



OFFICE OF INSPECTOR GENERAL
U.S. Department of Transportation

Semiannual Report to Congress

October 1, 2008 – March 31, 2009



Table of Contents

From the Inspector General	iii
In Focus: Top Management Challenges Facing DOT	1
Audits and Investigations	5
Aviation and Special Programs	5
Highway and Transit Programs	13
In Focus: Ensuring Accountability and Transparency	13
Rail & Maritime Programs and Economic Analysis	31
Financial and Information Technology	33
Acquisition and Procurement	37
Department-Wide Issues	39
Other Accomplishments	45
Work Planned and in Progress	49
Aviation and Special Programs	49
Highway and Transit Programs	52
Rail & Maritime Programs and Economic Analysis	53
Financial and Information Technology	54
Acquisition and Procurement	56
Statistical Performance Data	57
Summary of Performance	57
Audits	58
Completed OIG Reports	58
OIG Reports with Recommendations that Questioned Costs	59
OIG Reports with Recommendations that Funds Be Put to Better Use	60
OIG Reports Recommending Changes for Safety, Economy, or Efficiency	61
Management Decisions Regarding OIG Recommendations	62
OIG Published Reports	63
Office of Inspector General Congressional Testimonies	70
Unresolved Recommendations Over 6 Months Old	71
Investigations	73
Judicial and Administrative Actions	73
Profile of All Pending Investigations as of March 31, 2009	74
2008 Awards and Recognition	75
Mission and Organization	97
Contacts	100
Abbreviations	101

I am pleased to present the Department of Transportation Office of Inspector General's Semiannual Report to Congress for the 6-month period ending March 31, 2009. I commend and thank the hard-working OIG staff for their outstanding efforts and dedication to our mission. Our audit and investigative work continues to support the Department's goals of safety, reduced congestion, global connectivity, environmental stewardship, security, and organizational excellence. In addition, our work reflects our strong commitment to provide in-depth analyses on key transportation issues to serve and inform the public and congressional lawmakers.

Our work covered a wide range of challenges facing DOT as well as progress made, as noted in our Top Management Challenges report issued this period. Over the last 6 months, we issued 46 reports with 170 recommendations, including financial recommendations totaling nearly \$430 million.

Our audit work focused on significant aviation issues such as improving runway safety and advancing FAA's modernization efforts to enhance mobility and reduce congestion. This work resulted in multiple congressional testimonies, with special focus on reauthorization issues and FAA's specific challenges with moving forward with the Next Generation Air Transportation System (NextGen).

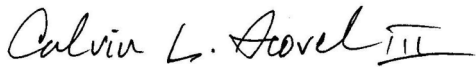
We also recommended critical safety improvements to prevent obsolescence in the Nation's aging surface transportation infrastructure. These included switching to data-driven oversight to strengthen bridge safety, meeting congressional requirements for the NAFTA cross-border demonstration project, and revising safety regulations to improve oversight of the Nation's railroads.

In addition, we recommended improvements to DOT's information security program and contract operations and issued quality control reviews of DOT's financial statements audits.

Our investigative work resulted in 60 convictions and a total of nearly \$60 million in fines, restitutions, and recoveries. These activities focused on preventing fraud in the areas of helicopter and aircraft parts, shipments of hazardous materials, construction grants and contracts, shipment of household goods, Disadvantaged Business Enterprise contracts, and ethics issues concerning DOT employees.

Going forward, we will begin structuring our workload to help DOT effectively oversee the \$48 billion provided for transportation programs in the American Recovery and Reinvestment Act of 2009. As part of this effort, we recently reported on the specific challenges DOT faces in managing the large infusion of funds and meeting new statutory and Office of Management and Budget requirements.

Finally, I would like to welcome Secretary LaHood to DOT, and look forward to working closely with him, his team, and the incoming 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.

A handwritten signature in black ink that reads "Calvin L. Scovel III". The signature is written in a cursive style with a prominent "C" and "S".

Calvin L. Scovel III

In Focus: Top Management Challenges Facing DOT

We recently released our tenth annual report on the top management challenges that face DOT in FY 2009. In his March 10, 2009, testimony, the Inspector General discussed major actions that DOT should take to maximize investments in transportation and ensure safety. The United States transportation system is vital to the Nation's economy and the quality of life for all Americans. Each year, DOT spends about \$70 billion on a wide range of efforts to enhance mobility and safety. This year, the American Recovery and Reinvestment Act infuses an unprecedented additional \$48 billion for Department programs, presenting new challenges throughout the Government and particularly for DOT.

While such an infusion of new funds is needed to create or preserve jobs and improve the United States transportation system, it will also create significant oversight issues for DOT and all of the Operating Administrations receiving stimulus funds.

Our FY 09 top management challenges report compliments the progress DOT made this past year on a number of important fronts, including commissioning several new runways to improve capacity and reduce delays within the National Airspace System; committing to data-driven, risk-based oversight of bridge safety; and receiving a "clean" opinion on DOT's financial statements. However, more remains to be done to improve oversight in other near-term areas such as maintaining the safety of the traveling public, bolstering the integrity of a rapidly changing airline industry, relieving congestion in the air and on the ground, and establishing long-term financing mechanisms for aviation and surface transportation programs.

FY 2009 Top Management Challenges

- Enhancing Aviation Safety and Maintaining Confidence in FAA's Ability To Provide Effective Oversight of a Rapidly Changing Industry
- Enhancing Mobility and Reducing Congestion in America's Transportation System
- Developing a Plan To Address Projected Highway and Transit Funding Shortfalls
- Maximizing the Return on Current Highway and Transit Infrastructure Investments
- Operating the National Airspace System While Developing and Transitioning to the Next Generation Air Transportation System
- Protecting Against Increasing Cyber Security Risks and Enhancing the Protection of Personally Identifiable Information
- Preventing Catastrophic Failures and Obsolescence in the Nation's Aging Surface Transportation Infrastructure
- Improving Contract Operations and Maintaining Procurement Integrity
- Enhancing and Deploying Programs for Reducing the Serious Consequences of Surface Transportation Crashes

Although addressing these challenges in an environment of uncertain financial markets, volatile fuel prices, and rising deficits will be a daunting task, DOT must continue to focus its efforts along three cross-cutting areas: ensuring accountability, effectiveness, and efficiency in Federal funding for transportation projects; improving oversight of aviation and surface safety; and ensuring the solvency of transportation trust funds, thereby improving mobility and reducing congestion.

Ensuring Accountability, Effectiveness, and Efficiency in Federal Funding for Transportation Projects

DOT is taking steps to promote accountability and transparency in transportation funding associated with the recovery program. We have been working with DOT officials to review each Operating Administration's management of recovery program funds. Specifically, we are examining potential risks related to program structure, Operating Administrations' oversight process and staffing, state and local grantees' management and technical capabilities, cost and schedule estimates, contract management and oversight, and fraud deterrence efforts. Based on our initial assessment and our past and ongoing work, we found four immediate areas of potential vulnerability that DOT needs to address:

- building an effective acquisition workforce to achieve the goals of the economic recovery program;
- establishing effective contracting mechanisms and financial practices to make sound decisions under tight timeframes and avoid wasteful spending;
- proactively reforming mechanisms to combat fraud, waste, and abuse in an environment of significantly increased funding to state and local levels; and
- developing comprehensive oversight of highway and transit investments.

Improving Oversight of Aviation and Surface Safety

Improving transportation safety is DOT's primary goal. This past year, DOT has improved safety on a number of fronts, including launching an industry/government partnership to improve runway safety and committing to data-driven, risk-based oversight of bridge safety. However, there are still numerous vulnerabilities in aviation and surface transportation programs. For example, drastic changes in airline consolidation and downsizing continue to impact the aviation industry, and widely publicized lapses in FAA oversight emphasize the need to continually adapt its oversight of air carriers, external repair facilities, and runways. In addition, the average bridge in the United States is 43 years old, and almost one in four bridges is either structurally deficient and in need of repair or functionally obsolete and too narrow for today's traffic volumes. To enhance the margin of safety in the Nation's transportation programs, DOT needs to focus on three key areas:

- maintaining public confidence in FAA's ability to oversee a dynamic aviation industry,
- addressing obsolescence in the Nation's aging surface infrastructure and enhancing surface safety programs, and
- protecting networks and computers against cyber security risks.

Ensuring the Solvency of Transportation Trust Funds, thereby Improving Mobility and Reducing Congestion

A significant challenge for DOT regarding funding for Federal highway, transit, and aviation programs is ensuring solvency in the transportation trust funds to enhance mobility and reduce congestion. Congestion-related problems impact all modes of transportation. For example, flight delays and cancellations have continued to be a concern in 2008, and the Nation's highways are experiencing record levels of congestion. DOT estimates that such problems cost the Nation almost \$200 billion per year. Therefore, in an effort to support funding levels, DOT must focus on the following challenges:

- maintaining the solvency of the Highway and Aviation Trust Funds,
- operating and maintaining the National Airspace System while developing and transitioning to the next generation air transportation system, and
- reducing aviation and surface congestion. ■



Aviation and Special Programs

Audits

FAA's Management and Maintenance of Air Traffic Control Facilities

December 15, 2008

This report represents the results of our audit of the FAA's management and maintenance of air traffic control facilities. FAA has invested billions of dollars in new equipment for handling higher levels of air traffic in more complex airspace. However, the facilities that house those systems are aging and showing signs of deteriorating physical conditions. We conducted this audit at the request of the Chairman of the House Committee on Transportation and Infrastructure, who expressed concerns about the overall state

of FAA facilities. The objectives of our audit were to determine if FAA has (1) developed and implemented a comprehensive strategy to effectively manage the replacement, repair, and modernization of its air traffic control facilities and (2) allocated sufficient funds to carry out those activities. We found that many air traffic control facilities have exceeded their useful lives. While the average facility has an expected useful life of approximately 25 to 30 years, 59 percent of FAA facilities are over 30 years old. FAA is encountering maintenance problems at several facilities due to its previous, decentralized approach to facility maintenance and its lack of a structured process for funding recurring maintenance. FAA has historically focused on addressing maintenance problems as they arose, but it is beginning to move toward a proactive approach that merges

facility-level priorities with better national oversight. However, FAA's new processes still focus on sustaining the existing system, and FAA must work to ensure it has a system of facilities well-equipped for the long term. Our recommendations focus on the actions FAA needs to take to maintain its existing air traffic control facilities and effectively transition to Next Generation Air Transportation System (NextGen). They include (1) determining what types of facilities will be needed, how many facilities will be needed, and where they should be located to effectively support NextGen; (2) identifying target dates for realigning or consolidating facilities; and (3) establishing realistic funding requirements for maintaining existing sites until those dates.

Letter to Chairmen Murray and Oberstar Regarding Review of DOT and FAA Actions Related to Slot Auctions at New York Airports

January 15, 2009

This letter to Chairmen Murray and Oberstar represents the results of our review of the DOT and the FAA's actions regarding final rulemaking activities related to the auction of take-off and landing slots at LaGuardia, John F. Kennedy, and Newark airports. This review was requested by Patty Murray, Chairman of the Senate Subcommittee on Transportation, Housing and Urban Development, and Related Agencies and James Oberstar, Chairman of the House Committee on Transportation and Infrastructure. FAA planned to auction up to 66 slots at the three New York airports in January 2009. However, in September 2008, the Government Accountability Office (GAO) found that FAA does not have the statu-

tory authority to auction the slots and stated that if FAA moves forward and uses the auction proceeds, it would violate the Anti-deficiency Act and the Purpose Statute. DOT disagreed and, based on a legal opinion from the Department of Justice (DOJ), FAA signed the final rules to auction the slots. In December, the U.S. Court of Appeals issued a stay, which prevented FAA from auctioning the slots pending further judicial review. Consistent with the Chairmen's request, we focused our review on two issues related to the rulemaking activities. First, in light of the GAO opinion, did FAA and DOT actions constitute a willful violation of the Act and Purpose Statute? Second, were career FAA and DOT staff coerced, compelled, or otherwise required by their supervisors to knowingly engage in illegal conduct? We found that FAA and DOT officials have a valid defense against the anti-deficiency charge because they can demonstrate a good faith belief that what they were doing was lawful, based on DOJ's external, legal opinion. A final decision on whether the Act was violated will depend on how various, interrelated legal issues are resolved in Federal courts. In addition, while FAA staff felt considerable pressure from the Department, they told us that they were not coerced or otherwise compelled to agree with the decision to sign the final rules for the slot auctions.

Key Issues for Reauthorizing the FAA

February 11, 2009

The Inspector General testified before the House Subcommittee on Aviation on key issues regarding FAA reauthorization. FAA does not have a long-term authorization or funding mechanism in place and has been operating on a short-term extension since September, which expires next month. However, the aviation environment has

changed significantly since Congress last debated proposals for reauthorizing and financing FAA. The current economic crisis and volatile fuel costs have forced many airlines to make major service cuts, although load factors remain high. The decline in traffic has also impacted the Aviation Trust Fund, the largest source of revenue for FAA's \$15 billion annual budget. Notwithstanding the uncertainties facing the industry, this situation provides FAA with opportunities to focus on key challenges it must address to be strategically positioned for an industry rebound. The Inspector General noted four overarching areas that need to be at the center of FAA's efforts over the next several years (1) maintaining public confidence in FAA's ability to provide oversight of a dynamic industry, (2) setting expectations and budget priorities for Next Generation Air Transportation System, (3) bolstering key safety workforces, and (4) financing future airport development while facing unstable long-term airport funding mechanisms.

Actions Taken and Needed to Improve FAA's Runway Safety Area Program

March 3, 2009

This report represents the results of our audit on the FAA's Runway Safety Area (RSA) Program. Specifically, we assessed airport sponsors' and FAA's progress and challenges in fulfilling the congressional mandate to improve 454 RSAs by 2015. Overall, we found that there has been significant progress since 2000 with the Agency reporting improvements for more than 70 percent of the 454 RSAs. FAA has also been generally effective in identifying, prioritizing, and funding needed RSA improvements. However, FAA still faces major challenges (i.e., man-made, natural, environmental, and legal) in improving several RSAs, including those at 11 of the Nation's 30 largest airports. Moreover, FAA needs to focus on modifying or removing non-standard

navigation aids in RSAs, including some that pose considerable safety risks to aircraft and their passengers if struck during a runway overrun. Another key focus area for FAA is improving the quality of its RSA data. Ultimately, this will enhance FAA's annual RSA report to Congress, which currently does not provide sufficient detail for decision makers on completed or needed RSA improvements. Our recommendations to FAA focus on (1) developing a plan to improve RSAs at 11 airports to the fullest extent practical; (2) developing and implementing a program to remove non-



modify non-standard navigation aids located in RSAs; (3) issuing detailed guidance to and conducting training for staff who identify, track, and report the status of RSAs; (4) implementing quality control procedures to ensure the accuracy and integrity of RSA data; and (5) expanding the annual report to Congress to better reflect the true status of RSA improvement activities.



The Joint Program Office's Management of the Intelligent Transportation Systems (ITS) Program Needs to be Improved

March 11, 2009

This report represents the results of our audit on RITA's Intelligent Transportation Systems (ITS) Joint Program Office (JPO). We assessed whether the JPO is effectively managing and overseeing the ITS program by (a) tracking project results and outcomes, (b) managing the ITS budget and overseeing contracts, and (c) providing direction and cross-modal coordination. While ITS initiatives have achieved DOT-wide support, we found weaknesses in how the JPO measures project results, executes budget and contract procedures, and manages ITS research projects. Specifically, the JPO has not ensured that its contractors' assessments of ITS projects have been useful, timely, or complete. In addition, contractors were producing costly, duplicative work. We also found the JPO was operating

without documented budget procedures. As a result, ITS financial reports were not consistently reconciled in 2008, and nearly \$20 million in unneeded funds was left on old contracts and agreements. Furthermore, we found the JPO lacked uniform project management standards and project benefit-cost analyses; such procedures might have mitigated cost overruns and delays experienced by several ITS initiatives. Finally, we found that the JPO needs to address conflicts of interest, such as allowing the Volpe Center to both oversee and administer the Safe Trip-21 project. Our recommendations to JPO focus on (1) strengthening the ITS assessment program, (2) restructuring support contractor services, (3) documenting budget procedures, (4) coordinating with FHWA to de-obligate nearly \$20 million in unneeded funds on old contracts and agreements, and (5) strengthening project management by requiring uniform procedures and benefit-cost analyses. We also recommend that RITA transfer oversight of the Safe Trip-21 project from Volpe to the JPO to avoid conflicts of interest and to comply with DOT Order 2300.8.

FAA Actions Needed To Achieve Mid-Term Next Generation Air Transportation System (NextGen) Goals

March 18, 2009

The Inspector General testified before the House Subcommittee on Aviation regarding FAA actions needed to achieve near- and mid-term goals for NextGen. The Inspector General stated that FAA has an important opportunity to strategically position the system for a rebound in air travel demand. After more than 4 years of planning, FAA must take a number of actions to advance the billion-dollar, multi-faceted NextGen effort. First, FAA must sustain the existing National Airspace System. This includes maintaining ground-based radars, navigation equipment, and aging facilities. FAA must make numerous critical decisions on existing systems over the next several years that will have significant budgetary implications and materially affect the pace of NextGen. It will also be important for FAA to focus on near-term efforts that can enhance the flow of air traffic even before NextGen is fully in place. These include new airport infra-

structure projects, airspace redesign projects, and performance-based navigation initiatives (i.e., Area Navigation and Required Navigation Performance). In addition, FAA is focusing considerable attention on NextGen's mid-term goals, targeted for 2018, but it has not reached consensus with stakeholders on how best to move forward, and fundamental issues remain to be addressed. To highlight transition issues and establish requirements, FAA must complete its ongoing "gap analysis" of the current and vastly different NextGen systems and refine the NextGen mid-term architecture. Finally, FAA needs to take a number of business and management actions to help shift from NextGen planning to mid-term implementation. These include (1) establishing priorities and Agency commitments with stakeholders and reflecting them in budget and plans; (2) managing NextGen initiatives as portfolios and establishing clear lines of responsibility, authority, accountability; (3) acquiring the necessary skill mix for managing and executing NextGen; and (4) examining what can reasonably be implemented in given time increments.

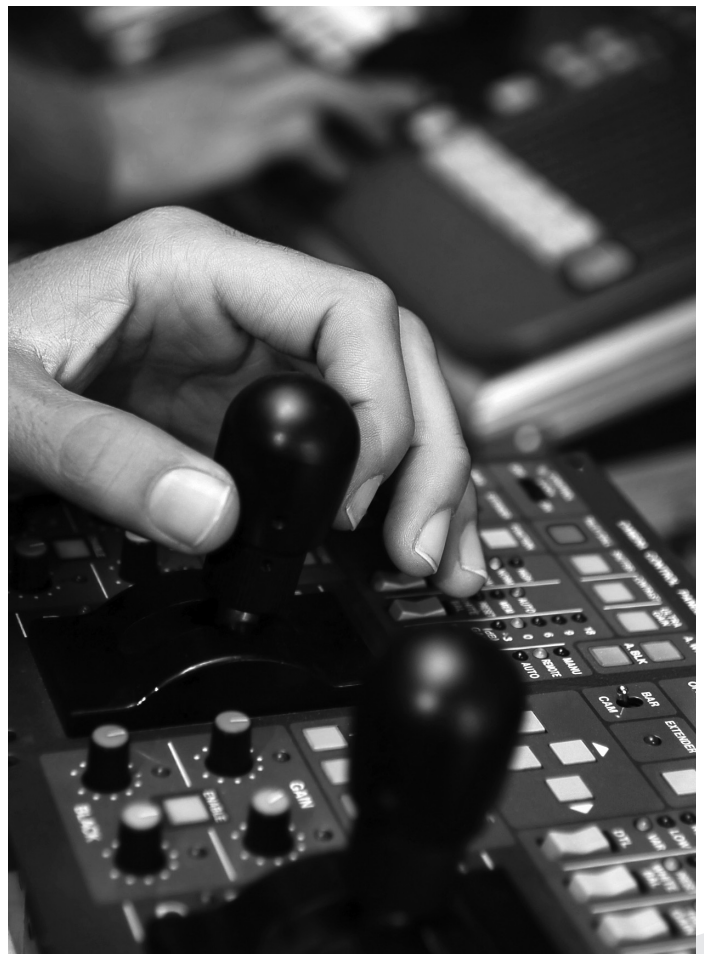


FAA's Process for Reporting and Investigating Operational Errors

March 24, 2009

This report represents the results of our review of FAA's process for reporting and investigating operational errors. This review was requested by Chairman Oberstar of the House Committee on Transportation and Infrastructure and Chairman Costello of the House Subcommittee on Aviation. Their request was prompted by our 2007 investigation at the Dallas Fort-Worth (DFW) Terminal Radar Approach Control (TRACON) facility, which we conducted after whistleblowers alleged that facility management was intentionally misclassifying operational errors. Chairmen Oberstar and Costello were concerned that the operational error reporting problems found at the DFW TRACON may be occurring at other Air Traffic facilities. Accordingly, our audit objectives were to (1) determine whether FAA has adequate policies and procedures to ensure accuracy and consistency in operational error reporting and (2) review the roles and responsibilities of the Air Traffic Organization (ATO) and FAA's Aviation Safety line of business in reporting and investigating operational errors. While the events that transpired at DFW TRACON were not occurring system-wide, we did identify control and oversight weaknesses in FAA's process for reporting and investigating losses of separation caused by pilots and controllers. These weaknesses were due in part to inadequate FAA guidance for investigating these events and insufficient staffing in the ATO Safety Office. Further, FAA's current processes do not ensure that all losses of separation are accurately reported across terminal and en route facilities

or consistently evaluated for severity. FAA has initiated actions to correct some of these weaknesses, but additional actions and follow-up are still needed. Specifically, FAA needs to improve its process for reporting and investigating losses of separation by (1) improving inspectors' procedures for investigating pilot deviations, (2) evaluating losses of separation caused by pilots and controllers consistently, and (3) implementing a full-time separation conformance tool. FAA also needs to enhance the ATO's oversight role in ensuring that losses of separation are reported accurately by (1) implementing planned organizational changes in a timely manner, (2) involving Flight Standards early in the event determination process, and (3) improving its facility oversight during Air Traffic facility audits. ■



Investigations

Owner of Aircraft Company Ordered to Pay Fines and Restitution Totaling \$613,000

December 3, 2008

Robert A. Schlotzhauer, owner of Falcon Helicopters, Inc. (FALCON) was sentenced on December 3 in U.S. District Court, Kansas City, Missouri, in connection with a fraudulent helicopter repair and sales scheme. In March 2008, Mr. Schlotzhauer pled guilty to Federal charges of wire fraud and money laundering. In March 2006, Mr. Schlotzhauer and his company FALCON, Lee's Summit, Missouri, were indicted on charges involving

a fraudulent helicopter repair and sales scheme which involved falsification of airworthiness records and the use of unapproved repair methods and aviation parts. Mr. Schlotzhauer purchased helicopters that were substantially damaged in accidents, returned two of them to service with fraudulent paperwork, and then offered these helicopters for sale in interstate commerce. He was also charged with bank fraud and money laundering; after receiving his customers' payments, he tried to hide the money by transferring it from one account to another. Mr. Schlotzhauer was sentenced to 12 months' home confinement, 24 months' supervised release, and ordered to pay a fine of \$550,000 and restitutions of \$63,854. Schlotzhauer has also surrendered his FAA Certifications



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Israel Airline Enters Into a Plea Agreement for Violations of the Sherman Antitrust Act

February 4, 2009

On February 4, El Al Israel Airlines Ltd (El Al), a corporation organized and existing under the laws of Israel, entered into a plea agreement with the United States District Court, District of Columbia for violations of the Sherman Antitrust Act. The plea agreement states that from January 2003 until at least February 14, 2006, employees from the company's cargo division participated in a conspiracy with one or more providers of air cargo services to suppress and

eliminate competition by fixing one or more components of the cargo rates charged to customers for certain air cargo services. El Al employees also engaged in discussions and attended meetings with representatives of one or more providers of air cargo services

where agreements were reached to fix one or more components of the cargo rates charged to purchasers of certain air services flying into and out of the United States. Pursuant to the Federal Rules of Criminal Procedure, the United States and the defendant agree to recommend jointly that the court impose a sentence requiring the defendant to pay a criminal fine of \$15.7 million. This plea agreement is the result of a large-scale

investigation into price fixing and collusion in the airline industry that is being coordinated by the U.S. Department of Justice Antitrust Division. This investigation is being conducted jointly with the FBI and the U.S. Postal Service OIG.

Charter Jet Company Officials Arrested in Connection with a 2005 Plane Crash

February 4, 2009

Platinum Jet Management, LLC; (PJM); its co-founders, Michael Brassington, Paul Brassington, and Andre Budhan; and maintenance director Brian McKenzie were arrested on February 4 by special agents of the OIG and FBI; in part for their alleged involvement in events related to the February 2, 2005 airplane crash at Teterboro Airport in New Jersey which resulted in numerous injuries. The NTSB investigation concluded that the aircraft's center of gravity was incorrect, which contributed to the crash. The arrest stemmed from a January 23, 2009, indictment that charged the individuals, along with two others, Joseph Singh and Francis Vieira, with conspiracy, making false statements, and destruction of an aircraft. According to the indictment the individuals conspired to violate regulatory requirements, allowing the company to operate as an air charter operation without holding the required FAA certificate pursuant to Federal Aviation Regulation Part 135, which provides operating and safety requirements for on-demand commercial air operations.

The indictment also alleged that Michael Brassington, Francis Vieira and others falsified the weight and balance configurations for several

PJM aircraft in an effort to load extra fuel onto the aircraft. According to the indictment, PJM flew more than 25 commercial charter flights utilizing two separate aircraft with centers of gravity that exceeded the aircrafts' forward limits, lied about it in FAA-required documents, and operated in excess of 85 commercial flights without Part 135 certification. This investigation was conducted with assistance of the FAA's Eastern Region Flight Standards Division. As in any criminal case, suspects are presumed innocent unless and until proven guilty. The charges filed merely contain allegations of criminal conduct.

Georgia Commercial Shipper Sentenced to Five Years' Probation for Hazardous Materials Violations

February 26, 2009

Ngu David Tran and his company, Trans Design, Inc., Forest Park, Georgia, were sentenced on February 26 in U.S District Court, Atlanta, Georgia, in connection with a scheme to illegally transport hazardous materials in air commerce. The investigation revealed that Tran and Trans Design, Inc. shipped chemicals via United Parcel Service and Federal Express on multiple occasions without declaring them as hazardous materials. Tran's activities were discovered when a shipment leaked onboard an aircraft causing the entire aircraft to be unloaded and cleaned. These chemicals were seized by the FAA and turned over to the OIG as evidence. Tran was sentenced to serve five years probation, ordered to perform 100 hours of community service. Trans Design, Inc. was sentenced to serve five years probation, fined \$119,000, assessed an administrative penalty by the FAA in the amount of \$137,500. ■



Highway and Transit Programs

IN FOCUS: ENSURING ACCOUNTABILITY AND TRANSPARENCY

The American Recovery and Reinvestment Act of 2009

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act (ARRA), which designated over \$48 billion to the Department of Transportation (DOT). 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.” Key provisions of ARRA are preserving and creating jobs, promoting economic recovery, and investing in transportation infrastructure that will provide long-term economic benefits. In addition to providing funding

for a number of existing DOT programs, ARRA directs DOT to create several new programs and establishes tight time frames for distributing and expending funds and for reporting results.

The vast majority of ARRA funding received by DOT, goes to the Federal Highway Administration (FHWA), the Federal Railroad Administration (FRA), and the Federal Transit Administration (FTA) for the construction and/or maintenance of highway, road, bridge, transit, and rail projects. The remaining ARRA funds are distributed among the Office of the Secretary of Transportation (OST), the Federal Aviation Administration (FAA), the Maritime Administration (MARAD), and OIG.

Table 1. Distribution of ARRA Funds Within DOT

DOT Component	Stimulus Funds (millions)	Percent of Total
FHWA	\$27,500	57.15%
FRA	\$9,300	19.33%
FTA	\$8,400	17.46%
OST	\$1,500	3.12%
FAA	\$1,300	2.70%
MARAD	\$100	0.21%
OIG	\$20	0.04%
Total	\$48,120	100.00%

Source: ARRA.

Table 1 shows the distribution of ARRA funding within DOT.

Both the President and Congress have emphasized the need for accountability, efficiency, and transparency in the allocation and expenditure of ARRA funds. Accordingly, the Office of Management and Budget (OMB) has called on Federal agencies to (1) award and distribute funds in a prompt, fair, and reasonable manner; (2) ensure the recipients and uses of the funds are transparent to the public, and the resulting benefits are reported clearly, accurately, and promptly; (3) ensure funds are used for authorized purposes and to mitigate instances of fraud, waste, and abuse; (4) avoid unnecessary project delays and cost overruns; and (5) achieve specific program outcomes and improve results on economic indicators.

Identifying Immediate Oversight Challenges Facing the DOT

The significant increase in funding for transportation projects associated with ARRA adds new challenges on top of the longstanding ones we



have highlighted in past reports to the Secretary of Transportation and Congress. At the same time, ARRA presents an opportunity for DOT to make needed or neglected investments in the repair, rehabilitation, and modernization of our aging transportation infrastructure; to fund projects to reduce congestion; and to improve the safety of our Nation's transportation system.

Our March 31, 2009 report, "American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation," identified the following three challenges and 10 areas where DOT must exhibit sustained and effective actions and oversight.

Audits and Investigations

Highway and Transit Programs

<i>Challenges</i>	<i>Focus Areas</i>
<p>Ensuring that DOT's grantees properly spend ARRA funds</p>	<ol style="list-style-type: none"> 1. Acquire sufficient personnel with relevant expertise to oversee grantees. 2. Adhere to existing Federal requirements for programs funded under ARRA. 3. Evaluate the credibility and completeness of cost and schedule estimates. 4. Oversee grantees' contracting management activities and ensure selection of appropriate contract types. 5. Address internal control weaknesses and identify unused funds for use elsewhere.
<p>Implementing new accountability requirements and programs mandated by ARRA in an effective manner</p>	<ol style="list-style-type: none"> 6. Implement new ARRA tracking and reporting requirements that are designed to promote accountability and transparency. 7. Develop comprehensive plans and sound criteria for the new discretionary grant and passenger rail programs within statutory deadlines. 8. Develop appropriate oversight strategies for the new discretionary grant and passenger rail programs.
<p>Combating fraud, waste, and abuse</p>	<ol style="list-style-type: none"> 9. Enhance understanding among DOT staff, grantees, and their contractors on how to recognize, prevent, and report potential fraud to the appropriate authorities. 10. Take timely and effective action to suspend and/or debar individuals or firms that have defrauded the Department so they do not receive Federal contracts in the future.

To ensure that the potential risks discussed in our report were sufficiently considered, we recommended that the Secretary of Transportation develop an oversight implementation plan that outlines the key actions DOT already has underway or will take to address the above focus areas. In addition, we recommended that the plan prioritize the greatest risks for DOT and address open OIG recommendations from prior audit reports that have relevance to the implementation of ARRA. DOT concurred with our recommendations and agreed to provide us with a document outlining actions taken and planned to address our focus areas by May 1, 2009.

Fulfilling Our ARRA Oversight Responsibilities

The ARRA designated \$20 million to DOT OIG through 2013 to conduct audits and investigations of DOT projects and activities funded by ARRA. We appreciate the additional funding which will help to ensure we have the staff, travel budget, information technology, and other resources needed to help achieve new, ARRA-related goals. The Inspector General, along with nine other Inspectors General, serves on the newly established Recovery and Transparency Board (“The Board”). The Board was established to coordinate and conduct oversight of ARRA funds to prevent fraud, waste and abuse. The Inspector General also co-chairs the Council on Inspectors General on Integrity and Efficiency (CIGIE) Economic Recovery Working Group. As discussed below, our office has already taken a variety of actions to best position itself to meet the increased workload under ARRA and we remain committed to protecting the Federal investment over the long term.

Hiring Additional High Caliber Staff

We are working aggressively to hire new auditors and investigators and have already issued numerous vacancy announcements. Further, on March 31, 2009, the Office of Personnel Management gave us authority to utilize “rehired annuitants” to supplement our staff. Being able to expeditiously hire high-caliber staff is critical so we can deploy them to track the influx of ARRA funds poured into the economy and deal with the increased workload of “hotline” complaints that are likely to occur as ARRA projects begin construction. By the next semiannual reporting period, we plan to have a talented new group of auditors and investigators on board to supplement our existing staff.

Developing and Implementing an Oversight Plan

In anticipation of ARRA’s passage, we initiated a three-phase approach to conducting related work. We completed Phase 1 in March with the issuance of our report on key oversight challenges facing DOT. We also identified several audits that we started prior to ARRA’s passage but have a direct connection to the programs funded under ARRA and related requirements. We are planning to fast track the most time-sensitive results of our work on these audits to make sure we are providing the Department, Congress, and taxpayers with timely and relevant information.

Phase 2 of our strategy is a short term initiative and involves a systematic scan, or structured survey, of the DOT agencies that received funding in ARRA, based on the 10 focus areas identified in our March report. These scans will examine vulnerabilities in program management and planning that could impede DOT’s ability

to provide effective oversight to ARRA-funded projects and meet new statutory and OMB requirements. We plan to begin reporting the results of Phase 2 this summer through a series of ARRA advisories to the Department. Phase 3 is a long term initiative in which we will drill down on high-risk areas that emerge as a result of our agency scans. We will use this information to develop a long-term plan that lays out OIG's ARRA audits and investigative initiatives.

Expanding our Proactive Investigative Efforts

Since ARRA was enacted we have been working constructively with DOT officials to assist them in their counter-fraud outreach efforts. For example, the Secretary of Transportation and the Inspector General hosted a webcast to DOT staff that focused on how to prevent fraud,

waste, and abuse involving common fraud schemes. Further, our special agents have also been and will continue providing fraud prevention and awareness briefing throughout the United States to DOT highway and transit staff and their grantees at the state and local levels and coordinating with their law enforcement counterparts regarding our economic recovery investigative efforts.

We recognize that risks of fraud will increase as the recovery funds are poured into the economy in the coming months and construction begins. We plan to continue our investigative outreach efforts, investigate allegations of fraud, vigilantly present cases to the Department of Justice for prosecution and ensure that DOT and states take appropriate suspension and debarment actions. ■

Audits

Testimony to NTSB on the January 2, 2008, Victoria, Texas, Motor Coach Accident

October 7, 2008

The Assistant Inspector General for Highway and Transit Audits testified at the National Transportation Safety Board's hearing covering a motor coach crash that occurred on January 2, 2008, in Victoria, Texas. At the request of the NTSB, the testimony covered prior Office of Inspector General audit report findings and recommendations pertaining to Mexico-domiciled bus inspections performed at United States-Mexico border crossings and Mexico-domiciled vehicle

compliance with United States Federal Motor Carrier Safety Standards while operating in the United States.

National Bridge Inspection Program: Assessment of FHWA's Implementation of Data-Driven, Risk-Based Oversight

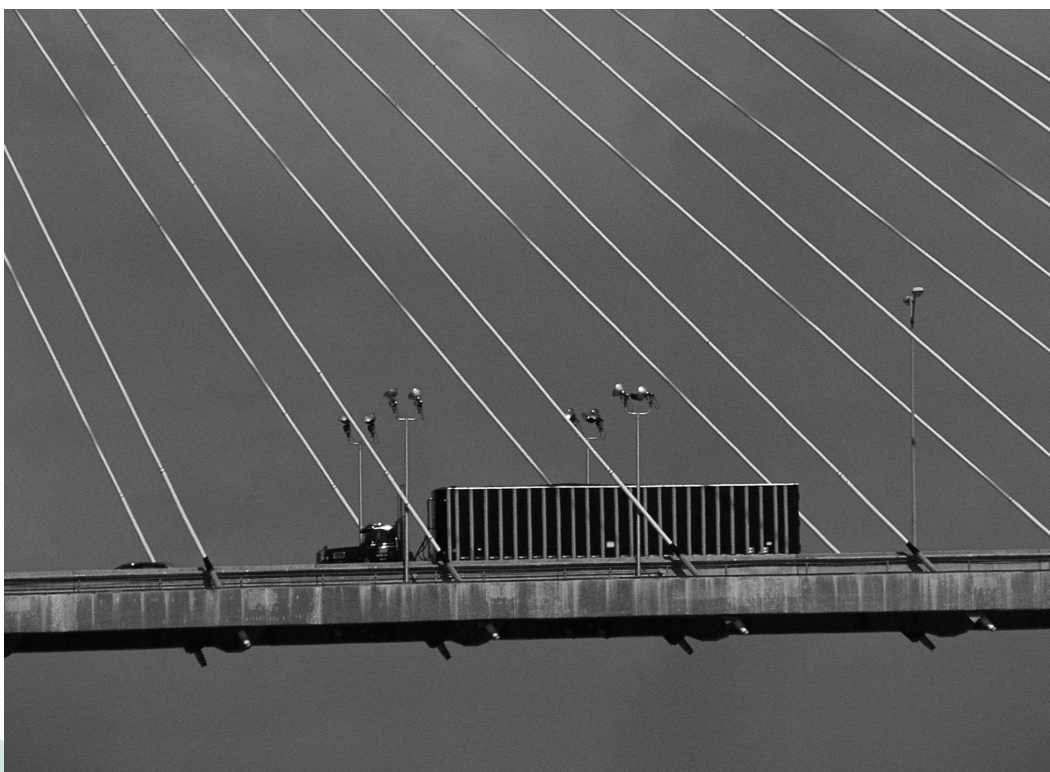
January 12, 2009

This report represents the results of our audit on the Federal Highway Administration's (FHWA) implementation of data-driven, risk-based oversight of the National Bridge Inspection Program. Our objectives were to evaluate FHWA's (1) implementation of a data-driven, risk-based

oversight to target bridge safety risks most in need of attention, particularly those related to load ratings and postings and (2) promotion of state use of bridge management systems. Our review found that FHWA made limited progress implementing data-driven, risk-based bridge oversight. Although FHWA's annual review of state bridge inspection programs assured compliance with Federal standards, it did not incorporate routinely a systematic data-driven approach to identifying, prioritizing, and remediating nationwide bridge safety risks in coordination with states. Additionally, we found that FHWA could strengthen its role in expanding states' use of bridge management systems, which are computerized systems that prioritize replacement and repair projects and help ensure bridge safety. We recommended that the FHWA Administrator develop and implement minimum requirements for data-driven, risk-based bridge oversight during bridge engineers' annual Na-

tional Bridge Inspection Standards (NBIS) compliance reviews and develop a comprehensive plan to routinely conduct systematic, data-driven analysis to identify nationwide bridge safety risks, prioritize them, and target those higher priority risks for remediation in coordination with states. In implementing the plan, FHWA should (a) direct the Office of Bridge Technology to routinely and systematically identify and prioritize nationwide bridge safety risks and (b) direct the Division Offices to work with states to remediate higher priority nationwide bridge safety risks. We also recommended that FHWA develop a requirement for states to correct promptly data inaccuracies found by FHWA's NBI data validation program and increase FHWA's use of element-level data by (a) coordinating with American Association of State Highway and Transportation Officials (AASHTO) to update the standards for element-level data, (b) incorporating AASHTO's updated standards into the NBIS through the rulemaking process, and (c) developing and implementing a plan to collect element-level data after

AASHTO's updated standards have been incorporated into the NBIS. We further recommended that FHWA initiate a program to collect data regularly on states' use of bridge management systems, evaluate the data to identify those states most in need of assistance in implementing effective bridge management systems, and target those states for technical assistance and training resources.



Status Report on NAFTA Cross–Border Trucking Demonstration Project

February 6, 2009

This status report represents the results of our audit on the NAFTA Cross–Border Trucking Demonstration Project, in keeping with legislation enacted in May 2007. By law, we are required to issue a final report 60 days after the conclusion of the project, which was initiated on September 6, 2007. This report describes the status of the project at the conclusion of the first year. It also responds to a question for the record from our March 2008 testimony before the Senate on the withdrawal of Trinity Industries de Mexico from the project. Our report found that after the first year, the Federal Motor Carrier Safety Administration (FMCSA) has not demonstrated that the number of Mexican carriers participating in the demonstration project is adequate to yield statistically valid results, and that in some respects, the participants are not representative of all applicants for long–haul authority in terms of some business characteristics and out–of–service rates. The panel that the Department established to provide an independent evaluation of the demonstration project completed its report on the first year of the demonstration project but will not continue in that capacity during the remainder of the project. FMCSA will continue to monitor the participants and conduct an internal evaluation of any effects of the project on motor carrier safety in the United States. While FMCSA implemented Federal and state monitoring and enforcement mechanisms and checks are occurring at the border, a key quality control measure designed to provide assurance that all trucks are checked is not adequate because it relies on incomplete data. Finally, Trinity Industries de

Mexico voluntarily withdrew from the project to avoid business disruptions, and its prior safety history showed that out–of–service rates were lower than those of United States carriers. We recommended that FMCSA demonstrate that



the project meets congressional requirements to yield statistically valid results by (a) determining the minimum number of Mexican carriers that must participate, (b) developing a plan to attain a sufficient number of carriers if they have not met this threshold, and (c) providing this information to the OIG and appropriate congressional committees. We also recommended that FMCSA develop and implement a new quality control plan to provide assurance that every Mexican truck is checked upon every entry to the United States, and that FMCSA conduct a cost-benefit analysis to determine if renewing Global Positioning System services will provide benefits that outweigh the costs.

American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation

March 31, 2009

This report represents the results of our audit on the oversight challenges facing the Department of Transportation with the implementation of the American Recovery and Reinvestment Act (ARRA) of 2009. The objective of this audit was to highlight key DOT oversight challenges—based on prior OIG reports and other agencies’ relevant audit work—and identify actions DOT should take now in support of ARRA requirements. Our report condensed the challenges into 10 focus areas where DOT must exhibit sustained and effective actions related to providing oversight to grantees receiving ARRA funding; implementing new requirements and programs mandated by ARRA; and preventing fraud, waste, and abuse. To ensure sufficient consideration of the potential risks discussed in this report, we recommended that the Secretary of Transportation, through the DOT-wide Transportation Investment Generating Economic Recovery (TIGER) team, develop an oversight implementation plan that outlines the key actions DOT already has underway or will take to address the following 10 focus areas: (1) acquire sufficient personnel with relevant ex-



pertise to oversee grantees; (2) adhere to existing Federal requirements for programs funded under ARRA; (3) evaluate the credibility and completeness of cost and schedule estimates; (4) oversee grantees’ contracting management activities and ensure selection of appropriate contract types; (5) address internal control weaknesses and identify unused funds for use on other eligible projects; (6) implement new ARRA tracking and reporting requirements that are designed to promote accountability and transparency; (7) develop comprehensive plans and sound

criteria for the new discretionary grant and passenger rail programs created by ARRA; (8) develop appropriate oversight strategies for the new programs created by ARRA by drawing lessons from DOT’s Operating Administrations; (9) enhance understanding among DOT staff, grantees, and their contractors on how to recognize, prevent and report potential fraud; and (10) take timely and

effective action to suspend and/or debar individuals or firms that have defrauded the Department so they do not receive Federal contracts in the future. In addition, we recommended that the plan prioritize the greatest risks for DOT and address open OIG recommendations from prior audit reports that have relevance to the implementation of ARRA. DOT concurred with our recommendation and agreed to provide us with a document outlining actions taken and planned to address our 10 focus areas within 30 days of the date of our report. ■

Investigations

Brother of Former Judge/Executive Sentenced to 10 Months' Imprisonment

October 15, 2008

Henry Matt Smith, owner and manager of BKW Wood Products, Total Timber, and Total Freight, was sentenced on October 15 in U.S. District Court, London, Kentucky, for embezzlement and aiding and abetting his brother, Raymond Smith, a former Knox County Judge/Executive, in the misapplication of county funds. Between May 2003 and May 2006, Raymond Smith held the position of Judge/Executive, a position that allows fiscal control and approval of county expenses. During this time, he devised a scheme for his family businesses to fraudulently obtain government money through county contracts by awarding the contracts to straw companies that were controlled by himself and his family members, rather than the entities listed on the original bids. Henry Matt Smith assisted his brother by providing personnel from his business to perform some of the work secured by false bids, helping to create false documents, and cashing checks generated by the fraud scheme. Henry Smith was sentenced to 10 months' imprisonment and 3 years' supervised release. In August 2008, Raymond Smith was sentenced to 30 months' imprisonment, and 3 years' supervised release, and ordered to pay \$110,000 in restitution for mail fraud. Both brothers are jointly liable for the restitution. This investigation was conducted jointly with the FBI and with the assistance of the Kentucky State Auditor's Office.

Two Massachusetts Company Officials Sentenced for Their Roles in Falsifying Change Orders on Central Artery/Tunnel (CA/T) Project

October 17, 2008

Kenneth Hartley and Ryan McCourt of McCourt Construction (MC) were sentenced on October 17 in U.S. District Court, Boston, Massachusetts for their roles in a conspiracy to commit highway project fraud. Kenneth Hartley and Ryan McCourt misclassified apprentice level trades as journeymen trades, with higher hourly pay rates, on daily reports used to compile costs for time and materials change orders. Mr. Hartley, a former manager of MC, was sentenced to 6 months' imprisonment and 3 years' supervised release. Mr. McCourt, who succeeded Mr. Hartley, was sentenced to 2 years' supervised probation and \$1,000 fine. MC formed a joint venture with Obayashi Construction in 1998 and was awarded the \$163 million CA/T Project's "tunnel finishes" contract. As a result of change orders, the contract value grew to over \$230 million. This investigation was conducted jointly with the FBI and DOL/OIG.

Arkansas Freight Broker Sentenced to 51 Months in Prison and Ordered to Pay Over \$165,000 in Restitution

October 20, 2008

John D. Russell, a commercial freight broker/freight forwarder, was sentenced on October 20 in U.S. District Court, Fort Smith, Arkansas, in connection with a scheme to defraud interstate carriers entitled to freight fees. Mr. Russell

was sentenced to 51 months' imprisonment, 3 years' supervised release, and ordered to pay \$165,712 to approximately 15 victims. Mr. Russell operated transportation brokering companies that collected freight fees from shippers. He would broker the loads for transportation to other carriers, collect the freight fees, and in many instances failed to pay the companies that transported the freight. Mr. Russell pled guilty to the wire fraud charge in February. This investigation was conducted jointly with the FBI.

Massachusetts Road Construction Company Pays \$900,000 to Settle Civil Case

November 2, 2008

P.A. Landers, Inc., a Massachusetts road construction company, agreed to pay the U.S. Government \$900,000 to settle civil false claims in connection with a conspiracy to defraud the Commonwealth of Massachusetts by generating false and inflated weight tickets for truckloads of asphalt on federally-funded paving contracts from 1995 to 2003. The civil complaint alleged that company president Preston Landers, vice president Gregory Keelan, and other company managers used an override device in the asphalt plant's computer to inflate asphalt weight tick-

ets. The civil case is the culmination of an OIG investigation that resulted in P.A. Landers, Inc.; Landers; and Keelan being found guilty in a May 2007 jury trial in U.S. District Court in Boston, Massachusetts. In August 2007, the company was sentenced to 4 years' probation and a \$3 million fine, while Landers received 42 months' imprisonment and Keelan received 30 months' imprisonment. The case was prosecuted by the United States Attorney's Office in Boston.

Commonwealth of Massachusetts Settles Ceiling Collapse for \$26 million with Big Dig Contractor and Supplier of Epoxy

November 21, 2008

Modern Continental Construction Co. (Modern) and Modern's sureties entered into a comprehensive settlement agreement with the Massachusetts Attorney General's Office (MAGO) on November 21 that will compensate the Commonwealth of Massachusetts \$21 million for damages resulting from the I-90 connector tunnel ceiling collapse. Under the terms of the settlement agreement, Modern will not perform any further work on the CA/T Project, known as the Big Dig. If approved by the U.S. Bankruptcy Court, the settlement will also resolve tens of millions of dollars in claims that Modern and the Massachusetts Turnpike Authority (MTA) have



against each other arising out of Modern's 14 remaining Big Dig construction contracts and will close out those contracts. In addition, approximately \$2 billion in performance bonds on the Modern contracts will be extended for 6 years to pay for costs that the MTA might incur as a result of latent defects in Modern's work. In addition, the MAGO also entered into a settlement agreement with Newman Associates, Inc. (Newman), and their related companies, to resolve a further claim relative to the tunnel ceiling collapse. Newman was the distributor of the epoxy that was sold to Modern and failed in the ceiling system. Under the agreement, Newman agreed to pay \$5 million in damages resulting from the ceiling collapse. These funds will be used to reimburse Travelers Insurance, one of Modern's sureties

Florida Moving Brokerage Sales Representative Sentenced to 3 Years' Probation and Ordered to Pay \$30,000 in Restitution in a Household Goods Extortion Scheme

November 26, 2008

Matthew D. Sandomir, former sales representative for National Moving Network (NMN), Miami, Florida, was sentenced on November 26 in U.S. District Court, San Jose, California. The sentencing resulted from a superseding indictment and plea agreement in which Mr. Sandomir pled guilty to theft from an interstate shipment for his role in the fraudulent shipment of household goods. NMN lured customers into doing business with them by offering them extremely low moving estimates and after taking possession of customers' property, increased the price. NYM partnered with AY Transport, a moving company based in San Jose, CA. Almost 80 percent of

AY Transport's business came from NMN, and in December 2007, 14 defendants, including the owners of AY Transport and NMN, were indicted for conspiracy, wire fraud, extortion, and monetary laundering. Sandomir was sentenced to 3 years' probation, 6 months' home confinement, and ordered to pay \$30,000 in restitution and to not contact any of the defendants.

New York Construction Company President and Associate Pled Guilty and Agreed to Pay \$1.2 Million in Forfeitures and Fines

December 5, 2008

Andrew Catapano, the president of AFC Enterprises, Inc., and John Mikuszewski, a consultant to Rosewood Contracting Corporation, pled guilty on December 5 in U.S. District Court, Brooklyn, New York, to charges of conspiracy to defraud the United States. Mr. Catapano and Mr. Mikuszewski admitted they conspired to bribe union officials and utility company representatives on numerous roadway reconstruction projects awarded by DOT grantees throughout the New York metropolitan area from 1998 to 2001. On April 7, 2006, Mr. Catapano and Mr. Mikuszewski were charged with conspiracy to defraud the United States, making unlawful labor payments, money laundering, and mail fraud. A criminal trial began on November 17, 2008, but midway through the trial, the defendants agreed to plead guilty to one count of conspiracy, pay forfeiture of \$1.2 million, and a fine of \$120,000. Mr. Catapano and Mr. Mikuszewski are currently under suspension by FHWA and have been referred for debarment as a result of this conviction.

Two Former New York City DOT Officials Sentenced to Imprisonment for Bribery Scheme on a DOT-Funded Project

December 5, 2008

Balram “Balu” Chandiramani, formerly New York City (NYC) DOT’s Director of Movable Bridges, was sentenced on December 5 in U.S. District Court, Brooklyn, New York, to serve 1 year and 1 day imprisonment, pay a \$12,500 fine and \$4,500 in restitution for his role in a bribery scheme on a DOT-funded project. Mr. Chandiramani, and co-defendant, Uday Shah, a NYC DOT assistant civil engineer, were charged with participating in a scheme in which they agreed to accept \$400,000 from an executive of a general contracting corporation in exchange for influencing the settlement of a multi-million dollar claim against the City of New York, in connection with reconstruction of the city’s Third Avenue Bridge, a federally-funded project. On January 23, 2009, Mr. Shah was sentenced in U.S. District Court, Brooklyn, New York, to serve 3 years’ imprisonment, pay a \$10,000 fine and \$17,000 in restitution, and also serve 3 years’ of supervised release. This investigation was conducted jointly with the DOL/OIG; the Port Authority of New York and New Jersey OIG; and the New York City Department of Investigation.

Big Dig Epoxy Supplier Agrees to Pay \$16 Million to Resolve State Criminal and Civil Cases

December 17, 2009

The Commonwealth of Massachusetts Attorney General’s Office (MAGO) reached an agreement with Powers Fasteners, Inc. (PFI), Brewster, New York resolving state criminal manslaughter and pending civil claims in connection with the I-90 Connector Tunnel Ceiling Collapse which occurred on July 10, 2006. The investigation determined that the cause of the ceiling collapse was the use of PFI’s Fast Set epoxy product to secure the bolts anchoring the bracket system for the ceiling panels. Based on PFI’s own internal testing, the epoxy was determined unsuitable for sustained loads and, over time, its use would allow the anchor bolts to “creep” and pull out of the ceiling. This information was never communicated by PFI in any of its marketing material. The Commonwealth of Massachusetts sued PFI for negligence and breach of contract in November 2006 and a state grand jury indicted the company for manslaughter in August 2007. The MAGO and PFI agreed to enter into a Deferred Prosecution Agreement and a Corporate Compliance Agreement (CCA) to resolve the indictment. PFI agreed to pay a total of \$16 million to the Commonwealth in civil damages to resolve the outstanding civil lawsuit. The CCA also required PFI to stop selling the Fast Set epoxy and ordered PFI to recall all of its Fast Set epoxy products, to publish warnings about the performance problems of the product, and to develop a MAGO-approved independent monitoring system to conduct annual CCA compliance reviews. This investigation was conducted jointly with the MAGO, the U.S. Attorney’s Office, the FBI, and the NTSB.

New Mexico Department of Transportation Agrees to Reimburse Approximately \$2.8 Million for Ineligible Costs Charged to the FHWA

December 17, 2008

The New Mexico Division office of the FHWA issued a letter of concurrence on December 17 with an audit that recommended repayment of \$2,874,503.45 to FHWA by the New Mexico Department of Transportation (NMDOT). The audit was conducted in conjunction with a joint investigation between OIG and the NMDOT Office of Inspector General. The audit reviewed expenditures made by NMDOT's Planning Division of the Programs and Infrastructure Research Bureau during fiscal years 2001-2005. The audit analyzed administrative costs, contracts, and local Technical Assistance Program expenditures. It identified hundreds of instances where the Research Bureau charged costs to FHWA that were determined to be ineligible for Federal participation. Examples of such costs include salary expenses for employees working on homeland security projects, unsupported contract expenditures, and travel expenses for employees working on a security task force.



Pennsylvania DBE Subcontractor Pled Guilty to Tax Evasion Related to \$121 Million DBE Fraud Scheme

January 9, 2009

Romeo P. Cruz, owner and operator of Marikina Construction Corporation (Marikina), pled guilty on January 9 in U.S. District Court, Harrisburg, Pennsylvania to one count of tax evasion in connection with the largest reported DBE fraud in DOT history. Mr. Cruz previously pled guilty to criminal fraud charges related to a DBE pass-through scheme that involved approximately 340 federally-funded highway DBE subcontracts valued at \$121 million. Mr. Cruz admitted that he under-reported his 2005 income-receiving illicit proceeds from his participation in the fraud scheme-and fraudulently disguised numerous payments made to himself as legitimate business expenses on the books and records of Marikina. Previously, Dennis F. Cambell, a vice president of Schuylkill Products Incorporated (SPI), and Timothy G. Hubler, a vice president of CDS Engineers (CDS), pled guilty to criminal fraud charges. Both Cambell and Hubler admitted that they fraudulently used Marikina as a pass-through DBE to obtain FHWA-regulated contracts. On December 2, 2008, the FHWA suspended SPI, CDS, and Marikina from bidding on any projects using Federal funds. On December 9, 2008, a Pennsylvania DOT hearing officer issued a report recommending that SPI, CDS, and its owners be permanently prohibited from bidding on Pennsylvania highway projects. This investigation was conducted jointly with the FBI, the U.S. DOL/OIG, and the Internal Revenue Service-Criminal Investigation Division.

President of New York Construction Company Sentenced in a \$11.4 Million DBE Fraud Scheme

February 13, 2009

Charles Doherty, president of United States Rebar Inc., (U.S. Rebar) was sentenced on February 13 in U.S. District Court, Central Islip, New York on charges related to a fraud scheme affecting \$11.4 million in DBE subcontracts on various public works construction projects in the New York metropolitan area that received DOT grant funds. In September 2005, Mr. Doherty pled guilty to money laundering conspiracy charges, and admitted that between January 1998 and July 2002, U.S. Rebar, a non-DBE firm posing as various DBE firms, fraudulently obtained five DBE subcontracts valued at approximately \$11.4 million to install reinforcing bar (rebar). The investigation revealed that Mr. Doherty conspired with the owners of the “front” DBEs and representatives of several general contractors in a scheme where Mr. Doherty’s employees, payroll, and expenses were falsely recorded in the books, records, and tax returns of the DBEs to generate the appearance that the DBEs were performing the subcontracts, when in fact the DBEs performed no legitimate business purpose. Mr. Doherty also admitted to fraudulently cashing checks to generate cash, which was then used to pay his employees. Mr. Doherty was sentenced to 3 years’ probation and fined \$15,000; also, as a part of the plea agreement, he agreed to forfeit \$500,000 to the Government. The FTA has debarred both Mr. Doherty and U.S. Rebar. This investigation was conducted jointly with members of the Long Island Federal Construction Fraud Task Force.

13-Year Fugitive Pled Guilty in Connection with a \$138 Million Fuel Tax Scheme

February 27, 2009

Aaron Misulovin, who had returned to the United States after nearly 13 years as a fugitive, pled guilty on February 27 in U.S. District Court, Camden, New Jersey to charges related to a motor fuel excise tax scheme. The charges included one count of conspiracy, three counts of wire fraud, three counts of money laundering, and three counts of tax evasion. Mr. Misulovin, along with 24 other defendants, were indicted in 1995 on charges related to evasion of approximately \$138 million in Federal and New Jersey motor fuel excise taxes. Federal motor fuel excise taxes provide revenue for the Highway Trust Fund.

Mr. Misulovin operated Kings Motor Oils (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 resold 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 conducted jointly with the Internal Revenue Service–Criminal Investigation Division, the FBI, and the New Jersey Division of Taxation.



FHWA Recovers \$1.3 Million in Ineligible Federal-Aid Expenditures from the North Carolina Department of Transportation

March 11, 2009

As a result of our investigation, the FHWA North Carolina Division, Raleigh, North Carolina recovered \$1.3 million in ineligible Federal-aid expenditures from the North Carolina Department of Transportation (NCDOT), Right of Way Division. This recovery, which was reported by FHWA on March 11, followed OIG's investigation of two NCDOT employees, Wilson Grant and Leonard Scarborough. Our investigation revealed that they violated NCDOT and FHWA policies and procedures concerning the approval of cost-to-cure claims, the solicitation of bid appraisals, the awarding of contracts, and authorization of payments for non-compensable work. These

violations concerned two projects to improve Lake Wheeler Road in Wake County, NC. This investigation resulted in Mr. Grants' resignation and Mr. Scarborough's demotion and reassignment to a non-supervisory role. OIG agents pursued the administrative recovery on this matter. This investigation was conducted jointly with the FBI, with significant assistance from the FHWA North Carolina Division.

New York Attorney Pled to Fraud and Obstruction Charges for Participating in a Prevailing Wage Benefits Scheme

March 20, 2009

After 3 days of trial in U.S. District Court, Brooklyn, New York, Steven Coren, a New York attorney, pled guilty on March 20 to a sixteen-count indictment charging him with conspiring to defraud government agencies in connection with his clients' construction contracts with those agencies, conspiring to launder the funds wrongfully obtained from those agencies, and obstructing the Federal grand jury investigation by directing one of his clients to destroy documents related to the scheme. From 2000 through 2006, Mr. Coren and several of his client-contractors defrauded government agencies by falsely representing that the contractors' workers were being paid the prevailing wage as required by the Federal Davis-Bacon Act and New York state labor law. Davis-Bacon requires that contractors on federally-funded government contracts pay their workers the prevailing wage rate, as determined by the Secretary of Labor, which consists of a basic hourly rate and fringe benefits.

Mr. Coren executed the scheme by creating the Contractors Benefit Trust (CBT), a multi-employer entity for which he acted as trustee. He then instructed the contractors to deposit the fringe benefit portion of the prevailing wage into the CBT, making it appear that they had complied with Davis-Bacon and state law. Thereafter, he advised the contractors that they could use the funds for purposes other than providing benefits to the employees on whose behalf the contribu-



tions were made. When Mr. Coren learned that one of the contractors was under investigation, he directed the contractor to destroy documents that revealed transfers of funds out of the CBT for expenses unrelated to the employees on whose behalf the funds were deposited. This fraud scheme impacted several New York area public works projects including the Metropolitan Transportation Authority's Metro-North Railroad

Larchmont Station project, which received funding from FTA grants. This investigation was conducted jointly with the Internal Revenue Service and Department of Labor OIG.

Big Dig Designer and Epoxy Manufacture Agrees to \$1.925 million Settlement to Resolve Civil Cases

March 26, 2009

The Commonwealth of Massachusetts Attorney General's Office (MAGO) reached an agreement with Gannett Fleming, Inc. of Massachusetts and Sika Corporation (Sika) of New Jersey on March 26 resolving civil claims in connection with the I-90 Connector Tunnel Ceiling Collapse, which occurred on July 10, 2006. Gannett-Fleming, Inc., which provided design services for the tunnel, will pay \$1.575 million and forego \$150,000 in payments due from the state, and Sika, which manufactured the epoxy used to secure the bolts anchoring the ceiling panel bracket system will pay \$200,000. Of the total amount, \$1.725 million will be placed in the Central Artery Statewide Road and Bridge Infrastructure Fund, which has a balance of over \$400 million based on several investigations relative to the CA/T Project.

The investigation ultimately led to civil settlements with the CA/T Project's management consultant, Bechtel/Parsons Brinckerhoff; the prime contractor, Modern Continental; and sev-

eral other companies. This investigation was conducted jointly with MAGO, the U.S. Attorney's Office, the Massachusetts State Police, the FBI, and the NTSB.

Business Owner Sentenced to 41 Months' for Making False Claims On Anti-Drunk Driving Billboard Company Project

March 30, 2008

Robert Sullinger, owner of Great Plains Group, LCD (GPG) was sentenced in U.S. District Court, Central District of Illinois, Springfield, IL on March 30 to a term of 41 months' imprisonment and 3 years' supervised release. Sullinger was also ordered to pay \$524,500 in restitution to Sangamon County, NHTSA, and the FHWA. In November 2008, after 2 days of jury trial, Sullinger pled guilty to submitting false, inflated

invoices related to an anti-drunk driving billboard campaign funded through NHTSA, along with lying to federal agents during an interview.

Sullinger's company, GPG submitted a proposal to the Illinois Department of Transportation (IDOT) to use NHTSA-provided grant funds to produce and to post anti-drunk driving billboards throughout the State of Illinois. In total, between January 1999 and September 2004, more than \$1.5 million in Federal funds were paid through IDOT to Sullinger and his business. Sullinger knowingly submitted false and fraudulent invoices by overstating the number of billboards that were produced and posted. As a result, Sullinger and his business were overpaid by more than \$524,000. This investigation was conducted jointly with the FBI, along with assistance from IDOT. ■





Rail & Maritime Programs and Economic Analysis

Audits

Quarterly Report on Amtrak's FY 2008 Operational Reforms Savings and Financial Performance

November 12, 2008

As mandated by the fiscal year (FY) 2008 Consolidated Appropriations Act, 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. Amtrak achieved \$30.7 million in operating reform savings through July, \$5.0 million more than it originally anticipated. However, we believe Amtrak will fall short of achieving its \$40.3 million FY 2008 operational reform savings target. Amtrak's operating loss for FY 2008 was

\$381.1 million, \$93.9 million less than budget due largely to better than expected revenues, partially offset by higher than budgeted wages and fuel, power, and utility costs. We identified three near-term challenges facing Amtrak. First, an extended economic downturn could pose risks to Amtrak's ability to meet its ridership and revenues targets. Second, Amtrak is scheduled to make \$145 million retroactive wage payment in FY 2009. While this payment can be accommodated within Amtrak's current cash balance, it is concerned that doing so would leave the company with unacceptably low reserves at the beginning of FY 2010. Third, Amtrak has yet to define a strategic direction which incorporates continuous operating improvements. Such a strategic direction would allow the company to reduce its operating costs, freeing up Federal support for Amtrak's substantial capital needs.

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

February 23, 2009

As mandated by the fiscal year (FY) 2008 Consolidated Appropriations Act, 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. Amtrak is not pursuing any new operational reform savings in FY 2009. Amtrak's operating loss December totaled \$82.2 million, \$26.1 million less than originally forecast, largely due to lower than expected revenues being more than offset by lower employee benefit and fuel costs. For FY 2009, Amtrak projects an operating loss of \$476 million, only \$1 million more than originally forecast, despite significant projected changes in both revenues and expenses. Amtrak re-estimated both revenue and ridership forecasts in light of the steep decline in the economy since the FY 2009 budget forecasts were prepared last summer. The OIG believes that Amtrak requires no more than \$40 million above the current Continuing Resolution level for operating subsidies in order to reduce the risk associated with Amtrak's revenue forecasts and to implement Amtrak's decision regarding its defeased leases.



Enhancing FRA'S Oversight of Track Safety Inspections

February 24, 2009

This report represents the results of our audit on Federal Railroad Administration's (FRA) oversight of track safety inspections. We found that FRA's safety regulations for internal rail flaw testing did not require the railroads to report the specific track locations (milepost numbers or track miles) tested during these types of inspections. We also found FRA's inspection data system did not provide adequate information for determining the extent to which FRA's track inspectors have reviewed the railroads' records for internal rail flaw testing and vi-

sual track inspections to assess compliance with safety regulations. We recommended that FRA revise its track safety regulations for internal rail flaw testing to require the railroads to report all track locations covered during internal rail flaw testing. We also recommended that FRA revise its Track Safety Compliance Manual and inspection data system by including specific in-

spection activity codes for its track inspectors to report on whether the record reviews the inspectors conducted were for internal rail flaw testing or visual track inspections. FRA agreed with our recommendations and has either taken or planned corrective actions. ■



Financial and Information Technology

Audits

Implementation of Controls Over Payments to Maritime Security Program Contractors

October 6, 2008

This report represents the results of our audit on the MARAD's implementation of controls over payments to Maritime Security Program (MSP) contractors. Our objective was to determine whether payments to MSP contractors were reduced when minimum operating requirements (related to number of days in foreign trade and participation in other Federal programs) were not met. We determined that payments were

properly reduced when minimum operating requirements were not met and, further, that MARAD's controls are sufficient to ensure that payments to contractors are processed in the correct amounts. However, we made two observations for MARAD's consideration regarding (1) MARAD's assurance that MSP vessels adhered to cargo preference limitations and (2) MARAD's exclusion of liquid cargo from its application of the cargo preference limitation. Neither of these issues affected our results because no MSP vessels have carried the cargo in question. MARAD agreed with our first observation and implemented the necessary procedures during the course of the audit. OIG Counsel is working with MARAD Counsel to resolve the second observation.

tection of personally identifiable information remained insufficient, as did protection of computer networks; training of employees and contractors was not being assured; identification of information–security weaknesses was not being consistently carried out, nor was timely resolution of those identified; and departmental systems were not sufficiently protected or their recovery, when necessary, assured. We made 27 specific recommendations to address these deficiencies. The DOT Chief Information Officer concurred with our findings and recommendations, and plans to provide a description of specific actions to be taken to implement these recommendations, along with their milestone dates.



DOT's Information Security Program

October 8, 2008

This report represents the results of our annual audit of the Department's information security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). Consistent with FISMA and Office of Management and Budget requirements, we assessed the effectiveness of DOT's program and practices in this area, specifically (1) implementation of minimum security standards, (2) configuration management, and (3) incident–handling and reporting. We found, overall, that the Department's information security program was not effective. Despite some improvements, DOT had not established adequate policies and procedures; privacy pro-

Quality Control Review of Audited Financial Statements for FYs 2008 and 2007, Saint Lawrence Seaway Development Corporation

November 7, 2008

This report represents the results of our review of the audit on the Saint Lawrence Seaway Development Corporation's Fiscal Years 2008 and 2007 financial statements. The Chiampou Travis Besaw & Kershner LLP, under contract to the Seaway, issued a clean (unqualified) audit opinion and reported no internal control deficiencies.

Quality Control Review of Audited Financial Statements for FYs 2008 and 2007, FAA's Administrative Services Franchise Fund

November 10, 2008

This report represents the results of our review on the audit of the FAA's Administrative Services Franchise Fund Fiscal Years 2008 and 2007 financial statements. The Reznick Group P.C., under contract to us and under our supervision, issued a clean (unqualified) audit opinion. However, the Reznick Group identified significant deficiencies in the Franchise Fund's reconciliation of unfilled customer orders, timely liquidation of advances, and collection of Government accounts receivable. In addition, the Reznick Group identified one noncompliance issue concerning Public Law 104-205.

Quality Control Review of the NTSB's FYs 2008 and 2007 Financial Statements

November 12, 2008

This report represents the results of our review of the audit on the National Transportation Safety Board's Fiscal Years 2008 and 2007 financial statements. Leon Snead & Company, P.C., under contract to us and under our supervision, issued a clean (unqualified) audit opinion but reported one material weakness on controls over financial reporting, and a significant deficiency in cost accounting.

Quality Control Review of Audited Financial Statements for FYs 2008 and 2007, FAA

November 13, 2008

This report represents the results of our review of the audit on the FAA's Fiscal Years 2008 and 2007 financial statements. KPMG LLP, under contract to us and under our supervision, issued a clean (unqualified) audit opinion. However, KPMG indentified two significant deficiencies, one in FAA's timely processing of transactions for Property, Plant, and Equipment, including the Construction in Progress account, and one in information technology controls over FAA and Third-Party Systems and Applications.

Quality Control Review of DOT's Audited Consolidated Financial Statements for FYs 2008 and 2007

November 14, 2008

This report represents the results of our review of the audit on the DOT's Fiscal Years 2008 and 2007 financial statements. KPMG LLP, under contract to us and under our supervision, issued a clean (unqualified) audit opinion. However, KPMG indentified seven internal control significant deficiencies, none of which were determined to be material weaknesses, and four instances of potential or known non-compliance with laws and regulations.

Quality Control Review of DOT's Audited Special Purpose Financial Statements for FYs 2008 and 2007

November 17, 2008

This report represents the results of our review of the audit on the DOT's Fiscal Years 2008 and 2007 Special-Purpose Financial Statements. KPMG LLP, under contract to us and under our supervision, issued a clean (unqualified) audit opinion. Further, KPMG did not identify any deficiencies in internal controls over financial reporting for the Special-Purpose Financial Statements that were considered to be material weaknesses, nor did tests of compliance with TFM Volume 1, Part 2, Chapter 4700 disclose any instances of noncompliance or other mat-

ters that are required to be reported under Government Auditing Standards or OMB Bulletin No. 07-04.

Review of NHTSA's Fiscal Year 2008 Drug Control Funds

February 4, 2009

We performed an attestation review for the Office of National Drug Control Policy concerning NHTSA's reporting of the use of drug control funds and we concluded that NHTSA reporting of drug control funds to the Office of National Drug Control Policy is presented in conformity with the Office of National Drug Control Policy Circular: Drug Control Accounting, dated May 1, 2007. ■





Acquisition and Procurement

Audits

Interim Report on Award–Fee Criteria for FAA’s System Engineering and Technical Assistance II (SETA–II) Contract

October 7, 2008

This interim report represents the results of our audit regarding FAA’s System Engineering and Technical Assistance II Contract as part of our ongoing audit of the Use of Cost–Plus–Award–Fee (CPAF) contracts within the Department. We found that the performance evaluation plan did not include measurable criteria needed to adequately evaluate contractor performance. Also, descriptions defining adjectival ratings were

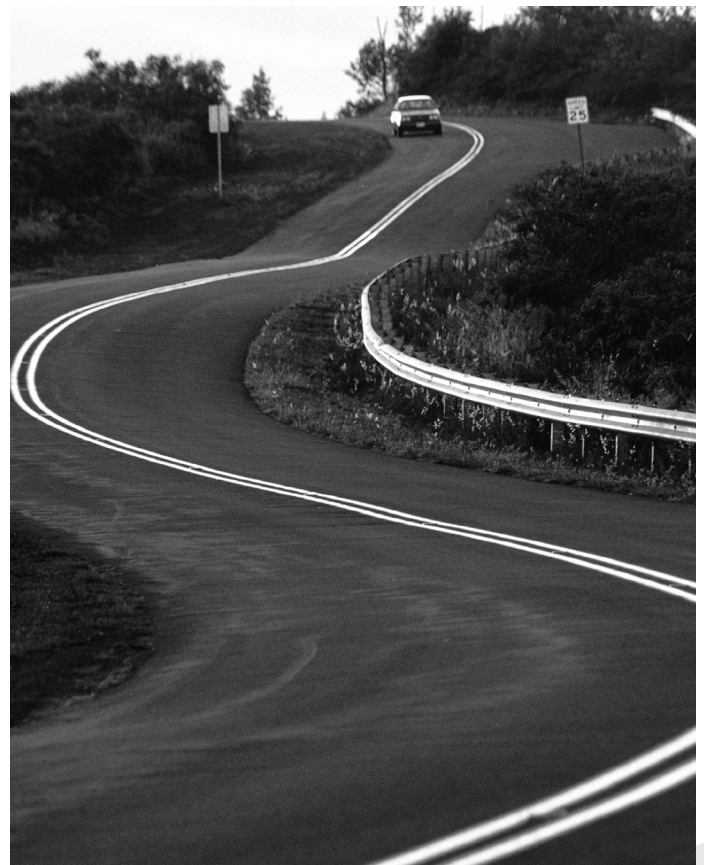
vague and did not clearly define the basis for rating performance, and performance evaluators were not required to document the rationale for the performance ratings. This allows for unsupported personal opinions for judging contractor performance. The effect of having evaluation criteria without clearly defined metrics, vague definitions of adjectival ratings, and no documentation to support performance ratings could result in inflated contractor performance evaluations and inappropriately approved award fees. Additionally, contracting officials did not justify the cost effectiveness of selecting a CPAF–type contract by evaluating administrative costs versus expected benefits to the Government. Without this evaluation, FAA had no assurance that a CPAF contract was appropriate. Senior FAA officials are implementing actions to meet the intent of our recommendations.

FHWA's Oversight of Design and Engineering Firms' Indirect Costs Claimed on Federal-Aid Grants

February 5, 2009

This report represents the results of our audit on the FHWA's implementation of Section 307 of the National Highway Systems Designation Act (NHSDA). Section 307 of NHSDA requires the use of the Federal Acquisition Regulation as criteria to determine cost allowability when performing indirect cost rate audits of design and engineering (D&E) firms. Indirect rates are comprised of costs such as executive compensation; employee fringe benefits and wages; facilities charges; and insurance, legal, consultant, and travel costs. State departments of transportation (DOT) use indirect cost rates for reimbursing D&E firms for allowable costs incurred, establishing final contract costs, and negotiating new contracts. Our audit objectives were to evaluate the implementation of NHSDA Section 307 audit requirements, and test the allowability of executive compensation and other high risk indirect cost elements billed by D&E firms on state DOT contracts. Indirect cost rate claims from 21 of our sample of 41 D&E firms included unallowable costs some expressly unallowable totaling about \$15.7 million. About \$10.7 million of the \$15.7 million were unallowable executive compensation and about \$5 million were other unallowable costs. Of the total, state DOT contracts were charged about \$5.5 million, of which about \$4.4 million the Federal share was reimbursed with Federal-aid funds. Based on the sample test results, we projected that, overall, D&E firms overcharged state DOT contracts for unallowable executive compensation of \$41.2 million (the Fed-

eral share charged to state DOT contracts is \$32.9 million). Lack of accountability at D&E firms and insufficient transaction testing by Certified Public Accountant (CPA) firms were the immediate causes of unallowable costs we found. Further, FHWA and state DOT oversight did not ensure effective monitoring of D&E firms' indirect cost rate claims or indirect cost rate audits performed by CPA firms. We recommended that FHWA (1) require D&E firms to certify their claims and authorize state DOTs to assess penalties when D&E firms claim known unallowable costs, (2) assign responsibility to specific states for overseeing CPA audit work, (3) issue guidance on how to effectively procure audit services, (4) establish an oversight program and process for monitoring state DOTs' implementation of Section 307 of NHSDA, and (5) recover the unallowable executive compensation costs and other unallowable expenses identified in this audit. ■





Department-Wide Issues

Audits

DOT's FY 2009 Top Management Challenges

November 17, 2008

We issued our annual report on the top management challenges facing the Department in FY 2009, as required by law. The issues comprising this year's report are enhancing aviation safety and maintaining confidence in FAA's ability to provide effective oversight of a rapidly changing industry; enhancing mobility and reducing congestion in America's transportation system; developing a plan to address projected highway and transit funding shortfalls;

maximizing the return on current highway and transit infrastructure investments; operating the National Airspace System while developing and transitioning to the Next Generation Air Transportation System; protecting against increasing cyber security risks and enhancing the protection of personally identifiable information; preventing catastrophic failures and obsolescence in the nation's aging surface transportation infrastructure; improving contract operations and maintaining procurement integrity; and enhancing and deploying programs for reducing the serious consequences of surface transportation crashes. This report was included in the Department's FY 2008 Performance and Accountability Report.

Top Management Challenges Facing the Department of Transportation

March 10, 2009

The Inspector General testified on the Department's top management challenges before the House Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. The Inspector General focused on short- and long-term actions that DOT should take to maximize investments in transportation and ensure transportation safety. The Inspector General also noted that the \$48 billion for Department programs associated with the American Recovery and Reinvestment Act adds new challenges to long-standing ones. Thus far, DOT has proactively responded to the recovery program, particularly by creating the Department Transportation Investment Generating Economic Recovery (TIGER) team to coordinate DOT-wide efforts. This past year, DOT also made progress on a number of important fronts. These include commissioning several new runways to improve capacity within the National Airspace System;

committing to data-driven, risk-based oversight of bridge safety; and receiving a "clean" opinion on DOT's financial statements. However, the Inspector General emphasized that more remains to be done in the areas of maintaining the safety of the traveling public, relieving congestion, and establishing long-term financing mechanisms for aviation and surface transportation programs. The Inspector General highlighted several specific focus areas for DOT: (1) building an effective acquisition workforce to ensure that the goals of the economic recovery program are achieved; (2) establishing effective contracting mechanisms and financial practices to facilitate sound business decisions, ensure returns on investment, and avoid wasteful spending; (3) reforming mechanisms to prevent fraud, waste, and abuse; (4) developing comprehensive oversight of highway and transit investments; (5) enhancing FAA's ability to provide oversight of a dynamic aviation industry; (6) addressing obsolescence in the Nation's aging surface infrastructure and enhancing surface safety programs; and (7) ensuring solvency in the Highway and Aviation Trust Funds to carry out its mission of enhancing mobility and reducing congestion. ■



Investigations

Air Traffic Control Specialist Sentenced to 78 Months' Imprisonment for Charges of Child Pornography

November 14, 2008

David Trigg, Air Traffic Control Specialist, was sentenced on November 14 to 78 months' imprisonment and a lifetime of supervised release in U.S. District Court, St. Louis, Missouri. Trigg pled guilty on August 27, 2008, to Receipt of Child Pornography and Possession of Child Pornography. During the OIG investigation, Mr. Trigg admitted to utilizing an FAA computer to access child pornography prior to his morning shifts in the air traffic control tower at the St. Louis Airport. Additionally, forensic analysis conducted on Mr. Trigg's home computer, confirmed multiple images depicting child pornography. Mr. Trigg was removed from Federal service effective November 28, 2008. This investigation was conducted jointly with the FBI.

Former FAA Headquarters Air Traffic Control Security Coordinator Sentenced to 5 years' Imprisonment for Possession of Child Pornography

January 8, 2009

Timothy Fruth, former Air Traffic Control Security Coordinator assigned to the National Command Center at the FAA Headquarters, was sentenced on January 28 in U.S. District Court, Greenbelt, Maryland, to 5 years' imprisonment followed by a 5 year period of supervised release for possession of child pornography. An agent of the Immigration and Custom Enforcement Agency

(ICE) contacted the OIG and advised that ICE executed a Federal search warrant at Fruth's residence and seized evidence indicating that Fruth received and viewed pornographic images of children. Subsequent analysis of a computer and USB thumb drive seized from Fruth's home identified approximately 40,000 pornographic images and videos of children. No pornographic images were found on Fruth's official government computer. As part of the supervised release conditions, Fruth cannot possess any computer or device capable of establishing an internet connection. Fruth cannot hold any internet subscriptions and must register with Maryland's Sex Offender Registry. As a result of the OIG investigation, Fruth resigned from FAA in November 2008.

Former FAA Employee and Business Owner Indicted for \$2.8 Million Excess Property Theft Scheme

February 4, 2009

A Federal grand jury in the Western District of Washington, Seattle, Washington, indicted Steven B. Smith, former Air Traffic Systems Specialist at the FAA facility in Carlsbad, California, and his half-brother, Bradley Garner, a Canadian citizen and Palm Desert, California resident and business owner, for Wire Fraud and Theft of Honest Services. They were indicted on February 4 in connection with a scheme to steal excess government property valued at \$2.8 million.

In April 2008, the OIG received a referral from the General Services Administration, Office of Inspector General (GSA/OIG). The information alleged that Smith caused the transfer of ownership of

Former New Jersey FAA Supervisor Sentenced to Two Years' Imprisonment for Accepting Bribes from an FAA Contractor

March 6, 2009

Darrell K. Woods, a former FAA program manager at the FAA's William J. Hughes Technical Center in New Jersey, was sentenced on March 6 in U.S. District Court, Trenton, New Jersey, for his role in accepting bribes from Maria Lianidis, former president of Digital Management Systems, Inc. (DMS), a computer engineering company based in Absecon, New Jersey. Mr. Woods was

sentenced to 2 years' imprisonment, payment of \$154,000 in restitution to the FAA, and 3 years of supervised release. Mr. Woods pled guilty to wire fraud and money laundering in connection with accepting approximately \$155,000 in cash between 2001 and 2005 for steering millions of dollars in contracts to DMS. In exchange for these bribes, Ms. N. Lianidis influenced Mr. Woods in the performance of his

official duties, which included participating in the creation of FAA contract solicitations and overseeing DMS' performance on FAA contracts that DMS obtained with Mr. Woods' assistance. Since 2001, Mr. Woods had issued about \$2.5 million in purchase orders to DMS. Around January 2003, Mr. Woods drafted a sole-source justification to award DMS a contract; ultimately, in October 2003, DMS was awarded a competitive

a 44-foot sailboat from GSA's excess property inventory to DOT, although he had no authority to do so. Smith told GSA he was acquiring the sailboat for DOT and that the boat would be used by MARAD employees. Subsequent investigation determined that since 2004, Smith used excess property screening codes (called account activity codes) belonging to the FAA and MARAD to illegally obtain property from the GSA property system. Among the 215 items Smith allegedly stole were a Cessna 210; two 27-foot Boston Whalers; several computers; and the 44-foot Navy yacht. Smith turned the yacht over to Garner, who took it to Canada. Smith also gave Garner the Cessna, and although the plane is owned by the Government, Garner took out an insurance policy and received a \$45,000 payment when the plane was damaged during a storm in 2007. In November 2008, the OIG executed search warrants at Smith's and Garner's homes and both were arrested. Smith resigned from the FAA on January 1, 2009.

This investigation was conducted jointly with the GSA/OIG, the Army Criminal Investigation Division, the Defense Criminal Investigative Service, the Navy Criminal Investigative Service, and the FBI.



contract that resulted in payments in excess of \$4.2 million. DMS was bidding on a solicitation valued in excess of \$34 million when OIG and the Internal Revenue Service executed search warrants in February 2005. The solicitation was ultimately canceled. Ms. Lianidis, a former FAA employee, was sentenced for her role in the scheme in December 2008 to 4 years' imprisonment and fined \$75,000. The FAA has debarred Ms. Lianidis, Mr. Woods and DMS from Government contracting.

In December 2008, Gonzalez pled guilty to embezzlement charges for falsely representing that he lived in Ohio on official travel vouchers and other documents, when in fact he lived in New York, in order to fraudulently obtain travel reimbursement for official travel. Gonzalez was employed by the FAA Airways Facilities Division, Jamaica, New York and his duties required him to be in an almost 100% state of travel while repairing electronic equipment at field locations. In 2000, Gonzalez

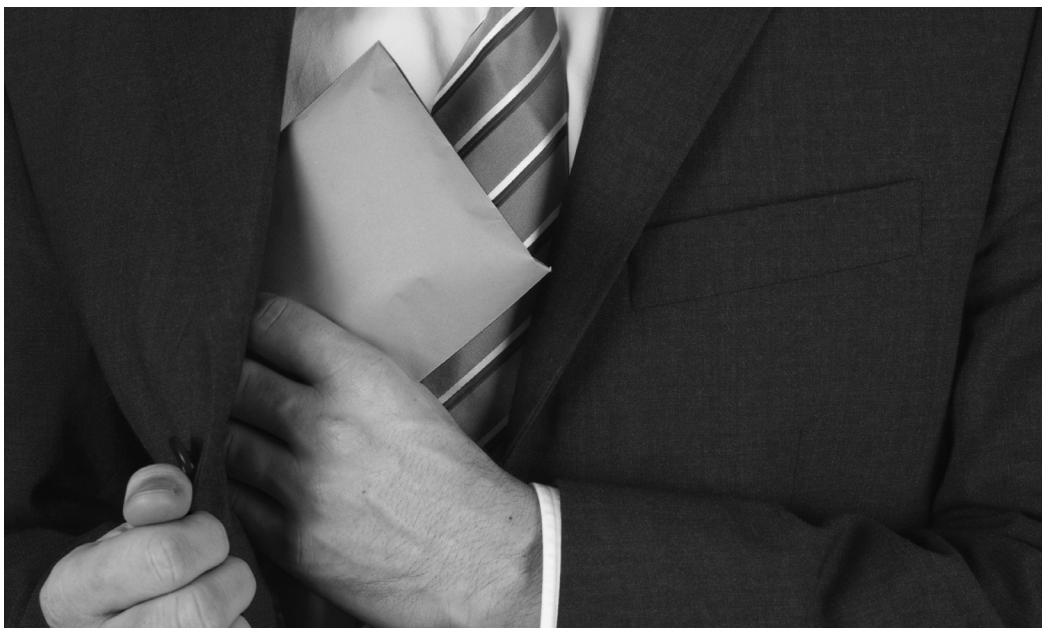
advised FAA he would be changing his residence from a New York location to Findlay, Ohio; however, the investigation revealed that he was actually living in a hotel in Rome, New York. In addition, Gonzalez claimed to be working at locations outside of Rome, New York when in fact he remained in Rome, New York. Gonzalez took retirement from the FAA following his arrest by OIG special agents. This in-

vestigation was conducted jointly with assistance from FAA Eastern Region Security & Hazardous Materials Division. ■

Former New York FAA Electronics Engineer Sentenced for \$50,000 Travel Voucher Fraud Scheme

March 17, 2009

Robert C. Gonzalez, a former electronics technician with the FAA, was sentenced on March 17 in U.S. District Court, Brooklyn, New York to serve 2 months' home confinement and 3 years' supervised release as a result of his guilty plea to embezzlement charges. Gonzalez also paid \$21,603.89 in restitution to the FAA.





Other Accomplishments

This section highlights other accomplishments and contributions by Office of Inspector General 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.

Helped Russian Aviation Authorities Enhance Their Suspected Unapproved Parts Program

In November 2008, at the request of the FAA, OIG Investigations provided training to Russian Federal Air Transport Agency officials on the manufacture, sale, and distribution of unap-

proved and unairworthy aircraft parts. Experience has shown that such parts procured in the U.S. are frequently sold in foreign commerce and vice-versa. FAA safety inspectors and experts in unapproved parts, as well as the Federal Bureau of Investigation, participated in the 3-day program, which focused on U.S. regulatory requirements and law enforcement's role in these types of parts investigations.

Our presentations described OIG's statutory authority to conduct these investigations, how regulators and law enforcement personnel can effectively work together to combat this type of fraud, and the criminal statutes applicable to fraud involving aircraft parts in interstate and foreign commerce. We also provided insights on how to watch for aircraft parts "red flag" fraud indicators and profiled several significant criminal investigations. One of the investigations highlighted resulted in the conviction and 78-month prison sentence of a parts supplier for making materially fraudulent representation concerning the condition of aircraft parts, in violation of the Aircraft Safety Act of 2000. These parts included turbine exhaust strut rods, shaft assemblies, and gang bolt assemblies all flight-critical parts whose failure could be potentially catastrophic. This outreach effort helped strengthen important international working relationships, facilitate more effective fraud prevention and detection, and ultimately, the safety of the flying public and others on the ground.

Provided Suggestions to Ukrainian Officials on Establishing an Internal Investigative Unit Similar to an Office of Inspector General

At the request of the U.S. Department of Justice, Office of Overseas Prosecutorial Development, the Inspector General hosted several senior Ministry of Transport and Communications, and State Customs Service officials from the Ukraine for a day of briefings during their week-long visit to Washington, DC in December 2008, as part of the U.S. Millennium Challenge Corporation "Threshold Country Program." Our purpose was

multifaceted, including to demonstrate how an Office of Inspector General works; how audits can be expanded and help in the fight against corruption; how much "investigation" can be done, or information gathered, without having to rely on traditional law enforcement measures such as wiretapping and arrest authority; and how auditors can work with traditional law enforcement agencies and contribute to criminal cases.

The featured speaker was USDOT Deputy Secretary Admiral Thomas Barrett, who provided the visitors with his perspective and insights regarding how senior Departmental officials and an Inspector General can best work together to successfully achieve mutual goals and objectives, namely upholding the taxpayers' trust. Other presentations addressed such topics as the OIG's authority and jurisdiction, investigative organization and priorities, and the audit organization and its process. In addition, with the assistance of interpreters, interactive discussions were held concerning the value of digital evidence, conducting employee integrity investigations, Congressional and media outreach activities, and the results of several recent significant OIG investigations and audits. The Ukrainian officials/attendees said they learned a lot they can use in the creation of their new office and that they hoped to someday return for additional presentations and discussions.

Improvements Suggested for Terms of the American Recovery and Reinvestment Act (ARRA) Grants

ARRA requires funded contracts be awarded at fixed prices through the use of competitive procedures to the maximum extent possible. The OIG suggested that the Senior Procurement Executive (SPE) issue guidance for Operating Administrations (OA) to reinforce maximizing the use of competition, fixed-price contracts and small businesses, per the ARRA and Office of Management and Budget implementing guidance. The SPE decided to implement the suggestion by developing and issuing new standard grant terms for ARRA grants.

The SPE's February 27, 2009 memorandum required OAs to include terms in grants to ensure that, to the maximum extent practical, small businesses have opportunities to compete and contracts are awarded on a fixed-price basis through the use of competitive procedures. The memorandum noted small businesses must be ensured the opportunity to compete because they are critical in stimulating economic growth and creating jobs. Use of fixed-price contracts and competitive procedures should help ensure the best prices are obtained for the goods and services purchased under the act.

Facilitated a Better Understanding of Commercial Driver's License (CDL) Fraud for a Congressionally Mandated Task Force

OIG Investigations provided numerous inputs to a Secretary of Transportation-established Commercial Driver's License (CDL) Advisory Com-

mittee (the Task Force), mandated by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), during its study of current impediments and foreseeable challenges to the CDL program, which is administered by the Federal Motor Carrier Safety Administration. Our efforts focused on driver's motives to commit fraud, internal state driver licensing agencies fraud, and third-party testing fraud, among other issues. For example, some of the driver's motives for committing fraud we highlighted included:

- inability to pass the written examination because of language barriers;
- lack of sufficient training to pass the written or skills tests, or both;
- desire to conceal the fact that their CDL has been withdrawn; and
- unwillingness to wait the time necessary from completion of the knowledge and skills tests to the subsequent issuance of a license.

In December 2008, the Task Force issued its report to Congress identifying findings and recommendations for legislative, regulatory, and enforcement changes to improve the CDL program. The report contained a section on operational procedures to detect and deter fraud, developed in part based on our contributions. ■

This section describes work projects currently underway or planned by the Office of Inspector General 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, waste, and abuse. In addition, many of our projects arise from requests by Administration officials and members of Congress.

The OIG has developed the following work plan for the period of April 1, 2009, through September 30, 2009.

AVIATION AND SPECIAL PROGRAMS

IN PROGRESS

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

Examine key risks to FAA's successful implementation of ADS-B and assess the strengths and weaknesses of FAA's proposed contracting approach.

Challenges to FAA Oversight of On-Demand Operators Congressional Request

Identify specific issues that may hinder FAA in its oversight, such as lack of adequate data on on-demand operators.

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

Evaluate the effectiveness of actions taken in response to FAA's "Call to Action Plan" for improving runway safety.

FAA Must Address Regulatory and Oversight Differences Between Commercial Air Carriers and On-Demand Operators Congressional Request

Evaluate the differences between FAA regulations and oversight for on-demand operators versus larger commercial air carriers.

Review of FAA Oversight of Maintenance Programs at One Air Carrier

Determine 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

Determine whether FAA's oversight ensures that the Denver International Airport is using revenues only for airport purposes and is as self-sustaining as possible.

Review of PHMSA's Special Permits and Approvals Programs

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

Air Traffic Controller Trainee Attrition

Determine (1) the attrition rate among newly-hired air traffic controllers and (2) the common causes and factors that are contributing to that rate.

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

Review the financial and contractual aspects of the ATCOTS program, as well as how the training program will differ from what is currently provided the controller workforce.

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

Evaluate the FAA's processes for screening, placing and training newly hired air traffic controllers

Review of Potential Controller Fatigue Issues at Chicago O'Hare ATCT and TRACON, and Chicago Center

Evaluate key factors that could contribute to controller fatigue at Chicago O'Hare ATCT and TRACON and Chicago Center and identify what measures FAA has taken to mitigate potential controller fatigue at those locations.

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

Assess 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)

Determine 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 FAA's Oversight Airworthiness Directive (AD) Compliance

Evaluate FAA's two-part, special-emphasis inspection of air carriers' compliance with ADs to determine whether FAA (1) selected a representative sample of ADs for review, (2) thoroughly reviewed air carriers' compliance with the selected ADs, and (3) ensured that air carriers implemented corrective actions to improve AD compliance where needed.

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

Determine the status of FAA's efforts to develop and implement SWIM, and assess the risks facing nationwide deployment

Review of the Joint Planning and Development Office's Progress Toward the Next Generation Air Transportation System (NextGen)

Review (1) NextGen's impact on FAA's Joint Planning and Development Office's partner agencies' research and capital budgets, (2) FAA's progress in response to our February 2007 recommendations, (3) issues that need to be addressed to shift NextGen from research and development to implementation in a timely manner, and (4) the role of external user review and input into key NextGen policy matters. ■

PLANNED

Reducing Delays and Improving Customer Satisfaction with Air Travel

(1) Assess delays and performance of the National Airspace System in light of airline decisions to reduce flight schedules, (2) analyze the delay problem specifically in the New York region and its corresponding affect across the country, (3) examine progress in implementing the 77 initiatives emphasized by the New York Aviation Rulemaking Committee for reducing delays in New York, and (4) highlight impacts from airline changes on travelers and airports.

Certification of Next Generation Air Transportation System Technologies

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. ■

HIGHWAY AND TRANSIT PROGRAMS

IN PROGRESS

NHTSA's Oversight of Research and Demonstration Projects

Determine 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

Assess the main risks facing this \$9 billion proposed transit project and evaluate FTA's oversight efforts to ensure that risk mitigation strategies are implemented.

FHWA Funding to Correct Structurally Deficient Bridges

Assess the extent to which states effectively and efficiently use FHWA funds to correct structurally deficient bridges.

Follow-up Audit on the Implementation of the North America Free Trade Agreement's Cross-Border Trucking Provisions

Assess FMCSA's ongoing compliance with safety criteria related to Mexico-domiciled motor carrier operations beyond the commercial zones.

Assessment of the Central Artery/Tunnel Stem to Stern Safety Review

Continue the effort to ensure that the Central Artery/Tunnel Stem to Stern Safety Review is comprehensive and conducted in a complete and rigorous manner. We will also 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".

FHWA Transportation Technology Innovation and Demonstration (TTID) Program

The objectives are to assess whether FHWA (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 TTID program, as specified in Section 5508 of SAFETEA-LU.

Implementation of FMCSA's Motor Coach Safety Program

Determine whether FMCSA is effectively implementing the six priorities in its National Motor Coach Safety Program.

MARAD's Title XI Loan Guarantee Program

Determine 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. ■

PLANNED

Oversight of American Recovery and Reinvestment Act

We will perform an environmental scan — a quick, but structured survey based on the key challenges and focus areas we identified in our American Recovery and Reinvestment Act of 2009 (ARRA) report. This environmental scan will assess the capacity of the Department, including the FHWA and FTA, to implement ARRA requirements, and identify vulnerabilities that could result in fraud, waste, and abuse. ■

RAIL & MARITIME PROGRAMS AND ECONOMIC ANALYSIS

IN PROGRESS

Amtrak Quarterly Reports on Operational Savings

As mandated by Congress, we will issue 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. ■

Causes of Delays on the Amtrak Cascades and Coast Starlight Routes

Investigate the causes of Amtrak delays and service interruptions on the two Amtrak routes. ■

FINANCIAL AND INFORMATION TECHNOLOGY

IN PROGRESS

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

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

Data Integrity of the Commercial Drivers License Information System (CDLIS)

Determine whether (1) convictions and other personal information recorded in CDLIS and state DMV's systems are accurate, timely, and complete; (2) CDLIS and state DMV's systems are adequately secured according to minimum security standards to prevent unauthorized access to privacy data; and (3) an adequate contingency plan exists to ensure continual CDLIS service to state DMV's in the event of a disaster.

Security and Privacy Controls over the Medical Support System

Determine 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.

Improper Payments in the Airport Improvement Program

Determine whether FAA has adequate controls to prevent and detect improper payments to grant recipients of the Airport Improvement Program.

DOT's Implementation of Personal Identify Verification (PIV) Cards

Determine 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.

Quality Control Review of DOT's Enterprise Service Center

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

Quality Control Review of FYs 2009 and 2008 DOT Consolidated Financial Statements

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

Quality Control Review of FYs 2009 and 2008 FAA Financial Statements

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

PLANNED

Quality Control Review of FYs 2009 and 2008 NTSB Financial Statements

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

DOT's Information Security Program and Practices for FY 2009

Perform the annual review required by the Federal Information Security Management Act of 2002. Determine the effectiveness of DOT's information security program and practices and complete OMB's template for security assessments and performance measures. ■

ACQUISITION AND PROCUREMENT

IN PROGRESS

DOT's Suspension and Debarment Policies and Procedures

Determine 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 agreement; and (2) operating administrations are effectively implementing the Department's suspension and debarment policies and procedures.

Use of Cost-Plus-Award-Fee Contracts Within DOT

Determine whether cost-plus-award-fee contracts were effectively designed and administered in the best interest of the Government. Specifically, we will determine whether (1) award fee plans established adequate criteria for evaluating contractor performance, and (2) the amount of award fees paid to contractors was adequately supported.

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

Determine 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

Determine 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

Determine whether the Department has made adequate progress developing a strategic plan for the acquisition workforce. Specifically we will determine whether the Department (1) has sufficiently estimated acquisition workforce requirements based on expected acquisitions; (2) accessed the capabilities of the workforce; and (3) has made sufficient progress training, recruiting, and retaining its workforce. ■

Summary of Performance

Office of Inspector General

October 1, 2008 – March 31, 2009

(Dollars in Thousands)

Reports Issued	46
Recommendations Issued	170
Congressional Testimonies	4*
Total Financial Recommendations	\$429,965
That Funds Be Better Used	\$401,600
Questioned Costs	\$28,365
Indictments	43
Convictions	60
Fines, Restitutions, and Recoveries	\$59,744

**One testimony was given before the National Transportation Safety Board.*

Audits

Completed OIG Reports

October 1, 2008 – March 31, 2009

(Dollars in Thousands) *

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Internal Audits					
Performance/ Attestation Engagements	13	83	\$4,400	\$0	\$61,100
Financial Audits	6	45	\$0	\$0	\$340,500
Other OIG Reports	1	0	\$0	\$0	\$0
Total Internal Audit Reports	20	128	\$4,400	\$0	\$401,600
Grant Audits					
Audits of Grantees Under Single Audit Act	26	42	\$23,965	\$0	\$0
TOTALS	46	170	\$28,365	\$0	\$401,600

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

Department of Transportation programs and operations are primarily carried out by the Department's own personnel and recipients of Federal grants. Audits by DOT's Office of Inspector General, 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

October 1, 2008 – March 31, 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	16	33	\$29,249	\$0
B. Which were issued during the reporting period	17	25	\$28,365	\$0
Totals (A+B)	33	\$57,614	58	\$0
C. For which a management decision was made during the reporting period	8	9	\$13,107	\$0
(i) dollar value of disallowed costs*	8	9	\$8,695	\$0
(ii) dollar value of costs not disallowed *	1	1	\$6,516	\$0
D. For which no management decision had been made by the end of the reporting period	25	49	\$44,507	\$0

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

OIG Reports with Recommendations that Funds Be Put to Better Use

October 1, 2008 – March 31, 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	0	0	\$0
B. Which were issued during the reporting period	4	5	\$401,600
Totals (A+B)	4	5	\$401,600
C. For which a management decision was made during the reporting period	3	3	\$378,700
(i) dollar value of disallowed costs*	3*	3*	\$378,700
(ii) dollar value of costs not disallowed *	0*	0*	\$0
D. For which no management decision had been made by the end of the reporting period	1	2	\$22,900

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

Statistical Performance Data

OIG Reports Recommending Changes for Safety, Economy or Efficiency

October 1, 2008 – March 31, 2009

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	14	39
B. Which were issued during the reporting period	25	140
Totals (A+B)	39	179
C. For which a management decision was made during the reporting period	23	135
D. For which no management decision had been made by the end of the reporting period	18	44

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	13	11	83	78
Financial	6	4	45	44
Other	1	0	0	0
Grants	26	10	42	18
TOTALS	46	24	170	140

Management Decisions Regarding OIG Recommendations

October 1, 2008 – March 31, 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 10/01/2008	29	72	\$29,249	\$0	\$0
Audits with Findings During Current Period	40	170	\$28,365	\$0	\$401,600
Total to be Resolved	69	242	\$57,614	\$0	\$401,600
<i>Management Decisions</i>					
Audits Prior Period ‡	10	26	\$8,585	\$0	\$0
Audits Current Period ‡	19	121	\$4,522	\$0	\$378,700
Total Resolved	29	147	\$13,107	\$0	\$378,700
<i>Aging of Unresolved Audits*</i>					
Less than 6 mos. old	23	49	\$23,843	\$0	\$22,900
6 mos. – 1 year	12	28	\$7,946	\$0	\$0
1 year – 18 mos.	2	4	\$1,521	\$0	\$0
18 mos. – 2 years	3	6	\$11,196	\$0	\$0
Over 2 years old	2	8	\$0	\$0	\$0
Unresolved as of 03/31/2009	42	95	\$44,506	\$0	\$22,900

‡ – 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

October 1, 2008 – March 31, 2009

DEPARTMENTWIDE

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
MH-2009-046	03/31/2009	American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation	DOT will provide OIG with a document outlining actions taken and planned to address focus areas

Grant Audits: Audits of Grantee Under Single Audit Act – 26 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-011	11/19/2008	State of Texas	Improve grantee oversight
QC-2009-014	01/13/2009	NYE County, Nevada	\$105,072 questioned
QC-2009-015	01/13/2009	Bradford Regional Airport Authority	\$135,347 questioned
QC-2009-016	01/13/2009	Commonwealth Ports Authority	\$346,621 questioned
QC-2009-017	01/13/2009	Clark County, Nevada	Improve grantee oversight
QC-2009-018	01/13/2009	City of Hutchinson, Kansas	\$90,379 questioned
QC-2009-019	01/13/2009	Orange County Transportation Authority	Improve grantee oversight
QC-2009-020	01/13/2009	City of Eufaula, Oklahoma	\$51,109 questioned
QC-2009-021	01/13/2009	Central Puget Sound Regional Transit Authority	Improve grantee oversight

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-022	01/13/2009	City of San Antonio, Texas	\$86,000 questioned
QC-2009-023	01/13/2009	Dallas Area Rapid Transit	Improve grantee oversight
QC-2009-024	01/13/2009	City of Oakdale, California	\$1,008,584 questioned
QC-2009-025	01/13/2009	State of Maine	\$48,395 questioned
QC-2009-026	01/13/2009	City of Baton Rouge and Parish of East Baton Rouge, Louisiana	Improve grantee oversight
QC-2009-027	01/13/2009	Port of Seattle	Improve grantee oversight
QC-2009-028	01/13/2009	City of Tulsa, Oklahoma	\$30,336 questioned
QC-2009-029	01/13/2009	State of Hawaii, Department of Transportation, Highway Division	Improve grantee oversight
QC-2009-030	01/13/2009	Jefferson County, Colorado	Improve grantee oversight
QC-2009-031	01/13/2009	Greater Cleveland Regional Transit Authority	\$15,274 questioned
QC-2009-035	02/18/2009	County of Shasta	\$16,000 questioned
QC-2009-036	02/18/2009	Puerto Rico Highways and Transportation Authority	Improve grantee oversight
QC-2009-037	02/18/2009	North Delta Planning and Development District, Inc.	\$306,000 questioned
QC-2009-041	03/17/2009	State of Connecticut	\$30,114 questioned
QC-2009-042	03/17/2009	State of Minnesota	\$19,448,000 questioned
QC-2009-043	03/17/2009	State of Montana	\$2,084,000 questioned
QC-2009-044	03/20/2009	Comanche Nation	\$163,430 questioned

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance/Attestation – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
AV-2009-012	12/15/2008	FAA's Management and Maintenance of Air Traffic Control Facilities	FAA will focus on its existing air traffic control facilities and effectively transition to NextGen
AV-2009-039	03/03/2009	Actions Taken and Needed To Improve FAA's Runway Safety Area Program	FAA will develop and implement a plan to improve Runway Safety
AV-2009-045	03/24/2009	FAA's Process for Reporting and Investigating Operational Errors	FAA has initiated action to correct some the weaknesses

Internal Audits: Financial – 2 reports

QC-2009-006	11/10/2008	Quality Control Review of Audited Financial Statements for Audited Financial Statements for FY 2008 and FY 2007	Unqualified opinion on financial statements
QC-2009-008	11/13/2008	Quality Control Review of Audited Financial Statements for FY 2008 and FY 2007	Unqualified opinion on financial statements

FEDERAL HIGHWAY ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
MH-2009-013	01/12/2009	National Bridge Inspection Program: Assessment of FHWA's Implementation of Data-Driven, Risk-Based Oversight	Limited progress was made implementing data-driven, risk-based bridge oversight
ZA-2009-033	02/05/2009	Oversight of Design and Engineering Firms' Indirect Costs Claimed on Federal-Aid Grants	Put \$30,200,000 to better use and \$4,400,000 questioned

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
MH-2009-034	02/06/2009	Status Report on NAFTA Cross-Border Trucking Demonstration Project	Due to incomplete data, no demonstration has been done to yield valid results

Statistical Performance Data

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
CR-2009-038	02/24/2009	Enhancing the Federal Railroad Administration's Oversight of Track Safety Inspections	FRA needs to revise its Track Safety Compliance Manual

MARITIME ADMINISTRATION

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
FI-2009-001	10/06/2008	Implementation of Controls Over Payments to Maritime Security Program Contractors	Payments were properly reduced and there were sufficient controls on payments to contractors

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
FI-2009-032	02/04/2009	Inspector General Review of FY 2008 Drug Control Funds and Performance Summary Reporting	Conforms with the Office of National Drug Control Policy Circular

NATIONAL TRANSPORTATION SAFETY BOARD

Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-007	11/12/2008	Quality Control Review of Audited Financial Statements For Fiscal Years 2008 and 2007	Unqualified opinion on financial statements

OFFICE OF THE SECRETARY OF TRANSPORTATION

Internal Audits: Performance/Attestation –3 reports

Report	Date	Title	Focus of Report/ Recommendations
FI-2009-002	10/07/2008	Interim Report on Award-Fee Criteria for the System Engineering and Technical Assistances II Contract	Put \$8,000,000 to better use
FI-2009-003	10/08/2008	Audit of Information Security Program	Controls need to be strengthened
PT-2009-005	11/17/2008	Top Management Challenges	Nine challenges identified

Internal Audits: Financial – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-009	11/14/2008	Quality Control Review of Consolidated Financial Statements for FY 2008 and FY 2007	Unqualified opinion on financial statements; put \$340,500,000 to better use

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-010	11/17/2008	Quality Control Review of Audited Special-Purpose Financial Statements for FY 2008 and FY 2007	Unqualified opinion on financial statements

RESEARCH AND INNOVATIVE TECHNOLOGY ADMINISTRATION

Internal Audits: Performance/Attestation – I report

Report	Date	Title	Focus of Report/ Recommendations
AV-2009-040	03/11/2009	The Joint Program Office's Management of the Intelligent Transportation Systems Program Needs to be Improved	Put \$22,900,000 to better use

ST. LAWRENCE SEAWAY DEVELOPMENT CORP.

Internal Audits: Financial – I report

Report	Date	Title	Focus of Report/ Recommendations
QC-2009-004	11/07/2008	Quality Control Review of Audited Financial Statements for FY 2008 and FY 2007	Unqualified opinion on financial statements

Office of Inspector General Congressional Testimonies

October 1, 2008 – March 31, 2009

Control No.	Date	Subject	Before
CC-2009-020	10/07/2008	Testimony to National Transportation Safety Board on January 2, 2008, Victoria, Texas, Motor Coach Accident	National Transportation Safety Board
CC-2009-037	02/11/2009	Key Issues for Reauthorizing the Federal Aviation Administration	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2009-045	03/10/2009	Top Management Challenges Facing the Department of Transportation	Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies U.S. House of Representatives
CC-2009-044	03/18/2009	Federal Aviation Administration: Actions Needed To Achieve Mid-Term Next Generation Air Transportation System Goals	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives

Unresolved Recommendations Over 6 Months Old

Cited in Semiannual Report for October 1, 2004 – March 31, 2005

Title	Report Number	Final Issue Date
Review of FAA's Terminal Alternatives	AV-2005-016	11/23/04

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

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

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

Title	Report Number	Final Issue Date
Review of Amtrak Board of Directors	CR-2007-074	09/14/07
Washington Metropolitan Area Transit Authority	QC-2007-057	07/18/07
State of Minnesota	QC-2007-058	07/18/07

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

Title	Report Number	Final Issue Date
Oglala Sioux Tribe	QC-2008-037	03/06/08
Federated States of Micronesia National Government	QC-2008-019	12/19/07

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

Title	Report Number	Final Issue Date
Capital Area Transit System	QC2008008	09/30/08
Federated States of Micronesia National Government	QC2008082	09/25/08

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

Title	Report Number	Final Issue Date
Northern Arizona Intergovernmental Public Transportation Authority	QC2008083	09/25/08
Government of Guam	QC2008085	09/25/08
Massachusetts Bay Transportation Authority	QC2008080	09/23/08
City of Nashua	QC2008073	09/03/08
Pioneer Valley Transit Authority	QC2008075	09/03/08
Tri-County Metropolitan Transportation District of Oregon	QC2008061	07/24/08
Washington Metropolitan Area Transit Authority	QC2008062	07/24/08
Commonwealth Ports Authority	QC2008067	07/24/08
Pima County	QC2008068	07/24/08
Review of FAA's Oversight of Airlines' Regulatory Partnership Programs and Internal Review Process	QC2008082 AV2008057	06/30/08

Investigations

Judicial and Administrative Actions

October 1, 2008 - March 31, 2009

Indictments	43
Convictions	60
Years Sentenced	46
Years Probation	64
Years Supervised Release	85
Hours of Community Service	380
Employee Terminations	4
Employee Suspensions	4
Reprimand	3
Resignation/Retirement	4
Counseling	3
Debarment/Suspension	7
Decertified	1
Federal funding redistributed	1
Certificate/License Suspended/Revoked/Terminated	2
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Financial Impact	
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Fines	\$10,499,015
Restitution/Civil Judgments	\$3,875,098
Recoveries	\$45,370,000
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Total	\$59,744,113
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During the 6 month period covered by this report, 92 cases were opened and 41 were closed, leaving a pending caseload of 436. In addition, 13 individuals/companies were referred for prosecution, 10 were accepted for prosecution, and 13 were declined.

Profile of All Pending Investigations as of 3/31/2009

Types of Cases							
	Number of Cases	Contract/ Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	HazMat	Other
Federal Aviation Administration	184	18	52	92	0	7	15
Federal Highway Administration	116	107	0	0	0	0	9
Federal Motor Carrier Safety Administration	56	0	4	0	34	11	7
Federal Railroad Administration	4	0	0	0	0	2	2
Federal Transit Administration	28	26	0	0	0	0	2
Maritime Administration	4	1	2	0	0	1	0
National Highway Traffic Safety Administration	5	1	1	0	0	0	3
Office of the Secretary	11	3	6	0	0	0	2
Pipeline and Hazardous Materials Safety Administration	23	0	1	0	0	21	1
Research and Innovative Technology Administration	5	1	4	0	0	0	0
Totals	436	157	70	92	34	42	41
Percent of Total:	100%	36%	16%	21%	8%	10%	9%



2008 Awards and Recognition

On November 7, 2008, a ceremony was held in Washington, DC to recognize the Office of Inspector General employees for their contributions over the preceding year. The Inspector General also recognized OIG employees receiving awards for their accomplishments from the Secretary of Transportation, the President's Council on Integrity and Efficiency, and other local, state, and Federal agencies and councils.

Secretarial Awards and Recognition

Award for Meritorious Achievement

This award is given by the Secretary in recognition of meritorious service to DOT and the Federal government, and for exceptional achievement which substantially contributed to the accomplishment of DOT's mission or major programs.

Tina B. Nysted,
Program Director
JA-10 Atlanta, GA

Robert C. Brautigam,
Senior Special Agent
JRI-2 King of Prussia, PA

Award for Excellence

This award is granted to employees who have achieved outstanding performance in all aspects of their work, warranting special commendation.

Joyce K. Mayeda,
Administrative Assistant
JA-10 San Francisco, CA

Sandra M. Roper,
Investigative Program Technician
JRI-4 Atlanta, GA

Team Award

This award is in recognition of meritorious contributions of high value to the Department in meeting one or more of the Strategic Goals, and exceptional performance which results in the improvement, reinvention, or reengineering of practices, operations, and customer service.

OIG North American Free Trade Agreement Cross-Border Trucking Demonstration Project Team

This team provided outstanding teamwork to review the Federal Motor Carrier Safety Administration's NAFTA Cross-Border Trucking Demonstration Project.

Joseph W. Comé, Assistant IG for Highway & Transit Audits
Joan M. Becker, Project Manager
Kimberley A. Bolding, Senior Auditor
Christopher T. Brothers, Project Manager
Patrick D. Conley, Senior Auditor
Kathleen B. Conway, Analyst
Constance B. Hardy, Senior Analyst
Seth B. Kaufman, Associate Counsel
Harriet E. Lambert, Writer-Editor
Thomas K. Lehrich, Chief Counsel
Michael Masoudian, Analyst
Regan K. Maund, Analyst
Calvin L. Moore II, Analyst
Andrea J. Nossaman, Writer-Editor
David P. Pouliott, Project Manager
Anthony V. Saraco, Senior Auditor
Rosa L. Scalice, Auditor
Gerard J. Sheeran, Senior Auditor
Anette Soto, Analyst
Petra Swartzlander, Statistician
Maurice Toval, Senior Auditor
Marvin E. Tuxhorn, Senior Auditor
Scott L. Williams, Analyst

Air Traffic Control Operational Errors Investigation Team

This team's exemplary investigative efforts resolved the reported misclassification of air traffic controller operational errors at FAA's Dallas-Fort Worth Terminal Radar Approach Control Facility.

Richard C. Beitel, Jr., AIG for Washington Investigative Operations

Ronald C. Engler, Director of Special Investigations

Mark Gonzales, Senior Analyst

David P. Hooper, Senior Investigator

Erika S. Vincent, Assistant Director of Special Investigations

OIG Air Carrier Safety Review Team

This team's exemplary efforts identified and corrected critical gaps in the regulatory safety oversight of a major U.S. air carrier.

Richard C. Beitel, Jr., AIG for Washington Investigative Operations

Curt L. Boettcher, Senior Analyst

Brian A. Dettelbach, AIG for Legal, Legislative and External Affairs

Lou E. Dixon, AIG for Aviation and Special Program Audits

Kevin F. George, Project Manager

Robin P. Koch, Project Manager

Jeannette M. McDonald, Senior Analyst

Andrea J. Nossaman, Writer-Editor

Tina B. Nysted, Project Manager

Mark D. Perrill, Senior Analyst

Galen L. Steele, Senior Auditor

Erika S. Vincent, Assistant Director of Special Investigations

Travis R. Wiley, Analyst

Inspector General Special Honors

In Memory of...

The Office of Inspector General was saddened this year with the passing of one employee. This individual is deeply missed and remembered fondly by his many friends and coworkers throughout the OIG.

David W. Brown, Management & Program Analyst
JA-40 Fort Worth, TX

Mr. Brown touched the hearts of the people he worked with and will be deeply missed. David joined the Office of Inspector General in 1989 as an auditor with the Fort Worth, Texas regional office. In his early years with the OIG, he worked on audits of mass transit agencies' compliance with the Americans with Disabilities Act and several airport revenue, aviation inspection, and maritime audits. As a senior analyst, David became an integral part of nationwide audit and testimony teams that were instrumental in the achievement of important improvements in motor carrier safety enforcement programs and quality data used to monitor the trucking industry, as well as recommending improvements in airport security and airline customer service. David also provided integral expertise on numerous audit and congressional testimony assignments that focused on diverse issues across transportation spectrum, including the high profile cross-border trucking provisions of the North American Free Trade Agreement. David's outstanding performance was recognized through the numerous OIG and PCIE awards he received throughout his 19 years with the OIG. He had many friends and colleagues in the OIG and we will all miss him a great deal.

U.S. Active Duty Military

The Secretary of Transportation will recognize U.S. Military Reservists and U.S. Department of Transportation civilian employees called to active duty during this period

November 2007 – November 2008

Peggy Moskaluk

Career Service Recognition

The following current OIG employees will have attained a milestone in their Federal service career as of the end of this year.

5 Years of Federal Service

Mitchell L. Behm
Sandra J. DePaulis
Joseph J. Hance
Bruce A. Quintero III
Amanda L. Watson

10 Years of Federal Service

Ernestine M. Anderson
Jeffrey D. Ball
Christopher T. Brothers
Earnice D. Cox
Todd A. Damiani
Francis E. Danielski
Lisa Edouard
Matthew Farrugia
Heidi Ficke
Charnell Jenkins
Robert D. Mancuso
Malia S. Myers
Charmaine Newman
Mark D. Perrill

15 Years of Federal Service

Jeannette M. Brown
LaRue Burks
Craig S. Furey
Rosalyn Millman
Douglas Shoemaker
Glenda L. White

20 Years of Federal Service

**Terri A. Ahuruonye
Sharon J. Ayers
Mitchell N. Balakit
Barbara L. Barnet
Steven A. DeFazio
Gloria B. Denmark
Kevin Dorsey
Michelle C. Hill
Anne-Marie C. Joseph
Earl G. Kindley
Lissette Mercado
Oleg Michalowskij
Sean L. Woods
Joseph M. Zschiesche**

25 Years of Federal Service

**Theodore L. Doherty III
Mary E. Hanson
Emma Hernandez
Deborah A. Kloppenburg
Darren L. Murphy
Robin Redd-Miller
George F. Sullivan
Stuart I. Weibel**

30 Years of Federal Service

**Lou E. Dixon
Larry A. McWilliams
Christopher J. Minovich
Hank W. Smedley
Maria T. Sturniolo**

35 Years of Federal Service

**Theodore P. Alves
Michael P. Fruitman
Carlton H. Hamilton
Maurice Toval**

Inspector General Awards

Team Award

This award is granted to an OIG office, team, or workgroup whose performance exemplifies teamwork and whose efforts contribute greatly toward the mission, goals, and operations of the Office of Inspector General.

Legal Representation Team

This team receives this award for zealous and effective legal representation of the Office of Inspector General.

Amy J. Berks, Associate Counsel
Seth B. Kaufman, Associate Counsel
Thomas K. Lehrich, Chief Counsel
Omer G. Poirier, Criminal Attorney

North American Flight 1777 Audit Team

This team receives this award for outstanding work and dedication in providing Congress, the Department of Transportation, the Department of Defense, and the Department of Homeland Security leadership critical information on actions needed to better coordinate the handling of U.S. Armed Forces returning from Iraq and Afghanistan.

Gerald L. Blumenthal, Auditor
Stephen L. Jones, Project Manager
Robert Y. Lee, Auditor
Judy W. Nadel, Senior Auditor

Air Traffic Controller Facility Training Program Team

This team performed outstanding efforts in identifying key areas for improving the effectiveness of FAA's Air Traffic Controller Facility Training Program.

Mi Hwa Button, Analyst
Mark A. Gonzales, Senior Analyst
Kevin M. Montgomery, Analyst
Andrea J. Nossaman, Writer-Editor
Erik A. Phillips, Senior Analyst
Daniel R. Raville, Program Director
Robert A. Romich, Project Manager
Katherine A. Yutzey, Senior Analyst

IT Audit Computer Laboratory Team

This team receives this award in recognition of dedication and outstanding service to improve OIG's proficiency of cyber security audits.

Vasily G. Gerasimov, Information Technology Specialist
Dr. Ping Z. Sun, Program Director for IT Audit Computer Lab

Dulles Corridor Metrorail Project Team

This team receives this award for outstanding teamwork on identifying key risks facing the Dulles Corridor Metrorail Project.

Tyler C. Apfel, Project Manager
Frank J. Schutz, Senior Auditor
Thomas E. Yatsco, Program Director

COOP Working Group Team

This team receives this award for outstanding team performance producing the DOT/OIG Continuity of Operations Plan to strengthen efforts to ensure employee safety and perform critical functions during emergencies.

Amy J. Berks, Associate Counsel
Sabriena Bowen-Brown, Human Resources Specialist
Christopher T. Brothers, Project Manager
Jim H. Crumpacker, Director of National Investigative Programs & Operations
James F. Heminger, Senior Information Technology Specialist
Edith A. Makoge, Analyst
Charles A. Mitchell, Senior Analyst
Scott B. Stokes, Senior Special Agent
Leila G. Wieser, Writer-Editor

Fraud Awareness DVD Team

This team receives this award for exceptional work producing a fraud awareness video on false statements and claims to strengthen collaborative efforts aimed at the prevention and detection of fraud involving about \$70 billion spent annually on Federal transportation projects.

Jim H. Crumpacker, Director of National Investigative Programs & Operations
Todd A. Damiani, Senior Special Agent
Theodore L. Doherty III, Special Agent-In-Charge
Michelle T. McVicker, Special Agent-In-Charge
Charles A. Mitchell, Senior Analyst
Omer G. Poirier, Criminal Attorney
George F. Sullivan, Senior Investigator
Eileen Vidal-Codispot, Supervisory Special Agent
Leila G. Wieser, Writer-Editor
Mary Baier, Connecticut DOT
Carl Gottschall, FHWA
Raymond Hulser, DOJ
Fred Wyshak, DOJ

National Fraud Awareness Conference Team

This team receives this award for outstanding teamwork to ensure the 5th Biennial National Fraud Awareness Conference on Transportation Infrastructure Programs held in Chicago, IL was a success.

Barbara L. Barnet, National Safety Program Investigations Coordinator
Jim H. Crumpacker, Director of National Investigative Programs & Operations
Vonya C. Matthews, Investigative Program Technician
Michelle T. McVicker, Special Agent-In-Charge
Sandra M. Roper, Investigative Program Technician
Latonya D. Scott, Investigative Program Technician
Lorena M. Simpson, Support Services Specialist
Carlos A. Vazquez, Senior Special Agent
Jacque M. Wente, Senior Special Agent
Jack Basso, AASHTO
Michael Diavolikis, AASHTO
Sherri Johnson, AASHTO
Monica Russel, AASHTO
Amie Seisey, AASHTO
Jeff Heck, Illinois DOT
Todd Hummert, Illinois DOT
Dan Kennelly, Illinois DOT
Gene Thomen, Illinois DOT
Diane Trego, Illinois DOT
Susan Turner, Illinois DOT
Alison Perona, Chicago Transit Authority OIG

DFW TRACON Investigation Team

This team receives this award for exemplary investigative efforts in resolving the underreporting of air traffic controller operational errors at the DFW TRACON.

Ronald C. Engler, Director of Special Investigations

Mark A. Gonzales, Senior Analyst

David P. Hooper, Senior Investigator

Erika S. Vincent, Assistant Director of Special Investigations

Tony Ferrante, FAA

Joseph Teixeira, FAA

Nathan Enders, FAA

Chad Brewer, FAA

James Ryan, FAA

New York Public Corruption Team

This team receives this award for outstanding investigative accomplishments in combating corruption by public officials and thereby protecting the integrity of a Federally-funded program.

Matthew P. Farrugia, Senior Special Agent

Daniel M. Helzner, Senior Special Agent

Richard M. McGrade, Senior Special Agent

Robert J. Stanek, Senior Special Agent

Gohmann Asphalt Team

This team receives this award for outstanding team effort in the investigation and civil prosecution of a case involving fraudulent core sampling on Federal-aid Highway projects resulting in a \$8.2 million civil settlement.

George F. Sullivan, Senior Investigator
Benjamin Schecter, Assistant U.S. Attorney
David Perkins, U.S. Attorney
Phil Bezehrtny, U.S. Attorney
Robert Tally, FHWA Indiana
Jose Sepulveda, FHWA Kentucky

Award for Superior Achievement

This is the highest award granted by the Inspector General. It recognizes performance of assigned duties in such an exemplary manner as to inspire others, demonstration of unusual initiative or skill in the development of new or improved work methods and procedures, and notable authorship.

Thomas E. Yatsco,
Program Director
JA-40 Washington, D.C.

Theodore L. Doherty III,
Special Agent-In-Charge
JRI-1 Cambridge, MA

Exceptional Civilian Service Award

This is the second-highest award granted by the Inspector General, recognizing performance that is exceptional among peers, extraordinary results, and other exemplary performance as deemed by the Inspector General.

Petra Swartzlander,
Statistician
JA-2 Washington, D.C.

Scott K. Macey,
Program Director
JA-10 San Francisco, CA

Scott V. Harding,
Senior Investigator
JI-3 Washington, D.C.

Gerard H. Tucker, Jr.
Senior Special Agent
JRI-2 Atlantic City, NJ

Marguerite Christensen Award for Excellence in Administration

This is the third-highest award in the OIG. It recognizes professionalism, technical excellence, and dedication in providing administrative support to the Office of Inspector General.

Louis H. Burrell III,
Information Technology Specialist
JM-40

Manager of the Year Award

This award is granted to managers who demonstrate exemplary contributions toward achieving the mission and goals of the OIG, and management of personnel and resources.

Daniel R. Raville,
Program Director
JA-10 Washington, D.C.

Kerry R. Barras,
Program Director
JA-40 Fort Worth, TX

Terrence J. Letko,
Program Director
JA-60 Washington, D.C.

Gary Walker,
Director of Investigative Case
Management Systems Office
JI-2 Washington, D.C.

Supervisor of the Year Award

This award is granted to supervisors who demonstrate exemplary contributions toward achieving the mission and goals of the OIG and management of personnel and resources.

Stephen L. Jones,
Project Manager
JA-10 San Francisco, CA

Betty A. Krier,
Project Manager
JA-50 Washington, D.C.

Erika S. Vincent,
Assistant Director of Special
Investigations
J1-3 Washington, D.C

David P. Pouliott,
Project Manager
JA-40 Washington, D.C.

Dana L. Short,
Project Manager
JA-60, Washington, D.C.

Douglas Shoemaker,
Assistant Special Agent-In-
Charge
JRI-2 New York, NY

Joseph M. Zschiesche,
Assistant Special Agent-In-Charge
JRI-6 Fort Worth, TX

Employee of the Year Award

This award is granted to employees who demonstrate dedication and special effort which exceed performance expectations and contribute significantly to the mission and goals of the Office of Inspector General.

Seth B. Kaufman,
Associate Counsel
J-3 Washington, D.C.

Akilah A. Boston,
Analyst
JA-2 Washington, D.C.

Mark D. Perrill,
Analyst
JA-10 Atlanta, GA

Oleg Michalowskij,
Senior Analyst
JA-40 Washington, D.C.

Stacie A. Seaborne,
Analyst
JA-60 Washington, D.C.

Leigh R. Hinson,
Senior Special Agent
JRI-1 Cambridge, MA

Bradley D. Wheeler,
Senior Special Agent
JRI-4 Atlanta, GA

Steven K. Wilson,
Accountant
JM-30 Oklahoma City, OK

Nathan P. Richmond,
Legislative Counsel
J-3 Washington, D.C.

Arnett Sanders,
Senior Auditor
JA-10 Washington, D.C.

Tim D. Roberts,
Senior Auditor
JA-20 Oklahoma City, OK

Margaret E. Uckert,
Deputy Training Director
JM-20 Washington, D.C.

Barbara L. Barnet,
National Safety Program
Investigations Coordinator
Jl-2 Tallahassee, FL

Jennifer A. Blake,
Senior Special Agent
JRI-1 Cambridge, MA

Lisa A. Glazzy,
Senior Special Agent
JRI-9 San Francisco, CA

Karen Y. Hayden,
Senior Information Technology
Specialist
JM-40 Washington, D.C.

Paul W. Kimbrough, Sr. Award for Public and Community Service

This award is granted to any OIG employee who exhibits exceptional dedication to public/community service, either associated with a DOT or other Federally-sponsored program or initiative, or privately within his or her community.

Ramon Sanchez, Jr.
Assistant Special Agent-In-Charge
JRI-4 Atlanta, GA

Administrative Professional of the Year Award

This award is granted to administrative or clerical employees who provide outstanding support to the success of the organization or office.

Larretha A. Blackmon,
Administrative Support Assistant
JA-10 Atlanta, GA

LaRue Burks,
Secretary
JA-40 Fort Worth, TX

New Employee Award

This award is granted to new Federal employees who excel in performance of assignments and demonstrate significant initiative in developing and furthering their skills.

Doneliya P. Deneva,
Auditor
JA-10 Washington, D.C.

Ann R. Moles,
Information Technology Specialist
JA-20 Washington, D.C.

Jean A. Tanaka,
Analyst
JA-40 Washington, D.C.

Matthew R. Williams,
Analyst
JA-50 Washington, D.C.

Martha A. Morrobel,
Information Technology Specialist
JA-20 Washington, D.C.

Anette Soto,
Analyst
JA-40 Washington, D.C.

Marjorie J. Tsaousis,
Analyst
JA-50 Washington, D.C.

Yan Wang,
Information Technology Specialist
JM-40 Washington, D.C.

President's Council on Integrity and Efficiency Awards

Award for Excellence - Audit

North American Free Trade Agreement (NAFTA) Team

This team received the award for outstanding teamwork in ensuring the safety of the Federal Motor Carrier Safety Administration's implementation of the North American Free Trade Agreement Cross-Border Trucking Demonstration Project.

Joseph W. Comè, AIG for Highway & Transit Audits

Joan M. Becker, Project Manager

Kimberley A. Bolding, Senior Auditor

Christopher T. Brothers, Project Manager

Patrick D. Conley, Senior Auditor

Kathleen B. Conway, Analyst

Constance B. Hardy, Senior Analyst

Seth B. Kaufman, Associate Counsel

Harriet E. Lambert, Writer-Editor

Thomas K. Lehrich, Chief Counsel

Michael Masoudian, Analyst

Regan K. Maund, Analyst

Calvin L. Moore II, Analyst

Andrea J. Nossaman, Writer-Editor

David P. Pouliott, Project Manager

Anthony V. Saraco, Senior Auditor

Rosa L. Scalice, Auditor

Gerard J. Sheeran, Senior Auditor

Anette Soto, Analyst

Petra Swartzlander, Statistician

Maurice Toval, Senior Auditor

Marvin E. Tuxhorn, Senior Auditor

Scott L. Williams, Analyst

Award for Excellence – Multiple Disciplines

AMTRAK Team

This team received the award for outstanding efforts in monitoring AMTRAK, reporting to the Administration and the Congress on AMTRAK's financial status, operational reforms and capital needs, and assisting the Congress on intercity passenger rail appropriation and reauthorization issues.

Mitchell L. Behm, Program Director
Keith A. Klindworth, Senior Economist
Betty A. Krier, Project Manager
Thomas K. Lehrich, Chief Counsel
Chia-Mei Liu, Economist
Debra L. Mayer, Project Manager
Ralph W. Morris, Senior Economist
Aaron M. Schwarz, Analyst
Tyron J. Sharpe, Economist
Marjorie J. Tsaousis, Analyst
Matthew R. Williams, Analyst

Award for Excellence – Investigation

Central Artery/Tunnel Project Investigation Team

This team received the award for investigative excellence and dedication in securing numerous criminal convictions and recoveries of over \$500 million on significant investigations of the Central Artery/Tunnel Project in Boston, Massachusetts.

Jennifer A. Blake, Special Agent
Theodore L. Doherty III, Special Agent-In-Charge
Kevin R. Gaul, Senior Special Agent
Leigh R. Hinson, Senior Special Agent
Frank G. Italia, Senior Special Agent
Peter W. Manning, Senior Special Agent
Joseph B. McGovern, Assistant Special Agent-In-Charge
Gerard H. Tucker, Jr., Senior Special Agent
Leo Fila, FBI
Philip Sliney, FBI
Rebecca Zavala, FBI
Gregory A. Splagounias, DOL /OIG
Fred M. Wyshak, Assistant U.S. Attorney
Jeffrey M. Cohen, Assistant U.S. Attorney
Eugenia M. Carris, Assistant U.S. Attorney
Anthony Fuller, Assistant U.S. Attorney
Jason Barshak, Assistant U.S. Attorney
Douglas Rice, Assistant Attorney General
Deidre Roney, Assistant Attorney General
Patrick Tarmey, Assistant Attorney General
Stephanie LeBlanc, Engineer
Deidre Nash, Engineer
Mark Walsh, Massachusetts State Police Trooper

Glen/Roth Award for Exemplary Service

Southwest Airlines Oversight Team

This team received the award for outstanding performance in conducting audits and preparing multiple congressional testimonies identifying lapses in Federal Aviation Administration's air carrier safety oversight and its implementation of regulatory partnership programs.

Curt L. Boettcher, Senior Analyst
Kevin F. George, Project Manager
Robin P. Koch, Project Manager
Jeannette M. McDonald, Senior Analyst
Andrea J. Nossaman, Writer-Editor
Tina B. Nysted, Project Manager
Mark D. Perrill, Analyst
Omer G. Poirier, Criminal Attorney
Galen L. Steele, Senior Analyst
Erika S. Vincent, Assistant Director of Special Investigations
Travis R. Wiley, Analyst

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 six support units.

Offices in 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 Assistant Inspector General for Investigations.

This office supervises and conducts OIG investigative activities related to DOT programs and operations across the country. Investigative staff are located in field offices across the country.

The Office of the Assistant Inspector General for Washington Investigative Operations.

This office supervises and conducts OIG investigative activities in the Washington, DC area. This office also is responsible for the management of the OIG Hotline Complaint Center and activities generated by the complaints.

Offices in 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, processes requests made under the Freedom of Information Act and Privacy Act, and reviews DOT's proposed legislation and rulemaking.

The Office of the Assistant Inspector General for Administration.

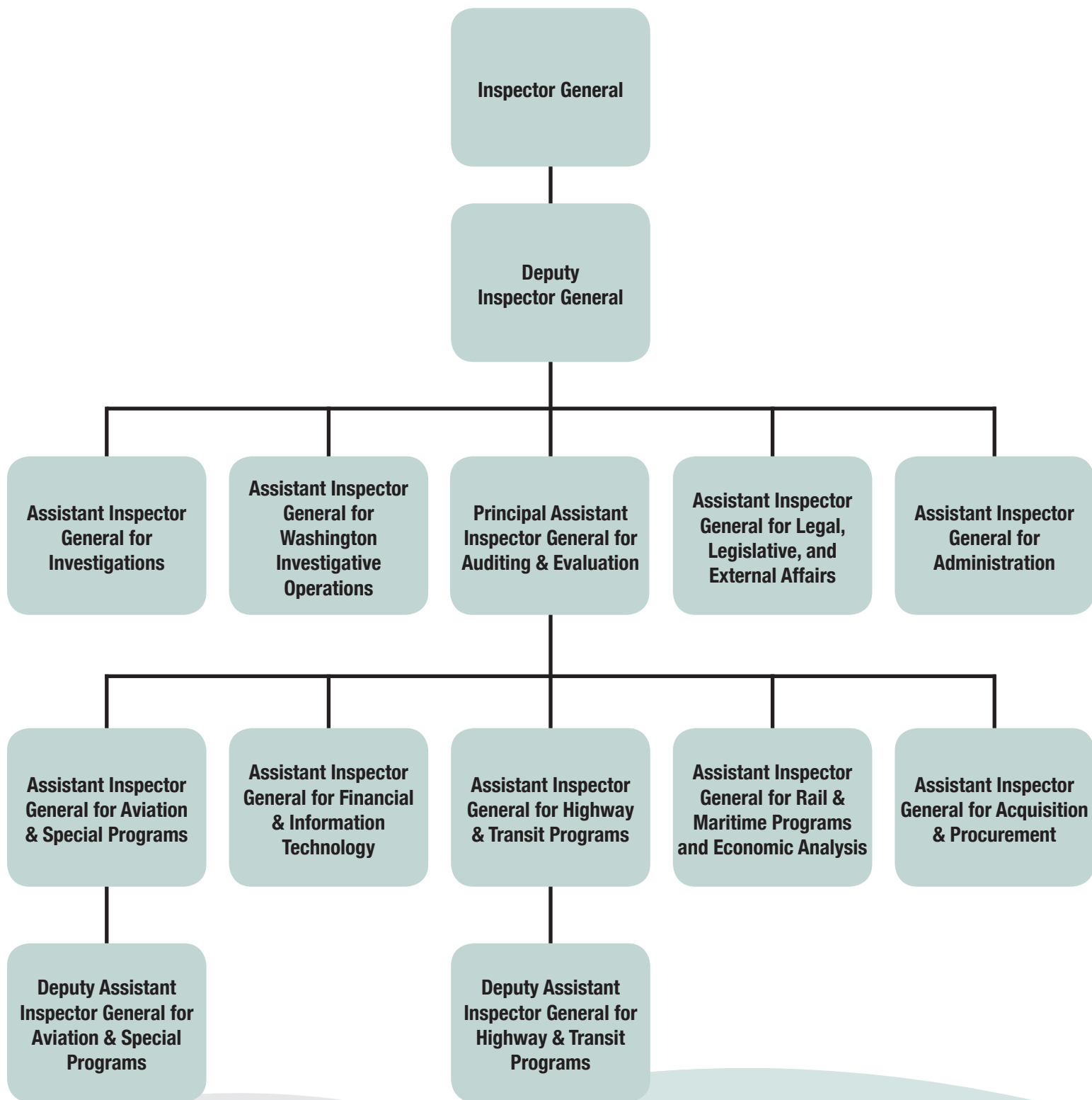
This office is divided into 4 sub-offices. They are the Office of Procurement and Administrative Services, the Office of Budget and Financial Management, the Office of Human Resources, and the Office of Information Technology Management.

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

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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

Rick Beitel (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

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David Tornquist (202) 366-9970

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Mark Zabarsky (202) 366-5225

Assistant Inspector General for Administration

Susan Dailey (202) 366-1748

AF-OSI	Air Force Office of Special Investigations
AICPA	American Institute of Certified Public Accountants
AIP	Airport Improvement Program
AIR-21	Aviation Investment and Reform Act for the 21st Century
AAAE	American Association of Airport Executives
ASAP	Aviation Safety Action Programs
ASDE-X	Airport Surface Detection Equipment-Model X
ATC	Air Traffic Control
ATO	Air Traffic Organization
ATOS	Air Transportation Oversight System
CDLIS	Commercial Drivers License Information System
CDL	Commercial Drivers License
CFO	Chief Financial Officer
CID	Criminal Investigations Division
CIO	Chief Information Officer
DBE	Disadvantaged Business Enterprise
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DHS	Department of Homeland Security
DOJ	Department of Justice
DOT	Department of Transportation
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FHWA	Federal Highway Administration
FISMA	Federal Information Security Management Act
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FTI	FAA Telecommunications Infrastructure
FY	Fiscal Year
GAO	Government Accountability Office

HAZMAT	Hazardous Material
HTF	Highway Trust Fund
IG	Inspector General
IRB	Investment Review Board
IRS	Internal Revenue Service
IT	Information Technology
JPDO	Joint Planning and Development Office
MARAD	Maritime Administration
MCSIA	Motor Carrier Safety Improvement Act
MOU	Memorandum of Understanding
MTA	Metropolitan Transportation Authority
NAFTA	North American Free Trade Agreement
NATCA	National Air Traffic Controllers Association
NAS	National Airspace System
NCIS	Naval Criminal Investigative Service
NDR	National Driver Register
NHTSA	National Highway Traffic Safety Administration
NTSB	National Transportation Safety Board
OA	Operating Administration
OCIO	Office of Chief Information Office
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSI	Office of Special Investigations
OST	Office of the Secretary of Transportation
PCIE	President's Council on Integrity and Efficiency
PHMSA	Pipeline and Hazardous Materials Safety Administration
QCR	Quality Control Review
RITA	Research and Innovative Technology Administration
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAS-70	Statement on Auditing Standards Number 70
SafeStat	Safety Status Measurement System
SLSDC	St. Lawrence Seaway Development Corporation

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

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Phone 800-424-9071
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