

Semiannual Report to Congress

APRIL 1, 2008 – SEPTEMBER 30, 2008



U.S. Department of Transportation
Office of Inspector General

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From the Inspector General

It is my pleasure to present the Department of Transportation, Office of Inspector General's Semiannual Report to Congress for the 6-month period ending September 30, 2008. As the noteworthy activities described in this report clearly illustrate, DOT/OIG employees continue to produce the highest quality audits and investigations that support and assist DOT in meeting its top priorities of keeping the traveling public safe, increasing their mobility, and having our transportation system contribute to the nation's economic growth.

During this semiannual period, we issued 42 reports with 145 recommendations, including financial recommendations totaling nearly \$225 million. Our investigative work resulted in 57 convictions and a total of nearly \$2.7 million in fines, restitutions, and recoveries.

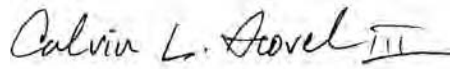
We produced audit reports on significant safety issues in aviation such as the air carriers' outsourcing of aircraft maintenance and near mid-air collisions in the New York City metropolitan area, as well as audits in the rail, pipeline, and commercial vehicle safety areas. Our reports on FAA's air traffic control modernization efforts, short-term capacity initiatives in the National Airspace System, and small community air service development program; and Amtrak's high-speed rail in the Northeast corridor addressed issues of mobility and congestion. Our audits examined financing and contracting issues in the Pioneer Valley Transit Authority Electric Bus cooperative agreement, the lower Manhattan recovery projects, and the National Airway Systems contract.

Our investigative activities this reporting period concentrated on a variety of fraudulent activities in the areas of Commercial Drivers' Licenses, Disadvantaged Business Enterprise contracts, aircraft maintenance log books, aircraft parts, shipments of hazardous materials, fuel excise taxes, and construction grants and contracts.

Current transportation topics of importance that we testified on before Congress included myriad FAA issues such as actions needed to strengthen FAA's safety oversight and use of partnership programs, actions underway to address flight delays and improve airline customer service, key safety and modernization challenges, key issues facing FAA's controller workforce, status of FAA's efforts to develop the Next Generation Air Transportation System, and FAA's certification of the Eclipse EA-500 Very Light Jet. We also provided testimony on actions needed to enhance pipeline security and Amtrak's future outlook and budgetary needs.

Finally, on the advent of the change in Administration, I would like to commend Secretary Peters, Deputy Secretary Barrett, the Department's Secretarial officers, and the modal administrators for their steadfast support of our mission and responsiveness to our recommendations and for their outstanding efforts to, as Secretary Peters has stated, "focus on finding real transportation solutions that make travel safer, improve the performance of our transportation systems so that they operate more efficiently and serve us better, and apply advanced technologies and contemporary approaches to today's transportation challenges."

Very Respectfully,

A handwritten signature in black ink that reads "Calvin L. Scovel III". The signature is written in a cursive style with a distinct "III" at the end.

Calvin L. Scovel III

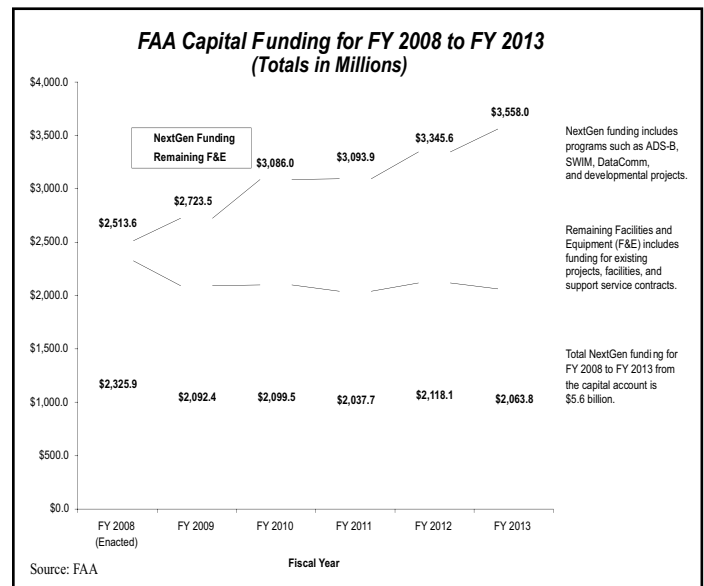
Aviation and Special Programs

IN FOCUS: MAINTAINING THE NATIONAL AIRSPACE SYSTEM WHILE TRANSITIONING TO THE NEXT GENERATION AIR TRANSPORTATION SYSTEM

A modern, flexible air transportation system is essential to the Nation's economy and the safe and efficient movement of passengers and goods. The current air transportation system handles almost 50,000 scheduled flights a day but will not be able to accommodate the expected demand for air travel. Further, planned near-term efforts will not significantly reduce gridlock at already congested airports. To meet the demand and reduce delays, FAA is embarking on the Next Generation Air Transportation System (NextGen), which is expected to rely heavily on satellites and data link communications between pilots and controllers.

Developing NextGen is a high-risk effort involving billion-dollar investments from both the Government (for new ground systems) and airspace users (for new avionics). In a series of reports and testimonies before Congress, we have chronicled progress with FAA's major acquisitions and highlighted the challenges and risks facing FAA in developing and transitioning to NextGen.

The costs and benefits for implementing NextGen remain unknown and a sustained level of oversight will be required. Moreover, the challenges with NextGen are multi-dimensional and involve complex software development and integration, adjustments to existing air traffic modernization projects, extensive field testing and validation, and work force changes.



Audits and Investigations *(continued)*

Challenges Facing FAA In Modernizing The National Airspace System

FAA is at a crossroads with its efforts to modernize the National Airspace System. The Agency will be challenged to keep ongoing projects on track, develop and implement NextGen initiatives, and maintain aging facilities. NextGen is shaping FAA's capital account. In FY 2009, FAA plans to spend \$2.7 billion for capital funding—an increase of 8 percent over last year's enacted level. Further, between FY 2008 and FY 2013, FAA plans to spend \$18 billion for capital efforts, including \$5.6 billion specifically for NextGen.

Much of the projected funding for NextGen will focus on developmental efforts. In FY 2009 alone, FAA plans to spend more than \$630 million on NextGen-related programs, including a satellite-based surveillance system called Automatic Dependent Surveillance-Broadcast (ADS-B) and a new information sharing network called the System-Wide Information Management (SWIM). The figure on the previous page illustrates FAA's planned investments in ongoing projects and NextGen initiatives from FY 2008 to FY 2013.

Progress with Major Acquisitions

In our April 2008 report, we reported on the progress and problems FAA faced regarding 18 major acquisitions valued at \$17.5 billion. Overall, we did not find the significant cost growth and schedule delays with FAA major acquisitions that occurred in the past. This was attributed to FAA's incremental approach to managing major acquisitions.

It will be important for FAA to keep existing projects within budget and on schedule because over 30 projects serve as platforms for NextGen initiatives. For example, core NextGen capabilities, such as data link, rely on enhancements to the \$2.1 billion En Route Automation Modernization

(ERAM) program. ERAM provides new hardware and software for facilities that manage high altitude traffic. However, its software requirements as they relate to NextGen are uncertain but are expected to be in the billions of dollars.

Reaching Consensus with Stakeholders about Implementing ADS-B Is a Challenge That Will Require Significant Oversight

A key challenge for the Department and FAA is reducing risk associated with the implementation of ADS-B—a centerpiece of the NextGen portfolio. In August 2007, FAA awarded a service-based contract for ADS-B ground infrastructure worth \$1.8 billion. In addition, FAA published a proposed rule that outlined its plans for mandating the use of the new technology and the time frame for airspace users to purchase and install the new avionics.

FAA plans to implement ADS-B “Out” around 2020, when aircraft will be required to broadcast their position to ground stations. However, the majority of capacity and safety-related benefits are associated with ADS-B “In,” where information will be displayed to pilots in the cockpit. The requirements for ADS-B “In” are still evolving and have not been finalized.

The successful implementation of ADS-B in the United States faces a myriad of risks, such as (1) gaining stakeholder acceptance and aircraft equipage, (2) addressing broadcast frequency congestion concerns, (3) integrating with existing systems, and (4) assessing potential security vulnerabilities in managing air traffic. Given FAA's history with developing new technologies and the fact that the Government will not own the ADS-B ground infrastructure, this program will require a significant level of oversight.

Much Work Remains To Transition Existing Programs To NextGen

We recommended that FAA examine existing projects to determine if they were still needed and, if so, what adjustments would be required. FAA concurred with our recommendation and has begun this assessment. To date, however, FAA has not made major adjustments to existing modernization projects to accelerate NextGen.

Over the next 2 years, FAA must make more than 25 critical decisions about ongoing programs. These decisions have significant budget implications and will affect all major lines of the modernization effort with respect to automation, communications, navigation, and surveillance. For example, FAA must address what changes are needed to modernize its terminal facilities and whether it will pursue a “common automation platform” for terminal and en route environments in the future.

Further, sound investment decisions for NextGen can only be accomplished through a comprehensive enterprise architecture (a technical blueprint) that outlines how the system will work and what changes are required in existing programs. However, the NextGen Enterprise Architecture and other key planning documents lack detail on requirements that could be used to develop reliable cost estimates and schedule. In most cases, the information in the NextGen Enterprise Architecture remains at too high a level to be effective.

In a series of reports on NextGen, we made a number of recommendations geared to help FAA reduce risk with NextGen. FAA agreed with our recommendations, and has actions underway to address them. FAA needs to complete planned efforts to:

- Conduct a gap analysis between the existing NAS and the expected NextGen capabilities to determine funding priorities and the full range of adjustments necessary for existing programs until their transition into NextGen.
- Develop a mid-point architecture (a technical road map) that provides a way point between today and NextGen in the 2025 time frame.
- Assess and obtain the necessary skills with respect to contract management and systems engineering needed to manage and execute NextGen.

Sustaining FAA'S Vast Network Of Aging Facilities

A key cost driver for NextGen is determining to what extent FAA re-aligns or consolidates air traffic control facilities. This has significant cost implications for the number of controller displays and related computer equipment needed to manage traffic in the vicinity of airports.

Many FAA air traffic control facilities have exceeded their useful lives, and their physical condition continues to deteriorate. In some cases, facilities deteriorated so badly that they required urgent and repeated actions. While the average facility has an expected useful life of approximately 25 to 30 years, 55 percent of FAA facilities are between 30 and 50 years old.

FAA points out that flexible ground communication networks do not require facilities to be near the traffic they manage. FAA often cites its aging facilities and the related expense of maintaining such a large number of facilities to justify consolidating the air traffic control system into a smaller number of facilities. However, there are technical and security prerequisites for a major consolidation that need to be analyzed and established.

Audits and Investigations *(continued)*

This is a controversial issue. The extent to which FAA consolidates or re-aligns facilities is a policy call for the Congress and the Administration. Nevertheless, FAA needs to complete planned

analyses of consolidation requirements, identify cost drivers, and determine how risks to air traffic operations can be mitigated.

AUDITS

Testimony on Actions Needed to Strengthen FAA's Safety Oversight and Use of Partnership Programs

April 03, 2008

The Inspector General testified before the House Committee on Transportation and Infrastructure on actions needed to strengthen FAA's safety oversight and use of partnership programs. This testimony is part of the Office of Inspector General's work on FAA's handling of whistleblower concerns following a Southwest Airlines (SWA) airworthiness directive (AD) violation, as requested by the Committee. The Inspector General noted breakdowns in three areas of FAA oversight that contributed to the SWA event and illustrated the potential for system-wide weaknesses: (1) partnership programs with air carriers, (2) national program for risk-based oversight, and (3) internal reviews and handling of employees who report safety concerns. The Inspector General stated that our office will continue to examine FAA's oversight approach from a national perspective, as requested by the Committee.

Testimony on Status Report on Actions Underway To Address Flight Delays and Improve Airline Customer Service

April 09, 2008

The Inspector General testified before the House Subcommittee on Aviation on initiatives underway to address delays and improve airline customer service. This was in response to the Chairman's

request for an "after-action" analysis of (1) contributing factors to last summer's record-breaking flight delays; (2) the status of ongoing efforts by DOT, the airlines, and airports to improve airline customer service in response to record delays and our recommendations last September; and (3) actions needed to mitigate congestion and delays.

The Inspector General reported that these flight delays and cancellations were caused by multiple factors, including weather conditions, carrier-caused delays, airspace congestion, and airline scheduling over airport capacity.

The Inspector General outlined several near-term actions to reduce congestion and delays in the summer of 2008 and beyond. These actions include DOT and FAA negotiating a plan with the Department of Defense (DOD) to utilize special-use airspace. We also stated that FAA should establish procedures to keep capacity benchmarks for the major airports current. The Inspector General also stated that BTS should use airlines' delay and cancellation data to analyze locations of initial delays and underlying causes of system-wide effects. These efforts would provide the Congress, DOT, FAA, and other stakeholders with a better understanding of the causes of delays and the solution sets needed to address them.

Audits and Investigations *(continued)*

Letter to Senator Lautenberg on Low Fuel Declarations at Newark Liberty International Airport

April 9, 2008

This letter to Senator Lautenberg represents the results of our review of the emergency and minimum fuel declarations by pilots on flights into the Newark Liberty International Airport (Newark Liberty). The Senator expressed concerns about reports of increased fuel declarations on flights into this airport. We found that minimum and emergency fuel declarations had increased on flights into the Newark area; however, there were no instances of aircraft landing with fuel levels below those required by FAA (based on our sample of 20 flights). The increases were attributable to several factors, including differences in pilot and controller interpretation of minimum and emergency fuel declarations and air carrier use of smaller planes on international routes. FAA has begun reviewing these declarations and clarifying its guidelines for minimum and emergency fuel declarations. It is too soon, however, to determine the effectiveness of FAA's actions.

Testimony on Key Safety Challenges Facing the FAA

April 10, 2008

The Inspector General testified before the Senate Committee on Commerce, Science, and Transportation, Subcommittee on Aviation Operations, Safety and Security. Aviation safety oversight is, and must remain, FAA's highest priority. For over 10 years, our work has focused on actions needed to maintain the integrity and safety of our aviation system. However, a number of high-profile events, including fundamental breakdowns in FAA oversight at Southwest Airlines, have raised legitimate concerns about the effectiveness of FAA's overall approach to safety oversight and what changes are needed. The testimony focused on the key actions that FAA

and its stakeholders will need to address over the next several years. These included (1) strengthening FAA's oversight of the aviation industry, (2) improving runway safety, and (3) addressing attrition in two of FAA's critical workforces—air traffic controllers and aviation safety inspectors.

Air Traffic Control Modernization

April 14, 2008

This report represents the results of our audit of the Federal Aviation Administration's (FAA) air traffic control modernization efforts. At the request of the House Committee on Transportation and Infrastructure, we examined three objectives: (1) trends in recent FAA capital spending, (2) changes in cost and schedule baselines of major acquisitions, and (3) the effect of the transition to the Next Generation Air Transportation System (NextGen) on existing projects. We found that FAA's capital account is now beginning to be shaped by NextGen. We also found that FAA's modernization projects are not experiencing the cost growth and schedule slips that occurred in the past. This is primarily due to FAA's incremental approach to major acquisitions.

FAA is meeting its acquisition cost and schedule metrics but the metrics do not take into account changes in requirements or units to be procured. Finally, we found that much work is needed to determine NextGen's impact on existing programs and to set realistic expectations for what new capabilities can be delivered. Our recommendations to FAA focused on: (1) developing new metrics for measuring NextGen progress on expanding capacity and boosting productivity, (2) completing a gap analysis between the current National Airspace System and the NextGen enterprise architectures, and (3) establishing an interim architecture to determine priorities to allow more accurate NextGen costs and requirements. FAA concurred and is taking action to address our concerns.

Audits and Investigations *(continued)*

Testimony on Key Safety and Modernization Challenges Facing the FAA

April 17, 2008

The Inspector General testified before the Senate Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies on the Federal Aviation Administration's (FAA) key safety and modernization challenges.

FAA must operate and maintain an increasingly strained system while transitioning to the next generation of air traffic control and addressing attrition in critical workforces. The events involving Southwest Airlines and the grounding of hundreds of aircraft raised concerns about FAA's overall approach to safety oversight.

The Inspector General highlighted three key challenges facing FAA and its stakeholders over the next several years: (1) strengthening FAA's oversight of the aviation industry, including its systems for monitoring air carriers'

use of outsourced maintenance and aircraft manufacturers' suppliers; (2) keeping existing modernization programs on track, reducing risk with NextGen, and setting realistic expectations; and (3) addressing attrition within FAA's air traffic controller and inspector workforces.

Review of Reported Near Mid-Air Collisions in the New York Metropolitan Airspace

April 24, 2008

This report represents the results of our review of reported near mid-air collisions (NMACs) in the New York metropolitan airspace. The review was initiated in response to a June 11, 2007, letter from Senator Hillary Rodham Clinton regarding five NMACs that occurred in the New York area in May 2007. The objectives of our review were to address the following questions posed by Senator Clinton: (1) What is the root cause of the near misses in May 2007 in the New York airspace? (2) How is the Federal Aviation Administration (FAA) addressing these problems, and what measures has the FAA taken to prevent repeat occurrences? (3) Do any of the New York area airports practice a similar type of procedure that FAA ordered a halt to at the Memphis airport where FAA allowed planes to simultaneously land and depart from nearby runways that have intersecting flight paths?

Overall, we found that the five NMACs were independent, unrelated events with no obvious common root causes. Four of the five events were later determined to be no hazards; only one was classified as "potential." These NMACs were reported by commercial pilots who may have been initially "surprised" by the location of visual flight rule (VFR) aircraft in nearby airspace, but the incidents actually posed no risk to safety regardless of actions taken by the pilots. However, the four no-hazard incidents continue to be classified and counted as "near mid-air collisions," a term that we believe misrepresents the actual safety risk posed by an incident.



Audits and Investigations *(continued)*

Actions Needed to Enhance Pipeline Security

May 21, 2008

As required by the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006, we assessed Department of Transportation (DOT) and Department of Homeland Security (DHS) actions taken to implement the pipeline security annex to the 2004 Memorandum of Understanding between DOT and DHS to facilitate transportation security improvements. Within DOT, the Pipeline and Hazardous Materials Administration (PHMSA) has responsibility for pipeline security and safety. Within DHS, the Transportation Security Administration (TSA) is responsible for pipeline security. In 2006, PHMSA and TSA signed the annex to establish clear lines of authority and responsibility over pipeline security matters. We found that the PHMSA and TSA have taken initial steps toward formulating an action plan to implement the provisions of the annex; however, further actions are needed as the current situation is far from an “end state” for enhancing the security of the Nation’s pipeline system. We recommended that PHMSA collaborate with TSA to: (1) finalize the action plan for implementing the annex provisions and program elements and effectively execute the action plan, (2) amend the annex to clearly delineate the roles and responsibilities of PHMSA and TSA in overseeing and enforcing security regulations for liquid natural gas operators, and (3) maximize the resources used to assess pipeline operators’ security plans and guidance to ensure effective and timely execution of efforts mandated by Congress.

Review of the Air Traffic Controller Facility Training Program

June 5, 2008

This report represents the results of our review of the Federal Aviation Administration’s (FAA) air traffic controller facility training program. Our objectives were to (1) assess the adequacy

of FAA’s plans to effectively train an increasing number of new controllers at the facility level and (2) determine FAA’s progress in implementing key initiatives for reducing facility training time and costs. We found that FAA’s facility training program continues to be extremely decentralized and the efficiency and quality of the training varies extensively from one location to another. We found similar problems in 2004.

FAA is taking actions at the national level to get this important program on track, but many of its efforts are still in the early stages. To successfully achieve its plans to hire and train 17,000 new controllers through 2017, FAA needs to take the following actions: (1) reflect the changing composition of the controller workforce in reports to its stakeholders, (2) establish realistic standards for how many developmental controllers facilities can accommodate, (3) ensure the standards developed address individual facilities’ training capacity, (4) continue to encourage veteran controllers to transfer to busier, higher-level facilities, (5) clarify responsibilities for oversight of the facility training program at the national level, (6) ensure there are no gaps in facility training contract support, and (7) implement key initiatives it first proposed in 2004 to improve facility training.

Testimony on Key Issues Facing the Federal Aviation Administration’s Controller Workforce

June 11, 2008

The Inspector General testified before the House Subcommittee on Aviation on key issues facing the Federal Aviation Administration’s (FAA) air traffic controller workforce. After the massive controller strike of 1981, FAA began rapidly hiring replacements in 1982 and 1983. This created a large pool of controllers who are all becoming eligible for retirement at roughly the same time.

Audits and Investigations *(continued)*

FAA plans to hire and train nearly 17,000 controllers over the next decade to offset these retirements. As a result, the overall percentage of controllers in training has grown substantially over the past 4 years, and the Agency is now facing a fundamental transformation in the composition of its controller workforce. The Inspector General emphasized that FAA must provide sufficient training for new hires while ensuring there are enough certified controllers at its more than 300 air traffic control facilities.

The Inspector General noted three areas where FAA should focus its efforts to successfully achieve this goal: (1) improving facility training, (2) addressing controller human factors, and (3) ensuring accuracy and consistency in reporting and addressing operational errors.

Testimony on Actions Needed To Enhance Pipeline Security

June 25, 2008

The Inspector General testified before the House Subcommittee on Railroads, Pipelines, and Hazardous Materials on actions taken by and needed from the Departments of Transportation (DOT) and Homeland Security (DHS) to enhance pipeline security. Within DOT, the Pipeline and Hazardous Materials Administration (PHMSA) oversees pipeline safety, while the Transportation Security Administration (TSA) within DHS oversees security-related matters.

As required by the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006, the Office of Inspector General reviewed PHMSA's and TSA's steps toward implementing the annex. The Inspector General's testimony focused on actions recommended as a result of that review. Specifically, the Inspector General stated that PHMSA, in collaboration with TSA, must (1) finalize the action plan for implementing the annex provisions and program elements and effectively execute the action plan, (2) amend

the annex to clearly delineate the roles and responsibilities of PHMSA and TSA in overseeing and enforcing security regulations for liquid natural gas operators, and (3) maximize resources for assessing pipeline operators' security plans and guidance to ensure effective and timely execution of congressionally mandated actions.

Review of FAA's Oversight of Airlines and Use of Regulatory Partnership Programs

June 30, 2008

This report represents the results of our review of the Federal Aviation Administration's (FAA) oversight of airlines and use of regulatory partnership programs. We initiated this review at the request of the Chairman of the House Committee on Transportation and Infrastructure. The objectives of our initial review were to determine (1) the thoroughness of FAA's investigation of whistleblower complaints regarding FAA's oversight of Southwest Airlines (SWA) and (2) the type and timeliness of corrective actions FAA took in response to any inappropriate inspector actions. We testified multiple times before the House and Senate regarding the SWA matter in April. During these hearings, we made a series of recommendations to improve FAA's air carrier oversight practices. While FAA generally agreed with most of our recommendations, it disagreed with two that are fundamental to improving its air carrier oversight: (1) periodically rotating supervisory inspectors to ensure reliable and objective air carrier oversight and (2) establishing an independent organization to investigate safety issues identified by FAA employees. Given the seriousness of the issues these recommendations were intended to address, we believe FAA needs to reconsider its position. At the request of Congress, we continue to review FAA's air carrier oversight processes to determine if there are areas in which FAA could strengthen its oversight. We plan to issue our final report on these areas next year.

Audits and Investigations *(continued)*

Letter to Senator Coburn Regarding the City of San Francisco's Use of Federal Transit Funds

August 20, 2008

This letter to Senator Tom Coburn, Ranking Member of the Senate Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security represents the results of our review of the San Francisco city government's use of Federal transit funds for the city's bus and transit system, the Municipal Railway (Muni). Senator Coburn requested that we determine if the city had used those funds for unauthorized purposes, including directly paying for lobbying activities or replacing city transportation funds diverted for lobbying activities. Federal regulations prohibit the use of Federal funds for such activities. In summary, we found no evidence that the city had used Federal transit funds for unauthorized purposes. Also, we found that Federal Transit Administration and Muni controls were adequate to ensure proper use of these funds.

Testimony on Status of FAA's Efforts To Develop the Next Generation Air Transportation System

September 11, 2008

The Inspector General testified before the House Committee on Science and Technology on the status of the Federal Aviation Administration's (FAA) efforts to develop the Next Generation Air Transportation System (NextGen), which is targeted for the 2025 timeframe. Developing NextGen is one of the biggest challenges facing FAA. It is a high-risk effort involving billion-dollar investments from both the Government and airspace users. The Inspector General noted that a number of actions are needed from FAA going forward to help shift NextGen efforts from research to implementation. Specifically, FAA must (1) establish priorities and include them

in budget and planning documents, (2) focus much needed attention on technology transfer issues, (3) clearly define the roles of the Air Traffic Organization and the Joint Planning and Development Office and effectively use in-house resources, (4) place a high priority on relieving already congested airports, and (5) examine what can reasonably be implemented in given time increments.

Testimony on FAA's Certification of the Eclipse EA-500 Very Light Jet

September 17, 2008

The Inspector General testified before the House Subcommittee on Aviation on the Eclipse EA-500 very light jet (VLJ). VLJs are small aircraft with advanced technologies that cost less than other business jets. The Inspector General's testimony was based on the initial results of our investigation of March 2007 inspector complaints related to the Federal Aviation Administration's (FAA) design and production certification of the EA-500. We did not assess the safety of the aircraft itself or examine FAA's aircraft certification process in general.

We found that FAA allowed Eclipse to use alternate processes to meet design certification requirements despite unresolved problems identified during design testing. Those alternate actions may have contributed to some design problems that are still reported by Eclipse users today. FAA also awarded Eclipse a production certificate despite known deficiencies in its supplier and quality control systems and significant problems encountered replicating its approved aircraft design.

We concluded that FAA's desire to promote VLJs and meet an arbitrarily determined deadline may have affected Eclipse oversight as FAA quickly moved the aircraft through the certification process. Our testimony noted that a significant issue overshadowing FAA's certification of the EA-500 was the inherent risks associated with

Audits and Investigations *(continued)*

a development of a new aircraft utilizing new technology, produced by a new manufacturer, and marketed with a new business model for its use. Consequently, FAA should have exercised heightened scrutiny in certifying the aircraft. In addition, because the EA-500 has advanced avionics and turbine engine technology typical of large transport aircraft combined with the light weight of smaller, general aviation aircraft, it did not easily fit into FAA's existing certification framework.

We recommended that FAA (1) reassess the propriety of its single-pilot certification for the EA-500, (2) expedite its NPRM to clarify certification requirements for the expanding VLJ industry segment given the differences between certification requirements for large transport and general aviation aircraft, (3) evaluate the propriety of granting ODAR authority to new, inexperienced manufacturers prior to design certification, (4) discontinue prioritizing specific manufacturers' programs in its Performance Plan for special attention to prevent any appearance of favoritism or the perception of diminished vigilance in its oversight mission, and (5) implement a "cooling-off" period for its aircraft certification safety inspectors and engineers before allowing them to accept positions with the manufacturers they formerly regulated.

Observations on Short-Term Capacity Initiatives

September 26, 2008

This report represents the results of our review on the Federal Aviation Administration's (FAA) short-term capacity initiatives. Because FAA's Next Generation Air Traffic Management System (NextGen) initiative is a long-term effort, Congress requested that we provide our observations on the initiatives that will provide the most capacity benefits in the next 5 years and FAA's management of these efforts. While there is no "silver bullet" for addressing delays, we identified several FAA

initiatives planned or underway that can provide some relief from delays and boost capacity in the next 3 to 5 years. These include new airport infrastructure, airspace redesign, performance-based navigation initiatives, and automated controller tools. Each initiative, however, faces challenges that must be fully addressed. FAA has recently taken several steps to better organize and manage capacity initiatives and to help implement NextGen. These included, among other things, establishing a new Senior Vice President for NextGen and Operations Planning and a new office dedicated to NextGen efforts. Therefore, we are not making any recommendations to FAA at this time, but we will continue to monitor FAA's actions.



Audits and Investigations *(continued)*

Air Carriers' Outsourcing of Aircraft Maintenance

September 30, 2008

This report represents the results of our audit of air carriers' outsourcing of aircraft maintenance. We conducted this audit at the request of the House Committee on Transportation and Infrastructure. Our audit objectives were to (1) identify the type and quantity of maintenance performed by external repair stations and (2) determine whether FAA is effectively monitoring air carriers' oversight of external repair stations' work and verifying that safety requirements are met. We found that the nine major air carriers we reviewed sent 71 percent of their heavy airframe maintenance checks to repair stations in 2007, up from only 34 percent in 2003. Also, while FAA has begun moving its safety oversight toward a risk-based system, it still relies too heavily on air carriers' oversight procedures, which are not always sufficient.

Specifically, we determined that FAA did not (1) have an adequate system for determining how much and where the most critical maintenance occurs, (2) have a specific policy governing when certificate management inspectors should visit repair stations performing substantial maintenance, (3) require inspectors to validate that repair stations have corrected deficiencies identified in air carrier audits, and (4) have adequate controls to ensure that inspectors document inspection findings in the national database and review related findings by other inspectors. As a result, FAA could not perform comprehensive risk assessments to effectively target its inspection resources. FAA agreed to implement all seven of our recommendations to enhance the Agency's oversight of outsourced maintenance.

FAA's Progress and Challenges in Meeting FTI Transition Goals

September 30, 2008

This report represents the results of our follow-up audit of the Federal Aviation Administration's (FAA) Telecommunications Infrastructure (FTI) program. FTI is intended to replace seven FAA-owned and -leased telecommunications networks with a single network to reduce operating costs. The objectives of our review were to assess FAA's progress in (1) developing a realistic master schedule and an effective FTI transition plan and (2) mitigating technical risks to ATC operations before activating FTI services and disconnecting existing telecommunications services.

Since we last reported, FAA has made significant progress with FTI and has transitioned the largest and costliest network, which will help to control telecommunications costs. Notwithstanding this important progress, several areas remain critical watch items for decision makers as FAA moves forward with FTI. These include shifting service requirements, the extent to which expected cost savings will be realized, and efforts to mitigate risks to air traffic operations—all of which have impacted FAA's ability to meet FTI's original program goals. We also examined and found that FAA still has not validated cost and benefit estimates as agreed after our April 2006 report.

FAA concurred with all of our recommendations, which included (1) reassessing prior engineering costs that should have been associated with capital funds, (2) documenting the planned schedule for completing the transition to FTI of services remaining on legacy networks, (3) calculating how postponing the transition of some legacy services will impact FTI's life-cycle cost and benefits baselines, (4) conducting periodic audits to ensure diversity, (5) developing an action plan to ensure FTI services meet contractual restoration and availability requirements, and (6) reviewing internal procedures for reporting FTI outages.

Audits and Investigations *(continued)*

INVESTIGATIONS

Owner of Tennessee Aircraft Sales Company Sentenced to More Than 3 Years in Prison for Falsifying Aircraft Maintenance Log Books

April 25, 2008

James Randall Jennings, of Goodlettsville, Tennessee, owner of Jennings Aircraft Sales, was sentenced on April 25, 2008, to 37 months in prison after being convicted in July 2007 of wire fraud. Mr. Jennings falsified log books on a helicopter he sold and provided those false documents via email to the purchaser of the helicopter. The DOT/OIG investigation revealed that the original manufacturer's specifications required the helicopter engine to be overhauled after 2,200 hours of flight service. However, by falsifying the log books, Mr. Jennings fraudulently concealed the true hours of operation on the aircraft. By doing so, Mr. Jennings endangered the life of the purchaser and the general public, as the safety of the aircraft for flying was placed in question. This investigation was conducted jointly with FAA.

New York Industrial Supply Owner Pleads Guilty to Illegally Shipping Hazardous Materials on Aircraft

May 1, 2008

Mark Henry pled guilty to count one of a three-count indictment on May 1, 2008, in U.S. District Court, Brooklyn, New York, to illegally shipping hazardous materials on an aircraft and admitted that he had violated DOT hazardous materials transportation regulations. In March 2007, Mr. Henry, owner of industrial supply companies Taiyi Corporation and Bao An Corporation, offered a shipment for international air transport that contained undeclared hazardous materials. Mr. Henry falsified several FedEx Air waybills by indicating that the shipments did not contain

hazardous materials. He also failed to produce required shipper certifications and to properly label and mark outer packaging. Sentencing is scheduled for October 17, 2008.



Florida Pilot Sentenced for Falsifying His Immigration Status on His Airman and Medical Applications

June 10, 2008

Sebastian Esteban Roca was sentenced on June 10, 2008, in U.S. District Court, Miami, Florida, to time already served during his 90-day imprisonment awaiting sentencing, as well as 2 years of supervised release, for falsifying his immigration status and his airman and medical application. The investigation revealed that since 2002, Mr. Roca, a pilot for Spirit Airlines, had made false statements on his airman and medical forms regarding his immigration status. U.S. Department of Homeland Security/Immigration and Customs Enforcement (DHS/ICE) agents notified FAA that Mr. Roca, born in Argentina, had falsely claimed to be born in Havana, Cuba,

in order to become a permanent resident in the United States. Further investigation disclosed that the latest incident occurred in 2007 when Mr. Roca applied for an Airbus 320-type rating, which would have allowed him to maintain employment with Spirit Airlines as a pilot. This investigation was conducted jointly with DHS/ICE and FAA.

Alabama Truck Driver Pleads Guilty to HAZMAT Transportation Violation

July 17, 2008

Wayne Parker, a truck driver, was charged and pled guilty on July 17, 2008, in U.S. District Court, Cullman, Alabama, to undeclared transportation of hazardous waste (HAZMAT). A port check operation inspection at a weigh station found Mr. Parker to be in possession of three separate driver logs. The driver logs showed that Mr. Parker omitted recording trips where he was transporting hazardous waste. Sentencing is scheduled for December 12, 2008.

Florida Aircraft Owner Pleads Guilty to Falsifying Maintenance Records

July 18, 2008

Richard Fitzgerald Hammond, owner and operator of Engine Air, Inc., pled guilty on July 18, 2008, in U.S. District Court, Miami, Florida, to falsifying maintenance records for the overhaul of aircraft engines. The DOT/OIG investigation revealed that Mr. Hammond illegally repaired general aviation aircraft engines and returned them to service as airworthy. FAA revoked Mr. Hammond's airframe and powerplant mechanic certification in December 2004 because Mr. Hammond falsified engine repair documents; however, Mr. Hammond continued to certify engines as overhauled even though he knew he was not certified and authorized to do so. Mr. Hammond admitted he illegally returned to service one engine that was to be used on an FAA commercial air taxi. Sentencing has not been scheduled.

Former CEO of Houston Flight Management Company Pleads Guilty to Falsifying Log Book Entry

August 4, 2008

On August 4, 2008, in U.S. District Court, Houston, Texas, William M. Sexton, former CEO and chief mechanic for B&C Flight Management, pled guilty to a one-count information charge that in April 2004, Mr. Sexton made a false log book entry regarding the installation of a static defect correction module in a Gates Learjet 25B. Our investigation of Mr. Sexton disclosed that between January 1998 and August 2004, he was responsible for falsifying engine log books and other maintenance records by misrepresenting aircraft hours flown, inspections, and repairs. Mr. Sexton did this in order to deceive FAA and to avoid costly required maintenance of aircraft. Sentencing is scheduled for November 10, 2008. This was a joint investigation with FAA and the U.S. Department of Homeland Security/Immigration and Customs Enforcement.

Nebraska Pilot Sentenced to 16 Months Imprisonment for Making False Statements on his Application for FAA Airmen Medical Certificate

August 27, 2008

James Charlton Davis was sentenced on August 27, 2008, in U.S. District Court, Omaha, Nebraska, to 16 months imprisonment and 36 months supervised release for submitting a fraudulent statement on a Federal Aviation Administration (FAA) application for his Airmen Medical Certificate. The DOT/OIG investigation revealed that Mr. Davis answered 'negative' to a question regarding his history of non-traffic conviction(s) and provided a false social security number and a false date of birth on his June 2005 application. Mr. Davis subsequently pled guilty to making a fraudulent statement; and in a plea agreement, he was required to voluntarily

Audits and Investigations *(continued)*

surrender his private pilot certificate to the FAA. Also, Mr. Davis agreed that he would not apply for any type of FAA certificate during his lifetime. This investigation was conducted by DOT/OIG, with assistance from FAA.

Pennsylvania Aircraft Repair Operator Sentenced to 51 Months Imprisonment for Parts Fraud Involving 66 Aircraft

September 4, 2008

Brian D. Snyder, the owner and operator of aircraft repair business, Smooth Landings Inc., was sentenced on September 4, 2008, in U.S. District Court, Williamsport, Pennsylvania, to 51 months incarceration, and ordered to pay \$80,000 in restitution for fraud involving aircraft parts and interstate transportation of

stolen property. Mr. Snyder previously pled guilty for falsifying numerous entries involving required inspections and repairs in Federal Aviation Administration (FAA) regulated aircraft log books. Mr. Snyder admitted that he forged the names of licensed mechanics, backdated entries, and falsified entries in the FAA log book to conceal thefts and unauthorized replacement of parts on aircraft he repaired. He falsified approximately 247 entries involving 66 separate aircraft, between November 2002 and January 2008. Mr. Snyder also admitted that he stole and transported a Piper PA-32 aircraft from a Ft. Lauderdale, Florida, airport to Elysburg, Pennsylvania, where he sold it. FAA has established a process to notify and advise the victims of any safety hazards related to Mr. Snyder's criminal conduct.





Highway and Transit Programs

IN FOCUS: FRAUD AWARENESS AND EDUCATIONAL OUTREACH EFFORTS HELP DELIVER ORGANIZATIONAL EXCELLENCE

Fraud, waste, abuse, and other irregularities harm Federal, State, and local efforts to provide the safe and efficient transportation systems essential to the Nation's economic vitality, ability to compete in a global economy, and most important, each citizen's quality of life. The OIG serves the USDOT mission and the public primarily by conducting audits and investigations. However, another important tool is its various fraud awareness outreach initiatives, which include educating members of the transportation community on how to provide more careful and vigilant oversight and stewardship of the public's investment in the transportation system.

Overall, OIG's nationwide fraud awareness and educational outreach initiatives are designed to

be consistent with USDOT's Strategic Plan goal of organizational excellence and to enhance the Department's ability to manage for results and achieve financial accountability goals. These initiatives extend to every USDOT employee, grant recipient, and contractor involved in DOT-related projects, as well as the public.

As discussed in this article, the results of several recent initiatives have been significant and wide-ranging in scope, subject matter, and outcome. Subsequent increases in awareness of the fraud risks inherent in USDOT programs and the importance of internal controls not only yield results in the short-term, but will pay significant dividends in the long run as control activities are implemented in the future to enhance DOT's

Audits and Investigations *(continued)*

oversight of the more than \$70 billion it spends annually on Federal transportation projects.

Citizens have entrusted all levels of government to ensure that their tax dollars are being wisely spent on transportation infrastructure projects that enhance the safety, security, and mobility of the traveling public. We will continue to work together with our Federal, State, and local law enforcement, prosecutorial, and transportation colleagues to maintain the public's confidence in the integrity of our Nation's transportation system.

National Fraud Awareness Conference Held in Chicago

The Fifth Biennial National Fraud Awareness Conference on Transportation Infrastructure Programs was July 28 – 31, 2008, in Chicago, Illinois, and attended by more than 275 Government employees and industry representatives from 38 states. Attendees included program and project managers/executives, contracting and procurement officials, engineers, attorneys, auditors, law enforcement personnel, and transportation industry representatives. Jointly sponsored by OIG and the American Association of State Highway Transportation Officials (AASHTO), the conference was hosted by the Illinois Department of Transportation and, for the first time ever, co-hosted by a transit agency, the Chicago Transit Authority.

Over 70 speakers from Federal, State, and local transportation agencies and industries provided attendees a diverse 2 ½-day program with presentations focused on sharpening awareness of fraud schemes; sharing best investigative, audit, and oversight practices; and strengthening all important working relationships. Specific topics included public corruption and ethics, disadvantaged business enterprise fraud, audit and investigative practices and techniques, false statements and claims, substandard products, and

product substitution involving highway, transit, and aviation programs and activities.

For example, Patrick J. Fitzgerald, U.S. Attorney for the Northern District of Illinois, spoke about the importance of collaborating at all levels of government to fight fraud and corruption. He emphasized the need for vigilance at the state and local levels because of their familiarity of projects and programs in their areas and with businesses responsible for designing, building, and maintaining those projects. In addition, Federal Transit Administrator, James Simpson highlighted the importance of oversight, accountability, policies, and programs to ensure that the Agency and its grantees are excellent stewards of taxpayer dollars.

A complete copy of the conference agenda, as well as copies of speaker presentations and other relevant information, is available at www.PreventTransportationFraud.org. The next conference is scheduled for July 2010, in Washington, DC.

“Red Flag” Indicator Fraud Awareness Cards Distributed

The OIG recently produced 12 different fraud awareness cards designed to facilitate improved communications with all USDOT employees and contract, grant, and cooperative agreement recipients (including their employees and contractors), and to help promote program effectiveness and prevent and detect fraud, waste, abuse, and other irregularities in DOT program and activities. The cards were made available for distribution by senior Department executives to their staffs and will be passed out during OIG visits to construction projects and worksites in the coming months.

When announcing distribution of the cards, Inspector General Calvin Scovel said, “We want to let everyone in the transportation community

more specifically know about the types of issues we are interested in hearing about and encouraging them to call or write us.” Tips are the #1 way OIG learns about fraud. It is not the internal or external auditors, management, or anyone else that routinely identifies fraud to the IG—it’s the tips received from others made directly to our agents and auditors or the OIG Hotline.

Two of the cards generally outline the concerns OIG investigates while the others address specific fraud schemes, such as bribery, product substitution, Disadvantaged Business Enterprise fraud, conflicts of interest, etc., and provide “red flag” indicators for these schemes. All of the cards detail the different ways to report concerns to the OIG Hotline.

One of the cards concerns “Debris Removal” and is specifically intended for use during extraordinary disasters such as hurricanes, earthquakes, or flooding. OIG believes the use of this card

immediately after a disaster will help deter/prevent possible fraud involving debris removal activities conducted as part of the Federal Highway Administration’s (FHWA) Emergency Relief (ER) Program. Under this program, roadways and bridges that are on a Federal-aid highway and that are damaged as a direct result of an approved natural disaster or catastrophic failure are eligible for FHWA ER funds.

For emergency repairs, the Federal share is 100 percent for repair work done to restore essential traffic, to minimize the extent of damage, or to protect the remaining facilities within the first 180 days after the occurrence of the disaster. These repairs can begin immediately following a disaster and prior FHWA approval is not required. Properly documented costs are later reimbursed to the states once the FHWA Division Administrator determines that the disaster is eligible for ER funding. For example, in the aftermath of the 2005 Gulf Coast hurricanes, FHWA spent about \$300 million on debris removal activities.

To request a free set of fraud cards, please submit your name and business address to FraudCards@oig.dot.gov.

Fraud Awareness Video on False Statements and Claims Released

The OIG also recently released a fraud awareness video on false statements and claims to provide Government officials, contractors, and the public with an increased understanding of common fraud schemes and strengthen collaborative efforts aimed at the prevention and detection of fraud involving transportation programs and activities.

Using a “Cable News” format, the video presents examples of investigations that resulted in criminal and civil penalties for business and individuals who, while working on contracts funded in part by Federal transportation funds, engaged in fraud which cheats American taxpayers. In



“It’s elementary my dear Watson...”

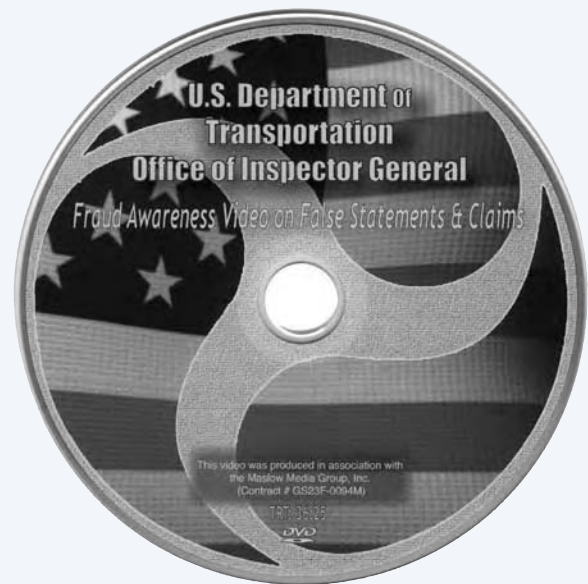
Fraud is deliberate deception to secure an unfair gain.

**Recognize and Report Fraud in
Federally Funded Programs,
Contracts, and Grants**

Audits and Investigations *(continued)*

In addition, the video provides legal perspectives on false statements and claims and fraud, as well as “red flag” fraud indicators to help those in the transportation community, government employees, and contractors alike know what to look for. The video also tells viewers how to report possible fraud, waste, abuse, and other irregularities in DOT programs to the OIG Hotline.

Copies of this video have been distributed to all State DOT directors, FHWA Division Administrators, and many others (including industry) for use in their respective fraud awareness programs. To request a free copy of the video on DVD, please submit your name and business address to FraudVideo@oig.dot.gov.



AUDITS

Audit of FTA’s Oversight of Pioneer Valley Transit Authority Electric Bus Cooperative Agreement

July 9, 2008

This report represents the results of our audit of FTA’s Oversight of Pioneer Valley Transit Authority (PVRTA) Electric Bus Cooperative Agreement. Our audit was related to PVRTA’s agreement with ElectraStor of Pittsfield, Massachusetts. Our audit found that ElectraStor could not provide complete or reliable records to support the \$4.04 million in Federal reimbursements it received or support the progress claimed. We also found that neither FTA nor PVRTA adequately carried out the oversight specified in the agreement. The audit recognized that FTA has taken positive steps to improve its oversight of research grants and cooperative agreements since our audit began. FTA agreed with our recommendations that included developing an action plan to seek recovery of the funds and obtaining a final PVRTA report

disclosing research results. FTA also agreed with our recommendations to review all projects associated with the FTA manager responsible for the cooperative agreement and establish milestones and reporting requirements for the internal group it plans to establish to ensure its corrective action plan is implemented and functioning.

Use of Income Derived From the Commercial Driver’s License Information System for Modernization

July 10, 2008

This audit was performed in response to a requirement in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. Our audit found that under the regulation governing Federal grants for modernizing CDLIS, program income derived from CDLIS revenue and fees during the grant project period must be used for operating and modernizing the system. We made recommendations for FMCSA to amend its 1988 operating agreement with AAMVA to ensure

that (1) program income derived from CDLIS revenue and fees during the grant project period is used for operating and modernizing the system, (2) provisions are made for states to pay for future CDLIS enhancements, and (3) AAMVA accounts for and reports to FMCSA the amount and use of program income from CDLIS. On June 9, 2008, after we issued our draft report, FMCSA entered into a new Cooperative Agreement with AAMVA to reflect the current programs, systems, and organizational changes that occurred since the 1988 operating agreement was ratified. The new Cooperative Agreement addresses our recommendations.

Report on the Scope and Methodology of FMCSA's Review of Canadian/Mexican Compliance With Federal Commercial Motor Vehicle Safety Standards (FMVSS)

September 24, 2008

As required in Section 4139(b) of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, we reviewed the scope and methodology used in Federal Motor Carrier Safety Administration's (FMCSA) April 2006 Review of Canadian/Mexican Compliance With Federal Commercial Motor Vehicle Safety Standards (FMVSS). Our audit found that while the review provided evidence that most vehicles sampled complied with FMVSS, the estimates subsequently formulated based on the sample were not statistically valid because of how the sample was selected and projected. Additionally, the quantitative impacts of key assumptions are not clearly presented for report users to effectively evaluate the estimates made. According to FMCSA, the concerns raised may be valid, but FMCSA does not expect that the reported findings are significantly affected by them. Additionally, FMCSA agreed to the two recommendations that focus on actions FMCSA needs to take to ensure that any future FMVSS

compliance reviews include appropriate review by a FMCSA statistical expert and that results are clearly presented.

Baseline Report on the Lower Manhattan Recovery Projects

September 26, 2008

This report represents the results of our review of the Federal Transit Administration's (FTA) Lower Manhattan Recovery Projects involving a Federal funding commitment of \$4.55 billion. We found that FTA and its project grantees face key challenges, including mitigating risks posed by estimated cost increases and schedule delays, ensuring grantees provide timely status information and address project management issues that FTA has identified, assessing ways to improve the use of FTA's oversight tools, and identifying reliable funding sources to cover estimated cost overruns above the Federal cap of \$4.55 billion. Due to significant estimated cost increases and schedule completion delays, tough choices lie ahead. Project grantees will likely have to provide their own funding to complete the projects as designed or propose to significantly reduce the scope of one or more of the projects, potentially diminishing the benefits that the projects will provide to travelers in New York City. Our recommendations included calling for FTA to continue the strong oversight efforts already underway and take action to enhance its oversight by working with grantees to expeditiously finalize a single set of realistic, mutually agreed-to cost and schedule estimates that reflect all potential risks. We also recommended that grantees submit financial plans that identify sources of local funding to cover likely estimated cost overruns. FTA commented that it generally concurred with our recommendations.

Audits and Investigations *(continued)*

INVESTIGATIONS

Three Texas Fuel Distributor Officials Plead Guilty to Multi-Million Dollar Fuel Excise Tax Fraud

April 14, 2008

Sidney B. Baldon II, Tracy D. Diamond, and Yousef I. Abuteir pled guilty on April 14, 2008, in U.S. District Court, Houston, Texas, to one count of conspiracy in connection with a fraud scheme to avoid paying Federal fuel excises taxes. Mr. Baldon owned and operated Mid-Coast International (MCI), a distributor of kerosene and other fuel products in Houston; Mr. Diamond was an officer of MCI; and Mr. Abuteir purchased products from MCI for resale to Houston area retail outlets. The three men were charged with conspiracy and tax evasion in a July 2007 indictment, which alleged that the men avoided paying Federal fuel excise tax by falsely representing to a Louisiana refinery that the fuel products purchased were for export to Mexico. The fuel products were actually transported to locations in the Houston and Channelview, Texas, areas, where they were mixed with other petroleum-based materials and sold at retail fuel stations as taxable motor fuel. The misrepresentation of the fuel purchases for export allowed the men to avoid approximately \$2.6 million in Federal fuel excise taxes on the \$10.7 million of fuel they purchased from the Louisiana refinery from July 2002 to November 2003. The three men also face state charges for importing motor fuels without the required permits. Sentencing for the three men is scheduled for November 3, 2008. This investigation was being conducted jointly by DOT/OIG, the Internal Revenue Service/CID, the Immigration Customs Enforcement, EPA/CID, and the Texas State Comptroller Office.

Missouri Truck Driving School Owner Sentenced to 75 Months Imprisonment for His Involvement in CDL Testing Fraud Scheme

June 16, 2008

Mustafa Redzic, owner of Bosna Truck Driving School (Bosna), was sentenced on June 16, 2008, in U.S. District Court, Cape Girardeau, Missouri, to 75 months imprisonment and 36 months supervised release, participated in deportation procedures, and fined \$17,900. On April 2, 2008, Mr. Redzic was found guilty of bribery, conspiracy, and wire and mail fraud in a jury trial. DOT/OIG's investigation revealed that in early 2004, Mr. Redzic and Troy Parr, a third party tester, devised a scheme whereby Mr. Redzic would send customers to Mr. Parr's testing facility in Sikeston, Missouri, to receive 30-minute short tests instead of the average 2-hour tests necessary to obtain their Commercial Driver's Licenses (CDLs). Mr. Parr also falsely completed the test results by indicating that each student passed a complete, three-part Missouri CDL test, and mailed the results to the State of Missouri Department of Revenue (DOR). Between January 1, 2004, and April 21, 2005, Mr. Redzic (through his company) earned approximately \$1.8 million in tuition from more than 600 clients attending Mr. Parr's testing facility. DOR has cancelled or suspended all the CDLs and retested all the CDL holders that were processed through Mr. Redzic and Mr. Parr. Mr. Parr was sentenced on April 24, 2008, to 1 year and 1 day of incarceration. This is an ongoing, multi-agency investigation with the Federal Bureau of Investigation, Joint Terrorism Task Force; DOT/OIG; U.S. Marshals Service; Internal Revenue Service; Missouri State Highway Patrol; Postal Inspection Service; and St. Louis City and County Police Departments.

“Big Dig” Contractor Charged With False Statements on Central Artery/Tunnel Contracts

June 20, 2008

Modern Continental Construction Company, Inc., (MCCC) was charged with criminal information on June 20, 2008, in U.S. District Court, Boston, Massachusetts, for making false statements on its “Big Dig” Central Artery/Tunnel (CA/T) project billings. MCCC was the largest contractor on the CA/T project, with approximately \$3 billion in contracts. The information alleged that MCCC made false statements concerning the quality of construction work on two contracts—the I-93 mainline tunnel and the I-90 connector tunnel. On the I-93 tunnel, MCCC failed to follow slurry wall construction specifications; but knowingly signed certifications that wall panels—including a panel that collapsed in September 2004 and other panels with defects—were properly built. On the Connector Tunnel contract, MCCC was aware in late 1999 that the epoxy it had used to install concrete anchors for the connector tunnel ceiling system was not appropriate for long-term loads, but MCCC continued to use the epoxy and executed false certifications regarding the quality of its work. A part of the ceiling panel system subsequently collapsed on July 10, 2006, killing one motorist and injuring another. MCCC was also charged for overbilling the CA/T project when it falsely categorized apprentice workers as journeymen on time and materials change orders for a variety of “Big Dig” contracts. Estimated losses due to MCCC’s fraud scheme are in excess of \$400,000. This DOT/OIG investigation was conducted jointly with the Federal Bureau of Investigation and the U.S. Department of Labor, with assistance from the Massachusetts Turnpike Authority.

Connecticut State Department of Transportation Engineer Pleads Guilty to Conspiracy for Receiving More Than \$29,000 from a Highway Contractor

July 7, 2008

Christopher Gallucci, a Connecticut Department of Transportation (ConnDOT) Assistant District Engineer, pled guilty on June 7, 2008, in U.S. District Court, New Haven, Connecticut, to conspiracy for corruptly obtaining things of value from a ConnDOT contractor, with the intent to be influenced or rewarded in connection with the contractor’s business with ConnDOT. Between October 1997 and April 2007, Gallucci received trips, hotel accommodations, meals, and cash from the ConnDOT contractor. In addition, between October 1997 and October 2003, Gallucci received periodic payments from a business administered by an officer of the ConnDOT contractor. Gallucci



Audits and Investigations *(continued)*

admitted to receiving more than \$29,000, and he concealed his receipt of the corrupt payments by failing to report them on his individual tax returns from 1999 through 2003. The guilty plea will be referred to the Federal Highway Administration for possible suspension action. Gallucci's sentencing date has not been set. This investigation was conducted jointly with the Federal Bureau of Investigation and the Internal Revenue Service. It was prosecuted by the U.S. Attorney's Office for the District of Connecticut.

Two Massachusetts Company Officials and Massachusetts Construction Contractor Plead Guilty to Fraud for Their Roles in Falsification of Change Orders on Central Artery/Tunnel Project

July 10, 2008

Kenneth Hartley and Ryan McCourt of McCourt Construction (MC) pled guilty on June 10, 2008, in U.S. District Court, Boston, Massachusetts, to conspiracy to commit fraud for misclassifying apprentice-level trades as journeymen trades, with a higher hourly pay rates, on daily reports used to compile costs for time and materials (T&M) change orders on the Central Artery/Tunnel project. Hartley is the former changes and claims administrator for MC. MC pled guilty on May 20, 2008, to conspiracy to making false statements regarding Federal Highway Administration projects. The investigation disclosed that the fraud, which appeared in claims submitted between 2002 and 2006, resulted in a \$300,000 loss to the Government. Sentencing is scheduled for October 1, 2008. The investigation was conducted jointly by DOT/OIG, the U.S. Department of Labor/OIG, and the Federal Bureau of Investigation. The results of this investigation were furnished to the Federal Highway Administration for suspension/debarment consideration.

California Trucking Company Safety Director and Four Drivers Sentenced for Their Role in a False Driver's Log Book Scheme

July 21, 2008

Five defendants were sentenced on July 21, 2008, in U.S. District Court, Fresno, California, after pleading guilty for false statements and aiding and abetting related to their false driver's log book scheme. Sukhwinder Singh, Tarsem Singh Pahal, Bhinder Singh RAJU, Daljit Singh, and Jaspreet Singh were sentenced for keeping false driver's log books while employed as truck drivers for Nijjar Brothers Trucking, Inc., of Madera, California. Mr. Sukhwinder Singh, the company's Safety Director, was sentenced to 6 months of home detention and 24 months of probation. The remaining defendants were sentenced to 3 months of confinement, 3 months of home detention, and 24 months of probation. In addition, all defendants were ordered not to work in the trucking industry, unless approved by the Probation Office. During the OIG investigation, a driver for Nijjar Brothers Trucking, Inc., caused a four-vehicle collision, killing a father and his 13-year-old son and seriously injuring six other individuals. The driver, Baljinder Singh, had



been driving for at least 19 hours. He was later convicted and sentenced for falsifying his log book entries, for which he served time in jail. The company owners, Surinder S. Nijjar and Amritpal Singh, were sentenced on June 2, 2008, and ordered to dissolve the company and pay a fine of \$50,000 each. The OIG investigation was conducted with assistance from the Federal Motor Carrier Safety Administration and California Highway Patrol.

Florida Men Sentenced for Their Part in CDL Fraud Scheme

July 29, 2008

Santos Alamo and Gustavo Soler were sentenced on July 29, 2008, in U.S. District Court, Tampa, Florida, to 21 months imprisonment, followed by 2 years supervised release, for their involvement in a Commercial Driver's License (CDL) fraud scheme. Mr. Alamo and Mr. Soler were arrested previously, along with two accomplices, for their role in a CDL fraud scheme and subsequently charged with conspiracy, wire fraud, and the fraudulent production and transfer of identification documents. The DOT/OIG investigation disclosed that both men conspired to pay bribes to an employee of the Pinellas County Tax Collectors Office, Largo, Florida, whose responsibility was to monitor CDL applicants and ensure their qualifications before a CDL was issued. Upon receiving a monetary bribe, this employee used his employment position to fraudulently issue CDLs to individuals who did not have the requisite training and documentation to support their qualifications. This DOT/OIG investigation was conducted jointly with the Florida Department of Law Enforcement, Florida Highway Patrol, and the Florida Department of Highway Safety and Motor Vehicles, Division of Driver License.

Former Kentucky Judge Executive is Sentenced for Mail Fraud

August 19, 2008

On August 19, 2008, Raymond Smith, a former Kentucky Judge Executive was sentenced in U.S. District Court, London, Kentucky, to 30 months imprisonment and 3 years supervised release and ordered to pay \$110,000 in restitution for mail fraud and embezzlement. Between May 2003 and May 2006, Mr. Smith, as Judge Executive, was responsible for the county's fiscal management, including assuring proper approval of the county's expenses. During this time, Mr. Smith devised a scheme for his family businesses to fraudulently obtain Government money through county contracts, by awarding the contracts to straw companies that he and his family members controlled, rather than through the entities listed on the original bids. In an effort to prevent the scheme from being detected, Mr. Smith made a false mailing to the Kentucky State Auditor's Office. This case was worked jointly with the Federal Bureau of Investigation with the assistance of the Kentucky State Auditor's Office.

Pennsylvania President of Bridge Construction Firm and Vice President of Pennsylvania Highway Engineering Firm Plead Guilty to \$121 Million DBE Fraud

August 28, 2008

Romeo P. Cruz, the owner and operator of Marikina Construction Corporation (Marikina), and Timothy G. Hubler, former Vice-President of Field Operations for CDS Engineers, Inc., (CDS) pled guilty on August 28 and April 15, respectively, in U.S. District Court, Harrisburg, Pennsylvania, to criminal conspiracy charges related to a \$121 million fraud involving federally funded highway bridge beam construction projects in Pennsylvania. The criminal information alleged that Mr. Cruz, Mr. Hubler, and Dennis F. Campbell, former Sales and Marketing Vice

Audits and Investigations *(continued)*

President of Schuylkill Product, Inc. (SPI), participated in a DBE pass-through scheme that involved approximately 340 federally funded DBE subcontracts. The Pennsylvania Department of Transportation administered the contracts in question between 1993 and 2007. Mr. Campbell previously pled guilty to related criminal charges on conspiracy to commit mail fraud.

DOT/OIG has referred Mr. Cruz, Mr. Hubler, Mr. Campbell, Marikina, CDS, and SPI to the Federal Highway Administration for suspension and debarment action. This was a joint investigation with the Federal Bureau of Investigation, the U.S. Department of Labor–Office of Inspector General, and the Internal Revenue Service–Criminal Investigation Division.





Rail and Maritime Programs and Economic Analysis

AUDITS

Testimony on Amtrak's Future Outlook and Budgetary Needs

April 03, 2008

Assistant Inspector General for Rail and Maritime Program Audits and Economic Analysis, David Tornquist, testified before the Senate Appropriations Subcommittee on Transportation, Housing & Urban Development regarding Amtrak's future outlook and FY 2009 budgetary needs. The Assistant Inspector General testified to the need for Amtrak to do more to minimize its costs and dependence on Federal subsidies and that its spending initiatives need to make a demonstrable contribution to its bottom line. The Assistant Inspector General drew heavily from ongoing OIG analysis of Amtrak's financial performance and labor agreement costs, their

efforts to achieve operating reform savings, the causes of on-time performance problems, and a review of Amtrak's capital plan. The Assistant Inspector General testified that Amtrak would need \$475 million in FY09 for cash operating losses, \$675 million for capital spending, and \$266 million for debt service to operate its nationwide system. The Assistant Inspector General stated that Amtrak does not require a FY 09 appropriation to cover retroactive wage costs included in its pending labor agreement.

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

April 30, 2008

As mandated by the FY 2008 Appropriations Act for the Department of Transportation, we

Audits and Investigations *(continued)*

issued our quarterly report on Amtrak's year-to-date financial performance and savings from operational reforms to the House and Senate Appropriations Committee. Amtrak performed better than it expected financially through February. Amtrak's cash operating loss through February was \$158 million, \$73 million better than planned and reflects \$3.2 million in operational reform savings. Amtrak projects to end the year with a cash operating loss of \$444.3 million and a cash balance of \$286.1 million. Overall, we believe Amtrak may achieve \$13.8 million in operational reform savings. Amtrak's focus is now on overall budget performance, not implementing sustainable operating reforms. As a result, short-term cost avoidance or unsustainable favorable financial performance from factors beyond Amtrak's control could take the place of sustainable operating reforms. Amtrak's current strategic plan does not include specifics on how it would achieve its broad financial and operating goals, thereby making its reform priorities unclear. Amtrak's new strategic plan, currently being developed, will provide an opportunity for Amtrak to indicate more clearly its reform priorities.

Small Community Air Service Development Program

May 13, 2008

This report represents the results of our audit of the Small Community Air Service Development Program (SCASDP). The objective of our audit was to determine the effectiveness of the SCASDP in helping small-hub and non-hub communities in achieving sustainable and reliable air service. We found that while most SCASDP grants failed to fully achieve their objectives, certain grant types were more successful than others. Additionally, we found that substantive community participation, whether financial or non-financial, increases the likelihood of grant success. Finally, we found that the process communities follow in implementing their grants can increase the likelihood that their grants will ultimately succeed.

Review of Amtrak's Labor Settlement Costs

June 17, 2008

This report represents the results of our assessment of the costs related to Amtrak's recently settled labor negotiations and Amtrak's ability to pay those costs, as requested by the Senate Transportation Appropriations Subcommittee staff. We believe Amtrak's available FY 2009 resources, including its projected cash balance of \$293.2 million will be sufficient to fund Amtrak's labor settlement costs in FY 2009 without any supplemental appropriation in FY 2009 based on Amtrak's current budget projections. The total cost of the settlement is estimated to be \$435.6



million, \$23.4 million over Amtrak's March estimate. Since March, these estimates were revised upward to reflect the actual payout amounts of a portion of the retroactive pay for the employees of 15 of the 19 union negotiating groups, as well as for the recently agreed upon terms of the retroactive payments for the remaining 4 negotiating groups.

Analysis of the Benefits of High-Speed Rail on the Northeast Corridor

June 26, 2008

This report represents the results of our analysis of the benefits of high speed rail (HSR) on the Northeast Corridor (NEC). We found that the benefits from HSR achieving 3-hour service between Boston and New York and 2 1/2-hour service between New York and Washington would exceed the expenditures required to implement it. A sizeable share of air travelers along the NEC would switch to HSR if it achieved those travel times, thereby providing some relief to the area's congested airspace. In addition, the investments required to reach those travel times would significantly benefit NEC commuter and freight rail services. Our analysis also showed that should travel times decrease further, the resulting benefits from HSR would grow at an increasing rate.

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

August 7, 2008

As mandated by the House passed fiscal year (FY) 2008 Appropriations Act for the Department of Transportation, 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 has realized \$19.5 million of the \$31.7 million in FY 2008 reform savings it originally anticipated. Over 65 percent (\$12.7 million) of Amtrak's cost savings were achieved from productivity savings in Amtrak's core operating departments and reflect lower staffing requirements. Amtrak's operating loss through June was \$294.1 million, \$72.8 million less than budget due largely to better than expected revenues. Amtrak forecasts it will finish FY 2008 with an operating loss of \$456 million, \$19 million less than budgeted. Amtrak is in the process of developing a new 5 year strategic plan that it hopes to complete and begin implementing this

fall. This plan is expected to provide direction and focus to future Amtrak reform activities. Along with the strategic plan, Amtrak needs to ensure the appropriate management structure to ensure adequate oversight, management, and reporting on its strategic reform initiatives.

Actions Taken and Needed To Implement Mandates and Address Recommendations Regarding Rail Safety

August 26, 2008

This report represents the results of our audit on certain actions the Federal Railroad Administration (FRA) has taken and needs to take to implement congressional mandates and address recommendations made by the National Transportation Safety Board (NTSB) and the Office of Inspector General regarding rail safety. We found that FRA implemented many congressional rail safety mandates over the past 18 years, but it did not have a centralized process for tracking and monitoring the implementation of such mandates. We also found that FRA addressed many of NTSB's rail safety recommendations over the past 19 years, but it did not routinely meet the Department of Transportation's requirements for providing timely written responses to NTSB. We recommended that FRA establish a centralized process for documenting, tracking, and monitoring congressional rail safety mandates that includes planned and actual milestones. We also recommended that FRA establish procedures to ensure that NTSB receives an (1) initial response for each rail safety recommendation within 90 days of issuance and (2) implementation timetable for each rail safety recommendation that FRA agrees to implement. FRA concurred with our audit results and recommendations and agreed to take corrective actions.

Audits and Investigations *(continued)*

Root Causes of Amtrak Train Delays

September 8, 2008

This report represents the results of our audit of the root causes of delays to Amtrak trains operating outside the Northeast Corridor (NEC). We found several root causes of Amtrak train delays, including (1) host railroad dispatching practices, some of which result in preference violations; (2) track maintenance practices and the resulting speed restrictions; (3) insufficient track capacity;

and (4) external factors beyond the host railroads' control. Our recommendations to the Federal Railroad Administration (FRA) focused on (1) legislative changes to clarify Amtrak's preference rights and enhanced enforcement of those rights, (2) increased involvement and oversight by the FRA to facilitate cooperative planning between Amtrak and the host railroads to reduce delays and improve Amtrak's OTP, and (3) expanded funding for rail capacity projects.

Financial and Information Technology



AUDITS

DOT Privacy Policies and Procedures

September 9, 2008

This audit was done as required by the Fiscal Year 2005 Consolidated Appropriations Act for Transportation, Treasury, Independent Agencies, and General Government. We found that DOT has made significant progress in addressing its statutory responsibilities by designating the departmental Chief Information Officer to be the Chief Privacy Officer and establishing a framework for collecting, using, and securing personally identifiable information (PII). However, tests of sampled PII systems identified deficiencies in implementation, placing these personal data at risk. For example, the departmental privacy office had evaluation documents for only the 109 systems contained

in its PII inventory; however, the office could not provide support that no PII is stored in DOT's other 320 systems. We also found that systems requiring a System of Records Notice did not have one published to notify the public of the intended use of PII and systems did not meet minimum security requirements. We also noted that the departmental privacy officer does not report directly to the Chief Information and Privacy Officer. In our opinion, this organization structure has reduced the visibility of the privacy program and was a major contributing factor to the deficiencies identified in this audit.

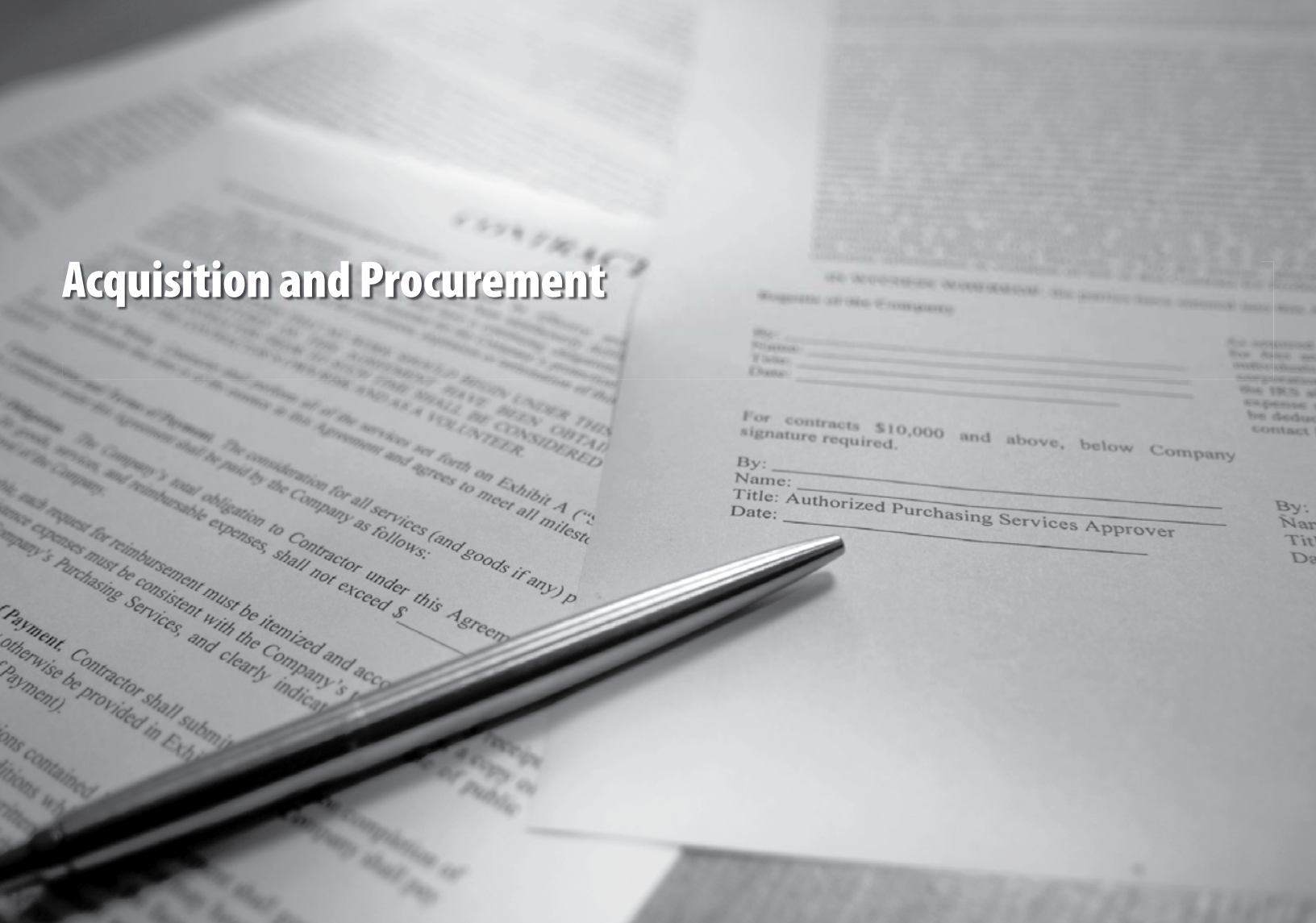
Quality Control Review of the Report on Controls Over the Enterprise Services Center

September 22, 2008

OIG hired a CPA firm to perform this review in accordance with the Statement of Auditing Standard No. 70. The audit covered Delphi Financial Management System operations, which are used by multiple Federal agencies, and the Consolidated Automation System for Time and Labor Entry (CASTLE), which is used to support DOT operations only. The audit concluded that management's description of controls presents

fairly, in all material respects, the controls that have been placed in operation as of June 30, 2008. In addition, controls are suitably designed and were operating effectively except in the areas of logical access and segregation of duties concerning CASTLE system operations. Specifically, the CASTLE Database Administrators had access to develop, test, and release system changes into production without any independent review and approval. The Acting Deputy Chief Financial Officer has committed to implementing corrective actions.

Acquisition and Procurement



AUDITS

Interim Report on Award-Fee Criteria for the National Airway Systems Contract

May 28, 2008

This interim report represents the results of our audit regarding the Federal Aviation Administration's (FAA) National Airway Systems Contract as part of our ongoing audit of the Use of Cost-Plus-Award-Fee (CPAF) contracts within the Mike Monroney Aeronautical Center (Aeronautical Center) and the Department. We found that 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, the Aeronautical Center had no assurance that a CPAF-type contract

was appropriate. Additionally, the performance evaluation plan did not include measurable criteria needed to adequately evaluate contractor performance, and allowed award-fee payments up to 72.5 percent of the award-fee pool for average or below results. Further, a portion of the award-fee criteria required the contractor to merely comply with basic contractual requirements. The problems cited in this report existed, in part, because Aeronautical Center personnel did not have detailed guidance on how to structure award-fee plans to incentivize contractors. FAA officials agreed to select another contract type more suitable for obtaining engineering and technical support and revise Aeronautical Center guidance.

Audits and Investigations *(continued)*

Interim Report on Award–Fee Criteria for the Transportation Information Project Support Contract

August 14, 2008

This interim report represents the results of our audit regarding the Volpe National Transportation Systems Center’s Transportation Information Project Support (TRIPS) contract as a 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. Further, the descriptions defining adjectival ratings were vague and inconsistent and did not clearly define the basis for rating performance. The effect of having

evaluation criteria without clearly defined metrics, and vague and conflicting adjectival 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, thus Volpe had no assurance that a CPAF–type contract was appropriate. Senior Volpe officials are implementing actions to meet the intent of our recommendations by clearly identifying measurable award–fee criteria for assessing contractor performance and reevaluating the use of award–fee contracts for future TRIPS procurements.



Department-Wide Issues

INVESTIGATIONS

Former FAA Employee Pleads Guilty to Theft Related to Government Purchase Card

June 9, 2008

Sabrina Vines, (GS-14), with FAA, pled guilty on June 9, 2008, in U.S. District Court, Washington, D.C., to one-count information charging her with theft of public money. DOT/OIG's investigation determined that in 2003, Ms. Vines began using her Government-issued purchase card to make unauthorized purchases of personal items, such as laptop computers and high-definition televisions. Ms. Vines also used her purchase card for a rental car transaction and a hotel resort transaction in Myrtle Beach, South Carolina. The total loss associated with the unauthorized transactions exceeded \$23,000. Ms. Vines resigned from FAA on May 23, 2008. Her sentencing has been scheduled for October 7, 2008.

Missouri Air Traffic Controller Pleads Guilty to Child Pornography Charges

August 27, 2008

David Trigg, an air traffic control specialist with FAA, pled guilty on August 27, 2008, in U.S. District Court, St. Louis, Missouri, to receiving and possessing child pornography. The DOT/OIG investigation revealed that an air traffic controller was accessing child pornography through an FAA computer network located in the FAA air traffic control tower in Chesterfield, Missouri. Subsequently, a Federal search warrant was obtained and forensic examination of a computer recovered multiple images depicting child pornography. Mr. Trigg admitted to using the FAA computer in the air traffic control tower to access child pornography before beginning his shifts. Mr. Trigg was placed on indefinite

Audits and Investigations *(continued)*

suspension from FAA pending criminal action in the matter. His sentencing date is scheduled for November 14, 2008. This was a joint investigation with the Federal Bureau of Investigation.

Former DOT/OIG Supervisory Auditor Pleads Guilty to Mail Fraud and Conspiracy Charges Involving Fraudulent Check Scheme

August 28, 2008

Former DOT/OIG supervisory auditor Paulette Heggins-Carter pled guilty on August 28, 2008, to mail fraud in U.S. District Court, Dallas, Texas. Ms. Heggins-Carter's sister, Janie Heggins, pled guilty to mail fraud and conspiracy to commit mail fraud. Ms. Janie Heggins was the former Controller at ART Holdings, Inc., a financial services company located in Dallas, Texas. In May 2008, the sisters were charged with conspiring to carry out a scheme to defraud ART Holdings of approximately \$469,000, by issuing more than 250 fraudulent checks against the financial accounts of ART Holdings and its subsidiary companies. The money was allegedly used to

pay personal credit card and telephone bills, make mortgage payments, and pay operational expenses for a night club the sisters jointly owned. Sentencing for Ms. Heggins-Carter and Ms. Janie Heggins is scheduled for December 4, 2008. This was an ongoing, joint investigation with the Federal Bureau of Investigation.



Work Planned and in Progress

This section describes significant 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 and waste. 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 October 1, 2008, through March 31, 2009.

Aviation and Special Programs

■ **Air Carrier's Aviation Safety Action Programs (ASAP)**

Evaluate allegations regarding the improper use of ASAP and determine how reports submitted for inclusion into ASAP are evaluated and subsequently investigated by air carriers and FAA.

■ **FAA's Management and Maintenance of Air Traffic Control Facilities**

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.

■ **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.

■ **FAA Oversight of On-Demand Operators—Congressional Request**

Evaluate the differences between FAA regulations and oversight for on-demand operators versus larger commercial air carriers; and, identify specific issues that may hinder FAA

in its oversight, such as lack of adequate data on on-demand operators.

■ **Runway Safety Areas**

Evaluate FAA's processes for identifying, prioritizing, and funding needed runway safety area enhancements and assess FAA's and airports' progress in fulfilling the congressional mandate.

■ **Review of FAA's Process for Investigating and Reporting Operational Errors and Pilot Deviations**

(1) Determine if any other facilities are misreporting OEs similar to the misreporting identified at DFW TRACON, (2) determine whether FAA has adequate policies and procedures in place to ensure the accuracy and consistency of reporting OEs, and (3) review roles and responsibilities of the ATOS and FAA's Air Traffic Safety Oversight line of business in reporting and investigating OEs and pilot deviations.

■ **Reducing Delays and Improving Customer Satisfaction With Air Travel — Congressional Request**

(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 effect across the

Work Planned and in Progress *(continued)*

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.

■ **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 — Congressional Request**

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

■ **Intelligent Transportation Systems Joint Program Office**

To assess the effectiveness of the ITS/JPO in providing program direction, managing funds, conducting progress reviews, and evaluating the results of the ITS program.

■ **Controller Staffing at Los Angeles ATCT, Southern and Northern California TRACONs —Congressional Request**

Review controller staffing and related pertinent issues at the three facilities.

■ **Review of Potential Controller Fatigue Issues at Chicago O’Hare ATCT and TRACON, and Chicago Center— Congressional Request**

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 Third-Party Agreements**

Assess the extent to which FAA is relying on third parties for the development of new 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 ATOS— Congressional Request**

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 AD Compliance—Congressional Request**

Evaluate FAA’s two-part, special-emphasis inspection of air carriers compliance with ADs. Specifically, we will evaluate 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**

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

■ **Review of the JPDO's Progress Toward the Next Generation Air Transportation System-Congressional Request**

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.

Highway and Transit Programs

■ **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.

■ **Audit of 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.

■ **Audit of FHWA's Oversight of the National Bridge Inspection Program**

Assess the statutory and regulatory basis for FHWA's oversight of the National Bridge

Inspection Program (NBIP) and determine whether FHWA has an effective strategic framework for implementing its oversight.

■ **Audit of 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 – Phase II**

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

Audits and Investigations *(continued)*

report *Initial Assessment of the Central Artery/Tunnel Project Stem to Stern Safety Review*.

■ **Audit of the Federal Highway Administration Transportation Technology Innovation and Demonstration (TTID) Program**

The objectives are to assess whether FHWA TTID program (1) met its surveillance and data management goals, (2) met the program

objectives, and (3) provided for competition in the award of contracts used to expand the program, as specified in Section 5508 of SAFETEA LU.

■ **Audit of Implementation of FMCSA's Motor Coach Safety Program**

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

Rail and Maritime Programs and Economic Analysis

■ **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.

■ **Assessment of Amtrak's Financial Performance**

Evaluate and analyze Amtrak's current financial status and the operational factors contributing to that status.

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

Review and assess how effectively Amtrak prioritizes and coordinates its capital investments to contribute to the overall business goals of the corporation.

■ **Follow-up on Root Causes of Amtrak Train Delays**

Expanding on our September 2008 report, we will determine quantitatively the proportion of Amtrak train delays that result from specific causes, such as freight train interference, capacity constraints, and maintenance.

■ **Audit of Transportation —Related Public-Private Partnerships**

The objectives are to (1) determine the cost advantages and disadvantages to the public sector of PPP transactions compared to the more traditional financing of transportation infrastructure projects through the issuance of debt by government or quasi-government entities in the public or municipal bond markets; (2) evaluate the benefits and value realized through PPPs to both the private and public sector in order to determine the overall equity of the transactions; and (3) determine whether, and to what extent, PPPs result in operating efficiencies.

■ **Rail Service Disruptions**

Examine freight rail service disruptions since 2004, with a focus on the timeliness of shipments of commodities such as coal, wheat, ethanol and lumber.

Financial and Information Technology

■ **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.

■ **FAA Web Security**

Determine whether (1) Web applications used in supporting air traffic control (ATC) operations are properly secured to prevent unauthorized access to ATC systems and (2) FAA's network intrusion-detection capability is effective in monitoring ATC cyber security incidents.

■ **Implementation of Earned Value Management System and Security Costs Reporting**

Determine whether (1) the earned value management measures included in the Exhibit 300 submissions to OMB properly reflect major IT investment performance, (2) security costs included in the Exhibit 300 submissions are supported, and (3) operating administration management actively monitors its major IT investments to meet departmental requirements.

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

Determine whether (1) convictions and other personal information recorded in CDLIS and state DMV systems are accurate, timely, and complete; (2) CDLIS and state DMV 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 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.

■ **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 FY 2009 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.

Work Planned and in Progress *(continued)*

■ Quality Control Review of FY 2009 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.

■ Quality Control Review of FY 2009 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.

Acquisition and Procurement

■ Department of Transportation'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 agreements; 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.

■ Federal Motor Carrier Safety Administration's Contract Practices

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

■ Control and Use of DOT Purchase Cards

Determine whether DOT's internal controls over purchase cards were adequate to provide safeguards against fraud, waste, and abuse.

■ 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.

Statistical Performance Data

Summary of Performance

Office of Inspector General

April 1, 2008 – September 30, 2008

(Dollars in Thousands)

Reports Issued	42
Recommendations Issued	145
Congressional Testimonies	9
Total Financial Recommendations	\$224,848
That Funds Be Better Used	\$203,800
Questioned Costs	\$21,048
Indictments	70
Convictions	57
Fines, Restitutions, and Recoveries	\$2,667

Audits

Completed OIG Reports

April 1, 2008 – September 30, 2008

(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 Audits	19	110	\$0	\$4,250	\$203,800
Financial Audits	1	0	\$0	\$0	\$0
Other OIG Internal Reports	0	0	\$0	\$0	\$0
Total Internal Audit Reports	20	110	\$0	\$4,250	\$203,800
Grant Audits					
Audits of Grantee Under Single Audit Act	22	35	\$16,798	\$0	\$0
TOTALS	42	145	\$16,798	\$4,250	\$203,800

* 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

April 1, 2008 – September 30, 2008

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs *	Unsupported Costs
A. For which no management decision had been made by the start of the reporting period	25	32	\$20,280	\$0
B. Which were issued during the reporting period	18	32	\$21,048	\$4,250
Totals (A+B)	43	64	\$41,328	\$4,250
C. For which a management decision was made during the reporting period	27	31	\$12,079	\$4,250
(i) dollar value of disallowed costs**	22	24	\$10,933	\$4,250
(ii) dollar value of costs not disallowed **	12	13	\$2,621	\$0
D. For which no management decision had been made by the end of the reporting period	16	33	\$29,249	\$0

* Unsupported costs are also included in the figures shown as questioned costs.

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

OIG Reports with Recommendations that Funds Be Put to Better Use

April 1, 2008 – September 30, 2008

(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	4	5	\$251,728*
B. Which were issued during the reporting period	2	2	\$203,800
Totals (A+B)	6	7	\$455,528
C. For which a management decision was made during the reporting period	6	7	\$455,528
(i) dollar value of recommendations that were agreed to by management *	4**	4**	\$226,308
(ii) dollar value of recommendations that were not agreed to by management *	4**	5**	\$229,220
D. For which no management decision had been made by the end of the reporting period	0	0	\$0

* Due to a misclassification of a recommendation, dollar amount will not match previous semiannual.

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

OIG Reports Recommending Changes for Safety, Economy or Efficiency

April 1, 2008 – September 30, 2008

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	26	59
B. Which were issued during the reporting period	20	111
Totals: (A+B)	46	170
C. For which a management decision was made during the reporting period *	37	131
D. For which no management decision had been made by the end of the reporting period *	14	39

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

Audit Type	Number of Total Reports for this Reporting Period	Number of Reports with Safety, Economy, or Efficiency Recommendations	Number of Total Recommendations	Number of Safety, Economy, or Efficiency Recommendations
Performance	19	17	91	88
Financial	1	1	19	19
Other	0	0	0	0
Grants	22	2	35	4
TOTALS	42	20	145	111

Management Decisions Regarding OIG Recommendations

April 1, 2008 – September 30, 2008

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs *	Unsupported Costs	Funds to be Put to Better Use
Unresolved as of 4/01/2008	49	96	\$20,280	\$0	**\$251,728
Audits with Findings During Current Period	36	145	\$21,048	\$4,250	\$203,800
Total to be Resolved	85	241	\$41,328	\$4,250	\$455,528
Management Decisions:					
Audits Prior Period ‡	40	74	\$7,066	\$0	\$251,728
Audits Current Period ‡	22	95	\$5,013	\$4,250	\$203,800
Total Resolved	62	169	\$12,079	\$4,250	\$455,528
Aging of Unresolved Audits: ***					
Less than 6 months old	19	50	\$16,035	\$0	\$0
6 months – 1 year	3	5	\$1,521	\$0	\$0
1 year – 18 months	4	8	\$11,692	\$0	\$0
18 months – 2 years	0	0	\$0	\$0	\$0
Over 2 years old	3	9	\$0	\$0	\$0
Unresolved as of 09/30/2008	29	72	****\$29,249	\$0	\$0

* Unsupported costs are also included in the figures shown as questioned costs.

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

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

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

**** Rounding of dollars may affect total.

OIG Published Reports

April 1, 2008 – September 30, 2008

DEPARTMENTWIDE

Grant Audits: Audits of Grantee Under Single Audit Act – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-052	05/19/08	South Carolina Department of Transportation	Improve grantee oversight
QC-2008-056	06/09/08	Commonwealth of Massachusetts	Improve grantee oversight
QC-2008-078	09/16/08	Wayne County Airport Authority	Improve grantee oversight

FEDERAL AVIATION ADMINISTRATION

Internal Audits: Performance/Attestation – 8 reports

Report	Date	Title	Focus of Report/ Recommendations
AV-2008-049	04/14/08	Air Traffic Control Modernization FAA Faces Challenges in Managing Ongoing Projects, Sustaining Existing Facilities, and Introducing New Capabilities	FAA needs to make decisions to determine how to achieve NextGen's capacity-enhancing capabilities; NextGen is shaping capital funding; Further work is needed to determine NextGen's impact on existing programs
AV-2008-050	04/24/08	Review of Reported Near Mid-Air Collisions (NMAC) in the New York Metropolitan Airspace	The five NMACs were independent, unrelated events with no root causes. No risks to safety regardless of actions taken by commercial pilots
FI-2008-054	05/28/08	Interim Report: Award-Fee Criteria For the National Airway Systems Contract (<i>also listed under Office of the Secretary</i>)	Put \$199 million to better use
AV-2008-055	06/5/08	Review of the Air Traffic Controller Facility Training Program	FAA's facility training programs' efficiency and quality varies from one location to another. Needs to improve facility training and address key initiatives addressed in 2004

AV-2008-057	06/30/08	Review of FAA's Safety Oversight of Airlines and Use of Regulatory Partnership Programs	FAA's air carrier oversight practices continue to need improvement. FAA disagreed with two critical recommendations and should reconsider its position
AV-2008-087	09/26/08	Review of FAA's Short-Term Capacity Initiatives	Several FAA initiatives were identified to provide some relief from delays and boost capacity. OIG will continue to monitor
AV-2008-089	09/30/08	Audit of FTI Transition Risks and its Impact on Air Traffic Control Operations	FAA needs to reassess prior network engineering cost growth; document the planned schedule for transitioning; calculating the transitions impact to FTI; conducting internal audits at facilities; develop action plan; and review internal procedures
AV-2008-090	09/30/08	Air Carriers' Outsourcing of Aircraft Maintenance	FAA needs to develop and implement an effective system to determine how much and where critical maintenance is performed

Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-079	09/22/08	Quality Control Review of the Report on Controls Over the Enterprise Services Center <i>(also listed under Office of the Secretary)</i>	Management's description of controls presents fairly, in all material respects, the controls that have been placed in operation as of June 30, 2008

Grant Audits: Audits of Grantee Under Single Audit Act – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-067	07/24/08	Commonwealth Ports Authority	\$194,685 questioned
QC-2008-074	09/03/08	Gulfport–Biloxi Regional Airport Authority	\$8,002,783 questioned
QC-2008-082	09/25/08	Federated States of Micronesia National Government	\$435,310 questioned

FEDERAL HIGHWAY ADMINISTRATION

Grant Audits: Audits of Grantee Under Single Audit Act – 5 reports

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-063	07/24/08	State of Maryland	\$29,400 questioned
QC-2008-068	07/24/08	Pima County	\$734,748 questioned
QC-2008-073	09/03/08	City of Nashua (<i>also listed under Federal Transit Administration</i>)	\$67,200 questioned
QC-2008-084	09/25/08	State of Louisiana	\$43,680 questioned
QC-2008-085	09/25/08	Government of Guam	\$126,170 questioned

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
MH-2008-059	07/10/08	Use of Income Derived from the Commercial Driver's License Information System for Modernization	FMCSA has begun to amend its 1988 operating agreement with AAMVA to ensure that CDLIS program income is used for operating and modernizing the system
MH-2008-081	09/24/08	Review of Canadian/Mexican Commercial Motor Vehicle Compliance	FMCSA needs to ensure that any future FMVSS compliance reviews include appropriate review by a FMCSA statistical expert and that results are clearly presented

FEDERAL RAILROAD ADMINISTRATION

Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
CR-2008-072	08/26/08	Audit of the Federal Railroad Administration's Implementation of Mandates and Recommendations Regarding Rail Safety	FRA should establish a centralized process for documenting, tracking, and monitoring congressional rail safety mandates that includes planned and actual milestones
CR-2008-076	09/08/08	Root Causes of AM TRAK Train Delays	Root causes of Amtrak train delays are: railroad dispatching practices, track maintenance practices and external factors beyond the host railroads' control

FEDERAL TRANSIT ADMINISTRATION

Internal Audits: Performance/Attestation – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
MH-2008-058	07/9/08	Audit of Federal Transit Administration's Oversight of Pioneer Valley Transit Authority Electric Bus Cooperative Agreement	\$4,250,000 unsupported
AV-2008-071	08/20/08	Report on the City of San Francisco's Use of Federal Transit Funds	Federal transit funds were not used for unauthorized purposes. Controls were adequate to ensure proper use of the funds
MH-2008-086	09/26/08	Baseline Report on the Lower Manhattan Recovery Projects	FTA should continue strong oversight efforts. Project grantees will likely have to provide their own funding to complete the projects as designed, or propose to significantly reduce the scope of one or more of the projects

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

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-060	07/24/08	City of Arlington	\$42,196 questioned
QC-2008-061	07/24/08	Tri-County Metropolitan Transportation District of Oregon	\$12,640 questioned
QC-2008-062	07/24/08	Washington Metropolitan Area Transit Authority	\$829,340 questioned
QC-2008-064	07/24/08	City of Oklahoma City	\$563,107 questioned
QC-2008-065	07/24/08	Attleboro Redevelopment Authority	\$76,464 questioned
QC-2008-066	07/24/08	Alabama State Port Authority	\$81,432 questioned
QC-2008-069	09/25/08	Southeastern Pennsylvania Transportation Authority	Improve grantee oversight
QC-2008-073	09/03/08	City of Nashua (<i>also listed under Federal Highway Administration</i>)	\$67,200 questioned

QC-2008-075	09/03/08	Pioneer Valley Transit Authority	\$4,415,806 questioned
QC-2008-080	09/23/08	Massachusetts Bay Transportation Authority	Improve grantee oversight
QC-2008-083	09/25/08	Northern Arizona Intergovernmental Public Transportation Authority	\$421,323 questioned
QC-2008-088	09/30/08	Capital Area Transit System	\$721,503 questioned

OFFICE OF THE SECRETARY OF TRANSPORTATION

Internal Audits: Performance/Attestation – 3 reports

Report	Date	Title	Focus of Report/ Recommendations
CR-2008-051	05/13/08	The Small Community Air Service Development Program	SCASDP grants failed to fully achieve their objectives. Substantive community participation, whether financial or non-financial, increases the likelihood of grant success
FI-2008-054	05/28/08	Interim Report: Award-Fee Criteria for the National Airway Systems Contract <i>(also listed under Federal Aviation Administration)</i>	Put \$199 million to better use
FI-2008-077	09/9/08	Review of DOT Privacy Policies and Procedures	DOT needs to ensure that all systems meet the proper security requirements; privacy officer needs to report to CIO

Internal Audits: Financial – 1 report

Report	Date	Title	Focus of Report/ Recommendations
QC-2008-079	09/22/08	Quality Control Review of The Report on Controls Over The Enterprise Services Center <i>(also listed under Federal Aviation Administration)</i>	Management's description of controls presents fairly, in all material respects, the controls that have been placed in operations as of June 30, 2008.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
AV-2008-053	5/21/08	Actions Needed To Enhance Pipeline Security	Further actions are needed as the current situation is far from an “end state” for enhancing the security of the Nation’s pipeline system

RESEARCH AND INNOVATIVE TECHNOLOGY

Internal Audits: Performance/Attestation – 1 report

Report	Date	Title	Focus of Report/ Recommendations
FI-2008-070	08/14/08	Interim Report on Award-Fee Criteria For The Transportation Information Project Support Contract, Volpe Center	Put \$4.4 million to better use

Other Audit Work Products

April 1, 2008 – September 30, 2008

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.

Examples of Other Work Products completed during this reporting period include:

- **Risk-Mitigation Measures on the Leverett Bridge:** As a result of our oversight efforts on the Stem to Stern safety review, the Commonwealth of Massachusetts has implemented risk-mitigation measures for a cracked pier cap in the Leverett Bridge of the Central Artery Tunnel Project. These measures include regular monitoring of the crack growth and calculating the bridge load ratings. The calculated load ratings revealed that the bridge had less load capacity than originally anticipated and resulted in FHWA formally instructing the Commonwealth to immediately post the Leverett Bridge from heavier truck traffic until the pier cap is repaired. Posting the bridge prevents worsening of the crack due to heavier truck traffic and thereby reduces the public's exposure to structural safety risks. In addition to posting the bridge following FHWA's instructions, the Commonwealth expedited its plans to execute the necessary structural repairs for the cracked pier cap.
- **Office of the Assistant Secretary for Administration:** The Senate Committee on Appropriations requested the Inspector General review the spending priorities, budget justifications, and mission of the Office of the Assistant Secretary for Administration. As a result of our review, the Office of the Assistant Secretary took several actions: (1) improved the transparency of its funding in recent budget submissions by linking its appropriated budget with its Working Capital Fund (WCF) budget, and fully disclosing its available funding via reimbursable agreements; (2) developed an asset-replacement plan, and agreed to charge customers and replace assets according to this plan; (3) disclosed to the Appropriations Committees its intent to retain an operational reserve in the WCF; and (4) on September 27, 2008, returned \$15.4 million to Treasury, collected as depreciation reserves for assets that will not be replaced.

- **Analysis of the Benefits of High-Speed Rail on the Northeast Corridor:** On June 26, we issued an analysis of the benefits of high speed rail (HSR) on the Northeast Corridor (NEC) to the FRA Administrator. Our analysis showed that the benefits from HSR achieving 3 hour service between Boston and New York and 2 1/2-hour service between New York and Washington would exceed the expenditures required to implement it. A sizeable share of air travelers along the NEC would switch to HSR if it achieved those travel times, thereby providing some relief to the area's congested airspace. In addition, the investments required to reach those travel times would significantly benefit NEC commuter and freight rail services. Our analysis also showed that should travel times decrease further, the resulting benefits from HSR would grow at an increasing rate.
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Office of Inspector General Congressional Testimonies

April 1, 2008 – September 30, 2008

Control No.	Date	Subject	Before
CC-2008-046	04/03/08	Actions Needed to Strengthen FAA's Safety Oversight and Use of Partnership Programs	Committee on Transportation and Infrastructure U.S. House of Representatives
CC-2008-061	04/03/08	Amtrak's Future Outlook and Budgetary Needs	Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies U.S. Senate
CC-2008-058	04/09/08	Status Report on Actions Underway to Address Flight Delays and Improve Airline Customer Service	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2008-067	04/10/08	Key Safety Challenges Facing the Federal Aviation Administration	Committee on Commerce, Science, and Transportation, Subcommittee on Aviation Operations, Safety, and Security U.S. Senate
CC-2008-070	04/17/08	Key Safety and Modernization Challenges Facing the Federal Aviation Administration	Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies U.S. Senate
CC-2008-056	06/11/08	Key Issues Facing the Federal Aviation Administration's Controller Workforce	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2008-090	06/25/08	Actions Needed To Enhance Pipeline Security	Committee on Transportation and Infrastructure Subcommittee on Railroads, Pipelines, and Hazardous Materials U.S. House of Representatives
CC-2008-118	09/11/08	Status of FAA's Efforts to Develop the Next Generation Air Transportation System	Committee on Science and Technology U.S. House of Representatives
CC-2008-120	09/11/08	FAA's Certification of the Eclipse EA-500 Very Light Jet	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

Terminal Modernization: FAA Needs to Address Its Small, Medium, and Large Sites Based on Cost, Time, and Capability	AV-2005-016	11/23/04
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Cited in Semiannual Report for April 1, 2005 – September 30, 2005

Chicago's O'Hare Modernization Plan	AV-2005-067	07/21/05
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Cited in Semiannual Report for October 1, 2005 – March 31, 2006

Air Carriers Use of Non-Certificated Repair Facilities	AV-2006-031	12/15/05
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Cited in Semiannual Report for April 1, 2007 – September 30, 2007

Amtrak Board of Directors	CR-2007-074	09/14/07
South Carolina Department of Transportation	QC-2007-055	07/18/07
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

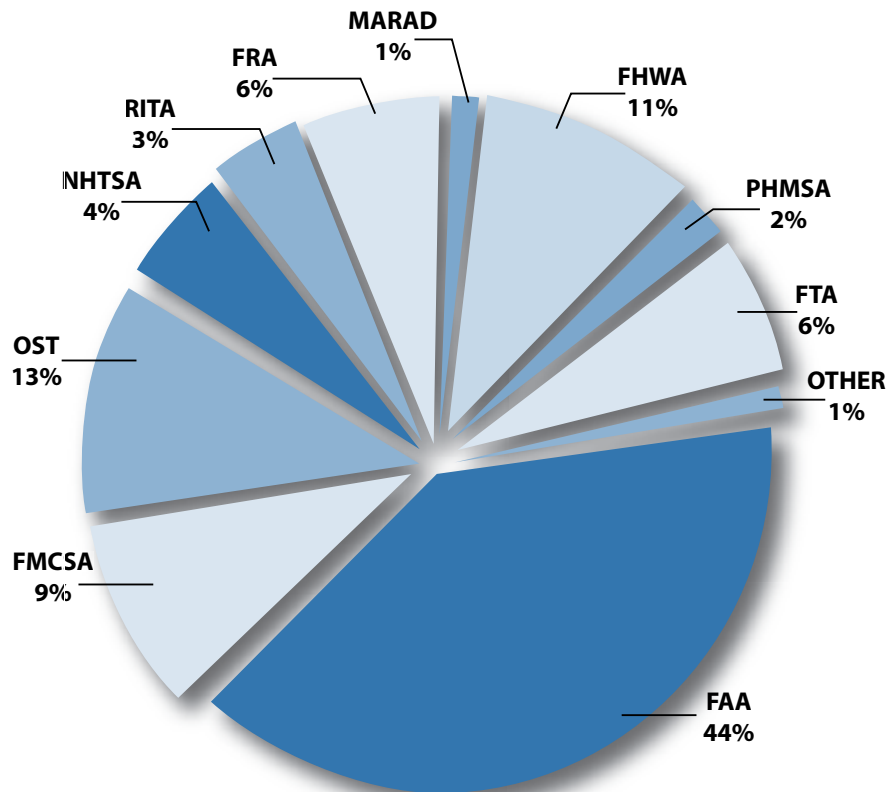
Oglala Sioux Tribe	QC-2008-037	03/06/08
Assessment of FAA's Risk-Based System for Overseeing Aircraft Manufacturer's Suppliers	AV-2008-026	02/26/08
Federated States of Micronesia National	QC-2008-019	12/19/07

Application of Audit Resources by Operating Administration

April 1, 2008 – September 30, 2008

NOTES:

- Resources shown for OST include time spent performing audits of the DOT Consolidated Financial Statements (which includes all Operating Administrations) and the Use of Award Fees Contracts Within the Department.
- Resources shown for FRA include time spent performing audits of the National Railroad Passenger Corporation.
- Resources shown as “Other” were expended on the National Transportation Safety Board, Department-wide audits, and general Single Audit Act activities.



Required Statements for Semiannual Report

The Inspector General Act requires the *Semiannual Report* to carry explanations if, during the reporting period, departmental management significantly revised management decisions stemming from an audit. OIG follows up on audits reported in earlier semiannual reports. During this reporting period, departmental management did not report any significant revisions to management decisions.

The Act also requires descriptions of any significant decisions that departmental management made regarding an audit with which OIG disagrees. When the reporting period closed, there were no such significant decisions with which OIG disagreed.

Investigations

Judicial and Administrative Actions

April 1, 2008 – September 30, 2008

Indictments:	70
Convictions:	57
Years Sentenced:	35
Years Probation:	32
Years Supervised Release:	39
Community Service Hours:	3,750
Employee Terminations:	4
Employee Resignations/Retirements:	4
Cert/License/Permit revoked/terminated:	4
Debarment/Suspensions:	14
Decertified - State:	4
Termination of Contract:	1
Federal Funding/Participation Terminated:	1
Reduction in Federal Funding:	1

Financial Impact

Fines:	\$295,674
Restitution:	\$2,269,261
Federal Recoveries:	\$27,491
State Recoveries:	\$73,002
Administrative Recoveries:	\$1,200

Total: **\$2,666,628**

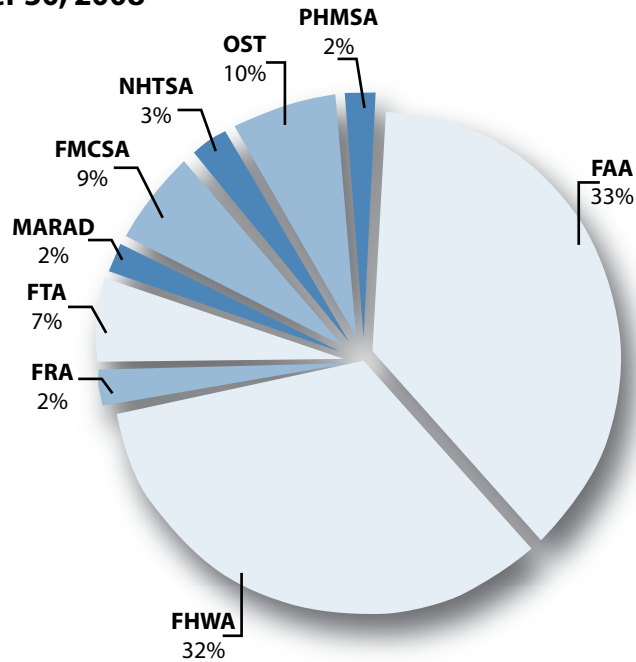
Profile of All Pending Investigations as of September 30, 2008

Types of Cases

	Number of Cases	Contract/Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	HazMat	Qul Tam	Other
Departmentwide	2	1	1	0	0	0	0	0
Federal Aviation Administration	156	12	58	71	0	5	1	9
Federal Highway Administration	101	92	0	0	0	0	2	7
Federal Motor Carrier Safety	53	0	4	0	34	10	0	5
Federal Railroad Administration	4	0	0	0	0	2	0	2
Federal Transit Administration	23	22	0	0	0	0	0	1
Maritime Administration	5	1	2	0	0	1	1	0
National Highway Traffic Safety	6	1	1	0	0	0	0	4
Office of the Inspector General	1	0	1	0	0	0	0	0
Office other Secretary of Transportation	8	1	5	0	0	0	0	2
Pipeline and Hazardous materials Safety	18	0	1	0	0	16	0	1
Research and Innovative Technology Administration	3	0	3	0	1	0	0	0
Totals	380	130	76	71	34	34	4	31
Percent of Total:	100%	35%	20%	19%	9%	9%	1%	8%

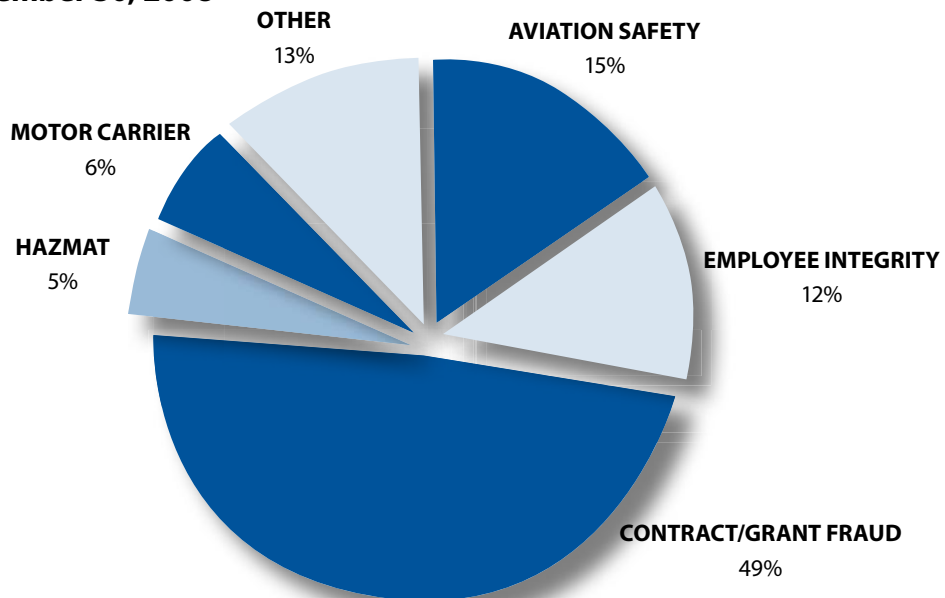
Application of Investigative Project Hours by Operating Administration

April 1, 2008 - September 30, 2008



Application of Investigative Project Hours by Priority Area

April 1, 2008 - September 30, 2008



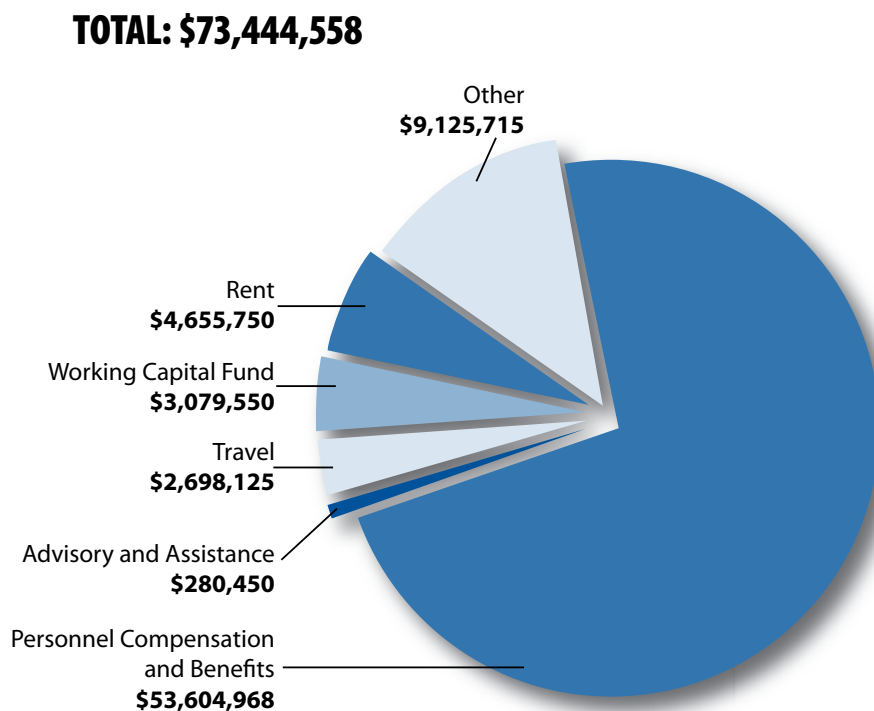
Mission and Organization

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

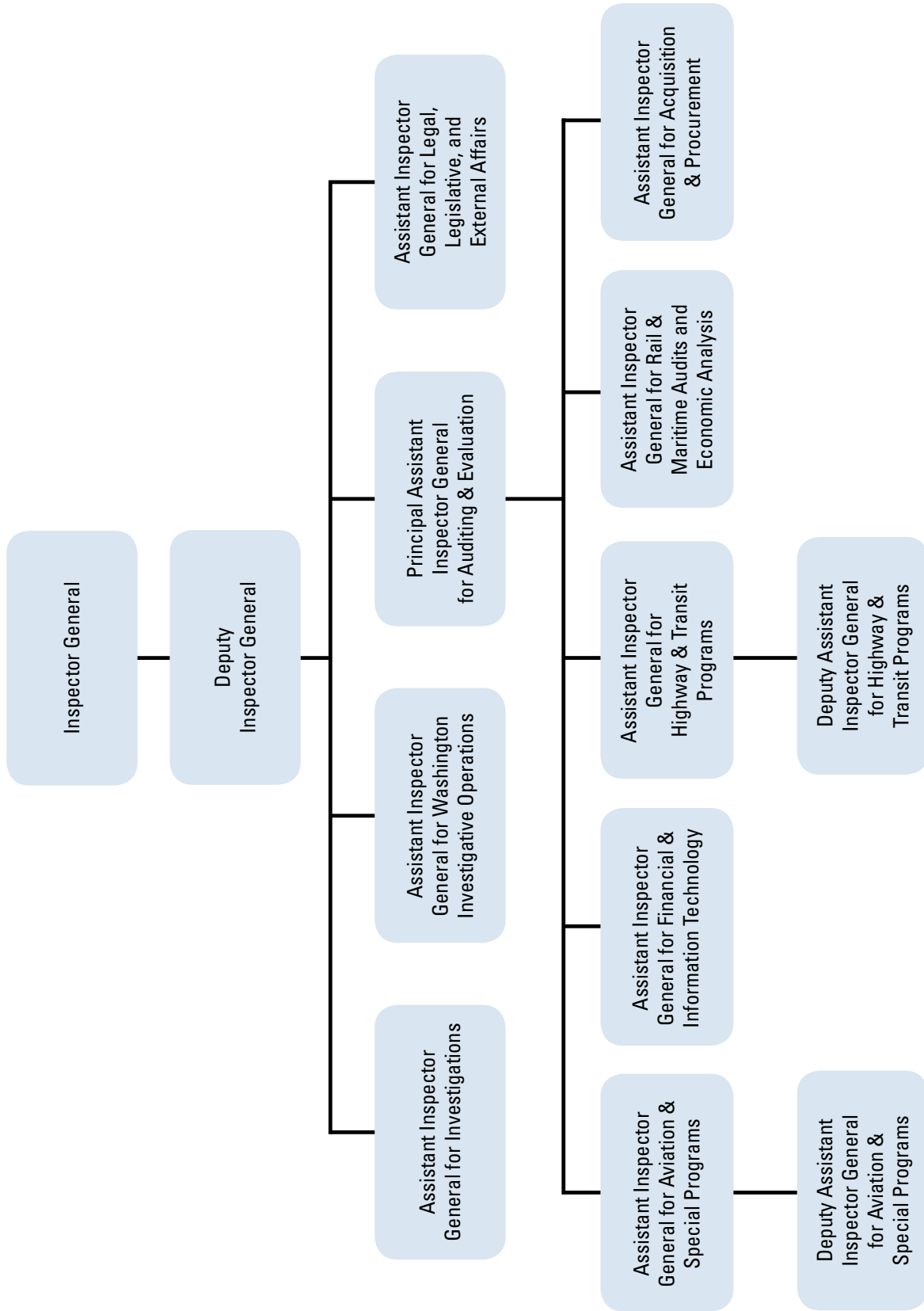
- To conduct or supervise objective audits and investigations of the Department’s programs and operations;
- To promote economy, effectiveness, and efficiency within the Department;
- To prevent and detect fraud, waste, and abuse in the Department’s programs;
- To review existing and proposed laws or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

OIG FY 2008 ACTUAL OBLIGATIONS

OIG is divided into two major units and six support units. The major units are the Office of the Principal Assistant Inspector General for Auditing and Evaluation and the Office of Assistant Inspector General for Investigations. Each has headquarters staff and field staff. The support units are the Office of Legal, Legislative and External Affairs; the Office of Human Resources; the Office of Budget and Financial Management; the Office of Information Technology Services; the Office of Administration and Procurement Services; and the Office of Quality Assurance Reviews/Internal Affairs.



U.S. Department of Transportation Office of Inspector General



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Abbreviations

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
TEA-21	Transportation Equity Act for the 21st Century



Hotline to report fraud, waste, and abuse:

Phone: 800-424-9071

Fax: 540-373-2090

E-mail: hotline@oig.dot.gov

OIG Web site: <http://www.oig.dot.gov>

U.S. Department of Transportation

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