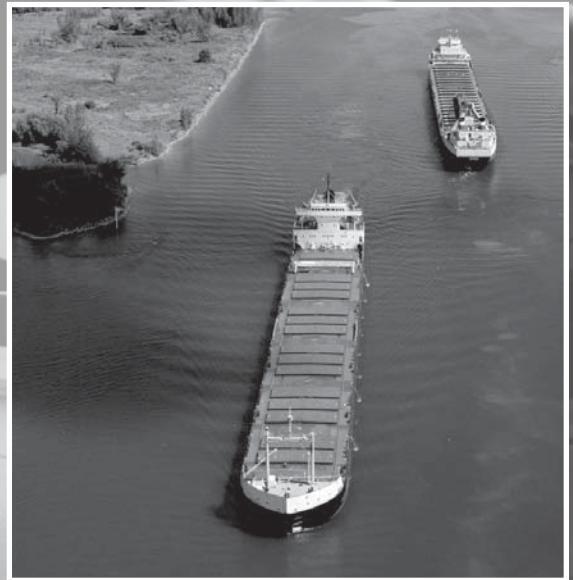


# Semiannual Report to Congress

APRIL 1 – SEPTEMBER 30, 2007



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



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## From the Inspector General

I am pleased to present the Department of Transportation Office of Inspector General's Semiannual Report to Congress for the 6-month period ending September 30, 2007. I commend the dedicated efforts of DOT OIG staff in promoting the economy and efficiency of DOT programs and operations and in preventing, detecting, and deterring fraud, waste and abuse. The audits and investigations highlighted in this report clearly reflect the breadth and quality of our work, as well as the value our products and services bring to DOT, Congress and the public.

Our audit activities addressed such issues as improving airline customer service, assessing DOT preparations for granting Mexican trucks the authority to operate in the U.S., quantifying the growth in highway construction and maintenance costs, and identifying information security weaknesses. Our investigative activities involved matters as diverse as selling fraudulent aircraft parts, falsifying airman medical certificates, rigging bids and falsifying records on highway projects, using substandard construction materials, and illegally transporting hazardous materials.

This semiannual period culminated with the issuance of 38 audit reports and 95 recommendations having a financial impact totaling about \$38,275,000. In addition, our investigative work resulted in 64 convictions and a total of \$122,311,180 in fines, restitutions and recoveries. We also testified before Congress on 14 occasions primarily on the safety of our nation's transportation system, including aviation, highway, motor carrier, and railroad safety.

I would also like to express my gratitude to Secretary Peters, Deputy Secretary Barrett, the modal administrators, and Members and staff of Congress for their support during the past six months. DOT OIG will continue to work with all our stakeholders to find solutions to complex transportation issues and ensure that the American taxpayers' dollars expended by DOT are well-spent and well-managed.

A handwritten signature in black ink that reads 'Calvin L. Scovel III'.

Calvin L. Scovel III  
Inspector General



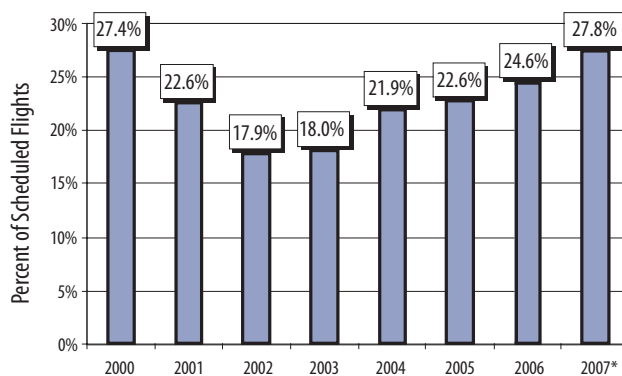
## Aviation and Special Programs



### IN FOCUS: CHALLENGES REMAIN TO IMPROVE AIRLINE CUSTOMER SERVICE AND MINIMIZE DELAYS

Flight delays and cancellations continue to rise and remain a major source of air traveler dissatisfaction with airline customer service. This is further compounded by reduced capacity and increased demand. With more seats filled, air carriers have fewer options to accommodate “bumped” passengers from cancelled flights. Based on the first 7 months of the year, *airlines’ on-time performance is at the lowest percentage (72 percent) recorded in the last 10 years*—nearly 28 percent of flights were delayed, cancelled, or diverted compared to nearly 25 percent during the same period in 2006. Figure 1 illustrates the changes in percent of flights delayed, cancelled, or diverted from 2000 to 2007.

**Figure 1. Percent of Flights Delayed, Cancelled, or Diverted for Years 2000 to 2007**



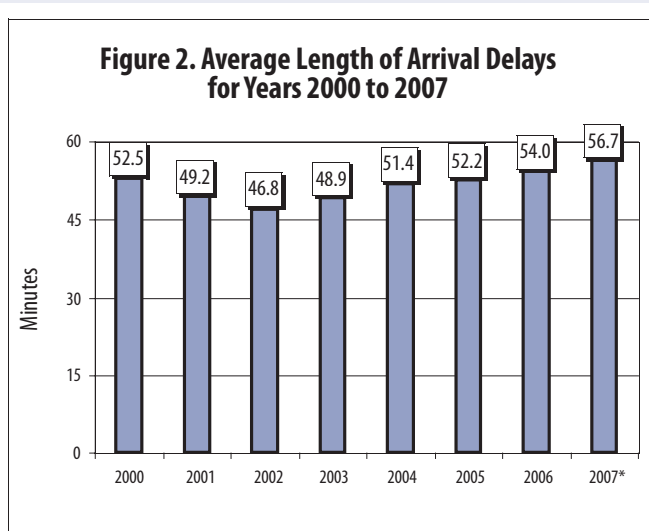
\*January through July

Source: BTS Data

Not only are there more delays, but also longer delay durations. Figure 2 illustrates the average

## Audits and Investigations *(continued)*

flight arrival times from 2000 to 2007. Based on the first 7 months of 2007, of those flights arriving late, passengers experienced a record-breaking average flight arrival delay of 57 minutes, up nearly 3 minutes from 2006.



\*January through July

Source: BTS Data

Also, for the same period, more than 54,000 flights affecting nearly 3.7 million passengers experienced taxi-in and taxi-out times of 1 to 5 hours, compared to 45,993 flights for all of peak-year 2000—the previous peak year for delays. The table below shows the number of flights with on-board tarmac delays of 1 to 5 hours or more from January through July for 2006 and 2007.

**Table 1. Number of Flights With Long, On-Board Tarmac Delays of 1 to 5+ Hours January Through June of 2006 and 2007**

Time Period	2006	2007	% Change
1-2 Hrs.	33,438	47,558	42.23
2-3 Hrs.	3,781	5,213	37.87
3-4 Hrs.	710	1,025	44.37
4-5 Hrs.	120	189	57.50
5 or > Hrs.	27	44	62.96
<b>Total:</b>	<b>38,076</b>	<b>54,029</b>	<b>41.90</b>

Source: OIG analysis based on BTS data

### **Airline Customer Service Issues Are Not New**

Airline customer service first took center stage in January 1999, when hundreds of passengers remained in planes on snowbound Detroit runways for up to 8 and a half hours. After those events, both the House and Senate considered whether to enact a “passenger bill of rights.”

Following hearings after the January 1999 incident, Congress, the Department of Transportation (DOT), and the Air Transport Association (ATA)<sup>1</sup> agreed that the air carriers should have an opportunity to improve their customer service without legislation. Since 1999, we have conducted four audits dealing with airline customer service at the request of the Congress or the Secretary of Transportation.

### **On-Board Delays Last Winter Drew National Attention**

This past winter, severe, on-board delays stranded passengers on airport tarmacs for up to 10 and a half hours. The Secretary of Transportation expressed serious concerns about the airlines’ treatment of passengers during these delays. In February 2007, she requested that we examine specific incidents of long, on-board delays and the ATA member airlines’<sup>2</sup> contingency plans for addressing these delays. She also requested that we highlight industry best practices that could help to mitigate these situations and provide recommendations on what actions should be taken to prevent a recurrence of such events.

1. The Air Transport Association is the trade association for America’s largest air carriers. Its members transport over 90 percent of all the passenger and cargo traffic in the United States.

2. Alaska Airlines, Aloha Airlines, American Airlines, ATA Airlines, Continental Airlines, Delta Air Lines, Hawaiian Airlines, JetBlue Airways, Midwest Airlines, Northwest Airlines, Southwest Airlines, United Airlines, and US Airways. During our review, ATA Airlines terminated its membership in ATA.





We issued our report<sup>3</sup> in September and found that (1) the on-board delays that passengers endured last winter were largely due to airlines' lack of a system-wide policy to minimize such delays; (2) airlines' and airports' customer service contingency plans are still not adequate to handle these occurrences; (3) some airlines and airports have best practices and are moving forward with other initiatives to help mitigate these delays; and (4) there are other actions that airlines, airports, FAA, and DOT can undertake immediately to address such situations.

In addition, the Inspector General testified four times on airline customer service issues and airline delays before the House and Senate. The Inspector

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3. OIG Report Number AV-2007-077, "Actions Needed To Minimize Long, On-Board Flight Delays," September 25, 2007.

General discussed actions that would help to improve airline customer service and minimize long, on-board delays. The testimonies were based on the results of our two most recent reviews on airline customer service, "Follow-Up Review: Performance of U.S. Airlines in Implementing Selected Provisions of the Airline Customer Service Commitment,"<sup>4</sup> and "Actions Needed To Minimize Long, On-Board Delays."

### **Recommended Actions**

As a result of our work, we recommended that DOT take a more active role in overseeing airline customer service issues. We made a series of

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4. OIG Report Number AV-2007-012, "Follow-Up Review: Performance of U.S. Airlines in Implementing Selected Provisions of the Airline Customer Service Commitment," November 21, 2006.

## Audits and Investigations *(continued)*

recommendations to the Department that DOT, the airlines, airports, and FAA can take to improve airline customer service and minimize long, on-board delays. Many of the recommendations are not new and date back to recommendations in our 2001 report, which were directed at delay and cancellation problems—key drivers of customer dissatisfaction with airlines. The prior recommended actions to airlines include:

- defining what constitutes an “extended period of time” for meeting passengers’ essential needs and setting time limits for on-board delay durations;
- establishing specific targets for reducing chronically delayed or cancelled flights;
- disclosing on-time flight performance; and
- resuming efforts to self-audit their customer service plans.

We also recommended that (1) airlines specify in detail their policies and plans to minimize long, on-board delays and off-load passengers within certain periods of time and adhere to such policies and (2) airport operators become more involved in contingency planning for extraordinary flight disruptions. There are also best practices and ongoing initiatives that, if properly executed, should help to mitigate long, on-board delays in the immediate term, such as keeping gate space available for off-loading passengers in times of irregular operations.

A more comprehensive plan of action is also needed to prevent and mitigate long, on-board delays and should involve collaboration among airlines, airports, FAA, and DOT. Therefore, we recommended that a national task force of representatives from each of these groups be established to develop and coordinate contingency plans to deal with lengthy delays.

### **Looking Forward**

Airline customer service issues will likely remain a major challenge for the Department for some time given the record-breaking flight delays, cancellations, diversions, and on-board tarmac delays that air travelers have already experienced this year. In addition, forecasted air travel demands will continue to strain the capacity of the system. However, the Department must make it a top priority to reduce aviation delays—including on-board delays—and alleviate customer dissatisfaction when delays occur.

The Department’s specific challenges for reducing air travel congestion include:

- reducing aviation delays, improving customer service, and meeting near-term demand for air travel and
- keeping planned infrastructure and airspace projects on schedule to relieve congestion and delays.

Although there is no “silver bullet,” a cumulative mix of solutions could help. These include scheduling procedures, air traffic control modernization, and ground infrastructure (new runways). Complex policy questions, such as peak-hour pricing, could also contribute to potential solutions.

Short- and long-term solutions to these delay problems must be pursued. The airlines and airports must do their part in the short term to effectively implement their customer service plans—including contingency plans—especially when extraordinary flight disruptions cause significant delays, cancellations, and diversions. DOT should also take a more active role in overseeing customer service issues to ensure that airlines comply with their policies on flight problems.

## AUDITS

### **FAA's Actions Taken To Address Allegations of Unsafe Maintenance Practices at Northwest Airlines**

*September 28, 2007*

We issued our report on FAA's actions taken to address allegations of unsafe maintenance practices at Northwest Airlines. These allegations were reported by an FAA Aviation Safety Inspector assigned to FAA's Northwest Airlines Certificate Management Office (CMO) in Bloomington, Minnesota. The allegations focused on training for Northwest's replacement mechanics and management personnel transferred into maintenance roles and processes for receipt of aircraft parts. The complainant contacted then Minnesota Senator Mark Dayton, who requested that FAA and the OIG evaluate the validity of these allegations. We determined that FAA needs better procedures for responding to and resolving safety complaints identified by its inspectors. We recommended that FAA (1) require the Flight Standards Service to establish better internal review procedures to ensure that comprehensive, independent investigations of safety allegations and recommendations are consistently performed,



and (2) require the Bloomington CMO to report to the Director of Flight Standards Service on actions taken by the CMO and Northwest to resolve deficiencies identified by inspectors and FAA review teams. FAA concurred, and its planned actions satisfy the intent of our recommendations.

### **Testimonies on Actions Needed To Improve Airline Customer Service and Minimize Long, On-Board Delays Before the Senate Committee on Commerce, Science, and Transportation, Subcommittee on Aviation Operations, Safety, and Security and the House Committee on Transportation and Infrastructure, Subcommittee on Aviation**

*September 27, 2007, and September 26, 2007*

The Inspector General testified before Congress regarding actions needed to improve airline customer service and minimize long, on-board delays. Earlier this year, Secretary Peters expressed serious concerns about the airlines' treatment of passengers during extended ground delays. She then requested that we examine (1) the specific incidents involving American Airlines and JetBlue Airways, during which passengers were stranded on board aircraft for extended periods of time, and (2) the Air Transport Association's member airlines' contingency plans for dealing with long, on-board delays. She also requested that we highlight industry best practices that can help to mitigate these situations and recommend what actions should be taken to prevent a recurrence of such events. Based on the results of our review, we identified four key points on actions that would help to improve airline customer service and minimize long, on-board delays: (1) the airlines should specify in detail their policies and plans to minimize long, on-board delays and off-load passengers within certain periods of time and adhere to such policies; (2) airports' operators should become more involved in contingency

## Audits and Investigations *(continued)*

planning for extraordinary flight disruptions; (3) there are best practices and ongoing initiatives that, if properly executed, should help to mitigate long, on-board delays in the immediate term; and (4) DOT, FAA, airlines, and airports should complete actions immediately on outstanding recommendations—some dating back to 2001—to improve airline customer service and minimize long, on-board delays.

### **Actions Needed To Minimize Long, On-Board Flight Delays**

*September 25, 2007*

We issued our final audit report, “Actions Needed To Minimize Long, On-Board Delays,” in response to the Secretary’s request that we to examine these delays. We found that, as demonstrated by the severity of the on-board delays last winter, airlines, airports, FAA, and DOT must work together to reduce long, on-board delays and minimize the impact on passengers when these delays occur. Flight delays and cancellations continue as a major source of customer dissatisfaction. These are further compounded by reduced capacity and increased demand, which leads to increased passenger inconvenience and dissatisfaction with customer service. With more seats filled, air carriers have fewer options to accommodate passengers from cancelled flights. These delays occurred throughout the system and at many airlines, and, after the severe on-board delays last winter, the Secretary asked that we assess airlines’ contingency planning for such situations. Overall, we found that (1) the on-board delays that passengers endured last winter were largely due to airlines’ lack of a system-wide policy to minimize such delays; (2) airlines’ and airports’ customer service contingency plans are still not adequate to handle these occurrences; (3) airlines and airports have best practices and are moving forward with other initiatives to help mitigate these delays; and (4) there are other actions that airlines, airports, FAA, and DOT can undertake immediately to

address such situations. DOT should take a more active role in overseeing customer service issues, and we recommended several actions that DOT, airlines, airports, and FAA can take to improve airline customer service and minimize long, on-board delays. Many of the recommendations are not new and date back to recommendations in our 2001 report, which were directed at delay and cancellation problems—key drivers of customer dissatisfaction with airlines.

### **FAA’s Oversight of Inactive Airport Improvement Program Grant Obligations**

*September 13, 2007*

We issued our report on FAA’s oversight of inactive Airport Improvement Program (AIP) grant obligations. The objectives of our audit were to (1) assess the effectiveness of FAA’s policies and procedures for identifying, reviewing, and de-obligating unneeded AIP grant obligations and (2) determine the extent to which unneeded AIP grant obligations should be liquidated and put to better use on other projects or returned to the Airport and Airway Trust Fund. In FY 2006, FAA resolved a significant number of inactive and old AIP grants. Despite this progress, we identified two areas for improvement: (1) FAA’s process for overseeing inactive grants allowed some to remain idle for periods of time that exceeded the Agency’s standard measure of 18 months, and (2) approximately \$9.7 million in funds was not de-obligated on 76 closed grants, on average, for 21 months. For most of these grants, FAA either failed to de-obligate unneeded funds or allowed airport sponsors to continue expending funds after the grants were closed both of which are actions contrary to FAA policy. If FAA had addressed these grants sooner, the funds could have been put to better use on other projects. While Agency officials have taken some corrective steps to address these weaknesses, FAA still needs to strengthen its review process to ensure that grants do not remain idle longer than 18 months and establish a process for

ensuring that grants are not closed prematurely and do not retain any unneeded funds.

### **Aviation Safety: FAA Oversight of Foreign Repair Stations**

*June 20, 2007*

The Inspector General testified on FAA's oversight of foreign repair stations before the Senate Subcommittee on Aviation Operations, Safety, and Security. Specifically, the Inspector General discussed recent trends in outsourcing aircraft maintenance, regulatory differences between domestic and foreign repair stations, and two key areas in FAA's efforts to effectively oversee outsourced maintenance: (1) strengthening safety oversight of repair stations and non-certificated repair facilities, and (2) ensuring that inspectors are well-positioned to adequately oversee maintenance outsourcing.

### **Progress Has Been Made in Reducing Runway Incursions, but Recent Incidents Underscore the Need for Further Proactive Efforts**

*May 24, 2007*

We issued our final report on FAA's actions to address runway incursions (near collisions on a runway) at Boston Logan, Chicago O'Hare, Philadelphia, and Los Angeles International Airports. Overall, we found that FAA, airlines, and airport operators had taken actions to address runway incursions. However, those actions were taken only after an increase in the number and severity of incidents that occurred at those airports. Preventing runway incursions throughout the National Airspace System requires continuous vigilance on the part of FAA and users. Compared to 5 years ago, FAA has made significant progress in reducing those incidents. However, the serious risks associated with runway incursions underscore the need for maintaining a proactive approach for preventing serious incidents. We made six recommendations

focusing on programmatic actions that could help FAA to reduce runway incursions system-wide. FAA senior officials verbally agreed with our recommendations; however, FAA's formal response did not explicitly state whether the Agency concurred or non-concurred. Further, the actions proposed by FAA were unspecific as to how or when the Agency would address the intent of our recommendations. We requested that FAA provide us with additional information regarding the specific actions that it plans to take to implement each of our recommendations along with timeframes for completion.

### **Interim Report on Controls Over the FAA's Conversion of Flight Service Stations to Contract Operations**

*May 18, 2007*

We issued our interim report on controls over FAA's conversion of flight service stations to contract operations. Overall, we found that FAA had implemented effective controls over the initial transition of flight service stations to contract operations. However, it is uncertain if those controls will be sufficient to ensure anticipated savings are achieved as FAA and the contractor begin the next and most critical phase of the transition. In February, the contractor began efforts to complete, test, and implement a new software operating system for flight service stations and consolidate the existing 58 sites into 3 hub and 16 refurbished locations all within a 5-month timeframe. Any slips in that schedule could have significant implications to the costs and anticipated savings of the transition. Additionally, we found that improvements are needed to ensure that the operational needs of users continue to be met. We found that staffing levels at outsourced facilities are lower than what the contractor anticipated, resulting in some users being routed to adjacent facilities that did not have adequate local knowledge of the airspace. This issue could be compounded if there are delays in fielding the new operating system or

## Audits and Investigations *(continued)*

consolidating facilities. FAA concurred with our recommendations and is taking corrective actions.

### **Letter to Chairman Oberstar Regarding a Follow-Up Review of Staffing at FAA Control Towers**

*May 10, 2007*

In December 2006, staff from Chairman Oberstar's office requested that we perform a follow-up review to determine if FAA facilities are complying with FAA's new written policy for staffing on midnight shifts. Overall, we found that facilities are complying with FAA's new policy. Our sample of 45 days of staffing data at each of the 15 statistically selected locations found that at least 2 controllers were scheduled on all midnight shifts at those locations and that controllers were not combining positions for extended periods of time. In addition, we found that FAA is taking actions to address the recommendation from our March 2007 report to develop and implement appropriate procedures to ensure that facilities are complying with the new policy.



### **FAA's FY 2008 Budget Request: Key Issues Facing the Agency**

*May 10, 2007*

The Inspector General testified regarding FAA's FY 2008 budget request before the Senate Appropriations Committee, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. The Inspector General testified that, regardless of the funding mechanism ultimately decided upon by the Congress, several issues require FAA's attention and will shape the Agency's funding requirements over the next several years. These include (1) keeping existing modernization efforts on track and reducing risks with Next Generation Air Transportation System (NextGen), (2) addressing attrition in FAA's controller and inspector workforces, (3) determining the appropriate amount of airport funding, and (4) addressing acquisition and contracting issues.

### **Actions Needed To Reduce Risk With the Next Generation Air Transportation System**

*May 9, 2007*

Inspector General Scovel testified before Congress on FAA's efforts to develop and implement the NextGen. FAA's Joint Planning and Development Office (JPDO) was established by law to begin advancing NextGen in the 2025 timeframe and coordinate diverse Federal research and development efforts. The Inspector General focused on three areas: (1) FAA's progress and problems with ongoing modernization projects—this is important because existing projects form the basic platforms for NextGen initiatives; (2) the JPDO's progress to date in coordinating and aligning agency budgets and plans for NextGen—much work remains to achieve this and truly make the JPDO a multi-agency effort; and (3) FAA actions needed to help the JPDO shift from planning to implementation and reduce risk with NextGen—a complex, multibillion-dollar effort.

## Testimonies Regarding Actions Needed To Improve Airline Customer Service Before the House Committee on Transportation and Infrastructure, Subcommittee on Aviation and the Senate Committee on Commerce, Science, and Transportation

April 20, 2007, and April 11, 2007

The Inspector General testified before Congress regarding actions needed to improve airline customer service. The testimony focused on our prior airline customer service work as well as our ongoing work, given this past winter's events involving extended ground delays. In some cases, passengers were stranded on board aircraft at the gate or on the airport tarmac for 9 hours or longer due to severe weather conditions. Also, in 2007, air travelers continued to experience customer dissatisfaction from record-breaking flight delays, cancellations, and on-board tarmac delays. Based on the first 2 months of the year, nearly 1 in 3 flights (31 percent) were delayed, cancelled, or diverted, affecting approximately 22.8 million passengers. This was an increase over the same period in 2006 when nearly 23 percent of scheduled flights were delayed, cancelled, or diverted, affecting an estimated 16.6 million passengers. The Inspector General testified that (1) airlines must refocus their efforts to improve customer service, (2) the Department should take a more active role in airline customer service issues, (3) airlines must overcome challenges in mitigating extraordinary flight disruptions, and (4) airlines should improve customer service for passengers who are stranded on board aircraft for extended periods of time.

Our work also showed that there are several actions that airlines, airports, the Department, and FAA can undertake immediately—without congressional action—to improve airline customer service. Many of the actions are not new and date back to recommendations in our 2001 report,



which were directed at delay and cancellation problems—key drivers of customer dissatisfaction with airlines.

1. Airlines should implement quality assurance and performance measurement systems and conduct internal audits of their compliance with the Commitment provisions.
2. DOT should revisit its current position on chronic delays and cancellations and take enforcement actions against air carriers that consistently advertise flight schedules that are unrealistic, regardless of the reason.
3. The airlines, airports, and FAA should establish a task force to coordinate and develop contingency plans to deal with lengthy delays, such as working with carriers and the airports to share facilities and make gates available in an emergency.
4. DOT should collaborate with FAA, the airlines, and airports to review incidents involving long, on-board ground delays and their causes; identify trends and patterns of such events; and implement workable solutions for mitigating extraordinary flight disruptions.

## Audits and Investigations *(continued)*

### INVESTIGATIONS

#### **FAA Safety Manager Fined for Making False Statement on FAA Application**

*March 28, 2007*

John R. Black, a former aviation safety program manager in the Federal Aviation Administration's (FAA's) Spokane, Washington, Flight Standards District Office, was fined \$1,000 and ordered to serve 3 years probation by a U.S. District Court judge in Spokane on March 28, 2007, for failing to report disqualifying prescription medications on his 2004 FAA Application for Airman Medical Certificate. Black pleaded guilty on November 27, 2006, to a charge of making a false statement on his FAA Airman Medical Application. FAA considered Black a "national resource" pilot for the Falcon jet because of his knowledge and expertise with this type of aircraft. Black's duties included conducting proving flights for Falcon jet pilots approximately once a month. Black resigned from the FAA after his indictment in June 2006.

#### **Florida Pilot Sentenced For Making False Statements on Medical Forms**

*June 1, 2007*

Vincent Milo was ordered by a U.S. District Court judge in Fort Lauderdale, Florida, on June 1, 2007, to pay a \$1,000 fine and serve 3 years probation as a result of his conviction on charges of false statements on his applications for his 2002 and 2004 Airman Medical Certificates. Milo, who held a commercial pilot's certificate, was ordered to serve the initial 6 months probation in home confinement. A Federal jury convicted Milo in March of two counts of making false statements regarding his use of prescription medication. Milo claimed that he was not taking any prescription drugs, when in fact he was receiving workers compensation from the U.S. Postal Service and taking prescription medications. This investigation was conducted jointly with the U.S. Postal Service Office of Inspector General.

#### **Former Official of Michigan Aircraft Parts Supplier Pleads Guilty to Charges of Conspiracy To Commit Aircraft Parts Fraud**

*June 12, 2007*

Alan Maliszewski, former quality control manager of a now-defunct aircraft parts supplier, pleaded guilty in U.S. District Court in Detroit, Michigan, on June 12, 2007, to a charge of conspiracy to commit aircraft parts fraud. Anco Tech, Inc., of Dearborn Heights, Michigan, manufactured titanium tubing for use in military and civilian aircraft, including the V-22 Osprey tilt-rotor military aircraft, business jets, and commercial helicopters. Between April 2000 and February 2002, Anco Tech sold titanium tubing that was certified as having been manufactured, inspected, and tested for conformance with specifications, when, in fact, it had not. Maliszewski and his brother, Andrew Maliszewski—Anco's former vice president and quality assurance manager—were indicted in June 2005 on conspiracy and aircraft parts fraud charges. Andrew Maliszewski pleaded guilty in U.S. District Court in Detroit, Michigan, to similar charges on April 2. Two other former Anco Tech employees—both quality assurance supervisors—also pleaded guilty in 2005 to charges of making false statements related to certifications for V-22 parts. While Anco will not be debarred, all four individuals will be debarred following sentencing. A sentencing date has not been scheduled yet. This investigation was conducted jointly with the Defense Criminal Investigative Service and the Naval Criminal Investigative Service. For safety purposes, DOT/OIG continuously kept the Federal Aviation Administration apprised of findings from its investigation.



## **Employee of Aerospace Metals Company Ordered to Pay More Than \$213,000 in Restitution in Aerospace Parts Fraud Case**

*June 20, 2007*

Russell Cohen, a former sales manager for M&M International Aerospace Metals, Inc. in Fort Lauderdale, Florida, was sentenced on June 20, 2007, by a U.S. District Court judge in Fort Lauderdale to pay a portion of \$213,402 in restitution for his role in fraud involving aerospace parts. Cohen was also ordered to serve 33 months incarceration and 24 months supervised release as a result of his guilty plea on January 19 to one charge each of making a false statement and wire fraud. M&M Aerospace supplied metals to the aerospace community, including NASA and the U.S. Departments of Defense and Energy. M&M customers used the materials in various aerospace-grade aluminum and stainless steel plates, flat stock, and bars. Cohen pleaded guilty to conspiring with the owners and several employees of the now-defunct company to alter test certificates from metals testing laboratories and certificates of compliance from metal distributors when test results and specifications listed on these documents did not conform to the customers' metal specifications and purchase order requirements. The Federal Aviation Administration (FAA) issued an unapproved parts notification in December 2005 to aircraft owners, operators, maintenance organizations, manufacturers, parts suppliers, and distributors. This investigation was conducted jointly with the FAA, U.S. Department of Energy Office of Inspector General, NASA Office of Inspector General, and Defense Criminal Investigative Service.



## **Former Aviation Repair Station Owner Convicted of Improper Repair and Service of Aircraft Propellers**

*June 21, 2007*

John W. Downs, a former aviation repair station owner, was found guilty on June 21, 2007, in U.S. District Court in Dallas, Texas, of charges of fraud and making false statements involving aircraft parts. Downs owned Millennium Propeller System, Inc., a now-defunct aircraft propeller maintenance business in Lancaster, Texas. According to testimony at trial, Downs and his company made undocumented alterations to propellers on aircraft used for noncommercial use, installed unserviceable parts on aircraft propellers, and continued to perform repairs after the company's repair station certificate had been revoked. Sentencing is scheduled for October 18.

## **Former Commercial Pilot Pleads Guilty to Falsifying FAA Medical Forms**

*July 12, 2007*

Ronald N. Crews pleaded guilty on July 12, 2007, in U.S. District Court in Boston, Massachusetts, to charges of making false statements on his Airman Medical Certificate application forms. Crews, a former commercial pilot for

## Audits and Investigations *(continued)*

Cape Air/Nantucket Airlines (Cape Air), was charged in November 2005 with failing to disclose that he was an insulin-dependent diabetic—a condition that could have prohibited his employment as a commercial pilot. The investigation was initiated after a February 2002 incident in which Crews became incapacitated while piloting a Cape Air plane from Martha's Vineyard to Barnstable, Massachusetts, with four passengers aboard. No copilot was on the plane, so a passenger who happened to be a student pilot landed the airplane. Sentencing is scheduled for March 20, 2008.

### **Owner of Tennessee Aircraft Sales Company Convicted of Interstate Wire Fraud**

*July 12, 2007*

James Randall Jennings of Goodlettsville, Tennessee, was convicted by a Federal jury on July 12, 2007, in U.S. District Court in Nashville, Tennessee, of charges related to the falsification of the logbook of a two-seat helicopter he was trying to sell. Jennings, owner of Jennings Aircraft Sales, was convicted of two counts of interstate wire fraud for e-mailing and faxing false information to potential buyers regarding the amount of hours flown on the helicopter. Witnesses at trial testified that the Federal Aviation Administration (FAA) requires this model of helicopter to undergo a major overhaul after 2,200 hours of flight time, at a cost of between \$80,000 and \$90,000. Unless overhauled, a helicopter with this much flight time would not be considered airworthy or safe to fly. In spite of having exceeded the 2,200 hour limit, Jennings advertised the helicopter as having been flown about 1,600 hours. He supported this false representation by showing potential purchasers altered flight logs and an on-board flight meter that reflected these lower flight hours. The fraud was discovered when a Texas man purchased the helicopter from Jennings and took it to an aircraft maintenance business that had previously maintained the helicopter. Sentencing is scheduled for December 3. This case

was investigated jointly with FAA and the Tennessee Bureau of Investigation.

### **Falsification of FAA Airman Medical Certificate Applications by Disability Recipients**

*July 17, 2007*

The Inspector General (IG) testified before the Committee on Transportation and Infrastructure, Subcommittee on Aviation, on July 17, 2007, about the falsification of FAA Airman Medical Certificate applications by disability recipients. Specifically, the IG discussed three key points for mitigating the safety risks posed by airmen who falsify their Airman Medical Certificate applications to conceal disqualifying medical conditions: (1) FAA's Airman Medical Certification Program is a key safeguard to ensure pilots are medically fit to fly; (2) Operation Safe Pilot, DOT/OIG's joint investigation with the Social Security Administration's Office of Inspector General, disclosed a potential systemic problem that requires greater attention and oversight by FAA; and (3) in addition to actions its already taking, FAA should consider conducting education and outreach efforts to ensure pilots accurately disclose their medical histories and offering a grace period to pilots who self-identify previously undisclosed and potentially disqualifying medical conditions to ensure that disabled pilots are not circumventing the medical certification process.

### **California Air Ambulance Pilot Sentenced for Falsification of FAA Airman Medical Certificate**

*August 8, 2007*

Michael David Pennington of Susanville, California, was ordered by a U.S. District Court judge in Sacramento, California, on August 8, 2007, to repay \$37,456 in excess Social Security disability benefits, pay a \$500 fine, and serve 180 days home detention as a result of his March conviction by a Federal jury on charges of making false statements



on his application for an Airman Medical Certificate and failing to report Social Security disability overpayments. Pennington was a former chief pilot and maintenance director for Mountain Life Flight, an air ambulance service based in Susanville. Testimony during the trial disclosed that Pennington falsified his application for his annual Airman Medical Certificate between 2001 and 2004 by failing to indicate that he was receiving disability benefits for debilitating back disorders and rheumatoid arthritis. Pennington also failed to inform the Social Security Administration that he was employed during that period, resulting in his receiving excess Social Security disability payments from 2003 to 2005. The FAA issued an emergency revocation on all of Pennington's airman certificates.

### **Private Pilot Pleads Guilty to Making a False Statement on FAA Applications for Airman Medical Certification**

*September 26, 2007*

John J. Schweitzer pleaded guilty in U.S. District Court in Salt Lake City, Utah, on September 26, 2007, to one count of making false statements on his 2001, 2002, and 2003 applications for an Airman Medical Certificate. As part of the annual requirements to maintain a private license, before taking an aviation medical exam, a pilot must provide certain factual information in writing and certify that it is truthful and accurate. Pilots are required to

disclose any nontraffic felony and misdemeanor convictions. Although Mr. Schweitzer responded that he had none, he had in fact been convicted in New Jersey in 1979 for distribution of cocaine and in 1980 in the Dominican Republic after landing an airplane containing 1,830 pounds of marijuana and 1,362 grams of cocaine. Schweitzer is scheduled to be sentenced on December 6.

### **Oklahoma Aircraft Mechanic and Aircraft Parts Broker Sentenced for Falsification of Records in Connection with Improper Aircraft Engine Overhauls**

*September 28, 2007*

Larry G. Good and Robert E. Parker were sentenced in U.S. District Court in Oklahoma City, Oklahoma, on September 28, 2007, for falsifying records in connection with improper aircraft engine overhauls. Good was sentenced to serve 14 months of incarceration and 12 months probation, as well as ordered to pay \$306,990 in restitution. Parker was sentenced to serve 72 months of incarceration and 36 months of probation, as well as ordered to pay \$378,633 in restitution. The investigation revealed that Good, a certified aircraft mechanic, along with Parker, a self-employed aircraft parts broker, falsified entries in aircraft logbooks in connection with the overhaul of aircraft engines. They were aware the engines were not overhauled properly, contained replacement parts that were marked "not airworthy," or were simply unsafe for use on an aircraft.



## Surface and Maritime Programs



### IN FOCUS: OIG COMPLETES INITIAL AUDIT OF NAFTA CROSS-BORDER TRUCKING DEMONSTRATION PROJECT

One issue that has repeatedly occupied congressional and motor carrier agendas for over 10 years is whether Mexican trucks should be allowed to operate throughout the United States. The Office of Inspector General (OIG) has played a key role in providing objective information to Congress on actions that the Federal Motor Carrier Safety Administration (FMCSA) has taken to ensure that congressionally established safety requirements are met before Mexican trucks are granted unlimited authority to operate in this country.

The issue originated with the 1994 North American Free Trade Agreement (NAFTA) that set a schedule for allowing U.S. and Mexican motor carriers to operate on both Nations' highways. The schedule called for reciprocal access to border states by 1995 and full long-haul access by 2000. However, until September 2007, access for Mexican

trucking companies was limited to the narrow commercial zones within the U.S. border states, and U.S. companies were not allowed any access to Mexican highways.



*Trucks at the El Paso/Ysleta, Texas, border crossing (June 2007, DOT OIG)*

## Audits and Investigations *(continued)*

The OIG has been assessing FMCSA's preparations for granting long-haul authority to Mexican carriers since 1999. Eight OIG audits have identified areas for improvement and shown that FMCSA has made continuous progress to safely implement cross-border trucking by hiring and properly training inspectors, establishing and improving inspection facilities, and developing safety policies and procedures for potential long-haul Mexican motor carriers. For instance, the number of Federal inspection personnel at the southern border has increased from 13 in 1998 to 254 in 2007. In addition, the out-of-service rates for Mexican vehicles and drivers—the rate at which a vehicle or driver safety violation precludes further operation of a commercial vehicle—have not only decreased but in recent years, they were below that of U.S. vehicles and drivers.

**Table 2. FY 2004–FY 2006 Out-of-Service Rates of United States and Mexican Motor Carriers (rates are in percentages)**

Domicile	Vehicle Rates			Driver Rates		
	2004	2005	2006	2004	2005	2006
<b>United States</b>	22.6	22.4	22.3	6.8	6.9	7.3
<b>Mexico</b>	23.1	20.4	20.9	1.9	1.1	1.2

Source: OIG analysis of data from FMCSA's Motor Carrier Management Information System

In February 2007, the Department announced a 1-year demonstration project to permit up to 100 Mexico-domiciled carriers to begin long-haul operations beyond the commercial zones in the border states. The demonstration project also allows a similar number of United States carriers to operate throughout Mexico. The project is designed to demonstrate the ability of Mexican motor carriers to operate safely in the United States beyond the commercial zones in the border states.



*Inspection of a commercial vehicle at a Virginia inspection station (June 2007, DOT OIG)*

Before the September 2007 initiation of the demonstration project, the OIG reviewed FMCSA's preparations for monitoring and enforcing safety rules among the demonstration participants. We found that FMCSA had implemented significant initiatives to address legislative requirements and cross-border safety concerns and had established mechanisms for monitoring and enforcing U.S. safety rules and regulations, such as conducting truck inspections at the border and throughout the United States. However, FMCSA needed to complete plans for inspecting trucks at specific border crossings and to fully communicate demonstration project guidance to state enforcement officials. In its response to Congress, FMCSA provided site-specific plans for inspecting trucks at each border crossing and information on past and future training designed to ensure that demonstration project guidance was fully communicated to state enforcement personnel.

As required by Congress, we plan to continue monitoring and reviewing how the demonstration project is conducted. We will review FMCSA's progress in ensuring that sufficient inspection processes are implemented at each border crossing

and roadside inspectors are properly trained to appropriately enforce demonstration project requirements. In addition, we will examine FMCSA's process for identifying any adverse effects of the demonstration project on motor carrier safety and the adequacy of the data FMCSA

will use to assess the ability of Mexican motor carriers to operate safely in the United States. The Department has also appointed an independent evaluation panel to examine the safety impacts of the demonstration project.

## AUDITS

### **FHWA Can Do More in the Short Term To Improve Oversight of Structurally Deficient Bridges**

*September 20, 2007*

The Inspector General testified before the Senate Committee on Environment and Public Works on the oversight of structurally deficient bridges. The Inspector General's statement focused on (1) bridge inspections and funding for bridge rehabilitation and replacement as significant challenges for DOT, (2) FHWA's actions to address prior OIG recommendations to improve its oversight of structurally deficient bridges, and (3) outlined actions that can be taken immediately to strengthen FHWA's oversight. The Inspector General called on FHWA to develop a data-driven, risk-based approach to bridge oversight to better identify and target those structurally deficient bridges most in need of attention.

### **Issues Pertaining to the Proposed North American Free Trade Agreement (NAFTA) Cross-Border Trucking Demonstration Project**

*September 6, 2007*

We issued our report, "Issues Pertaining to the Proposed NAFTA Cross-Border Trucking Demonstration Project," as required by the May 2007 Iraqi Supplemental Appropriations Act (P.L. 110-28). Prior to initiating any demonstration project the Secretary of Transportation is required

to take action as may be necessary to address any issues we raised in this report and submit a report to Congress detailing such actions. Our review found that FMCSA has implemented significant initiatives to address congressional requirements and cross-border safety concerns. Despite these accomplishments, we identified three issues pertaining to the proposed demonstration project. The Secretary's report to Congress should at a minimum include actions being taken to (1) ensure that sufficient plans are in place to carry out the Department's commitment to check every demonstration project truck every time it crosses the border into the United States, (2) ensure that state enforcement officials understand how to implement recent guidance on the demonstration project and that training initiatives filter down to roadside inspectors, and (3) address our determination that FMCSA has implemented policies, rules, and regulations that differ slightly from the language in 3 of 34 specific congressional requirements.

### **FHWA's Oversight of Structurally Deficient Bridges**

*September 5, 2007*

The Inspector General testified before the House Committee on Transportation and Infrastructure on FHWA's oversight of structurally deficient bridges. The Inspector General's statement discussed bridge safety and funding as significant issues for DOT, previous work regarding

## Audits and Investigations *(continued)*

structurally deficient bridges in the United States, and FHWA's actions to address prior OIG recommendations to improve its oversight of such bridges. The Inspector General called on FHWA to develop a data-driven, risk-based approach to bridge oversight to better identify and target those structurally deficient bridges most in need of attention. Additionally, the Inspection General described actions that can be taken immediately to strengthen the FHWA's oversight.

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

*August 16, 2007*

We issued our report, "Initial Assessment of the Central Artery/Tunnel Project Stem to Stern Safety Review." This assessment is part of our ongoing independent oversight, as requested by the Massachusetts Congressional delegation in July 2006 and subsequently reaffirmed by the NTSB Reauthorization Act of 2006. The Stem to Stern safety review is divided into several phases, with Phase I being a purposely limited and expeditious review to identify immediate risks to public safety. We evaluated whether the findings and recommendations in the Phase I report adequately analyzed immediate risks and whether

the report identified necessary remedial measures. We found that Phase I generally analyzed the correct project components; however, certain items should have been classified as higher priority safety risks in the Phase I report and necessary follow-up activities should have been made clearer. We also found that the leadership, scope, and methodology for Phase II of the Stem to Stern Safety Review need to be specified and that aggressive action is needed going forward. FHWA agreed with the findings in our report and concurred with its recommendations.

### **Follow-Up Audit on NAFTA Cross-Border Trucking Provisions**

*August 6, 2007*

We issued our report on FMCSA's actions taken in response to our January 2005 report on the implementation of the NAFTA cross-border trucking provisions. This report is our annual review required under Section 350 (c) of the FY 2002 Department of Transportation Appropriations Act and is not the ongoing initial audit of the demonstration project required under Section 6901 of the U.S. Troop Readiness, Veterans' Care, Katrina Recovery and Iraq Accountability Appropriations Act of 2007. We found continual improvement in the border safety program since our earlier reports, which date back to 1998. FMCSA took the actions it agreed to in response to our nine recommendations. FMCSA actions included ensuring that five remaining states adopted a rule requiring enforcement action against Mexican motor carriers or others operating without proper authority from FMCSA. Despite the progress FMCSA has made, additional improvements are needed in two of the eight Section 350 (c) criteria. These involve improving the quality of the data used to monitor Mexican commercial driver traffic convictions in the United States and ensuring adequate capacity to inspect Mexican buses. FMCSA concurred with





our recommendations and proposed responsive corrective actions.

### **Baseline Report on Major Project Monitoring of the Dulles Corridor Metrorail Project**

*July 27, 2007*

We issued our baseline report resulting from our initial monitoring of the Dulles Corridor Metrorail Project. The Dulles Corridor Metrorail Project proposes a 23.1-mile extension of Metrorail in the Commonwealth of Virginia. Our report concentrated on Phase I, which is the first 11.6-mile segment that would run from existing Metrorail track through the Tysons Corner area to Wiehle Avenue in Reston, Virginia. Phase II would ultimately continue Metrorail service through the Dulles International Airport to Loudoun County, Virginia. The objectives of the monitoring were to (1) assess the status of the project including costs, funding, and schedule, and (2) identify any potential risks that may adversely affect its completion. The report identified several potential risk areas where FTA needs to provide vigilant oversight. We made recommendations for additional FTA reviews regarding the sufficiency of local funding sources, the contractual and associated arrangements that deal with the Washington Metropolitan Area Transit Authority, and the Washington Metropolitan Airports Authority's project management plan. We also recommended that FTA consider re-evaluating the transportation user benefits for the Dulles Corridor Metrorail Project in accordance with current FTA policy and use the updated figure to make any decisions regarding federal funding for the project. Finally, we recommended that the DOT Transportation Infrastructure Finance and Innovation Act Credit Council conduct an independent rigorous review of the project's loan application, taking into account all of the unusual risks associated with the project, and that FTA coordinate closely with the DOT Transportation

Infrastructure Finance and Innovation Act Credit Council to share information. FTA responded to our recommendations on September 10, 2007, partially concurring with the recommendation on re-evaluating transportation user benefits and concurring with all other recommendations. On October 31, 2007, we requested clarification from FTA regarding the partial concurrence. We are waiting for FTA's response.

### **Motor Carrier Safety: Oversight of High-Risk Trucking Companies**

*July 11, 2007*

The Inspector General testified before the House Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit on oversight of high-risk trucking companies. The Inspector General's statement discussed FMCSA's progress as well as the challenges FMCSA faces in formulating programs to help it achieve its mission. The Inspector General called on FMCSA to obtain more complete information on motor carrier crashes to more effectively target the highest risk carriers for compliance reviews and to reassess and strengthen the compliance review process as vulnerabilities are identified. The Inspector General also urged FMCSA to ensure that enforcement actions are taken against companies that repeatedly violate motor carrier safety regulations.

### **Letter to Representative Petri regarding the Motor Carrier Safety Status Measurement System (SafeStat)**

*June 19, 2007*

We issued correspondence to Representative Thomas Petri regarding the quality of the underlying data used by SafeStat. Our review, conducted at Representative Petri's request, found that, despite improvements, problems still exist with states reporting of crash data to FMCSA. While states are reporting more commercial motor vehicle crashes to FMCSA, we found anomalies

## Audits and Investigations *(continued)*

that caused us to question the completeness of the non-fatal crash reporting. We recommended that FMCSA implement a new, more reliable estimate that would allow evaluation of non-fatal crash reporting, both nationally and state-by-state, before the Department makes all SafeStat scores available to the public. In February 2008, FMCSA reported that it had not made SafeStat data available to the public; however, the Agency had implemented the new site data quality measure, which includes non fatal crash completeness, in October 2007. The data can be viewed on FMCSA's Analysis and Information Online Web site.

### **Actions Needed To Further Improve Railroad Safety**

*May 22, 2007*

The Assistant Inspector General for Surface and Maritime Programs testified before the Senate Committee on Commerce, Science, and Transportation, Subcommittee on Surface Transportation regarding FRA's activities to oversee safety at the Nation's highway-rail grade crossings (grade crossings). The Assistant Inspector General testified that FRA can further improve railroad safety by (1) ensuring compliance with mandatory reporting requirements for grade crossing collisions, (2) increasing FRA's involvement in investigations of grade crossing collisions, (3) addressing sight obstructions at grade crossings without automated warning devices, (4) establishing reporting requirements for FRA's national grade crossing inventory system, and (5) requiring states with the most dangerous crossings to develop action plans.

### **FTA Procedures To Prevent Antideficiency Act Violations**

*May 15, 2007*

We issued our report on FTA's actions to prevent Antideficiency Act violations of grant funds. In June 2003, the Department reported to OMB

and Congress that FTA committed a violation of the Antideficiency Act. In the Department's FY 2005 appropriation, the House Appropriations Committee directed FTA to report how the Agency had modified its accounting procedures and practices to prevent Antideficiency Act violations. The Committee also directed our office to review FTA's new procedures and report to the House and Senate Committees on Appropriations on the sufficiency of these new procedures. We reviewed and tested the FTA's controls and concluded FTA has implemented sufficient controls to prevent and detect overobligations in the mass transit account for the grants program.

### **Opportunities To Further Improve Railroad Safety**

*May 5, 2007*

The Assistant Inspector General for Surface and Maritime Programs testified before the House Subcommittee on Railroads, Pipelines, and Hazardous Materials regarding FRA's activities to oversee safety at the Nation's highway-rail grade crossings (grade crossings). The Assistant



Inspector General testified that FRA can further improve railroad safety by (1) ensuring compliance with mandatory reporting requirements for grade crossing collisions, (2) increasing FRA's involvement in investigations of grade crossing collisions, (3) addressing sight obstructions at grade crossings without automated warning devices, (4) establishing reporting requirements for FRA's national grade crossing inventory system, and (5) requiring states with the most dangerous crossings to develop action plans.

### **FRA Can Improve Highway-Rail Grade Crossing Safety by Ensuring Compliance With Accident Reporting Requirements and Addressing Sight Obstructions**

*May 3, 2007*

We issued our audit report on FRA's activities to oversee safety at the Nation's highway-rail grade crossings (grade crossings). This report followed-up on our November 28, 2005 audit report. We found that FRA can do more to ensure compliance with mandatory reporting requirements, including reviewing the railroads' grade crossing collision records and assessing civil penalties for reporting failures. We also found that FRA has no assurance that sight obstructions are addressed at passive grade crossings (those without automated warning devices) in most states. We recommended that FRA strengthen safety oversight by ensuring that the railroads comply with mandatory requirements to report each grade crossing collision to FRA's accident reporting system by (a) developing and implementing an action plan for conducting periodic reviews of the grade crossing collision records maintained by each railroad, including promptly notifying the responsible railroads when unreported collisions are identified; (b) testing random samples of the railroads' grade crossing collision reports to determine whether the information is accurate, timely, and complete, including comparing such

reports to those generated by local law enforcement agencies; and (c) issuing a violation and assessing a civil penalty each time a railroad fails to submit a grade crossing collision report in accordance with Federal requirements, on a consistent basis. Moreover, FRA should assess higher civil penalties against each railroad that repeatedly fails to report crossing collisions. We also recommended that FRA work with FHWA to develop model legislation for states to improve safety by addressing sight obstructions at grade crossings that are equipped solely with signs, pavement markings, and other passive warnings.

### **Opportunities To Improve Internal Controls Over the Federal Transit Benefit Program**

*April 24, 2007*

The Inspector General testified regarding the government-wide Federal transit benefit program before the Senate Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations. The Inspector General testified that while the Department has strengthened internal controls over its transit benefit program, it can make further improvements including (1) enhancing supervisory oversight of the commuting costs claimed by employees, and (2) requiring employees to adjust their transit benefits upon changes to their commuting methods or work schedules. DOT also has the opportunity to improve internal controls over the transit benefit program Government-wide by (1) including the transit benefit program in agencies' assessments of their internal controls during the A-123 process, (2) requiring Federal employees to annually recertify their eligibility, (3) reviewing and applying appropriate lessons learned in other Government programs, (4) developing and enforcing consistent disciplinary policies, and (5) mandating use of the SmartBenefits program throughout Government agencies in the National Capital Region.

## Audits and Investigations *(continued)*

### INVESTIGATIONS

#### **Pennsylvania Transit Contractor and Its Owner Debarred For 3 Years in DBE Fraud Case**

*April 17, 2007*

The Federal Transit Administration (FTA) debarred Michael Tulio and his company, Tulio Landscaping, for 3 years on April 17, 2007, as a result of their June 2006 convictions on conspiracy and fraud charges involving FTA's Disadvantaged Business Enterprise (DBE) program. Tulio paid a DBE-certified hauling firm, Pullins Trucking, for the illicit use of its name to secure contracts with the Southeastern Pennsylvania Transportation Authority (SEPTA), an FTA grantee. DOT/OIG's investigation determined that Tulio submitted false checks, reports, and correspondence claiming that Tulio used Pullins Trucking to perform hauling services, when in fact Tulio Landscaping used its own employees. The Tulio contracts totaled approximately \$418,000, with the DBE fraud amount involving \$68,000. Tulio was sentenced on December 26, 2006, in U.S. District Court in Philadelphia, Pennsylvania, to serve 15 months in prison and 24 months supervised release and pay a \$40,000 fine. His company was fined \$103,000. The Tulio investigation was part of a larger case involving \$1.27 million of fraud on federally funded SEPTA construction contracts JMG Excavating (JMG) executed. JMG pleaded guilty to mail fraud charges in May 2006, and FTA debarred JMG and its owner for 5 years. This investigation was conducted jointly with the Federal Bureau of Investigation and with assistance from FTA.

#### **Owner of Wisconsin Dump Truck Firm Sentenced For Submitting False Statements on Federal Highway Contracts**

*May 23, 2007*

Darrell Kasner, owner of Kasner's Transport, Inc. in Aprin, Wisconsin, was ordered by a

U.S. District Court judge in Madison, Wisconsin, on May 23, 2007, to pay a \$1,000 fine for making false statements to the Wisconsin Department of Transportation (WisDOT) on payroll reports totaling \$22,000 he submitted for hauling services performed on a federally funded highway project near Winchester, Wisconsin. Kasner was also ordered to serve 3 months in jail and 2 years supervised release. He pleaded guilty on March 14 to charges of failing to pay two dump truck drivers local prevailing wages—as required under Federal law—in 2002 and 2003. WisDOT suspended Kasner and his company after his October 2006 indictment. FHWA suspended and debarred Kasner and the firm for three years. This investigation was conducted with assistance from WisDOT.

#### **Owner of Long Island Paving Company Sentenced to 8 Months in Jail**

*June 18, 2007*

James K. Haney, president of Suffolk Asphalt Supply, Inc., was sentenced on June 18, 2007, in



U.S. District Court in Central Islip, New York, to 8 months in jail and 3 years supervised release for his role in rigging bids on various roadway projects sponsored by the Suffolk County Department of Public Works and the Town of Brookhaven, New York. Haney also agreed to forfeit \$2.3 million to the U.S. Government and pay \$326,343 in restitution to Suffolk County and Brookhaven. The investigation found that between July 2003 and September 2005, Haney, Suffolk Asphalt Supply, and certain other contractors conspired to manipulate the awarding of Suffolk County contracts for road maintenance and repair and Brookhaven contracts for asphalt for road repairs by artificially inflating contract costs through bid rigging. The bidding process was controlled by agreements among the defendants as to bid prices and division of projects. New York law requires that public works projects be awarded in a competitive bidding process to the lowest responsible bidder. Companies seeking to win contracts must certify that they have not colluded or shared information about their bids with potential competitors. In response to a DOT/OIG referral, the Federal Highway Administration suspended Haney and Suffolk Asphalt.

### **Federal Jury Convicts Alaska Resident of Illegally Transporting Hazardous Material In Idaho**

*June 18, 2007*

Krister Sven Evertson of Wasilla, Alaska, was convicted on June 18, 2007, by a Federal jury in Pocatello, Idaho, of charges of illegally transporting, storing, and disposing of sodium metal, a hazardous material used to manufacture sodium borohydride—an industrial chemical used to manufacture pharmaceuticals. DOT/OIG investigated this case with the Environmental Protection Agency's Criminal Investigations Division.

The DOT/OIG investigation focused on allegations that Evertson, through his now defunct Nevada-

based company—SBH Corporation—arranged for the transportation of 10 metric tons of sodium metal from China to the United States. Evertson initially transported the sodium metal from its port in Seattle, Washington, to Salmon, Idaho. On August 1, 2002, Evertson arranged for the transportation of the sodium metal from a manufacturing facility in Salmon, Idaho to a storage site in Salmon. The sodium metal was transported via common carrier over public roads with no protective measures taken. Neither Evertson nor the carrier he retained had the appropriate shipping papers for the hazardous material. In addition, the material was not placarded, labeled, packaged, or secured in accordance with regulations. On September 26, 2006, a Federal grand jury in Pocatello, Idaho, indicted Evertson on one count of transportation of hazardous materials and two counts of storage and disposal of hazardous waste. Sentencing is scheduled for October 22, 2007.

### **Three Texas Men Indicted on Conspiracy Charges Alleging They Avoided Paying \$2.6 Million in Federal Motor Fuel Taxes to the Highway Trust Fund**

*July 9, 2007*

On July 9, 2007, Sidney B. Baldon, Jr., Tracy D. Diamond, and Yousef I. Abuteir were charged in a nine-count indictment with conspiracy and tax evasion in connection with a scheme to avoid paying Federal motor fuel excises taxes. Baldon owned and operated Mid-Coast International (MCI), a transporter of kerosene and other fuel products in Houston, Texas. Diamond was an officer of MCI, and Abuteir purchased products from MCI for resale to Houston-area retail outlets.

According to allegations contained in the indictment, between July 2002 and November 2003, MCI allegedly purchased more than \$10 million in kerosene fuel from Calcasieu Refining Company, falsely representing in letters to the company that the fuel was purchased for export to Mexico only, thus no excise taxes were assessed or paid by MCI.

## Audits and Investigations *(continued)*

The untaxed fuel was then transported from Louisiana to MCI locations in Channelview and Houston, Texas, where the fuel was then mixed with other materials including middle distillate oil, a bi-product of asphalt production. This middle distillate oil was allegedly obtained through agreements facilitated by Abuteir between S.A.S. Transport, Inc., Southwest Solvents, and MCI. The untaxed blended fuel was then allegedly transported by drivers acting on instructions from Abuteir to retail gas stations in the Houston area, where it was falsely sold as taxable motor fuel. Backdated invoices falsely reflecting the sale of kerosene purchased by MCI directly to customers in Mexico were allegedly prepared by employees of MCI upon Diamond's instructions.

Federal arrest warrants for the men were executed on July 10, 2007. This is an ongoing investigation with the Internal Revenue Service's Criminal Investigation Division and the Texas State Comptroller's Office.

### **Road Contractor and Its President Convicted in Connecticut Bid-Rigging Case**

*August 8, 2007*

Marino Brothers Inc. of Peabody, Massachusetts, and its president, Robert Marino, were convicted on August 8, 2007, in Connecticut State Superior Court in New Britain, of two counts each of conspiracy to commit bid rigging. Marino and his company bribed Connecticut Department of Transportation (ConnDOT) employees with gifts and colluded with a former ConnDOT maintenance manager to make Marino's company the sole-source contractor on approximately \$6.1 million in cracksealing contracts on Connecticut highways in 1997 and from 2000 to 2004. The contracts in question received Federal funds. A DOT/OIG investigation disclosed that ConnDOT's maintenance division routinely circumvented the normal bidding process to award contracts to the company. A State grand jury indicted Marino and his company

in January 2006, along with five ConnDOT employees. One state employee previously pleaded guilty, one agreed to pretrial diversion, and another was acquitted following trial. The remaining two are awaiting trial. In July 2005, the Federal Highway Administration required ConnDOT to reimburse \$6.9 million in Federal-aid funding for inadequately justifying sole source procurements. Sentencing is scheduled for October 2.

### **Michigan Cement Contractor Sentenced to 12 Months in Prison and Fined for Perjury and Obstruction of Justice Charges**

*August 9, 2007*

Alan Pighin, president of Century Cement in Wyandotte, Michigan, was sentenced on August 9, 2007, in U.S. District Court in Detroit, Michigan, to serve 12 months in prison, followed by 2 years supervised release, and pay a \$5,000 fine for perjury and obstruction of justice. On April 16, jurors had found Pighin guilty of committing two acts of perjury by lying under oath to a Federal grand jury when he denied (1) paying money to City of Detroit inspectors in connection with concrete work he was performing and (2) providing concrete work for government employees other than the driveway of a Warren, Michigan, police officer. Jurors also found that Pighin obstructed justice by asking a city inspector to falsely testify at the trial that Pighin installed a driveway at the inspector's house in exchange for masonry work to be performed by the inspector. Testimony at trial revealed that Pighin's company installed the \$6,000 driveway without receiving payment. Pighin was indicted in July 2006 following an investigation of his statements during a September 2002 grand jury appearance, and again in January 2007 in a superseding indictment, which set out the above charges. This investigation is part of an ongoing Federal Bureau of Investigation Office of Inspector General investigation of fraud within the City of Detroit's engineering department, which administers State of Michigan road construction

contracts in the city. Pighin has been referred to the Federal Highway Administration for suspension and debarment proceedings. Century Cement was not charged.

### **Former Employees of Fuel Hauling Company Sentenced in Hazardous Material Case**

*August 9, 2007*

Three employees of Genesis Petroleum, Inc., a Fort Lauderdale, Florida, trucking company, were sentenced on August 9, 2007, by a U.S. District Court judge in Fort Lauderdale to each serve 5 years probation as a result of their prior guilty pleas to charges of violating Federal hazardous material transportation (hazmat) regulations by hauling and storing gasoline and diesel fuel without required safeguards. Leonel San Martin, Alberto Alvarez, and Yoel Betancourt pleaded

guilty on May 31 to charges of conspiring to commit wire fraud and failing to properly placard, store, transport, transfer, and handle fuel transported from terminals at Port Everglades, Florida, to customers between Key West and Fort Pierce, Florida. Another employee, Noel Delgado-Hernandez, was sentenced to 5 years probation on August 3 as a result of his guilty plea on similar charges. Genesis and its director, Ricardo Mejia, were scheduled for sentencing on September 10, but Mejia failed to appear and was subsequently indicted for failure to appear and is considered a fugitive. Company drivers submitted false delivery receipts stating they had delivered fuel to their customers, when in fact they had diverted 11,000 gallons of fuel to illegal tanks located in a vacant lot Mejia leased near Port Everglades. The fuel was used by Genesis employees and their relatives and friends for personal and business



## Audits and Investigations *(continued)*

use. This case was investigated jointly with the Internal Revenue Service, the U.S. Immigration and Customs Enforcement, and several Broward County agencies.

### **Massachusetts Road Contractor Fined \$3 Million for Falsifying Asphalt Tickets**

*August 9, 2007*

P.A. Landers, Inc., a Plymouth, Massachusetts, road construction contractor, was ordered by a U.S. District Court in Boston, Massachusetts, on August 9, 2007, to pay a \$3 million fine as a result of its conviction earlier this year on charges of providing fake and inflated asphalt tickets for paving projects. The company was also ordered to pay \$332,686 in restitution to the Federal Highway Administration (FHWA) and Federal Transit Administration, the Commonwealth of Massachusetts, the Massachusetts Bay Transit Authority, and the towns of Chatham and Sandwich, Massachusetts. Former company president Preston Landers was ordered to serve 42 months in prison and pay a \$150,000 fine and \$332,686 in restitution. Gregory Keelan, the company's former vice president, was ordered to serve 30 months in prison and pay a \$10,000 fine and \$332,686 in restitution. The company and its two former officials were convicted by a Federal jury in May 2007 of charges of conspiracy, mail fraud, and making false claims on \$18 million in paving projects between 1996 and March 2003. Landers and Keelan directed company employees to generate false and inflated weight tickets for submission to State and municipal agencies as the basis for payment. Several of the paving projects—including Route 44 between Plymouth and Taunton, Massachusetts—received Federal funds. The company fraudulently overbilled 25 local communities and the State and Federal governments of an estimated \$4 million. FHWA suspended the company and the two former officials in November 2005. Debarment proceedings are pending. The company also faces

an ongoing civil complaint. DOT/OIG investigated this case with assistance from the Massachusetts Highway Department.

### **Ohio Construction Company Owner Sentenced and Ordered to Pay Over \$1 Million in Fines and Restitution**

*August 23, 2007*

Michael Lignos, co-owner of LM Lignos Enterprises in Cleveland, Ohio, was sentenced on August 23, 2007, in U.S. District Court in Cleveland, Ohio, to serve 21 months in prison and 3 years probation and ordered to pay \$1,058,422 in fines and restitution. Lignos bribed Ohio Department of Transportation (ODOT) bridge inspectors to overlook false certifications regarding the quality and quantity of painting work his company performed on federally funded highway projects.

The investigation revealed that Lignos gave two ODOT inspectors a trip to Las Vegas in 2001 in exchange for their allowing the company to paint bridges in inclement weather and without prior scraping, sanding, and priming of the bridge surfaces. He subsequently gave one of the inspectors, Ralph F. Smith III, an additional \$4,000. Smith pleaded guilty in April 2006 to charges of making false statements regarding highway projects and was sentenced on July 10 to 4 months imprisonment and 60 months probation and ordered to pay ODOT \$400,000 in restitution. The other inspector was not charged, but resigned from ODOT. Smith previously pleaded guilty in 2003 to charges of making false statements regarding inspections he performed on three other highway bridge painting projects and served 24 months probation. Lignos also pleaded guilty to charges involving a 2004 contract to repair a bridge in Portage County, Ohio. He admitted to stealing \$23,959 from the company's employee benefit plan by failing to report 1,811 hours worked by union carpenters to the benefit plan, resulting in an underpayment of \$23,959 in fringe benefits.



Lignos also admitted to failing to withhold Federal Insurance Contributions Act (FICA) taxes on 23 employees, resulting in the underreporting of \$66,000 in income to the Internal Revenue Service on his corporate tax returns. His wife, Maria Lignos, who was co-owner of the now defunct company, pleaded guilty on June 1 to mail fraud charges. Maria Lignos fraudulently collected unemployment insurance benefits from the State of Ohio by falsely stating on her application that she had been employed at LM Lignos Enterprises, when, in fact she had not. Maria Lignos was sentenced on August 23 to 2 years probation.

This joint investigation with the Internal Revenue Service's Criminal Investigation Division, the Federal Bureau of Investigation, and the U.S. Department of Labor is part of a larger, ongoing investigation of contract and grant fraud in the ODOT bridge inspection program. To date, 14 individuals (contractors and State inspectors) and four companies have been convicted and will be referred to the Federal Highway Administration for debarment.

### **President of New York Construction Company Sentenced for Money Laundering Conspiracy Related to Roadway Milling Contract**

*September 7, 2007*

Thomas Costa, President of Costa Construction in Long Island, New York, was sentenced on September 7, 2007, in U.S. District Court in Central Islip, New York, to serve 1 year and a day incarceration and 3 years probation, as well as forfeit \$250,000 to the U.S. Government. In October 2006, Costa pleaded guilty to an indictment charging him with money laundering conspiracy. From 2002 to 2003, Costa and other defendants conspired to bribe a roadway construction inspector with approximately \$25,000. In exchange, the inspector allowed them to over bill the City of New York \$1.4 million on a \$16 million roadway milling contract. Costa and

his company were referred to the Federal Highway Administration for debarment consideration.

### **Guard Rail Contractor Sentenced for Using Substandard Construction Materials on Pennsylvania Highway Projects**

*September 10, 2007*

George Smith, Jr., owner and operator of Statewide Hi-Way Safety Incorporated (Statewide) in Hammonton, New Jersey, was sentenced in U.S. District Court in Philadelphia, Pennsylvania, on September 10, 2007, to 27 months incarceration and 36 months supervised release and ordered to pay \$650,000 in restitution for using substandard construction materials on federally funded highway projects in Pennsylvania. In April 2007, Mr. Smith pleaded guilty to one count of mail fraud and admitted that between September 2002 and April 2005, Statewide used substandard steel in guard rail components and provided false certifications to prevent State authorities from detecting the illicit activity. The use of construction materials other than those specified in the contract resulted in a loss to the Federal Highway Administration (FHWA) of \$683,303. Smith and Statewide have been referred to FHWA for suspension and debarment consideration. DOT/OIG investigated this case jointly with FHWA and the Pennsylvania Office of Inspector General.

### **Two Florida Men Plead Guilty to Producing Fraudulent Driver's Licenses**

*September 13, 2007*

Levern Cooper and Pierre Angrand pled guilty on September 13, 2007, in U.S. District Court in Miami, Florida, to one count each of knowingly and willfully manufacturing and distributing fraudulent identification documents. The investigation revealed that Cooper and Angrand counterfeited State of Florida driver's licenses, commercial driver's licenses (some with hazardous material endorsements), and identification cards.

## Audits and Investigations *(continued)*

Sentencing for Cooper and Angrand is scheduled for January 17, 2008. This investigation was conducted jointly with the Federal Bureau of Investigation and the Hollywood, Florida Police Department.

### **Former South Carolina DOT Inspector Sentenced to 3 Years Probation for Making False Statements Regarding a Federally Funded Highway Project**

*September 13, 2007*

Keith A. Johnson, a former inspector for the South Carolina Department of Transportation (SCDOT), was sentenced on September 13, 2007, to serve 3 years probation and ordered to pay a \$400 special assessment for making false statements regarding a federally funded highway project. He pleaded

guilty to these charges on May 31. Johnson was in charge of ensuring that ready-mix concrete met contract specifications for a \$5.7 million bridge construction project over the Chatuga River on U.S. Highway 76 in Oconee County, South Carolina. The investigation found that Johnson allowed concrete to be poured before calculating if the concrete was within tolerances, as required by State regulations. Johnson also falsified four reports indicating the concrete met contract specifications, when in fact it did not. SCDOT terminated Johnson from employment, and State officials subsequently inspected the concrete and verified that it was within tolerances. DOT/OIG investigated this case jointly with the Federal Bureau of Investigation and the South Carolina Law Enforcement Division.



## Competition and Economic Analysis

### AUDITS

#### **Growth in Highway Construction and Maintenance Costs**

*September 26, 2007*

We issued our report on the growth in highway construction and maintenance costs, which was requested by the House Committee on Transportation and Infrastructure. Our audit objectives were to determine (1) the extent of recent cost increases for highway construction and maintenance projects, (2) whether the cost increases are the product of transitory factors or indicative of longer term structural changes that need to be incorporated into future transportation funding plans, and (3) the degree to which the cost increases are subject to regional variations. We

found that highway construction and maintenance costs nationwide grew approximately three times faster from 2003 through 2006 than their fastest rate during any 3-year period between 1990 and 2003, substantially reducing the purchasing power of highway funds. These increases are largely the result of escalation in the costs of commodities used in highway projects, such as steel and asphalt, and reflect structural, not transitory, economic changes. Consequently, we expect these commodity costs to remain elevated and possibly continue expanding in the near term. Finally, we found that highway project cost growth varied across states due primarily to differences in costs of transporting commodity inputs.

## Audits and Investigations *(continued)*

### **Amtrak's Board of Directors Provides Leadership to the Corporation but Can Improve How It Carries Out Its Oversight Responsibilities**

*September 14, 2007*

We issued our report on Amtrak's Board of Directors. Our audit was conducted at the request of Representatives Brian Baird, Elijah Cummings, and Jerrold Nadler. The objectives of our audit were to determine (1) the rules, procedures, and authorities under which the Board operates; (2) whether the Board has followed established processes and procedures; (3) whether the Board has set long-term goals and performance objectives; (4) whether the Board's processes and procedures are sufficient for ensuring oversight of, and requiring accountability from Amtrak

management; and (5) whether the Board members' expenses comply with corporate guidelines and whether those guidelines ensure the prudent use of corporate resources. We found that the Board complies, with limited exceptions, with the rules and procedures delineated in its corporate bylaws and Statement of Policy. We also found that the Board established a strategic direction for Amtrak in April 2005 but did not fully implement it. In June 2007, the Board adopted a revised plan for FY 2007 through FY 2008. We also found that the Board has the tools to conduct oversight and hold management accountable and provides oversight of management's actions. However, the Board could improve its effectiveness by implementing some corporate governance best practices. Finally, we found that the Board members' expenses comply with corporate guidelines and are reasonable.



### **Third Quarterly Report on Amtrak's FY 2007 Operational Reforms Savings and Financial Performance**

*July 31, 2007*

As mandated by the House FY 2007 Appropriations Act for the Department of Transportation, we issued our third quarterly report to the House and Senate Appropriations Committees on Amtrak's savings from operational reforms and year-to-date financial performance. Once the reforms are more fully implemented, Amtrak is likely to realize \$45.6 million of the \$61 million in FY 2007 reform savings it originally anticipated and \$224 million of the \$550 million in FY 2011 reform savings it originally anticipated. Amtrak continues to make progress on several of its strategic reforms, notably in improved Acela service and in food and beverage service. At the same time, it has made little or no progress or fallen behind schedule on others. In addition, Amtrak was \$109 million ahead of its budget through May. It is likely to end the year with a cash operating loss of approximately \$390 million and a cash balance of nearly \$300 million. This favorable financial performance reflects, in part, the absence of a labor settlement. A settlement, while important to the operation of Amtrak,

would likely reduce and may eliminate the amount by which Amtrak is ahead of its budget projections.

### **Second Quarterly Report on Amtrak's FY 2007 Operational Reforms Savings and Financial Performance**

*May 1, 2007*

As mandated by the House FY 2007 Appropriations Act for the Department of Transportation, we issued our second quarterly report to the House and Senate Appropriations Committees on Amtrak's savings from operational reforms and year-to-date financial performance. Once the reforms are more fully implemented, Amtrak is likely to realize \$39 million of the \$61 million in FY 2007 reform savings it originally anticipated and \$224 million of the \$550 million in FY 2011 savings originally anticipated. In addition, Amtrak was \$99 million ahead of its budget through March 2007. Amtrak continues to make progress on many of its strategic reforms. Through January 2007, Amtrak achieved \$13.1 million in operational reform savings. However, Amtrak has made little or no progress on the more challenging strategic reforms, such as network restructuring, fully allocated cost recovery from states, and labor reform. Further, Amtrak slowed the overall pace of reforms this year.

## Audits and Investigations *(continued)*

### INVESTIGATIONS

#### **Consultant Sentenced to 14 Months in Prison and Fined Nearly \$26,000 for Role in Philadelphia International Airport Fraud Case**

*April 2, 2007*

Joseph Moderski, a consultant for Sky Sites, Inc., was ordered by a U.S. District Court in Philadelphia, Pennsylvania, on April 2, 2007, to serve 14 months in prison and pay \$25,833 in fines and restitution for his role in a corruption scheme involving Federal Aviation Administration (FAA)-regulated airport advertising contracts at the Philadelphia International Airport (PHL). Moderski pleaded guilty in September 2006 to charges of conspiracy, mail fraud, and wire fraud related to illegal contributions totaling \$40,000 to political action committees supporting the Mayor of Philadelphia. Moderski, along with a former Sky Sites DBE subcontractor and two former Sky Sites executives, agreed to defraud Sky Sites using a sham \$10,000 consulting bonus paid to Moderski and a phony \$30,000 invoice. Moderski and the others then illegally donated the money to the political action committees in 2000 and 2001. Pennsylvania law prohibits corporations from contributing to State political action committees. FAA suspended Moderski and his consulting company, JC Moderski, Inc. Moderski remains under Federal indictment on separate charges of defrauding the airport and JC Decaux—the company that acquired Sky Sites during the investigation and now retains the advertising concession at PHL. Sentencing for the remaining charges is scheduled for October 15. DOT/OIG

is conducting this investigation jointly with the Federal Bureau of Investigation and the Internal Revenue Service.

#### **Georgia Man Sentenced To Jail And Ordered To Pay Nearly \$3.7 Million In Restitution For Fraudulent Sales of Luxury Imported Automobiles**

*June 14, 2007*

Hassan Ali Raza of Sandy Springs, Georgia, was ordered by a U.S. District Court judge in Atlanta, Georgia, on June 14, 2007, to serve 3 years and 5 months in prison and pay \$3,698,244 in restitution to 23 consumers he defrauded through the illegal importation of luxury automobiles. As part of his guilty plea on March 9, Raza admitted to importing luxury vehicles from Germany, including seven Ferrari sports cars and a Mercedes-Benz coupe, by (1) falsely declaring that the vehicles already met National Highway Traffic Safety Administration (NHTSA) and Environmental Protection Administration (EPA) standards or (2) claiming that the vehicles were exempt from U.S. standards because they were owned by visiting foreign nationals. As a result, victims received contraband automobiles that they could not title or drive and that required tens of thousands of dollars in work to comply with U.S. safety and emission standards. This case was investigated jointly with the U.S. Department of Homeland Security's Immigration and Customs Enforcement and the EPA Office of Inspector General, with assistance from NHTSA.



## Financial and Information Technology

### AUDITS

#### **DOT Delphi Financial Systems Control**

*September 13, 2007*

We issued our final report on controls over the Delphi Financial Management System operations. OIG hired a CPA firm to perform this review, which OMB requires for agencies designated as Federal Service Providers to provide cross-agency services. 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 May 31, 2007. In addition, controls are suitably designed and were operating effectively on 9 out of 10 control objectives during the period from October 1, 2006, through May 31, 2007. The exception is logical access controls because management has not completed the move of the Delphi servers to a more secure environment and did not operate with sufficient

effectiveness in the areas of vulnerability assessments, workstation administration, and intrusion detection and reporting.

#### **Volpe Center's Information Technology Security and Resource Management Activities**

*August 1, 2007*

We issued a final report on the review of Volpe Center's IT security and resource management. While Volpe has established adequate firewall security to protect its IT infrastructure from intrusion or unauthorized access from the Internet, its computers remained vulnerable to attacks by insiders—employees, contractor staff, etc. Also, Volpe did not test its capability to resume system operations at its designated recovery site. In case of

## Audits and Investigations *(continued)*

disruptions, both Volpe and its customer systems might be affected. Finally, Volpe has made good progress in leveraging departmental resources for more efficient operations. We identified two additional opportunities that could enable Volpe to further reduce costs by using departmental

resources. Volpe management has concurred with our conclusions and stated that the majority of the recommendations have already been either fully or partially addressed. It is developing comprehensive plans to implement all remaining recommendations.

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### INVESTIGATIONS

#### **Owner of New York Transit Contractor Pleads Guilty to Money Laundering Conspiracy**

*April 26, 2007*

Andre Savvides, a resident of Dix Hills, New York, and the majority owner of Excel Group, Inc.—a Mineola, New York-based nonminority general contractor—pleaded guilty on April 26, 2007, in U.S. District Court in Central Islip, New York, to a charge of conspiracy to launder money. The investigation revealed Savvides conspired with a Disadvantaged Business Enterprise (DBE) subcontractor to create false documentation regarding the percentage of work Excel was subcontracting to that DBE firm. Contractors working on transportation projects receiving Federal funds are generally required to subcontract a portion of their work to DBE firms. Excel Group received a \$37.9 million contract in 1998 from the New York State Metropolitan Transportation Authority (MTA), a DOT grantee, to rehabilitate the Broadway/East New York Subway Complex. The company wrote two-party checks totaling \$393,576 payable to TLH, a DBE-certified subcontractor, and to companies supplying materials for the project. A TLH official endorsed the checks, but TLH received none of that money. Savvides used the checks to falsely inflate payments to TLH in monthly reports submitted to MTA regarding the percentage of work Excel was subcontracting to the DBE firm. The Federal Transit Administration

suspended Savvides and Excel Group after Savvides was indicted in May 2005. As part of the plea deal, Savvides has agreed to forfeit \$393,576 to the U.S. Government. The company was not charged. Savvides' sentencing has not yet been scheduled. This investigation was conducted by DOT/OIG and other members of the Long Island Federal Construction Fraud Task Force.

#### **President of Central Artery/Tunnel Project DBE Subcontractor Pleads Guilty to Tax Evasion and False Statements**

*May 14, 2007*

Pamela Ciampi, president of PT Corporation (PT), a demolition contractor who was also certified as a Disadvantaged Business Enterprise (DBE) with the Commonwealth of Massachusetts, pleaded guilty on May 14, 2007, to two counts of tax evasion before a U.S. District Court judge in Boston, Massachusetts. PT was a DBE subcontractor on five federally funded Central Artery/Tunnel (CA/T) Project contracts valued at approximately \$42 million. Ciampi failed to report \$727,000 in income in 2002 and 2003, which would have resulted in an additional tax owed of approximately \$250,000. Ciampi also pleaded guilty to falsifying the 2003 PT corporate tax return she submitted to the Commonwealth in order to remain eligible for the DBE program. Under the Federal DBE program, the individual net worth of DBE-certified business owners is capped at \$750,000. The corporate tax return Ciampi submitted did





not disclose the \$674,500 paid in salary to Ciampi. As part of her plea, Ciampi agreed to a 3-year debarment from Federal contracts. Sentencing is scheduled for December 10. DOT/OIG investigated this case jointly with Internal Revenue Service's Criminal Investigation Division and the U.S. Department of Labor Office of Inspector General.

### **Connecticut Contractor Fined \$230,000 for Failing to Disclose Income on New Haven Union Station Renovation Project**

*May 16, 2007*

Louis F. Testa, of Woodbridge, Connecticut, was ordered on May 16, 2007, by a U.S. District Court judge in New Haven, Connecticut, to pay \$230,000 in fines, restitution, and taxes in connection with his role in a scheme to defraud the Connecticut Department of Transportation (ConnDOT) on a renovation project at New Haven's Union Station. Testa, who pleaded guilty on October 16, 2006,

to one count of subscribing to a false tax return, was also ordered to serve 2 years probation and 4 months home confinement. Testa falsified his personal tax returns for calendar years 2001 through 2004 by not reporting more than \$282,000 in receipts from his contracting business, Merritt Builders, and failing to pay over \$100,000 in income tax. Merritt Builders was awarded a \$300,000 contract by ConnDOT to renovate office space in New Haven's Union Station in 2003. To circumvent the competitive bidding process and direct the project to Testa's company, two ConnDOT officials instructed another contractor to prepare two fake bids in excess of Testa's bid. Testa was instructed by the ConnDOT officials to pay the contractor \$3,000 and purchase big-screen televisions, refrigerators, and computers for ConnDOT employees. These items were billed to ConnDOT through the renovation project. In February, the Federal Transit Administration (FTA) debarred Testa for 3 years. FTA also debarred

## Audits and Investigations *(continued)*

the two ConnDOT officials and the contractor, who had all previously pleaded guilty and been sentenced. DOT/OIG investigated this case jointly with the Federal Bureau of Investigation and Internal Revenue Service's Criminal Investigation Division, with audit assistance from ConnDOT.

### **Former Boston-Maine Airways Corporation Official Sentenced to 6 Months in Prison and 1 Year of Probation for Falsifying Financial Documents Filings to DOT**

*September 18, 2007*

John Nadolny, former general counsel and senior vice president of Boston-Maine Airways Corporation (BMAC) in Portsmouth, New Hampshire, was sentenced on September 18, 2007, in U.S. District Court in Concord, New Hampshire, to serve 6 months in prison and 1 year of probation for submitting false documents to DOT's Office of Aviation and International Affairs in May 2005 in support of the airline's application for authority to operate additional large aircraft. Air carriers seeking to operate additional aircraft must certify that they have sufficient financial resources to support the expanded operations and satisfy DOT working capital requirements. Nadolny, who pleaded guilty in April 2007, submitted documents to DOT indicating that the airline possessed

\$6.8 million in cash so that BMAC could satisfy DOT requirements. In actuality, BMAC's cash balance was approximately \$450,000, far short of the amount needed to meet the requirements. The investigation was initiated in August 2005 based on a referral by the Office of Aviation and International Affairs.

### **Central Artery/Tunnel Project Subcontractor Manager Sentenced for Role in False Labor Rate Charges**

*September 26, 2007*

Richard Joyce, a former assistant project manager for Mass Electric Construction Company (a subcontractor to McCourt/Obayashi—the joint venture on the Central Artery Tunnel (CA/T) Project's tunnel) was sentenced in U.S. District Court in Boston, Massachusetts, on September 26, 2007, to 2 years probation and fined \$3,000. Joyce participated in a scheme to defraud the U.S. Government of an estimated \$80,000 by misclassifying apprentice-level electricians as journeymen electricians on daily reports used to compile costs for time and materials change orders. The results of this investigation will be furnished to the Federal Highway Administration for suspension/debarment consideration.



## Department-Wide Issues

### AUDITS

#### **Review of Congressional Earmarks Within Department of Transportation Programs**

*September 7, 2007*

We issued our review of congressional earmarks within DOT programs. In August 2006, Senator Tom Coburn of the Senate Committee on Homeland Security and Governmental Affairs requested that we conduct an independent analysis of congressional earmarks. Consistent with Senator Coburn's request, we determined (1) the total number and amount of earmarks within DOT for FY 2006, (2) the inclusion of earmarks in DOT's annual planning and project evaluation processes, and (3) the effects of earmarks on DOT's mission and goals. Overall, we identified 8,056 earmarked projects within DOT's programs that received more than \$8.54 billion for FY 2006. Our review of 7,760 earmarked projects valued at \$8.05 billion

within FHWA, FTA, and FAA—agencies that accounted for 99 percent of these earmarked projects—disclosed that 7,724 of the 7,760 projects either were not subject to the agencies' review and selection processes or bypassed the states' normal planning and programming processes. We reviewed earmarked projects that were evaluated as "highest" priority projects and would have been fully funded regardless of being earmarked. However, many earmarked projects considered by the agencies as low priority are being funded over higher priority, non-earmarked projects; other earmarks are providing funds for projects that would otherwise be ineligible. We did not make any recommendations in this report as the nature of the review was to conduct an independent analysis of the amount and impact of congressional earmarks for the most recent fiscal year.

## Audits and Investigations *(continued)*

### **More Incurred-Cost Audits of DOT Procurement Contracts Should Be Obtained**

*August 29, 2007*

We issued our report on incurred-cost audits of DOT procurement contracts. The report discusses DOT's initiative to use a new structured approach for obtaining incurred-cost audits of procurement contracts. However, we found that DOT's Operating Administrations had made little progress in obtaining these audits. Additionally, we found that although DOT has recovered over \$4 for every audit dollar spent on these audits, contracting officers have not taken consistent actions in a timely manner to recover overpayments made to contractors. We reported that DOT has the potential to recover between \$8 million and \$10.3 million more in these overcharges. We recommended that DOT require Operating Administrations to review their fiscal year 2007 audit plans and document revisions and ensure that audits are obtained and audit reports are resolved in accordance with departmental guidance. DOT generally agreed with our recommendations and also agreed that our estimated savings was reasonable.

### **Analysis of Loss of Control Over Sensitive Personally Identifiable Information and Follow-Up Actions To Strengthen its Protection**

*August 28, 2007*

We issued a memorandum on our analysis of the July 27, 2006, theft of an OIG laptop from a government vehicle in Doral, Florida, and a prior theft on April 24, 2006, in a hotel conference room in Orlando, Florida. Both laptops contained Sensitive Personally Identifiable Information (SPII) information on 138,000 individuals that heightened their potential risk of identity theft.



Following our notification of the July theft, members of the Florida Congressional Delegation requested that we examine our procedures for handling and storing such information and identify steps taken to ensure that such a breach would not happen again. As part of our efforts, we employed ID Analytics, Inc. to monitor the SPII information to determine if it was being exploited. We have now received four reports from ID Analytics and it appears that the loss of control has not resulted in identity theft. We identified three interrelated factors that contributed to the loss of our control over the SPII stored on the laptops: (1) measures taken to protect the physical security of the laptops were insufficient; (2) the data on the laptops had been decrypted to preserve the data during an upgrade to the OIG's information technology system; and (3) SPII databases were stored on laptop computers, which are inherently less secure than computers that operate in a centralized environment. The memorandum also sets forth the steps we have taken to improve the physical security of our laptops and improve how sensitive personal information is handled and stored.

## INVESTIGATIONS

### **Former FHWA Employee Ordered to Repay Nearly \$13,000 in Misused Federal Funds**

*April 30, 2007*

Jacqueline J. Hill-Brown, a former Federal Highway Administration (FHWA) employee, was ordered on April 30, 2007, by a State court judge in Atlanta, Georgia, to pay \$12,723 in restitution for misuse of Federal funds. Hill-Brown, who was employed as an information analyst in FHWA's Atlanta Resource Center, was convicted on April 13 of a theft charge following a jury trial. Hill-Brown asked a co-worker to approve graduate-level courses in health and bio-statistics at Emory University that were not related to her job. The co-worker, Vernassa B. Smith, approved the training for Hill-Brown in her capacity as an FHWA contracting officer. The OIG-FHWA investigation found that the request and approval of training were done without FHWA management's knowledge, consent, or authorization. Hill-Brown was also ordered to serve 90 days in prison, 10 years probation, and 3,600 hours of community service. Smith was acquitted at trial. Both Hill-Brown and Smith were fired from FHWA.

### **Former FAA Supervisor at the William J. Hughes Technical Center Pleads Guilty in Contract Fraud Scheme**

*June 13, 2007*

Darrell K. Woods, a former Federal Aviation Administration (FAA) program manager, pleaded guilty on June 13, 2007, in U.S. District Court in Trenton, New Jersey, to charges related to his receiving \$159,700 in exchange for steering computer engineering services contracts to an agency contractor between July 2001 and December 2004. Woods, who resigned in July 2005 after receiving notice of his proposed removal, was charged in an information with one count each of wire fraud and money laundering. While employed

at FAA's William J. Hughes Technical Center, Woods received 19 payments, ranging from \$4,000 to \$50,000 for: (1) structuring FAA contracts in a manner designed to avoid competition; (2) allowing the contractor to participate in drafting contracting specifications; and (3) improperly disclosing contract information. Woods also admitted to laundering a \$50,000 cash payment he received from the contractor. An indictment of the contractor—Maria Lianidis, President of DMS Technologies, Inc.—on related charges was unsealed in September 2007. Her trial is scheduled for December 2007. Woods has not yet been sentenced. This case was investigated by DOT/OIG, with assistance from the Internal Revenue Service's Criminal Investigation Division.

### **Former Director of the Illinois Department of Corrections Indicted for Allegedly Accepting \$50,000 in Kickbacks from Lobbyists Representing State Prison Vendors**

*July 20, 2007*

Donald Snyder, Jr., former Director of the Illinois Department of Corrections (IDOC), was indicted on July 20, 2007, in U.S. District Court in Chicago, Illinois, on five counts of mail fraud. Lobbyists John Robinson and Larry Sims also were indicted for offering Snyder kickbacks. These indictments stem from an investigation that grew out of the Operation Safe Road probe of corruption during George Ryan's terms as Illinois Governor and Illinois Secretary of State. As Director, Snyder had approval authority over the awarding of several millions of dollars in contracts to vendors, including healthcare providers, who provided healthcare services in IDOC institutions. It was alleged that Snyder accepted \$50,000 in kickbacks derived from the monthly fees that Sims and Robinson received from healthcare vendors working with IDOC—kickbacks that he did not report on his annual Statement of

## Audits and Investigations *(continued)*

Economic Interest with the State of Illinois. This is a joint investigation with the Federal Bureau of Investigation, Internal Revenue Service, and U.S. Postal Inspection Service.

### **Tennessee Truck Driver Sentenced to 16 Months in Prison for Social Security Disability Fraud**

*September 24, 2007*

William D. Pickel, of Blountville, Tennessee, was sentenced on September 24, 2007, in U.S. District Court in Greenville, Tennessee, to 16 months imprisonment for committing Social Security disability fraud. Pickel, a former truck driver for Classic Transportation in Bristol, Virginia, pleaded guilty to the charge on June 11. He admitted to illegally receiving \$128,000

in disability payments after falsely certifying on workers compensation forms that he was unable to work for medical reasons, when in fact he was continuing to operate a commercial motor vehicle. In addition to the Social Security disability fraud, Pickel was indicted on March 13 on charges of making false statements concerning his medical qualifications to operate a commercial motor vehicle in interstate commerce, falsifying medical certificates, intimidating two witnesses, and lying about the destruction of driver dispatch logs to conceal his driving activities. The non-Social Security disability fraud charges were dropped. DOT/OIG is conducting this ongoing investigation with the Federal Bureau of Investigation, the Internal Revenue Service's Criminal Investigation Division, and the Social Security Administration Office of Inspector General.

## Other Accomplishments

This section highlights other accomplishments and contributions by Office of Inspector General staff that extend beyond the legal reporting requirements of the Inspector General Act. These accomplishments are part of our statutory responsibilities to review existing and proposed legislation and regulations; respond to congressional and departmental requests for information; and review policies for ways to promote effectiveness and efficiency and detect and prevent fraud, waste, and abuse. Accomplishments not directly related to audit and investigative reports during this semiannual reporting period are also highlighted below, including results of oversight activities carried out in connection with hurricane relief and recovery efforts in the U.S. Gulf Coast states.

### Peer Review of Audit Operations

The U.S. Department of Homeland Security (DHS) Office of Inspector General conducted a peer review of our audit operations in accordance with the guidelines established by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency. Triennial external reviews are required by the Government Auditing Standards issued by the Comptroller General of the United States. The

report, issued in July 2007, concluded that our system of quality control for the audit function was designed to meet the requirements of the quality control standards established by the Comptroller General of the United States for a federal government audit organization and that we complied with those standards for the year ended September 30, 2006. The DHS IG issued an unmodified, or "clean," opinion on our system of internal audit quality control.





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, 2007, through March 31, 2008.

## Aviation and Special Programs

### ■ **FAA Oversight of Aircraft Manufacturers' Quality Assurance Systems for Suppliers**

Evaluate FAA's oversight of aircraft manufacturers' quality assurance systems for domestic and foreign suppliers.

### ■ **Air Carriers' Outsourcing of Aircraft Maintenance**

Determine the type and quantity of maintenance performed by outside repair stations, and whether FAA is effectively monitoring air carriers' oversight of the work performed by outside repair stations and verifying whether safety requirements are met.

### ■ **Federal Telecommunication Infrastructure (FTI) Transition Risks and its Impact on Air Traffic Control Operations**

Assess FAA's progress in developing an effective transition plan and realistic master schedule, and determine if FAA is mitigating risks to air traffic control operations by coordinating activities and validating site-specific requirements before activating FTI service and disconnecting existing telecommunications service.

### ■ **Air Traffic Control Modernization**

Examine (1) recent changes in the cost and schedule baselines of FAA's major acquisition programs and expected benefits to FAA's key projects, (2) overall trends affecting FAA's \$205 billion capital account, and (3) how existing projects are being impacted by plans for the next generation air traffic system.

### ■ **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.

### ■ **Review of FAA's Progress in Implementation of Runway Status Lights (RWSL)**

Determine the viability of RWSL as a technology for reducing runway incursions and assess FAA's progress in implementing the system.

## Work Planned and in Progress *(continued)*

### ■ **FAA Short-Term Capacity Initiatives**

Identify the initiatives, both technological and procedural, that will provide the most capacity benefits in the next 5 years and examine FAA's implementation process for capacity initiatives and how the interrelationship among the various efforts are managed.

### ■ **Review of FAA's Air Traffic Controller Facility Training Program**

Assess the adequacy of FAA's plans to effectively train an increasing number of new controllers at the facility level and determine FAA's progress in implementing key initiatives for reducing facility training time and costs.

### ■ **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.

### ■ **Implementation of the Pipeline Security Annex**

Provide the implementation status of the program elements outlined in the annex; determine the role, responsibility, and authority of PHMSA regarding pipeline security; assess the adequacy and effectiveness of the process by which PHMSA communicates and coordinates with TSA on matters relating to pipeline security; and address the adequacy of security standards for gas and oil pipelines.

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

Address the following questions from a request from Senator Clinton: (1) What is the root cause of the near misses in May of 2007 in the New York airspace; (2) How is the FAA addressing these problems and what measures has the FAA taken to prevent repeat occurrences; and, (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.

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

Our objectives are to (1) examine key risks to FAA's successful implementation of ADS-B and (2) assess the strengths and weaknesses of FAA's proposed contracting approach.

### ■ **FAA Oversight of Commuter and On-Demand Operators**

Evaluate the differences between FAA regulations and oversight for commuter and on-demand operators versus larger commercial air carriers; and, identify specific issues that may hinder FAA in its oversight, such as a lack of adequate data on commuter and on-demand operations.

### ■ **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.

### ■ **Progress and Plans for Transitioning to Satellite Based Navigation**

Review FAA's progress and plans for transitioning satellite based navigation services in the NAS, and determine whether FAA's plans to establish a back-up system are cost effective.

### ■ **Airport Improvement Program Grant Oversight**

Review FAA's oversight of airport improvement program grants to ensure airport sponsors are reimbursed only for expenditures that are authorized by airport improvement program grant agreements.

### ■ **FAA Aviation Safety Inspector Staffing**

Determine whether (1) FAA has established an effective process for monitoring staffing levels in light of potential inspector attrition, and (2) FAA's hiring and training practices ensure the inspector workforce is well-qualified and has the right skill set.

## Work Planned and in Progress *(continued)*

### Surface and Maritime Programs

#### ■ **NHTSA’s Oversight of State Highway Safety Programs**

Evaluate NHTSA’s oversight of state highway safety programs and identify best practices.

#### ■ **Amount and Use of Revenue Derived from the Commercial Drivers License Information System Modernization**

Analyze the amounts and use of the revenues derived from fees charged for use of the commercial driver’s information system.

#### ■ **Baseline Report on Major Project Monitoring of the Lower Manhattan Recovery Projects**

Assess (1) the status of the Lower Manhattan Transit Recovery Projects including cost, schedule, funding, and Lower Manhattan Recovery Office management and (2) any risks that may adversely impact a project’s completion.

#### ■ **FHWA’s Corrective Actions Regarding Load Ratings and Weight Postings**

Assess the corrective actions taken by FHWA to address the recommendations made by the OIG in our March 6, 2006 audit report entitled Audit of Oversight of Load Ratings and Postings on Structurally Deficient Bridges on the National Highway System.

#### ■ **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.

#### ■ **Evaluation of Cross-Border Trucking Issues Part II**

After the initiation and funding of the demonstration project that would allow a limited number of Mexican trucks to operate beyond the commercial zones at the border, monitor and review the project and examine participant selection, FMCSA’s mechanisms for monitoring any adverse effects on motor carrier safety, and enforcement activities.

#### ■ **Review of Canadian/Mexican Commercial Motor Vehicle Compliance**

Provide comments and observations on the scope and methodology of FMCSA’s report on the degree to which Canadian and Mexican commercial motor vehicles, including motor carriers of passengers, currently operating or expected to operate in the United States, comply with Federal Motor Vehicle Safety Standards.

#### ■ **SAFETEA-LU Project Management Plan Provisions for Major Projects Costing \$500 Million or More**

Determine whether State Transportation Agencies (STA) are preparing major Project Management Plans which fully describe the STA organization, policies, and procedures used to manage individual major projects, contract authority, right of way acquisition, construction management, and other practices consistent with FHWA guidance specified in the FHWA Memorandum dated January 27, 2006.

### ■ **Activities of the Office of Research, Demonstration and Innovation**

Examine the effectiveness of FTA's oversight of research grants and cooperative agreements and determine whether FTA has implemented applicable government-wide standards.

### ■ **National Bridge Inspection Program – Phase III**

Conduct a comprehensive review of FHWA's oversight activities to ensure the safety of National Highway System bridges across the country.

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

## Work Planned and in Progress *(continued)*

### Competition and Economic Analysis

#### ■ **Benefits of True High-Speed Rail on the Northeast Corridor**

Quantify the financial and public benefits of true high-speed rail in the Northeast Corridor.

#### ■ **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.

#### ■ **Root Causes of Amtrak Delays**

Investigate the root causes of Amtrak delays and compliance with 49 USC Section 24308(c) which gives Amtrak trains preference in the use of freight owned track over freight rail transportation.

#### ■ **Effects of Amtrak's On-Time Performance**

Produce a quantitative assessment of the financial impact on Amtrak of its poor on-time performance.

#### ■ **Small Community Air Service Development Program**

Determine the effectiveness of the Small Community Air Service Development Program in helping small-hub and non-hub communities in achieving sustainable and reliable air service.

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

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

#### ■ **Amtrak's Planned Capital Expenditures**

At the request of Congress, evaluate the appropriateness of Amtrak's planned capital expenditures.

#### ■ **Public-Private Partnerships – Innovative Financing**

Investigate the conditions under which public-private partnerships prove to be beneficial to the development of transportation infrastructure.

# Financial and Information Technology

## ■ FY 2007 Federal Information Security Management Act Review

Determine the effectiveness of DOT's information security program. Specifically, we will review the DOT's progress in (1) correcting security weaknesses identified previously in the air traffic control system; (2) establishing a secure IT operating environment at DOT's new Headquarters' building; (3) meeting the minimum Government security standards to protect sensitive information systems and data; and (4) implementing Earned Value Management to better monitor major IT investment projects.

## ■ Computer Security and Controls over the National Driver Registry (NDR)

Determine whether (1) personal identification information stored in the NDR can be accessed

for unapproved use; (2) traffic violations are promptly and accurately processed for NDR reporting; (3) an adequate contingency plan exists to ensure business continuity; and (4) risks associated with NDR system operations are properly assessed, tested, and mitigated to meet minimum Government security standards.

## ■ FAA's Corrections of Security Weaknesses in Air Traffic Control Systems

Assess the progress and report on the status of FAA's effort 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.



## Work Planned and in Progress *(continued)*

### ■ **Security Protection of Air Traffic Control System Network Connections**

Determine whether (1) FAA has taken actions to secure the connections between the air traffic control network and the administrative networks previously identified, (2) FAA's system certification and accreditation reviews are effective in identifying unauthorized network connections, (3) FAA timely reported unauthorized network connections to proper authority and tracked corrective actions in the POA&M database for official reporting, and (4) FAA Network Control Centers have implemented effective procedures to prevent/detect unauthorized network connections.

### ■ **Integrity of IT Investment Business Case (E-300) Process**

Determine (1) what management reviews were done to ensure the integrity of OAs' E-300 submission, (2) what mechanisms were used to identify problem projects for IRB review, (3) whether changes to cost and schedule baselines were properly reviewed and documented, and (4) whether OAs accurately reported security costs on E-300.

### ■ **Commercial Driver License Information System (CDLIS)**

Determine whether (1) convictions and other personal identifiable information recorded in CDLIS are accurate, timely, and complete; and (2) a mechanism is in place to track, prioritize, and mitigate system design or operational deficiencies.

### ■ **Quality Control Review on Privacy Program Assessment**

Evaluate the agency's use of personally identifiable information, evaluate the agency's program for protecting privacy information, and make recommendations for improvement.

### ■ **Security Protection of Airmen Personal Identifiable Information**

Determine whether (1) use of the personally identifiable information was properly disclosed to the public as required by the law; (2) controls were in place to prevent unintended use of, or unauthorized access to, the information collected; and (3) systems were properly secured to ensure the integrity (accuracy, completeness, timeliness) of the information maintained within the system.

### ■ **FY 2007 DOT Consolidated Financial Statements**

Render an opinion on the financial statements and issue reports on internal controls and compliance with financial related laws and regulations.

### ■ **Quality Control Review of FY 2007 Highway Trust Fund 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 2007 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 2007 FAA’s Franchise Fund 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 2007 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.

**■ Quality Control Review of FY 2007 SLSDC 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.

**■ FY 2007 Special Purpose (Closing Package) Financial Statement**

Determine whether the special-purpose financial statements and accompanying notes are fairly present, in all material respects, in conformity with the U.S. generally accepted accounting principles.

**■ FY 2007 DOT Intragovernmental Activity and Balances**

Perform agreed upon procedures on the DOT FY 2007 Intragovernmental Activity and Balances for consolidation into the FY 2007 Government-wide financial statements.

**■ FY 2007 DOT Drug Control Report**

Perform an attestation review on the FY 2007 Drug Control Report submitted by DOT (NHTSA) to the ONDCP; to provide negative

assurance that the FY 2007 Drug Control Report is not materially misstated

**■ FY 2008 DOT Consolidated Financial Statements**

Determine if the FY 2008 DOT Consolidated Financial Statements are fairly presented, in accordance with Governmental GAAP.

**■ Quality Control Review on FY 2008 FAA Financial Statements**

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

**■ Quality Control Review of FY 2008 FAA’s Franchise Fund 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 on FY 2008 NTSB Financial Statements**

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

**■ Quality Control Review on FY 2008 SLSDC 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)*

### ■ **Contractor Overhead and Compensation Under Grants**

Review the effectiveness and implementation of audit provisions in Section 307 of the National Highway System Designation Act addressing audits of contracts awarded by states to engineering and design firms. Procedures include testing the allowability of compensation and other high overhead cost elements billed by these firms.

### ■ **Status Assessment of FAA's Cost Accounting System**

As required by FAA's Reauthorization Act (AIR-21), perform a review of the status of FAA's Cost Accounting System and assess eight specific areas covering FAA's methods for calculating and assigning costs to users and whether those methods are reasonable.

### ■ **Suspension and Debarment**

Determine whether (1) Operating Administrations (OAs) made decisions to suspend, debar, or take other action for the referred cases in a timely manner, (2) OAs appropriately implemented the agreements negotiated as alternatives to suspension or debarment, (3) OAs provided OST with the data required by the DOT Order timely, and

(4) OST entered the individuals and organizations recommended for suspension or debarment in Excluded Parties List System timely so that exclusions have Government-wide effect.

### ■ **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.

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

Determine whether FAA performed adequate price and cost analysis when negotiating amounts for non-competitive procurements.

### ■ **Controls Over and Use of Time and Material (T&M) and Labor Hours (LH) Contracts**

Determine if (1) T&M and LH contracts were awarded only when other contract vehicles were properly deemed unsuitable, (2) labor charges were appropriate for staff qualifications and hours worked, and (3) contract services were subjected to proper oversight.



# Statistical Performance Data

## Summary of Performance

### Office of Inspector General

April 1 – September 30, 2007

*(Dollars in Thousands)*

Reports Issued	38
Recommendations Issued	95
Congressional Testimonies	14
Total Financial Recommendations	\$38,275
— that funds be better used	\$13,705
— that questioned costs	\$24,570
Indictments	54
Convictions	64
Fines, Restitutions, and Recoveries	\$122,311,180



## Audits

### Completed OIG Reports

April 1 – September 30, 2007

(Dollars in Thousands) \*

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs **	Funds to be Put to Better Use
<b>Internal Audits</b>				
Performance/Attestation Audits	17	72	\$0	\$735,684
Financial Audits	0	0	\$0	\$118,553
<b>Other OIG Internal Reports</b>	0	0	\$0	\$0
<b>Total Internal Audit Reports</b>	17	72	\$0	\$0
<b>Grant Audits</b>				
Audits of Grantee Under Single Audit Act	21	23	\$24,570	\$0
<b>TOTALS</b>	<b>38</b>	<b>95</b>	<b>\$24,570</b>	<b>\$13,705</b>

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

\*\* There were no recommendations for unsupported costs during the reporting period.

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. In addition, these statistics include audit work on National Transportation Safety Board programs. The table above shows OIG's results for the 6 months covered by this report.



## OIG Reports with Recommendations that Questioned Costs

April 1 – September 30, 2007

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs *
A. For which no management decision had been made by the start of the reporting period	21	28	\$62,953
B. Which were issued during the reporting period	11	15	\$24,570
<b>Totals (A+B)</b>	<b>32</b>	<b>43</b>	<b>\$87,523</b>
C. For which a management decision was made during the reporting period	20	28	\$63,013
(i) dollar value of disallowed costs**	13	16	\$23,948
(ii) dollar value of costs not disallowed **	10	14	\$39,129
D. For which no management decision had been made by the end of the reporting period	12	15	\$24,510

\* There were no recommendations for unsupported costs during the reporting period.

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



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

April 1 – September 30, 2007

(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	5	5	\$1,933,384
B. Which were issued during the reporting period	2	4	\$13,705
<b>Totals (A+B)</b>	<b>7</b>	<b>9</b>	<b>\$1,947,089</b>
C. For which a management decision was made during the reporting period	3	5	\$988,705
(i) dollar value of recommendations that were agreed to by management *	2*	4*	\$3,705
(ii) dollar value of recommendations that were not agreed to by management *	1*	2*	\$985,000
D. For which no management decision had been made by the end of the reporting period	4	4	\$958,384

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



## OIG Reports Recommending Changes for Safety, Economy, or Efficiency April 1 – September 30, 2007

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the start of the reporting period	36	106
B. Which were issued during the reporting period	19	76
<b>Totals: (A+B)</b>	<b>55</b>	<b>182</b>
C. For which a management decision was made during the reporting period *	24	88
D. For which no management decision had been made by the end of the reporting period *	34	94

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

AUDIT TYPE	# of Total Reports for this reporting period	# of Reports with Safety, Economy, or Efficiency Recommendations	# of Total Recommendations	# of Safety, Economy, or Efficiency Recommendations
Internal	17	11	72	68
Financial	0	0	0	0
Other	0	0	0	0
Grant Audits	21	5	23	8
<b>TOTALS</b>	<b>38</b>	<b>16</b>	<b>95</b>	<b>76</b>



## Management Decisions Regarding OIG Recommendations

April 1 – September 30, 2007

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs *	Funds to be Put to Better Use
Unresolved as of 04/01/2007	55	139	\$62,953	\$1,933,384
Audits with Findings During Current Period	28	95	\$24,570	\$13,705
Total to Be Resolved	83	234	\$87,523	\$1,947,089
Management Decisions:				
Audits Prior Period ‡	30	69	\$60,992	\$975,000
Audits Current Period ‡	13	52	\$2,022	\$13,705
Total Resolved	43	121	\$63,014	\$988,705
Aging of Unresolved Audits: **				
Less than 6 months old	18	43	\$22,548	\$0
6 months – 1 year	5	14	\$351	\$735,684
1 year – 18 months	2	8	\$1,400	\$1,700
18 months – 2 years	5	14	\$211	\$0
Over 2 years old	13	34	\$0	\$221,000
Unresolved as of 09/30/07	43	113	\$24,510	\$958,384

\* There were no recommendations for unsupported costs during this reporting period.

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

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





## OIG Published Reports

April 1 – September 30, 2007

### FEDERAL AVIATION ADMINISTRATION

#### Internal Audits: Performance/Attestation – 4 reports

Report	Date	Title	Focus of Report/ Recommendations
AV-2007-048	05/18/07	Controls Over the Federal Aviation Administration's Conversion of Flight Service Stations to Contract Operations	Improved controls over outsourcing of flight service stations during the next phase of transition needed
AV-2007-050	05/24/07	Progress Has Been Made in Reducing Runway Incursions, but Recent Incidents Underscore the Need for Further Proactive Efforts	Proactive actions at the national level need to be taken to help reduce runway incursions system-wide
AV-2007-073	09/13/07	FAA's Oversight of Inactive Airport Improvement Program Grant Obligations	Put \$3,704,608 to better use
AV-2007-080	09/28/07	Actions Taken to Address Allegations of Unsafe Maintenance Practices at Northwest Airlines	Better procedures for responding to and resolving safety complaints identified by inspectors are needed

#### Internal Audits: Financial – 1 report

QC-2007-072	09/13/07	Quality Control Review of the Report on Controls over the Enterprise Service Center's Delphi Financial Management System ( <i>also listed under Office of the Secretary</i> )	Safeguard controls need to be established to prevent or detect unauthorized access to Delphi operations
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## Grant Audits: Audits of Grantee Under Single Audit Act – 4 reports

QC-2007-045	05/15/07	Commonwealth Ports Authority, HI	\$706,960 questioned
QC-2007-052	06/27/07	Augusta, GA	\$28,316 questioned
QC-2007-053	06/27/07	City of Columbus, IN	\$857,287 questioned
QC-2007-079	09/27/07	Port of Seattle, Washington	Improve grantee oversight

## FEDERAL HIGHWAY ADMINISTRATION Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
MH-2007-063	08/16/07	Initial Assessment of the Central Artery/ Tunnel Project Stem to Stern Safety Review	Thorough follow-up and aggressive action needed to complete assessment of safety risks going forward in project
CR-2007-079	09/26/07	Growth in Highway Construction and Maintenance Costs	Continuing elevated highway construction costs will create a challenge on how best to maintain and improve the aging highway infrastructure

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

QC-2007-056	07/18/07	State of Hawaii Department of Transportation-Highways Division	\$1,830,898 questioned
QC-2007-058	07/18/07	State of Minnesota	\$11,196,000 questioned
QC-2007-059	07/18/07	State of Florida	\$462,123 questioned



**FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION**  
**Internal Audits: Performance/Attestation – 2 reports**

Report	Date	Title	Focus of Report/ Recommendations
MH-2007-062	08/06/07	Follow-up Audit on the Implementation of the North American Free Trade Agreement’s Cross-Border Trucking Provisions	State corrective action plans and a quarterly review process need to be developed to identify inconsistencies
MH-2007-065	09/06/07	Issues Pertaining to the Proposed NAFTA Cross-Border Trucking Demonstration Project	Plans needed to check every demonstration project truck when crossing the border

**FEDERAL RAILROAD ADMINISTRATION**  
**Internal Audits: Performance/Attestation – 2 reports**

Report	Date	Title	Focus of Report/ Recommendations
MH-2007-044	05/03/07	The Federal Railroad Administration Can Improve Highway-Rail Grade Crossing Safety by Ensuring Compliance with Accident Reporting Requirements and Addressing Sight Obstructions	Ensure compliance with reporting requirements, including reviewing grade crossing collision records and assessing civil penalties for failures
CR-2007-074	09/14/07	Amtrak’s Board of Directors Provides Leadership to the Corporation But Can Improve How It Carries Out Its Oversight Responsibilities	Effectiveness can be improved by implementing corporate governance best practices



## FEDERAL TRANSIT ADMINISTRATION

### Internal Audits: Performance/Attestation – 2 reports

Report	Date	Title	Focus of Report/ Recommendations
FI-2007-047	05/15/07	FTA Procedures to Prevent Antideficiency Act Violations	Sufficient controls to prevent and detect overobligations in the mass transit account for the grants program have been implemented
MH-2007-060	07/27/07	Baseline Report on Major Project Monitoring of the Dulles Corridor Metrorail Project	Oversight is needed over potential risk areas, such as sufficiency of local funding sources

### Grant Audits: Audits of Grantee Under Single Audit Act – 7 reports

QC-2007-049	05/23/07	Miami-Dade Transit, FL	Improve grantee oversight
QC-2007-051	06/27/07	City of Turlock, CA	\$128,417 questioned
QC-2007-054	07/18/07	Massachusetts Bay Transportation Authority	\$8,624,998 questioned
QC-2007-055	07/18/07	South Carolina Department of Transportation	\$496,479 questioned
QC-2007-057	07/18/07	Washington Metropolitan Area Transit Authority	Improve grantee oversight
QC-2007-075	09/18/07	Dallas Area Rapid Transit, TX	Improve grantee oversight
QC-2007-078	09/25/07	Tri-County Metropolitan Transportation District of Oregon	\$47,812 questioned



**NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION**  
**Grant Audits: Audits of Grantee Under Single Audit Act – 1 report**

Report	Date	Title	Focus of Report/ Recommendations
QC-2007-046	05/15/07	State of New Jersey	\$190,735 questioned

**OFFICE OF THE SECRETARY OF TRANSPORTATION**  
**Internal Audits: Performance/Attestation – 3 reports**

Report	Date	Title	Focus of Report/ Recommendations
FI-2007-064	08/29/07	More Incurred-Cost Audits of DOT Procurement Contracts Should be Obtained	Put \$10,000,000 to better use
AV-2007-066	09/07/07	Review of Congressional Earmarks Within Department of Transportation Programs	Earmarks impact programs by reducing funding for core transportation programs and being funded over higher priority, non-earmarked projects
AV-2007-077	09/25/07	Actions Needed to Minimize Long, On-Board Flight Delays	More active role needs to be taken to oversee customer service issues and ensure airlines comply with their policies

**Internal Audits: Financial – 1 report**

QC-2007-072	09/13/07	Quality Control Review of the Report on Controls Over the Enterprise Service Center's Delphi Financial Management System <i>(also listed under Federal Aviation Administration)</i>	Safeguard controls need to be established to prevent or detect unauthorized access to Delphi operations
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**RESEARCH AND INNOVATIVE TECHNOLOGY ADMINISTRATION**  
**Internal Audits: Financial – 1 report**

Report	Date	Title	Focus of Report/ Recommendations
FI-2007-061	08/01/07	Volpe Center’s Information Technology Security and Resource Management Activities	Management must develop and test system contingency plans to ensure continued operation

**NATIONAL SINGLE AUDIT SAMPLING PROJECT**  
**Grant Audits: Audits of Grantee Under Single Audit Act – 6 reports**

Report	Date	Title	Focus of Report/ Recommendations
QC-2007-067	09/11/07	New Mexico State Highway and Transportation Department	Improve grantee oversight
QC-2007-068	09/11/07	County of Monroe, New York	Improve grantee oversight
QC-2007-069	09/11/07	Puerto Rico Highway and Transportation	Improve grantee oversight
QC-2007-070	09/11/07	City of Baton Rouge-Parish of East Baton Rouge, Louisiana	Improve grantee oversight
QC-2007-071	09/11/07	New Jersey Transit Corporation	Improve grantee oversight
QC-2007-076	09/21/07	County of Milwaukee, Wisconsin	Improve grantee oversight



## Other Audit Work Products

April 1 – September 30, 2007

In addition to providing a listing of each audit report issued to the Department and statistical tables on the number of reports and recommendations issued, OIG completes other types of work products during the semiannual period that contribute to the effective and efficient operations of the Department.

<u>Type of Product</u>	<u>Number of Products</u>
Briefings and Presentations	<b>8</b>
Formal Correspondence	<b>3</b>
Speaking Engagements/Speeches	<b>1</b>

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

- A briefing by staff of the Office of Aviation and Special Programs for staff of the Senate Committee on Appropriations on the status of the Advanced Technology and Oceanic Procedures (ATOP) program. The presentation discussed progress and problems with the system, contract modifications, controller complaints, and next steps for the program.
- A briefing by the Inspector General and staff of the Office of Surface and Maritime Programs for the Governor of Massachusetts on the OIG's Stem to Stern Review. This review is an independent and comprehensive review of the soundness and near and long-term safety of the Central Artery/Tunnel Project.
- A letter responding to a request from Representative Mica to determine the average compensation for controllers employed by the FAA.
- A speech at the AASHTO Internal/External Audit Conference by the Acting Assistant Inspector General for Surface and Maritime Programs presenting an overview of recent highway-related audits.



## Office of Inspector General Congressional Testimonies

April 1 – September 30, 2007

<i>Control No.</i>	<i>Date</i>	<i>Subject</i>	<i>Before</i>
CC-2007-042	04/11/07	Refocusing Efforts To Improve Airline Customer Service	Committee on Commerce, Science, and Transportation United States Senate
CC-2007-046	04/20/07	Actions Needed to Improve Airline Customer Service	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2007-048	04/24/07	Opportunities to Improve Internal Controls Over the Federal Transit Benefit Program	Committee on Homeland Security and Governmental Affairs, Permanent Subcommittee on Investigations United States Senate
CC-2007-052	05/08/07	Opportunities to Further Improve Railroad Safety	Committee on Transportation and Infrastructure, Subcommittee on Railroads, Pipelines, and Hazardous Materials U.S. House of Representatives
CC-2007-047	05/09/07	Actions Needed to Reduce Risk With the Next Generation Air Transportation System	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2007-054	05/10/07	FAA's FY 2008 Budget Request: Key Issues Facing the Agency	Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies United States Senate
CC-2007-060	05/22/07	Actions Needed to Further Improve Railroad Safety	Committee on Commerce, Science, and Transportation, Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security United States Senate





<i>Control No.</i>	<i>Date</i>	<i>Subject</i>	<i>Before</i>
CC-2007-076	06/20/07	Aviation Safety: FAA Oversight of Foreign Repair Stations	Committee on Commerce, Science, and Transportation, Subcommittee on Aviation Operations, Safety, and Security United States Senate
CC-2007-078	07/11/07	Motor Carrier Safety: Oversight of High-Risk Trucking Companies	Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit U.S. House of Representatives
CC-2007-063	07/17/07	Falsification of FAA Airman Medical Certificate Applications by Disability Recipients	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2007-095	09/05/07	FHWA's Oversight of Structurally Deficient Bridges	Committee on Transportation and Infrastructure U.S. House of Representatives
CC-2007-101	09/20/07	FHWA Can Do More in the Short Term to Improve Oversight of Structurally Deficient Bridges	Committee on Environment and Public Works United States Senate
CC-2007-099	09/26/07	Actions Needed to Improve Airline Customer Service and Minimize Long, On-Board Delays	Committee on Transportation and Infrastructure, Subcommittee on Aviation U.S. House of Representatives
CC-2007-105	09/27/07	Actions Needed to Improve Airline Customer Service and Minimize Long, On-Board Delays	Committee on Commerce, Science, and Transportation, Subcommittee on Aviation Operations, Safety, and Security United States Senate



## Status of Unresolved Recommendations Over 6 Months Old

### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2000 – SEPTEMBER 30, 2000

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Contract Towers: Observations on FAA's Study of Expanding the Program	AV-2000-079	04/12/00	Awaiting additional information from FAA
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### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2001 – MARCH 31, 2002

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Acquisition of the Weather and Radar Processor	AV-2002-084	02/28/02	FAA is working to resolve open issues
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### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2003 – SEPTEMBER 30, 2003

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Status Report on FAA's Operation Evolution Plan	AV-2003-048	07/23/03	FAA is working to resolve open issues
FAA Needs to Reevaluate STARS Costs and Consider Other Alternatives	AV-2003-058	09/09/03	FAA is working to resolve open issues

### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2004 – MARCH 31, 2005

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2003 Status Assessment of Cost Accounting System and Practices	FI-2005-010	11/17/04	FAA is working to resolve open issues
Terminal Modernization: FAA Needs to Address its Small, Medium, and Large Sites Based on Cost, Time, and Capability	AV-2005-016	11/23/04	FAA is working to resolve open issues
Inactive Obligations	FI-2005-044	01/31/05	FAA is working to resolve open issues
Greater Cleveland Regional Transit Authority	QC-2005-053	03/15/05	FAA is working with Grantee to resolve open issues



### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2005 – SEPTEMBER 30, 2005

Status of FAA's Major Acquisitions: Cost Growth and Schedule Delays Continue to Stall Air Traffic Modernization	AV-2005-061	05/26/05	FAA is working to resolve open issues
Safety Oversight of an Air Carrier Industry in Transition	AV-2005-062	06/03/05	FAA is working to resolve open issues
FAA's En Route Modernization Program is on Schedule But Steps Can Be Taken to Reduce Future Risks	AV-2005-066	06/29/05	FAA is working to resolve open issues
Chicago's O'Hare Modernization Plan	AV-2005-067	07/21/05	FAA is working to resolve open issues

### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2005 – MARCH 31, 2006

Followup Audit Review of Air Traffic Controller Training	AV-2006-021	12/07/05	FAA is working to resolve open issues
Chicago Transit Authority	QC-2006-026	12/07/05	FTA is working with Grantee to resolve open issues
Air Carriers Use of Non-Certificated Repair Facilities	AV-2006-031	12/15/05	FAA is working to resolve open issues
Greenville Transit Authority	QC-2006-034	02/02/06	FTA is working with Grantee to resolve open issues
Safety of Highway Bridges	MH-2006-043	03/21/06	FHWA is working to resolve open issues



**CITED IN SEMIANNUAL REPORT FOR APRIL 1, 2006 – SEPTEMBER 30, 2006**

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Use of Airport Revenues by the Greater Orlando Aviation Authority	AV-2006-056	08/03/06	FAA is working to resolve open issues
Mississippi DOT Katrina Emergency Repair Contracts	MH-2006-065	09/06/06	FHWA is working to resolve open issues

**CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 2006 – MARCH 31, 2007**

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FY 2006 Audit of NTSB Financial Statements	QC-2007-007	11/13/06	NTSB is working to resolve open issues
Northeast Illinois Regional Commuter Railroad Corporation	QC-2007-027	02/01/07	FTA is working with Grantee to resolve open issues
Opportunities for FHWA to Free Up Unneeded Funds in States Affected By Hurricanes	MH-2007-037	03/06/07	FHWA is working to resolve open issues
FHWA's Oversight for Implementing Value Engineering	MH-2007-040	03/28/07	FHWA is working with Grantee to resolve open issues
Lakeland Area Mass Transit District	QC-2007-041	03/29/07	FTA is working with Grantee to resolve open issues

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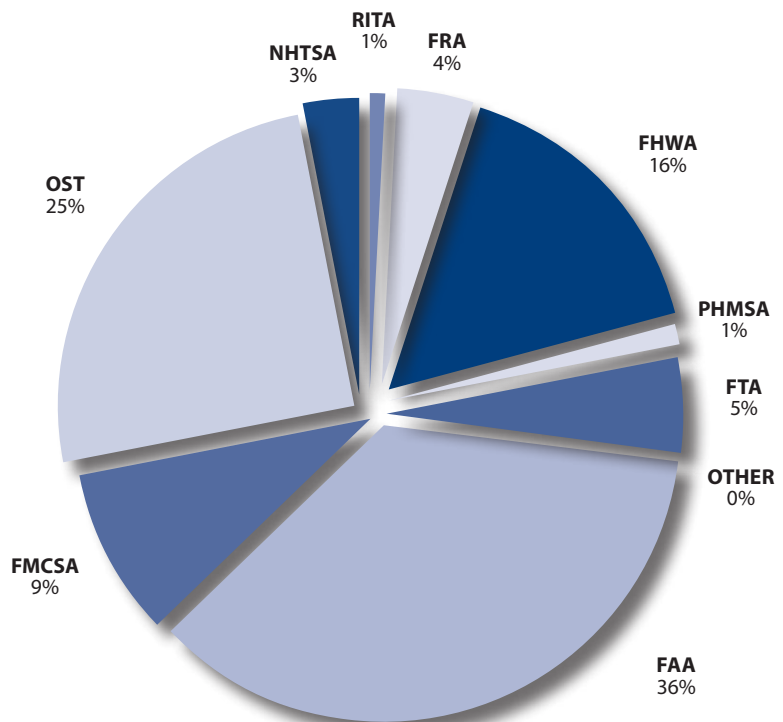


## Application of Audit Project Hours by Operating Administration

April 1 – September 30, 2007

### NOTES:

- Resources shown for OST include time spent performing audits of the DOT Consolidated Financial Statements (which includes all Operating Administrations), Congressional Earmarks within DOT Programs, Stranded Airline Passenger Review, and the Federal Information Security Management Act Review.
- Resources shown for FRA include time spent performing audits of the National Railroad Passenger Corporation.
- There were no resources expended on the Maritime Administration, National Transportation Safety Board, St. Lawrence Seaway Development Corporation, and Surface Transportation Board during the reporting period.
- Resources shown as “Other” were expended on the National Sampling Project for Single Audits and totaled less than 1 percent.



### 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 – September 30, 2007

Employee Terminations	3
Employee Suspensions	2
Employee Reprimands	4
Employee Resignations/Retirements	4
Employee Counseling	4
Debarments/Suspensions	28
Decertified - State	15
License/certificate/permit suspended/revoked/ terminated	3
Indictments	54
Convictions	64
Years Sentenced	80
Years Probation	111
Years Supervised Release	59
Hours of Community Service	4950

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#### FINANCIAL IMPACT

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Fines:	\$10,754,198
Restitution/Civil Judgments:	\$73,357,544
Federal Recoveries:	\$30,317,616
Administrative Recoveries:	\$1,652,498
State Recoveries	\$6,229,324
<b>Total</b>	<b>\$122,311,180</b>

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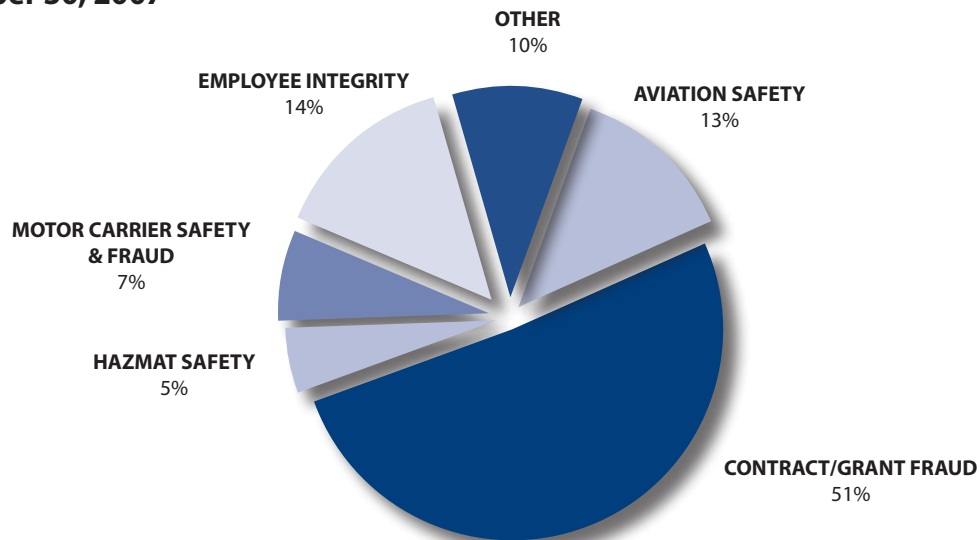
## Profile of All Pending Investigations as of September 30, 2007

### Types of Cases

	Number of Cases	Contract/Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	HazMat	Other
Federal Aviation Administration	169	41	29	85	0	7	7
Federal Highway Administration	157	141	6	0	0	0	10
Federal Railroad Administration	10	2	2	0	0	5	1
Federal Transit Administration	25	25	0	0	0	0	0
Maritime Administration	5	1	3	0	0	1	0
Federal Motor Carrier Safety Administration	66	3	7	0	37	12	7
Office of the Secretary	19	3	11	0	0	0	5
Pipeline and Hazardous Materials Safety Administration	18	0	1	0	0	17	0
Research and Innovative Technologies Administration	2	2	0	0	0	0	0
National Highway Traffic Safety Administration	8	3	1	0	1	0	3
National Transportation Safety Board	1	0	1	0	0	0	0
<b>Totals</b>	<b>480</b>	<b>221</b>	<b>61</b>	<b>85</b>	<b>38</b>	<b>42</b>	<b>33</b>
<b>Percent of Total:</b>	<b>100%</b>	<b>46%</b>	<b>13%</b>	<b>18%</b>	<b>8%</b>	<b>9%</b>	<b>7%</b>

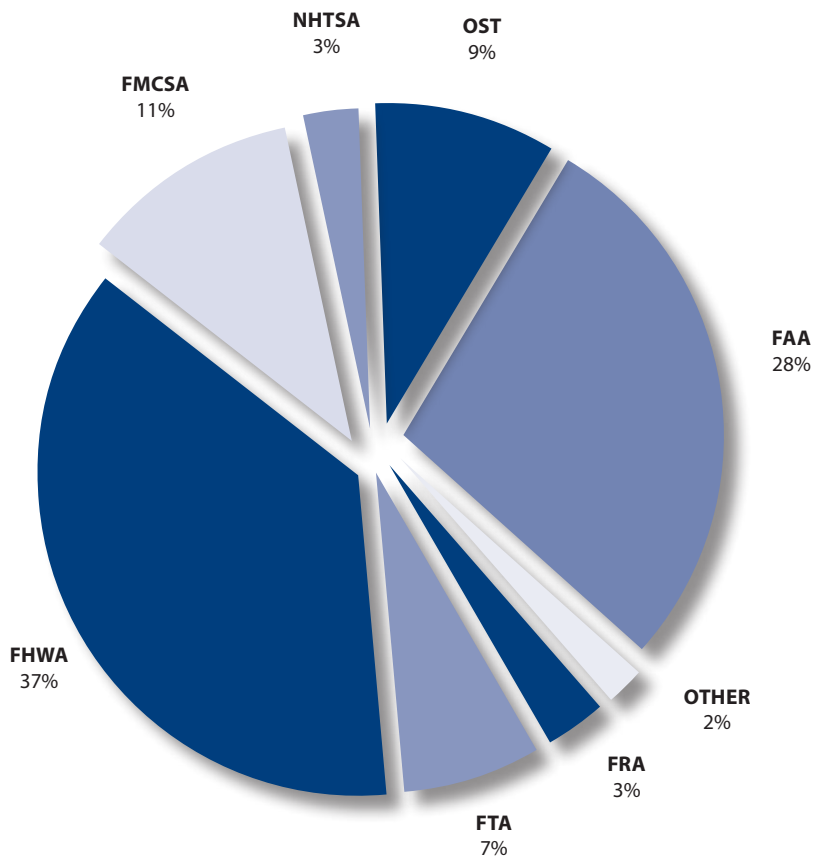
## Application of Investigative Project Hours by Priority Area

April 1 – September 30, 2007





## Application of Investigative Project Hours by Operating Administration April 1 – September 30, 2007



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During the 6-month period covered by this report, 80 cases were opened and 79 were closed, leaving a pending caseload of 480. In addition, 88 cases were referred for prosecution, 72 were accepted for prosecution, and 37 were declined. As of September 30, 2007, 27 cases were pending before prosecutors.





## MISSION AND ORGANIZATION

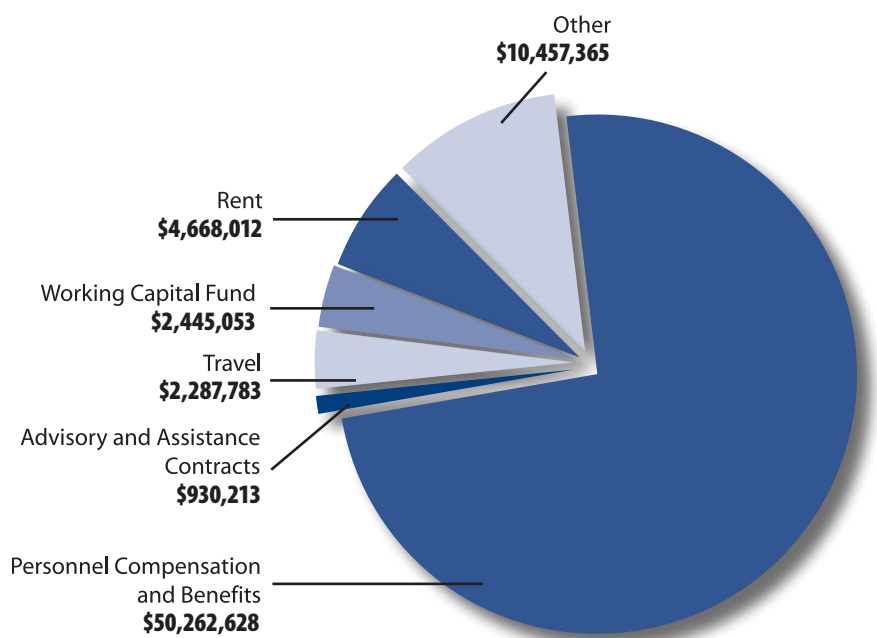
The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95–452). The Act sets several goals for OIG:

- 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.

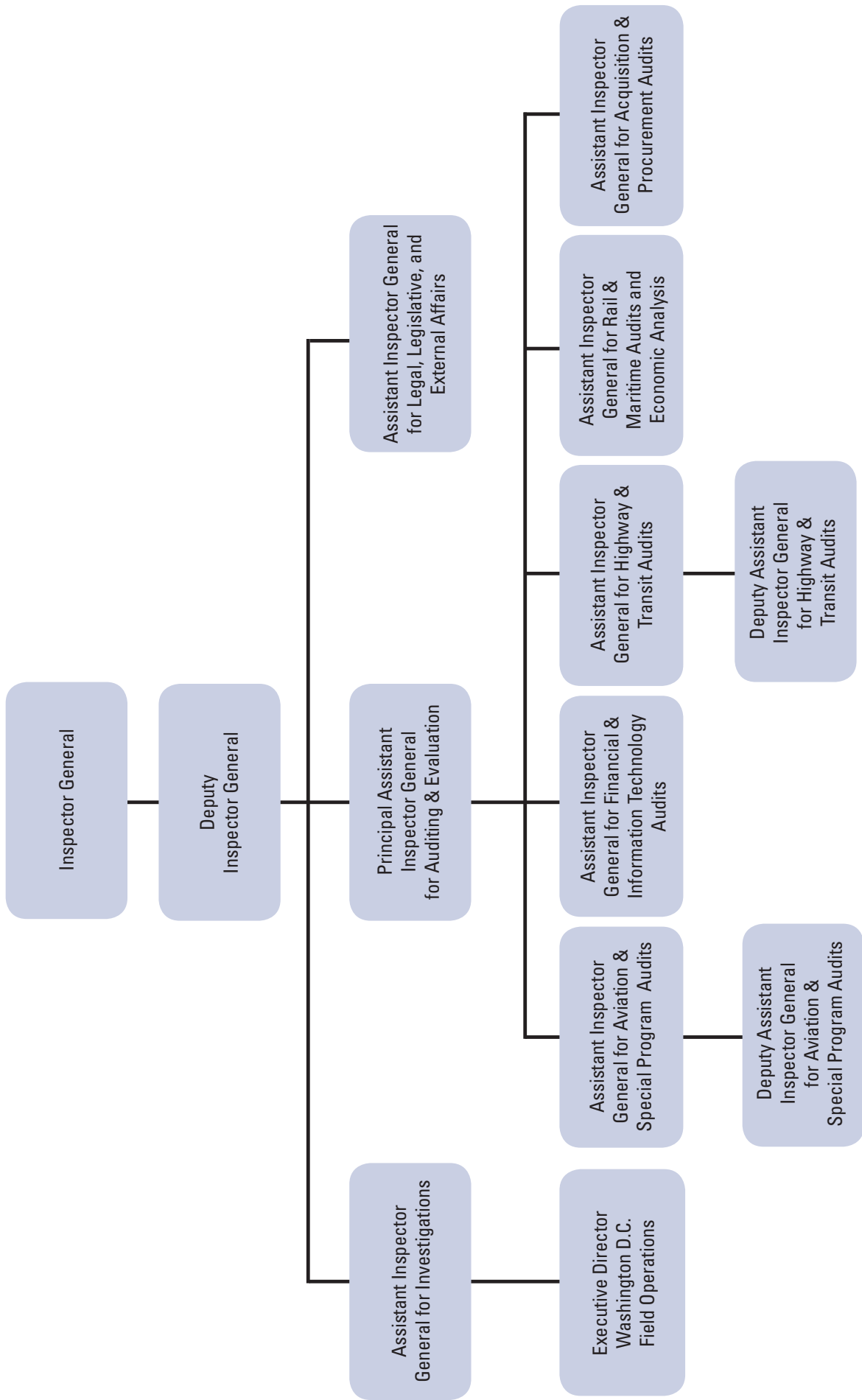
### OIG FY 2007 PROGRAM-LEVEL RESOURCES

**TOTAL: \$71,051,054**

OIG is divided into two major units and four 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 Financial, Administrative and Information Technology Management; 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
BTS	Bureau of Transportation Statistics
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
RSPA	Research and Special Programs 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





