenges facing DOT in the implementation of the ARRA. He focused on specific risk areas identified in our audit work and noted future work planned by the Inspector General that could impact state and local officials.
- On September 21, 2009, a Program Director for Aviation and Special Program Audits, spoke before the Pacific Northwest Intergovernmental Audit Forum on the "Recovery Act: The Work of Federal, State, and Local Auditors." The presentation focused on the OIG's strategy in overseeing the Department's implementation of ARRA, including our three phase audit approach and lessons learned to date. ■

This section describes work projects currently underway or planned by OIG that focus on the Department's Strategic Plan and its core missions of transportation safety and mobility. We take into account the need to support DOT's most critical programs and to assure that departmental resources are protected from fraud and waste. In addition, many of our projects arise from requests by Administration officials and members of Congress.

OIG developed the following work plan for the period of October 1, 2009 through March 31, 2010.

## AVIATION AND SPECIAL PROGRAMS

### IN PROGRESS

#### *Review of FAA's Automatic Dependent Surveillance Broadcast (ADS-B) Program*

At the request of the Chairmen of the House Transportation Infrastructure Committee and its Aviation Subcommittee, we are reviewing FAA's plans for implementing ADS-B. Specifically, our objectives are to (1) examine key risks to FAA's successful implementation of ADS-B, and (2) assess the strengths and weaknesses of FAA's proposed contracting approach.

#### *Review of FAA's Call to Action Plan for Improving Runway Safety*

At the request of Senator John Rockefeller and Senator Kay Bailey Hutchinson of the Senate Commerce, Science, and Transportation Committee, we are conducting a comprehensive review of the current state of aviation safety, including runway safety issues. Our objective is to evaluate the effectiveness of actions taken

in response to FAA's "Call to Action Plan" for improving runway safety.

#### *Challenges to FAA's Oversight of On-Demand Operators*

OIG is identifying specific challenges to FAA's oversight of on-demand operators.

#### *Review of FAA Oversight of Maintenance Programs at One Air Carrier*

OIG is determining whether (1) maintenance-related events such as in-flight emergencies or diversions or other negative maintenance-related trends, have increased at this air carrier; and (2) FAA has verified that the air carrier's maintenance program, including its system of continuous analysis and surveillance, is operating effectively.



## *FAA Oversight of Use of Airport Revenue – Denver International Airport*

OIG is determining whether FAA's oversight ensures that the Denver International Airport is using revenues only for airport purposes and is as self-sustaining as possible. Since 1991, our office has identified hundreds of millions of dollars in airport revenues that airport sponsors improperly used or did not collect.

## *Review of PHMSA's Special Permits and Approvals Programs*

OIG is assessing the effectiveness of PHMSA's (1) policies and processes for reviewing and authorizing special permits and approvals, (2) coordination with the affected Operating Administration before issuing any of these special authorizations, and (3) oversight and enforcement of approved parties' compliance with terms and conditions of these authorizations.

## *Review of the Air Traffic Controller Optimum Training Solution (ATCOTS) Program*

At the request of Representative Jerry Costello, Chairman of the House Transportation and Infrastructure's Aviation Subcommittee, we are reviewing the financial and contractual aspects of the ATCOTS program, as well as how the training program will differ from what is currently provided to the controller workforce.

## *FAA's Screening, Placing, and Initial Training of Newly Hired Air Traffic Controllers*

At the request of Representative Jerry Costello, Chairman of the House Transportation and Infrastructure's Aviation Subcommittee, we are reviewing FAA's processes for screening, placing and training newly hired air traffic controllers. Specifically, whether FAA's screening test, Air Traffic Selection and Training, or AT-SAT, effectively identifies candidates' potential to become air traffic controllers and whether the FAA Academy adequately trains candidates before FAA places them at facilities.

## *FAA Oversight of Required Navigation Performance (RNP) Third-Party Agreements*

At the request of Representative Jerry Costello, Chairman of the House Transportation and Infrastructure's Aviation Subcommittee, we are assessing the extent to which FAA is relying on third-parties for the development of new RNP procedures and determine whether FAA has established sufficient mechanisms and has sufficient staffing to provide safety oversight of the third parties.

## *Follow-Up Review of Aviation Transportation Oversight System (ATOS)*

OIG is determining whether FAA has (1) completed timely inspections of air carriers' systems for monitoring critical maintenance programs,

(2) tested and validated that these carrier systems are operating effectively, and (3) effectively implemented ATOS for the remaining air carriers regulated under 14 C.F.R. § 121.

## *Review of the System - Wide Information Management (SWIM) Program*

OIG is examining (1) the strengths and weaknesses of FAA's approach for developing and funding SWIM efforts, and (2) the effectiveness of FAA's plan to identify and manage key risks that could affect a nationwide deployment or limit anticipated benefits.

## *Review of FAA's Organization Designation Authorization and Risk Based Resource Targeting Processes*

At the request of Representative Daniel Lipinski of the House Committee on Transportation and Infrastructure, OIG is determining (1) the role FAA plays in the selection process for individuals who perform work under the Agency's Organization Designation Authorization program, (2) the adequacy of FAA's safety oversight of the program, and (3) the effectiveness of FAA's Risk Based Resource Targeting assessment process. ■

## **PLANNED**

### *Certification of Next Generation Air Transportation System Technologies*

OIG will conduct an assessment of (1) recent changes to the FAA's certification program with regard to the FAA's overall responsibility for maintaining the safety and integrity of air traffic control systems, and (2) the implications of allowing the private sector to assume the responsibility for determining the operational suitability of systems under its control.

### *FAA Oversight of Pilot Workforce Issues – Pilot Training and Regional Airlines*

OIG will (1) evaluate the effectiveness of FAA regulations and oversight of air carrier training programs for initial, recurrent, and new technologies pilot training; and (2) determine whether FAA and air carriers have access to sufficient data to evaluate the competence and qualifications of pilots when they are hired. ■

# HIGHWAY AND TRANSIT PROGRAMS

## IN PROGRESS

### *NHTSA's Oversight of Research and Demonstration Projects*

OIG is determining whether NHTSA (1) allocated research funds and selected projects based on likelihood to reduce the number and severity of crashes or other targeting strategy; (2) systematically evaluated and disseminated results to improve safety; and (3) used risk-based internal control framework for oversight of contractors and grantees as a means to prevent fraud, waste, and abuse.

### *FTA's Oversight of the Access to the Region's Core (ARC) Project, Northern New Jersey*

OIG is assessing the main risks facing a \$9 billion proposed transit project and evaluating FTA's oversight efforts to ensure that risk mitigation strategies are implemented, based on several concerns identified in a 2009 annual report on New Starts Funding requirements.

### *FHWA Funding to Correct Structurally Deficient Bridges*

OIG is evaluating whether FHWA provides adequate oversight to ensure state inspections are performed and recorded properly in accordance with the National Bridge Inspection standards, and assessing the extent to which states effec-

tively and efficiently use FHWA funds to correct structurally deficient bridges.

### *Assessment of the Central Artery/Tunnel Stem to Stern Safety Review—Phase II*

OIG is performing follow up on the corrective actions taken in response to our report "Initial Assessment of the Central Artery/Tunnel Project Stem to Stern Safety Review" in an effort to continue to ensure that the Central Artery/Tunnel Stem to Stern Safety Review is comprehensive and conducted in a complete and rigorous manner.

### *FHWA Transportation Technology Innovation and Demonstration (TTID) Program*

At the request of Senator Orrin Hatch and Congressman Anthony Weiner, OIG is assessing whether TTID (1) met its surveillance and data management goals, (2) met the program objectives and (3) provided for competition in the award of contracts used to expand the program, as specified in Section 5508 of SAFETEA-LU.

## *Implementation of FMCSA's Motor Coach Safety Program*

OIG is determining FMCSA's progress in effectively implementing the six priorities in its National Motor Coach Safety Program as required by the Motor Carrier Safety Improvement Act of 1999.

## *Consumer Assistance to Recycle and Save Act (CARS)*

OIG is evaluating NHTSA's execution of the CARS program and identify challenges confronted. Specifically, we will assess whether NHTSA's oversight and management controls ensure that CARS transactions (1) meet Federal requirements; (2) use data that are accurate and reliable; and (3) are protected against fraud, waste, and abuse. ■

## **PLANNED**

### *Oversight of Local Public Agency Projects (LPA)*

OIG will assess FHWA's oversight of the \$6-8 billion provided annually to localities along with \$8 billion in ARRA funding in the next three years. It is planned to include a comparison of the oversight provided to LPA programs approved through ARRA with those funded through regular Federal-aid funding.

### *Effectiveness of FHWA National Review Teams*

OIG will assess whether the National Review Teams have been effective in helping FHWA oversee \$26 billion in ARRA funding and mitigate the key risks posed by the implementation of ARRA.

### *Oversight of the Denali Access System Program*

OIG will assess the Denali Access System Program's performance in applying Federal-aid highway funds to improve the surface and maritime transportation infrastructure of Alaska. ■



# RAIL & MARITIME PROGRAMS AND ECONOMIC ANALYSIS

## IN PROGRESS

### *MARAD's Title XI Loan Guarantee Program*

OIG is determining whether MARAD is in compliance with the recommendations contained in our 2003 and 2004 audit reports on the Title XI Loan Guarantee Program. This audit was requested by the Senate Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies.

### *Amtrak Quarterly Reports on Operational Savings*

OIG is issuing quarterly 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, as mandated by Congress.

### *Causes of Delays on the Amtrak Cascades and Coast Starlight Routes*

OIG is reviewing the causes of Amtrak delays and service interruptions on the two Amtrak routes in response to Section 225 of Division B of HR 2095, the "Passenger Rail Investment and Improvement Act of 2008".

### *Review of Amtrak's Five-Year Capital Plan*

At the request of the House Committee on Appropriations, we are reviewing and assessing

how effectively Amtrak prioritizes and coordinates its capital investments to contribute to the overall business goals of the corporation. Specifically we will assess (1) Amtrak's five-year capital requirement, (2) how Amtrak prioritizes its capital projects among competing needs, (3) Amtrak's FY 2009 capital needs, and (4) how Amtrak evaluates the performance of its capital projects.

### *Causes of Amtrak Delays/Intercity Passenger Rail Service Bottlenecks*

OIG is identifying the locations of "bottlenecks" along Amtrak routes and try to determine the causes using an econometric model. In particular, we will seek to identify which of these bottlenecks are due to congestion, or relative lack of capacity. In doing so, we will help to identify the locations that warrant further, more in-depth examination, as candidates for rail infrastructure investments.

### *Financial Analysis of Transportation Related Public-Private Partnerships (PPPs)*

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

## *Rail Service Disruptions*

As directed by the DOT Appropriations Act, OIG is examining freight rail service disruptions since 2004, with a focus on the timeliness of shipments of commodities such as coal, wheat, ethanol and lumber and making legislative and regulatory recommendations to reduce such disruptions in the future.

## *Review of Freight Access Fees Paid by Amtrak*

As directed by the Committees on Appropriations, OIG is examining and will report details of any and all 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. ■

### **PLANNED**

## *Review Amtrak's Annual Budget and Five Year Plan*

OIG will review Amtrak's annual budget and 5-year financial plan to determine whether they meet the requirements of the statute.

## *Utilization of Amtrak's Maintenance Facilities*

OIG will examine (1) Amtrak's use of its existing equipment maintenance and repair facilities, (2) the productivity of such facilities, and (3) the extent to which Amtrak is maximizing maintenance opportunities including maintenance and repair to other rail carriers.

## *State Capacity to Meet High Speed Rail (HSR) Demands*

OIG will review and evaluate (1) the range of capabilities in the states to plan, design, and manage HSR projects; (2) what constitutes a strong state passenger rail department and how those developed; and (3) examples of how state capacity was created to manage other state-led Federally-funded programs, such as Federal-aid highways.

## *Industry Capacity to Meet High Speed Rail Demands*

OIG will evaluate industry capacity to meet HSR manufacturing needs and examples of Federally-assisted efforts to develop a manufacturing base in other areas.

## *State-Railroad Operating Agreements*

OIG will examine what has and has not worked in terms of enforceable agreements between states and host railroads that ensure public benefits are derived from the public investment in High Speed Rail. Our goal would be to develop best practices in this area.

## *Ridership/Revenue and Public Benefits Forecasting*

OIG will examine the range of modeling techniques used to forecast ridership/revenue and estimate public benefits with a goal of improving states' abilities to develop these forecasts and the Department's ability to evaluate the output of these models. ■

# FINANCIAL AND INFORMATION TECHNOLOGY

## IN PROGRESS

### *FAA's Correction of Security Weaknesses in Air Traffic Control Systems*

OIG is assessing the progress and will report on the status of FAA's efforts to (1) correct security weaknesses identified previously in air traffic control systems, (2) develop a business continuity plan to ensure continued en route center operations, and (3) conduct security certification reviews to identify software differences between operational air traffic control systems and the baseline systems tested in the computer laboratory.

### *Security and Privacy Controls Over the Medical Support System*

At the request of the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, OIG is determining whether (1) airmen's personally identifiable information is properly secured from unauthorized use or access, and (2) FAA has made progress in establishing a program to flag airmen holding a current medical certificate while receiving disability pay.

### *DOT's Implementation of Personal Identity Verification (PIV) Cards*

OIG is determining if DOT (1) has an effective process to issue, maintain, and terminate functional PIV cards for employees and contractors; and (2) is adequately protecting the personal information collected, stored, processed, and transmitted on the PIV systems, based on the Homeland Security Presidential Directive 12 "Policy for a Common Identification Standard for Federal Employees and Contractors".

### *DOT's Information Security Program and Practices for FY 2009*

OIG is performing the annual review required by the Federal Information Security Management Act of 2002. We will determine the effectiveness of DOT's information security program and practices and complete OMB's template for security assessments and performance measures.

### *Improper Payments in the Airport Improvement Program (AIP)*

OIG is determining whether FAA has adequate controls to prevent and detect improper payments to grant recipients of AIP.

## *Quality Control Review of FYs 2008 and 2009 DOT Consolidated Financial Statements, FAA Financial Statements, and NTSB Financial Statements*

OIG is performing a quality control review of the audit performed by an independent public accounting firms and determining if the audit was performed in accordance with applicable auditing standards. ■

### **PLANNED**

## *Next Generation Air Traffic Control System Security Design*

OIG will perform a review of the security design incorporated in the Next Generation Air Traffic Control System development, including pilot programs such as the Automatic Dependent Surveillance-Broadcast and the System Wide Information Management system.

## *Security of DOT Web Sites*

OIG will perform a review of security protection of DOT Web sites, including those used to support ARRA operations, to reduce the risk of defacement, alteration, or destruction of DOT data.

## *Access to Classified Information Networks*

OIG will perform a review of DOT's access to classified information in the new Headquarters building to determine whether adequate controls are in place to prevent and detect unauthorized disclosure, alteration or destruction of classified information.

## *Implementation of DOT Enterprise Architecture for IT Investment*

OIG will perform a review of DOT's development and implementation of an Enterprise Architecture to direct future IT system development efforts.

## *Security Protection of Airmen Registry System*

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

## *Resolution of Single Audit Findings on Grantees' Use of DOT Funds*

OIG will perform a review of DOT management's follow-up with grantees to recover questionable costs and to correct control deficiencies affecting DOT grant agreements, including ARRA operations.



## *FHWA Improper Payment Controls*

OIG will perform a review of the controls implemented by FHWA Headquarters and divisional offices to prevent and detect improper payments to Federal-aid highway grant recipients.

## *Use of NHTSA Drug Control Fund*

OIG will perform the annual attestation review to ensure that the FY 2009 Drug Control Report submitted to the Office of National Drug Control Policy is not materially misstated. ■

# **ACQUISITION AND PROCUREMENT**

## **IN PROGRESS**

### *DOT's Suspension and Debarment Policies and Procedures*

OIG is determining whether (1) the Department's suspension and debarment policies and procedures are adequate to ensure that fraudulent or unethical individuals or companies are excluded from contracts, grants, and cooperative agreements; and (2) operating administrations are effectively implementing the Department's suspension and debarment policies and procedures.

### *Review of the Use of Price and Cost Analysis for Newly Awarded and Modified Contracts*

OIG is determining whether FAA (1) sufficiently justified and properly reviewed and approved the use of non-competitive contracts and (2) adequately performed and properly documented price and cost analyses applicable to the contract.

### *FMCSA's Contract Practices*

OIG is determining whether FMCSA's contract award and administration practices comply with applicable laws and regulations and follow agency-specific guidance. ■

## **PLANNED**

### *Planning for the Department's Acquisition Workforce Requirements*

OIG will determine whether DOT and its agencies, other than FAA, have made adequate progress developing a strategic plan for the acquisition workforce. Specifically we will determine whether the Department has (1) sufficiently estimated acquisition workforce requirements based on expected acquisitions; (2) assessed the capabilities of the workforce; and (3) made sufficient progress training, recruiting, and retaining its workforce.

## *Using Performance Metrics to Improve Acquisition*

OIG will determine whether DOT and its agencies have sufficiently assessed its acquisition function and established goals and performance metrics to strengthen acquisition. Specifically, we will determine whether assessments of acquisition were conducted, evaluations of controls over entity processes were performed, tests of transaction-level control design and operation were completed for each phase of the acquisition, and use of strategic goals and performance metrics is effective for improving acquisition.

## *Planning for FAA's Acquisition Workforce Requirements*

OIG will determine whether FAA has made adequate progress developing a strategic plan for the acquisition workforce. Specifically we will determine whether the FAA has (1) sufficiently estimated acquisition workforce requirements based on expected acquisitions, including NextGen requirements; (2) assessed the capabilities of the workforce; (3) made sufficient progress training, recruiting, and retaining its workforce; and (4) determined the proper mix of contractors supporting its workforce.

## *Acquisition Organization Scan*

OIG will analyze to what extent OST has implemented aspects of efficient, effective and accountable acquisition process cited in OMB Circular 123 and GAO's Framework to Assess the Acquisition Function (2005). This will be a high-level, quantitative assessment of the strengths and weaknesses of OST's

acquisition function in which we will address the following: (1) organizational alignment and leadership (Has OST aligned acquisition with DOT's mission needs and provided clear and ethical leadership focused on communication?); (2) policies and processes (Has OST implemented clear and transparent policies and processes to govern its planning, awarding, administration and oversight of acquisitions?); (3) acquisition workforce (Has OST developed and maintained a competent acquisition workforce to support the Department's mission?); and (4) knowledge and information management (Does OST use of a variety of technologies, tools and data that help managers and staff make well-informed acquisition decisions?)

## *FHWA's Oversight of Federal-aid State ARRA Contract Award Practices*

OIG will determine whether FHWA's oversight of state level contracting award practices is adequate to ensure compliance with laws and regulations.

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

OIG will determine whether FTA's oversight of transit administration level contracting practices is adequate to ensure compliance with laws and regulations. ■



## Summary of Performance

### *Office of Inspector General*

April 1 – September 30, 2009

(Dollars in Thousands)

Reports Issued	61
Recommendations Issued	138
Congressional Testimonies	7
Total Financial Recommendations	\$24,639
That Funds Be Better Used	\$0
Questioned Costs	\$24,639
Indictments	46
Convictions	63
Fines, Restitutions, Recoveries and Cost Avoided	\$244,029



# Audits

## Completed OIG Reports

April 1 – September 30, 2009  
(Dollars in Thousands) \*

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
<b>Internal Audits</b>					
Performance/ Attestation Engagements	9	49	\$0	\$0	\$0
Financial Audits	0	0	\$0	\$0	\$0
<b>Other OIG Reports</b>	0	0	\$0	\$0	\$0
<b>Total Internal Audit Reports</b>	<b>9</b>	<b>49</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Grant Audits</b>					
Audits of Grantees Under Single Audit Act	52	89	\$24,639	\$0	\$0
<b>TOTALS</b>	<b>61</b>	<b>138</b>	<b>\$24,639</b>	<b>\$0</b>	<b>\$0</b>

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

DOT programs and operations are primarily carried out by the Department's own personnel and recipients of Federal grants. Audits by DOT's OIG, as a result, generally fall into three categories: internal audits of Departmental programs and operations, audits of grant recipients, and other OIG reports. The table above shows OIG's results for the 6 months covered by this report.

## *OIG Reports with Recommendations that Questioned Costs*

April 1 – September 30, 2009

(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	25	49	\$44,507	\$0
B. Which were issued during the reporting period	27	42	\$24,639	\$0
<b>Totals (A+B)</b>	<b>52</b>	<b>91</b>	<b>\$69,146</b>	<b>\$0</b>
C. For which a management decision was made during the reporting period	24	41	\$12,299	\$0
(i) dollar value of disallowed costs*	13	18	\$6,667	\$0
(ii) dollar value of costs not disallowed *	19	30	\$6,151	\$0
D. For which no management decision had been made by the end of the reporting period	29	50	\$56,846	\$0

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

## OIG Reports with Recommendations that Funds Be Put to Better Use

April 1 – September 30, 2009

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Funds to be Put to Better Use
A. For which no management decision had been made by the start of the reporting period	1	2	\$23,900
B. Which were issued during the reporting period	0	0	\$0
<b>Totals (A+B)</b>	<b>1</b>	<b>2</b>	<b>\$23,900</b>
C. For which a management decision was made during the reporting period	1	2	\$23,900
(i) dollar value of disallowed costs*	1	1	\$48,100
(ii) dollar value of costs not disallowed*	1	1	\$3,900
D. For which no management decision had been made by the end of the reporting period	0	0	\$0

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

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

April 1 – September 30, 2009

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	18	44
B. Which were issued during the reporting period	38	96
<b>Totals (A+B)</b>	<b>56</b>	<b>140</b>
C. For which a management decision was made during the reporting period*	33	85
D. For which no management decision had been made by the end of the reporting period*	28	55

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

AUDIT TYPE	# of Total Reports for this Reporting Period	# of Reports with Safety, Economy, or Efficiency Recommendations	# of Total Recommendations	# of Safety, Economy, or Efficiency Recommendations
Performance	9	9	49	49
Financial	0	0	0	0
Other	0	0	0	0
Grants	52	29	89	47
<b>TOTALS</b>	<b>61</b>	<b>38</b>	<b>138</b>	<b>96</b>



## Management Decisions Regarding OIG Recommendations

April 1 – September 30, 2009

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Unresolved as of 04/01/2009	42	95	\$44,507	\$0	\$23,900
Audits with Findings During Current Period	60	138	\$24,639	\$0	\$0
<b>Total to be Resolved</b>	<b>102</b>	<b>233</b>	<b>\$69,146</b>	<b>\$0</b>	<b>\$23,900</b>
<i>Management Decisions</i>					
Audits Prior Period ‡	28	56	\$7,203	\$0	\$23,900
Audits Current Period ‡	27	72	\$5,096	\$0	\$0
<b>Total Resolved</b>	<b>55</b>	<b>128</b>	<b>\$12,299</b>	<b>\$0</b>	<b>\$23,900</b>
<i>Aging of Unresolved Audits*</i>					
Less than 6 mos. old	35	66	\$19,542	\$0	\$0
6 mos. – 1 year	8	13	\$19,966	\$0	\$0
1 year – 18 mos.	6	12	\$4,983	\$0	\$0
18 mos. – 2 years	1	2	\$1,158	\$0	\$0
Over 2 years old	3	12	\$11,196	\$0	\$0
<b>Unresolved as of 09/30/2009</b>	<b>53</b>	<b>105</b>	<b>\$56,845</b>	<b>\$0</b>	<b>\$0</b>

‡ – Includes reports and recommendations where costs were both allowed and disallowed.  
 \* – Considered unresolved if management decisions have not been made on all report recommendations.

## Office of Inspector General Reports

April 1 – September 30, 2009

### DEPARTMENTWIDE

Grant Audits: Audits of Grantee Under Single Audit Act – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-089	09/21/2009	City of Phoenix	Improve grantee oversight

### FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance/Attestation – 6 reports

Report	Date	Title	Focus of Report/ Recommendations
AV-2009-047	04/23/2009	Controller Staffing at Key California Air Traffic Control (ATC) Facilities	FAA needs to focus on staffing, training, and maintaining experienced Air Traffic Controllers at Key ATC facilities.
FI-2009-049	05/04/2009	Review of Web Applications Security and Intrusion Detection in Air Traffic Control Systems	FAA needs to strengthen intrusion-detection capability web applications to monitor and detect potential cyber security incidents at ATC facilities.

Report	Date	Title	Focus of Report/ Recommendations
AV-2009-057	05/14/2009	FAA is Not Realizing the Full Benefits of the Aviation Safety Action Program (ASAP)	FAA needs to improve the program in (1) revising ASAP guidance, (2) clarifying the ERC's authority and role in ASAP, (3) require inspectors to redouble efforts, and (4) develop a central management database of all air carriers' ASAP reports.
AV-2009-059	06/08/2009	Training Failures Among Newly Hired Air Traffic Controllers	FAA needs to focus on developing procedures to obtain accurate data on training failures in order to effectively monitor and improve its controller training program
AV-2009-065	06/25/2009	Air Traffic Control: Potential Fatigue Factors	FAA needs to focus and take actions at the national level to mitigate potential fatigue factors and enhance the level of safety of the National Airspace System
AV-2009-066	07/13/2009	Report on On-Demand Operators: Less Stringent Safety Requirements and Oversight than Large Commercial Air Carriers	FAA needs to take actions to enhance safety and oversight of on-demand operators

# Statistical Performance Data

Grant Audits: Audits of Grantee Under Single Audit Act – 21 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-052	05/12/2009	State of Illinois	Improve grantee oversight
QC-2009-054	05/12/2009	Clark County, Nevada, Department of Aviation	Improve grantee oversight
QC-2009-055	05/12/2009	Antonio B. Won Pat International Airport Authority	Improve grantee oversight
QC-2009-058	05/19/2009	City of Fort Worth, TX	\$122,248 questioned
QC-2009-078	08/21/2009	Calhoun County, Mississippi	\$23,550 questioned
QC-2009-079	08/21/2009	City of Atlanta, Georgia	Improve grantee oversight
QC-2009-083	08/21/2009	Airport Authority, City of Sydney, Nebraska	\$13,901 questioned
QC-2009-086	08/25/2009	Gulfport-Biloxi Regional Airport Authority	\$2,450,143 questioned
QC-2009-087	08/25/2009	City of Tracy, California	\$1,454,400 questioned
QC-2009-093	09/23/2009	Broward County	Improve grantee oversight
QC-2009-095	09/23/2009	City of Red Bluff, California	\$22,372 questioned
QC-2009-096	09/23/2009	Johnstown-Cambria County Airport Authority	\$38,476 questioned
QC-2009-097	09/23/2009	City of Fort Lauderdale, Florida	\$48,674 questioned
QC-2009-098	09/23/2009	National Academy of Sciences	Improve grantee oversight
QC-2009-102	09/29/2009	State of Texas	Improve grantee oversight
QC-2009-103	09/29/2009	Michigan Department of Transportation	\$48,000 questioned
QC-2009-104	09/29/2009	Federated States of Micronesia National Government	\$1,175,981 questioned
QC-2009-105	09/29/2009	State of Rhode Island & Providence Plantations	\$641,620 questioned
QC-2009-107	09/29/2009	City of Fort Worth, Texas	\$82,543 questioned
QC-2009-108	09/29/2009	Commonwealth of Pennsylvania	\$67,757 questioned
QC-2009-109	09/29/2009	Capital Area Transit System	\$258,736 questioned



## FEDERAL HIGHWAY ADMINISTRATION

Grant Audits: Audits of Grantee Under Single Audit Act – 13 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-050	05/12/2009	State of New York	\$979,474 questioned
QC-2009-051	05/12/2009	Commonwealth of Kentucky	Improve grantee oversight
QC-2009-053	05/12/2009	Commonwealth of Pennsylvania	Improve grantee oversight
QC-2009-056	05/12/2009	State of Rhode and Providence Plantations	Improve grantee oversight
QC-2009-058	05/19/2009	City of Fort Worth, Texas	\$122,248 questioned
QC-2009-060	06/17/2009	State of Minnesota	\$11,151,000 questioned
QC-2009-062	06/17/2009	Commonwealth of Kentucky	Improve grantee oversight
QC-2009-063	06/17/2009	State of Louisiana	\$454,709 questioned
QC-2009-069	08/21/2009	City of Tulsa, Oklahoma	Improve grantee oversight
QC-2009-072	08/21/2009	State of Hawaii Department of Transportation Highways Division	Improve grantee oversight
QC-2009-074	08/21/2009	Puerto Rico Highways and Transportation Authority	Improve grantee oversight
QC-2009-084	08/25/2009	City of Kansas City, Missouri	\$554,496 questioned
QC-2009-099	09/29/2009	Government of Guam	Improve grantee oversight

## FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
FI-2009-067	07/30/2009	Report on the Audit of the Data Integrity of the Commercial Driver's License Information System	FMCSA has taken measures to strengthen the CDL program, but additional action is necessary to increase the safety of the Nation's highways
MH-2009-068	08/17/2009	Follow-up Audit on the Implementation of the North American Free Trade Agreement's Cross-Border Trucking Provisions	FMCSA continues to take actions to improve the border safety program, but needs to enhance the consistency of information reported to the Mexican Conviction Database (MCDB) and its capacity to perform safe and efficient bus inspections at border crossings.

## FEDERAL TRANSIT ADMINISTRATION

Grant Audits Audits of Grantee Under Single Audit Act – 18 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-061	06/17/2009	Tri-County Metropolitan Transportation, District of Oregon	Improve grantee oversight
QC-2009-070	08/21/2009	Dallas Area Rapid Transit	Improve grantee oversight
QC-2009-071	08/21/2009	Northern Arizona Intergovernmental Public Transportation Authority	\$155,539 questioned
QC-2009-073	08/21/2009	Orange County Transportation Authority	Improve grantee oversight
QC-2009-075	08/21/2009	Port Authority of Allegheny County	\$660,000 questioned
QC-2009-076	08/21/2009	Metropolitan Transit Authority of Harris County, Texas	Improve grantee oversight
QC-2009-077	08/21/2009	San Joaquin Regional Rail Commission	\$38,997 questioned
QC-2009-080	08/21/2009	City of Roanoke, Virginia	\$178,641 questioned
QC-2009-081	08/21/2009	Clark County, Nevada	Improve grantee oversight
QC-2009-082	08/21/2009	Massachusetts Bay Transportation Authority	Improve grantee oversight
QC-2009-085	08/25/2009	Southeastern Regional Transit Authority	\$554,496 questioned
QC-2009-087	08/25/2009	City of Tracy, California	\$1,454,400 questioned
QC-2009-091	09/23/2009	Ki Bois Community Action Foundation	\$105,670 questioned
QC-2009-092	09/23/2009	Miami-Dade County Transit Department	Improve grantee oversight
QC-2009-094	09/23/2009	Valley Regional Transit	\$65,074 questioned
QC-2009-100	09/29/2009	METRA	Improve grantee oversight
QC-2009-101	09/29/2009	Central Puget Sound Regional Transit Authority	Improve grantee oversight
QC-2009-106	09/29/2009	Los Angeles County Metropolitan Transportation Authority	\$3,332,211 questioned

## NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

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

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-051	05/12/2009	Commonwealth of Kentucky	Improve grantee oversight
QC-2009-064	06/17/2009	State of Delaware	\$495,544 questioned

## OFFICE OF THE SECRETARY OF TRANSPORTATION

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-048	04/24/2009	Quality Control Review of the Department's Implementation of Earned Value Management and Security Cost Reporting	The Department will establish a standard method to accurately and consistently estimate the costs of implementing IT security. The security cost estimates for Exhibit 300 submissions cannot be fully supported.



## Office of Inspector General Congressional Testimonies

April 1 – September 30, 2009

Control No.	Date	Subject	Before
CC-2009-058	04/29/2009	American Recovery and Reinvestment Act: DOT's Implementation Challenges and the OIG's Strategy for Continued Oversight of Funds and Programs	Committee on Transportation and Infrastructure U.S. House of Representatives
CC-2009-062	04/30/2009	American Recovery and Reinvestment Act: DOT's Implementation Challenges and the OIG's Strategy for Continued Oversight of Funds and Programs	Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies U.S. Senate
CC-2009-067	05/20/2009	Progress and Remaining Challenges in Reducing Flight Delays and Improving Airline Customer Service	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2009-081	06/10/2009	The Federal Aviation Administration's Role in Safety Oversight of Air Carriers	Committee on Commerce, Science and Transportation, Subcommittee on Aviation Operations, Safety, and Security U.S. Senate
CC-2009-075	06/11/2009	Regional Air Carriers and Pilot Workforce Issues	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2009-086	07/29/2009	Challenges in Implementing Performance-Based Navigation in the U.S. Air Transportation System	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives

# Statistical Performance Data

Control No.	Date	Subject	Before
CC-2009-096	09/10/2009	PHMSA's Process for Granting Special Permits and Approvals for Transporting Hazardous Materials Raises Safety Concerns	Committee on Transportation and Infrastructure U.S. House of Representatives

## *Unresolved Recommendations Over 6 Months Old*

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

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
Air Carriers Use of Non-Certificated Repair Facilities	AV-2006-031	12/15/05

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

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
Review of Amtrak Board of Directors	CR-2007-074	09/14/07
State of Minnesota	QC-2007-058	07/18/07

### **Cited in Semiannual Report for October 1, 2007 – March 31, 2008**

<b>Title</b>	<b>Report Number</b>	<b>Final Issue Date</b>
Oglala Sioux Tribe	QC-2008-037	03/06/08

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

Title	Report Number	Final Issue Date
Northern Arizona Intergovernmental Public Transportation Authority	QC-2008-083	09/25/08
Government of Guam	QC-2008-085	09/25/08
City of Nashua	QC-2008-073	09/03/08
Pioneer Valley Transit Authority	QC-2008-075	09/03/08
Tri-County Metropolitan Transportation District of Oregon	QC-2008-061	07/24/08
Review of FAA's Oversight of Airlines' Regulatory Partnership Programs and Internal Review Process	AV-2008-057	06/30/08

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

Title	Report Number	Final Issue Date
Review of FAA's Process for Investigating and Reporting Operational Errors and Pilot Deviations	AV-2009-045	03/24/09
Comanche Nation	QC-2009-044	03/20/09
State of Minnesota	QC-2009-042	03/17/09
North Delta Planning and Development District, Inc.	QC-2009-037	02/18/09
Clark County, Nevada	QC-2009-017	01/13/09
Orange County Transportation Authority	QC-2009-019	01/13/09
State of Maine	QC-2009-025	01/13/09
State of Hawaii, Department of Transportation	QC-2009-029	01/13/09

# Investigations

## *Judicial and Administrative Actions*

April 1, 2009 - September 30, 2009

Indictments	46
Convictions	63
Years Sentenced	81
Years Supervised Release	62
Years Probation	37
Hours of Community Service	788
Debarment/Suspension	12
Employee Terminations	0
Employee Suspensions	3
Reprimand	5
Resignation/Retirement	2
Counseling	5
Decertified	2
Federal Funding Reduced/Terminated	3
Certificate/License Suspended/Revoked/Terminated	8

---

### Financial Impact

---

Fines (& Special Assessments)	\$215,049,851
Restitution	\$23,330,001
Recoveries	\$4,514,860
Cost Avoided	\$1,134,636
<b>Total</b>	<b>\$244,029,348</b>

---

During the 6 month period covered by this report, 65 cases were opened and 82 were closed, leaving a pending caseload of 440. In addition, 37 individuals/companies were referred for prosecution, 27 were accepted for prosecution, and 45 were declined.



# Statistical Performance Data

## Profile of All Pending Investigations as of 09/30/2009

Types of Cases										
	Number of Cases	Aviation Safety	Motor Carrier Safety	HazMat	Contract Fraud	Grant Fraud	Qui Tam	Employee Integrity	Intrusion	Other
FAA	176	92	0	8	9	12	1	31	2	21
FHWA	115	0	0	0	35	66	5	1	0	8
FMCSA	65	0	45	11	0	0	0	2	0	7
FRA	2	0	0	1	0	0	0	0	0	1
FTA	30	0	0	0	7	22	0	0	0	1
MARAD	5	0	0	1	0	1	1	2	0	0
NHTSA	9	0	0	0	0	2	0	2	0	5
OST	9	0	0	0	3	0	0	3	1	2
PHMSA	24	0	0	21	0	0	0	2	0	1
RITA	3	0	0	0	1	0	0	2	0	0
Other	2	0	0	0	0	0	0	1	0	1
<b>Totals</b>	<b>440</b>	<b>92</b>	<b>45</b>	<b>42</b>	<b>55</b>	<b>103</b>	<b>7</b>	<b>46</b>	<b>3</b>	<b>47</b>
<b>Percent of Total:</b>		<b>21%</b>	<b>10%</b>	<b>10%</b>	<b>13%</b>	<b>23%</b>	<b>2%</b>	<b>10%</b>	<b>1%</b>	<b>11%</b>



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 is divided into two major units – audits and investigations - and three support units.

**The major units are:**

## *Audits and Evaluations*

**The Office of the Principal Assistant Inspector General for Auditing and Evaluations.**

This office supervises and conducts all audit activities related to DOT programs and operations. This office is divided according to specific DOT program areas into 5 sub-offices. The areas covered by these offices are Aviation and Special Programs; Financial and Information Technology, Highway and Transit Programs, Rail and Maritime programs and Economic Analysis, and Acquisition and Procurement. Audit staff are located in headquarters and field offices across the country.

## *Investigations*

### **The Office of the Principal Assistant Inspector General for Investigations.**

This office supervises and conducts OIG investigative activities related to DOT programs and operations. This office is divided according to geographical areas with 7 major regional office locations across the country except for one office located in HQ which conducts nationwide special investigations and analysis as well as managing the OIG Hotline Complaint Center and activities generated by the complaints.

### **The support units are:**

#### **The Office of the Assistant Inspector General for Legal, Legislative and External Affairs.**

This office 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.**

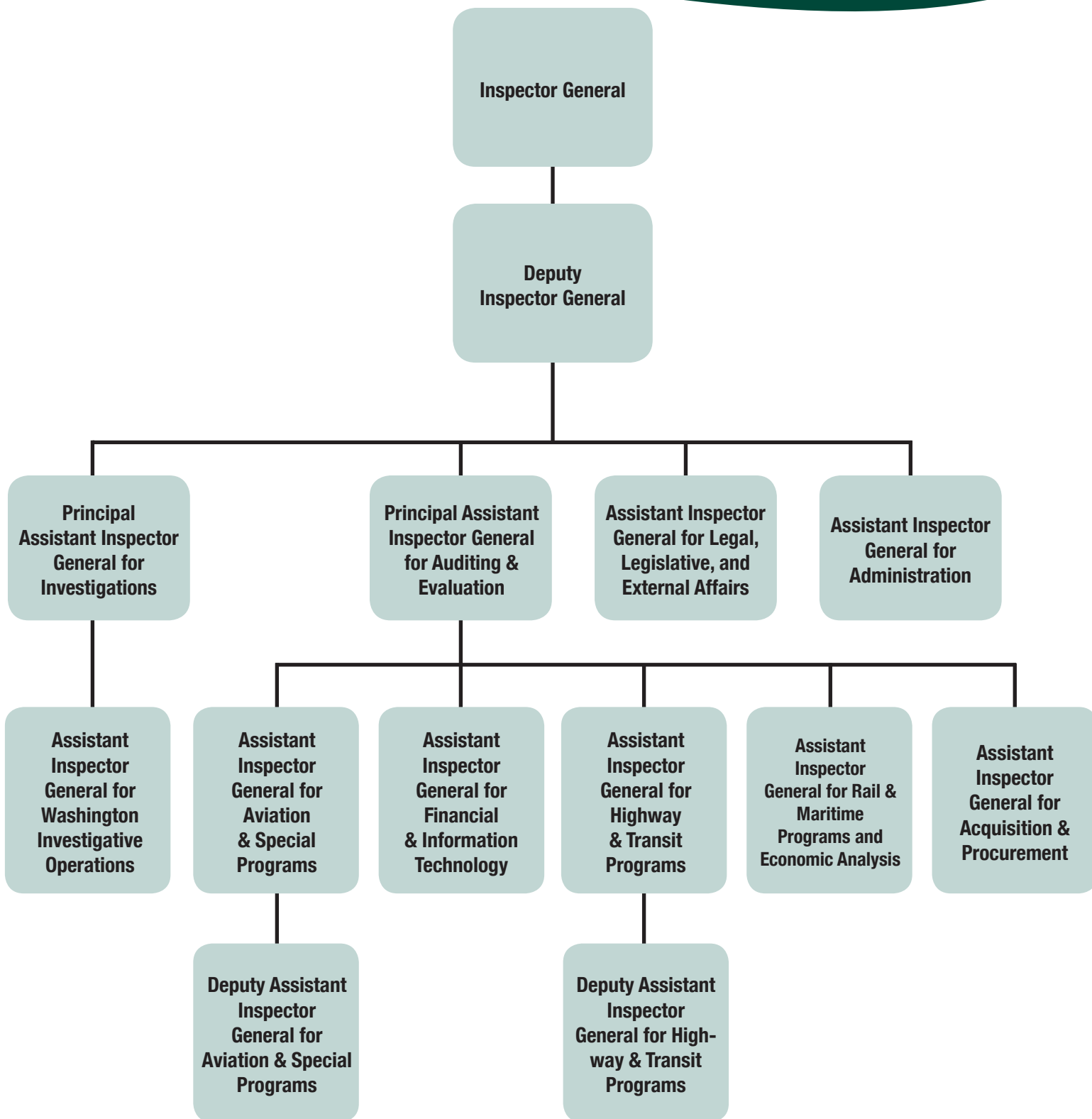
This office is divided into 4 sub-offices. They are the Office of Procurement and Administrative Services, the Office of Budget and Financial Management, the Office of Human Resources, and the Office of Information Technology Management.

#### **The Office of Quality Assurance Reviews and Internal Affairs.**

This office under the direction of the Deputy Inspector General ensures that internal operations and functions are performed objectively and in an efficient and effective manner.

# Mission and Organization

## Mission and Organization (cont.)





# Contacts

## **Inspector General**

Calvin L. Scovel III ..... (202) 366-1959

## **Deputy Inspector General**

David A. Dobbs ..... (202) 366-6767

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

Brian A. Dettelbach ..... (202) 366-8751

## **Principal Assistant Inspector General for Auditing and Evaluation**

Ann Calvaresi-Barr ..... (202) 366-1427

## **Assistant Inspector General for Investigations**

Timothy Barry ..... (202) 366-1967

## **Assistant Inspector General for Washington Investigative Operations**

Robert Westbrook (Acting) ..... (202) 366-1972

## **Assistant Inspector General for Aviation and Special Programs**

Lou Dixon..... (202) 366-0500

## **Deputy Assistant Inspector General for Aviation and Special Programs**

Matt Hampton..... (202) 366-1987

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

Rebecca C. Leng ..... (202) 366-1407

## **Assistant Inspector General for Highway and Transit Programs**

Joe Come ..... (202) 366-5630

## **Deputy Assistant Inspector General for Highway and Transit Programs**

Rosalyn Millman ..... (202) 366-5630

## **Assistant Inspector General for Rail and Maritime Programs and Economic Analysis**

Mitchel Behm (Acting) ..... (202) 366-9970

## **Assistant Inspector General for Acquisition and Procurement**

Mark Zabarsky ..... (202) 366-5225

## **Assistant Inspector General for Administration**

Susan Dailey ..... (202) 366-1748

<b>AF-OSI</b>	Air Force Office of Special Investigations
<b>AIP</b>	Airport Improvement Program
<b>AIR-21</b>	Aviation Investment and Reform Act for the 21st Century
<b>ARRA</b>	American Recovery and Reinvestment Act
<b>ASAP</b>	Aviation Safety Action Programs
<b>ATC</b>	Air Traffic Control
<b>ATO</b>	Air Traffic Organization
<b>ATOS</b>	Air Transportation Oversight System
<b>CDLIS</b>	Commercial Drivers License Information System
<b>CDL</b>	Commercial Drivers License
<b>CFO</b>	Chief Financial Officer
<b>CID</b>	Criminal Investigations Division
<b>CIO</b>	Chief Information Officer
<b>DBE</b>	Disadvantaged Business Enterprise
<b>DCAA</b>	Defense Contract Audit Agency
<b>DCIS</b>	Defense Criminal Investigative Service
<b>DHS</b>	Department of Homeland Security
<b>DOJ</b>	Department of Justice
<b>DOT</b>	Department of Transportation
<b>EPA</b>	Environmental Protection Agency
<b>FAA</b>	Federal Aviation Administration
<b>FBI</b>	Federal Bureau of Investigation
<b>FHWA</b>	Federal Highway Administration
<b>FISMA</b>	Federal Information Security Management Act
<b>FMCSA</b>	Federal Motor Carrier Safety Administration
<b>FRA</b>	Federal Railroad Administration
<b>FTA</b>	Federal Transit Administration
<b>FY</b>	Fiscal Year
<b>GAO</b>	Government Accountability Office
<b>HAZMAT</b>	Hazardous Material
<b>HTF</b>	Highway Trust Fund

<b>IG</b>	Inspector General
<b>IRB</b>	Investment Review Board
<b>IRS</b>	Internal Revenue Service
<b>IT</b>	Information Technology
<b>JPDO</b>	Joint Planning and Development Office
<b>MARAD</b>	Maritime Administration
<b>MOU</b>	Memorandum of Understanding
<b>NAFTA</b>	North American Free Trade Agreement
<b>NATCA</b>	National Air Traffic Controllers Association
<b>NAS</b>	National Airspace System
<b>NCIS</b>	Naval Criminal Investigative Service
<b>NHTSA</b>	National Highway Traffic Safety Administration
<b>NTSB</b>	National Transportation Safety Board
<b>OA</b>	Operating Administration
<b>OCIO</b>	Office of Chief Information Office
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OPM</b>	Office of Personnel Management
<b>OSI</b>	Office of Special Investigations
<b>OST</b>	Office of the Secretary of Transportation
<b>PCIE</b>	President's Council on Integrity and Efficiency
<b>PHMSA</b>	Pipeline and Hazardous Materials Safety Administration
<b>QCR</b>	Quality Control Review
<b>RITA</b>	Research and Innovative Technology Administration
<b>SAS-70</b>	Statement on Auditing Standards Number 70
<b>SafeStat</b>	Safety Status Measurement System
<b>SLSDC</b>	St. Lawrence Seaway Development Corporation

U.S. Department of Transportation  
Office of Inspector General  
1200 New Jersey Avenue, S.E.  
Washington, D.C. 20590

Hotline to report fraud, waste, and abuse:

Phone 800-424-9071

Fax 540-373-2090

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

OIG Website <http://www.oig.dot.gov>