



Semiannual Report to Congress

April 1, 2006 – September 30, 2006



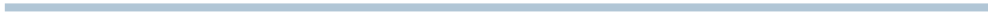
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FROM THE DEPUTY INSPECTOR GENERAL

We are pleased to present the Department of Transportation Office of Inspector General's Semiannual Report to Congress for the six months ending September 30, 2006.

During this semiannual period, we issued 32 audit reports with 85 recommendations, and our investigations resulted in 69 convictions. Our work resulted in more than \$121 million in financial recommendations, fines, restitutions, civil penalties, and recoveries. We testified before Congress on 6 occasions including such issues as Aviation Safety, Next Generation Air Transportation System (before both the House and Senate), Pipeline Safety, Lower Manhattan Reconstruction, and Household Goods Moving Fraud. A summary of highlights from audits, investigations, and testimonies presented during this reporting period can be found in this report.

This period saw significant transitions at the Department. Secretary Mineta ended his tenure as the longest serving Secretary of Transportation, but his emphasis on program integrity and stewardship of federal transportation dollars will have long-lasting effects. We look forward to working with his successor, Secretary Mary Peters, who accomplished significant improvements in financial management and program delivery during her prior tenure as FHWA Administrator. She brings a proven track record of leadership in management and accountability matters to the Department.

Finally, we want to welcome our newly confirmed Inspector General, Calvin L. Scovel III, who was confirmed by the Senate on September 29, 2006 and sworn in on October 27, 2006. Mr. Scovel will retire from the Marine Corps on January 1, 2007, as a Brigadier General after 29 years of service. He most recently served as a Senior Judge of the United States Navy-Marine Corps Court of Criminal Appeals. As stated by Secretary Peters at his swearing in ceremony, "*Cal is uniquely qualified to be a strong advocate for accountability, honesty and integrity.*" We looked forward to serving with Inspector General Scovel.

I would also like to sincerely thank Deputy Secretary Maria Cino for her support of the office during this period. It was truly a privilege to serve as Acting Inspector General during Ms. Cino's tenure as Acting Secretary. Thanks also to the Department's Secretarial officers, modal administrators and Members and staff of Congress for their assistance and support of the office during this transition period.

Todd M. Zinser



WORK PLANNED AND IN PROGRESS

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

The OIG has developed the following work plan for the period of October 1, 2006, through March 31, 2007.

AVIATION AND SPECIAL PROGRAM AUDITS

■ 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.

■ FAA's Airport Surface Detection Equipment-Model X (ASDE-X) Program

Determine whether FAA's strategy for deploying ASDE-X for operational use is cost effective, given the changes in the program's deployment strategy. Determine to what extent the ASDE-X program will reduce the risk of ground collisions or accidents caused by runway incursions.

■ FAA Joint Planning and Development Office (JPDO)

At the request of the Chairman and Ranking Member of the House Transportation and Infrastructure's Aviation Subcommittee, we will determine (1) progress made by JPDO in aligning and leveraging research conducted by other Federal agencies and (2) how JPDO will shift new technologies and capabilities from research to prototype and introduction into the National Airspace System.

■ Controls Over FAA's Conversion of Flight Service Stations to Contract Operations

Assess whether FAA has implemented effective plans and controls to (1) transition flight service stations to contract operations, (2) achieve anticipated savings, and (3) ensure that the operational needs of users continue to be met.



■ **FAA's Actions to Address Runway Incursions at Boston Logan, Chicago O'Hare, and Philadelphia International Airports**

Assess the actions taken by FAA to (1) identify and correct the causes of recent runway incursions experienced at Boston Logan, Chicago O'Hare, and Philadelphia International Airports and (2) address those issues that could affect safety system-wide.



■ **FAA's 2006 Update to the Controller Workforce Plan**

Evaluate FAA's progress in implementing key staffing and training elements of its Controller Workforce Plan and assess the effectiveness of other initiatives designed to increase controller productivity.

■ **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.

■ **Prioritization of Airport Improvement Program Funds (AIP)**

Evaluate the effectiveness of FAA's policies and procedures for ensuring the highest priority airport improvement projects are funded.

■ **FAA Oversight of Inactive AIP Grant Obligations**

Assess the effectiveness of FAA's policies and procedures for identifying, reviewing, and de-obligating unneeded AIP grant obligations; and determine the extent to which unneeded AIP grant obligations should be de-obligated and put to better use on other projects or returned to the Aviation Trust Fund.

■ **Staffing at Certain Air Traffic Control Towers**

At the request of the Ranking Member of the House Transportation and Infrastructure Committee and the Ranking Member of the House Aviation Subcommittee, we are reviewing controller staffing on overnight shifts at towers with radar separation responsibilities. Specifically, the Ranking Members requested that we (1) review FAA's August 2005 guidance requiring two controllers to be on duty during midnight shifts, (2) identify how the guidance was communicated, and (3) determine how many towers were not in compliance with the guidance at some point between its issuance and the August 27, 2006, Comair accident at Lexington, Kentucky.

■ **Progress and Problems with FAA's Major Acquisitions**

At the request of the Chairman and Ranking Member of the House Aviation Subcommittee, we will follow up on our May 2005 audit report on FAA major acquisitions and examine (1) recent changes in cost, schedule, and

expected benefits of key projects and (2) overall trends affecting FAA's expenditure of facilities and equipment funding (\$2.5 billion appropriated by Congress for FY 2005).

■ **Power Outages in Southern California**

At the request of a U.S. Senator from California who is a member on the Senate Aviation Subcommittee, we will examine the causes and FAA actions to address three distinct problems in Southern California: (1) a power outage at the Los Angeles Center that impacted more than 300 flights, (2) multiple failures of a precision instrument landing system at Los Angeles International Airport (LAX), and (3) problems caused by a surface movement safety alert system that was disabled at LAX.

■ **FAA Inspector Staffing**

Evaluate whether FAA has (1) developed a process to determine how many inspectors are needed in each location and (2) effectively utilized recently authorized funding to hire aviation safety inspectors where needed.

■ **Runway Safety Areas**

Determine whether FAA is ensuring that airports with runways that do not meet design standards are (1) taking steps to mitigate risks where inadequate runway safety areas exist and (2) effectively prioritizing the use of AIP and Passenger Facility Charge (PFC) funds to enhance airfield safety.

■ **Congressional Earmarks Within DOT Programs**

At the request of the Chairman of the Senate Subcommittee on Federal Financial Management, Government Information, and International Security, we will determine (1) the total number and cost of congressional earmarks within DOT programs; (2) whether oversight is conducted on earmarks and how this compares to the oversight conducted on other expenditures, such as grants and contracts; and (3) the overall impact of earmarks on advancing DOT's primary mission and goals.



FINANCIAL AND INFORMATION TECHNOLOGY

■ **Use of Contract Audit Services, DOT Operating Administrations**

Determine whether DOT and its Operating Administrations are obtaining contract audit services as necessary and in accordance with policies, procedures, and acquisition regulations.

■ **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 con-

tracts 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.

■ **Computer Security and Controls Over the National Driver Register (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.

■ **Review of Spending Priorities for the Office of the Assistant Secretary for Administration**

Determine if the Office of the Assistant Secretary for Administration (1) has adequate support for budget requests, including funds to operate the Working Capital Fund; (2) supports DOT operations commensurate with the office's mission; and (3) properly accounts for Working Capital Fund resources.

■ **Assessment of Corrective Actions To Eliminate Anti-Deficiency Act Violations, FTA**

Based on an FY 2005 Appropriations Act request, examine the adequacy of FTA's corrective actions for ensuring that internal control weaknesses and accounting practices associated with Anti-Deficiency Act violations were eliminated.

■ **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.

■ **FY 2006 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 2006 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 2006 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 2006 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 2006 SLSDC 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 2006 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.

■ **Volpe Center Network Security**

Determine if (1) Volpe information systems are properly accredited to support business operations, (2) Volpe's network infrastructure and connection entry points are adequately secured to protect the critical information assets, and (3) Volpe is leveraging departmental information technology resources to maximize cost savings.

■ **Security and Controls Over the Pilot Medical Database**

Determine whether the confidentiality and integrity of the Pilot Medical Database are adequate to protect U.S.-certified pilots from wrongful disclosure of their personal medical information. Specifically, we will assess whether proper security is implemented to (1) ensure only authorized people can gain access to the information and (2) maintain the integrity (i.e., accuracy, completeness, and timeliness) of personal medical information processed by the system.

■ **Review of the Effectiveness of Price Analysis**

Determine whether Operating Administrations are performing adequate price analysis for their procurements, particularly when multiple bids were not obtained for competitive solicitations or when pre-award information on contractors' proposals was not obtained.

■ **Oversight of FAA Franchise Fund Agreed Upon Procedures**

Perform a quality control review of KPMG's audit of FAA Administrative Services Franchise Fund Balance Sheet to ensure it complies with standards.

■ **Selected Emergency Transportation Services Contracting Lessons Learned as a Result of the 2005 Gulf Coast Hurricanes**

Determine whether the emergency transportation services contract modification was designed and administered to ensure fair and reasonable costs to the Government.

■ **Review of Air Traffic Control Systems Security and Contingency Planning**

Assess FAA's progress in (1) developing detailed work plans, (2) allocating required resources, and (3) implementing a contingency plan to ensure the operational systems security of the nation's critical air traffic control systems infrastructure. We will also examine progress in implementing a business continuity plan to restore essential air services in case of prolonged service disruptions at en route centers.

SURFACE AND MARITIME PROGRAMS

■ **National Highway Traffic Safety Administration's Oversight of Alcohol-Impaired Driving Programs**

Identify the defining characteristics that constitute alcohol-related crashes; compare the scope, direction, resources, and expenditures of programs and activities of those states with the highest and lowest alcohol-related fatalities, including the use of high visibility law enforcement methods; and determine Federal resources dedicated to this effort.

■ **Opportunities for FHWA To Free Up Unneeded Funds in States Affected by Hurricanes Katrina and Rita and Use Those Funds on Recovery Efforts**

Assist FHWA in identifying funds dedicated to congressionally directed projects that are no longer needed and may, with congressional approval, be freed up and redeployed to other projects within the same state to reduce the cost of reconstruction.

■ **National Highway Traffic Safety Administration Oversight of State Highway Safety Programs**

Evaluate NHTSA's management reviews of state highway safety programs and identify best practices.

■ **Federal Transit Administration Administrative Expenses**

Determine if FTA's administrative expenditures were in compliance with the provisions of the FY 2005 Appropriations Act.

■ **Springfield Union Station Rehabilitation Project**

Determine whether the FTA's oversight of the project was adequate.

■ **Review of Pioneer Valley Transit Authority Electric Bus Cooperative Agreement**

Determine whether (1) FTA's oversight was adequate and appropriate, (2) indirect expenses charged to FTA were in accordance with FTA regulations, (3) direct expenses charged to FTA were in accordance with FTA regulations, and (4) required matching funds were secured.

■ **FTA's Oversight of Grants to the Virginia Department of Rail and Public Transportation**

Determine whether (1) grant drawdowns are adequately supported and whether grantees are managing grant receipts in accordance with Federal requirements, (2) costs charged to the grants are allowable and accurate, (3) FTA's oversight mechanisms adequately identify issues associated with the grantee's financial and grant management, and (4) required financial status of grants and progress reports accurately reflect grantee's grant activity and are submitted timely.

■ **Highway-Rail Grade Crossing Accident Reporting and Data Analysis**

Assess the adequacy of FRA's oversight of railroads' reporting of grade crossing collisions to its Railroad Accident/Incident Reporting System.

■ **2006 Report on Status of North American Free Trade Agreement's Border Crossing Provisions**

Analyze the FMCSA's actions in response to the OIG recommendations in the 2005 report and update prior OIG audit analysis of FMCSA's motor carrier data on Mexican motor carriers operating in the United States.

■ **Commercial Driver's License Information System (CDLIS) Modernization Program**

Determine the total amount of revenue derived by the current operator of the CDLIS from the fees charged for use of the system and the CDLIS-related expenses incurred by the current operator of the system, compare the total expenses to revenue received, and determine how revenues and fees should be addressed under the new modernization plan.

■ **Federal Motor Vehicle Safety Standards**

Provide comments and observations on the scope and methodology of FMCSA's review of Canadian and Mexican commercial motor vehicles for compliance with Federal safety standards. SAFETEA-LU requires that FMCSA determine the degree to which Canadian and Mexican motor vehicles, including motor carriers of passengers, currently operating or expected to operate in the United States, comply with the Federal standards.

■ **Central Artery/Tunnel Monitoring — Tunnel Safety**

At the request of the Acting Secretary of Transportation and the Massachusetts congressional delegation, exercise independent oversight of activities performed by the Commonwealth of Massachusetts and the FHWA, including reopening activities of the Central Artery/Tunnel and the 'stem to stern' review.



■ **Central Artery/Tunnel Project Finance Plan**

Determine whether the Finance Plan (1) presents a cost estimate that is based on all known and reasonably expected costs, (2) identifies appropriate and available funding sources sufficient to meet the total estimated cost, (3) provides a project construction schedule that is based on all known and reasonably anticipated delays, and (4) discloses other issues affecting the project.

■ **FHWA Research, Development, and Technology Projects at the Turner-Fairbank Highway Research Center**

Determine whether (1) FHWA provides effective oversight of the Center's research, development, and technology projects to ensure that incurred costs are appropriate; (2) research projects are completed on time and within budget; (3) FHWA has an effective process in place to determine whether projects should receive funding that exceeds initial budget estimates; and (4) FHWA ensures that completed projects result in deliverables consistent with the initial objectives.

■ **Dulles Corridor Metrorail Project**

Monitor the status of the Project, including costs, funding, schedules, management, and any risks that may adversely impact its completion.

■ **Lower Manhattan Recovery Projects**

Assess (1) the status of each Project, including costs, funding, schedules, and management and (2) any risks that may adversely impact completion. In addition, as part of the monitoring effort, we will look at FTA's Lower Manhattan Recovery Office's oversight of these projects and the activities of the project management oversight contractors that are assigned to each project.

COMPETITION AND ECONOMIC ANALYSIS

■ **Amtrak Quarterly Reports on Operational Savings**

Report to the House and Senate Committees on Appropriations with estimates of the savings accrued as a result of operational reforms instituted by Amtrak.

■ **Annual Assessment of Amtrak**

Evaluate and analyze Amtrak's current financial status and its operating and capital budget performance. We will also review Amtrak's annual grant request, its long term capital needs, and its revised cost allocation methodology.

■ Amtrak Managerial Cost Accounting System

As required by the FY 2006 DOT Appropriations, review and comment to the Secretary of Transportation and the House and Senate Committees on Appropriations on Amtrak's implementation of a managerial cost accounting system, including average and marginal unit cost capability. Amtrak was directed by the Act to expend not less than \$5 million on a system to improve decision making by Amtrak's Board of Directors and management of the corporation. The Act further requires OIG to provide this review within 30 days of the development of the managerial cost accounting system.



■ Users of Air Traffic Control Services

Determine who are the users of the components of the National Aviation System, what are their characteristics, and how does usage of the National Aviation System contribute to congestion.

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

Determine the benefits of true high-speed rail in the Northeast Corridor.

■ Increases in Highway Construction Costs

Determine whether current trends in construction costs represent structural changes, differ regionally, and are being adequately taken into account in state planning processes.



■ Public-Private Partnerships — Innovative Financing

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

■ Review of Amtrak Board of Directors

Determine the efficacy of Amtrak's Board of Directors' roles, responsibilities, processes, and relationship to senior management.



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Second Quarterly Report on Cost Savings Accrued by Amtrak Operational Reforms

April 6, 2006

As required by Congress, we issued our second quarterly assessment of the savings Amtrak has achieved from operational reforms. Our first quarterly report, issued January 5, 2006, established an FY 2006 operating subsidy baseline of \$586 million, whereby Amtrak's planned operational reforms would result in a projected operating loss of \$586 million. Our second quarter assessment found that Amtrak's financial performance to date in FY 2006 was \$70.3 million better than expected. However, Amtrak has achieved only a minor amount of savings from operational reforms not included in the \$586 million subsidy baseline. Although it has begun to reform its food service provision, we reported that we have yet to see a plan projecting that Amtrak will achieve a near breakeven provision of food service on its trains. We also found that Amtrak has no plan in place to significantly restructure any of its long distance services. Amtrak must be more expansive and aggressive in the scope and pace of implementing long-term, structural operational reform if it is to achieve credible reductions to its required Federal operating subsidy.

Former Employee of Engineering/Construction Firm Contracting with a DOT Grantee is Ordered to Pay \$73,000 for Embezzlement

April 7, 2006

Cynthia Ransom, former office manager for the New Jersey office of Parsons Transportation Group, Inc. (PTG), was sentenced in U.S. District Court in Newark, NJ to 6 months home confinement, 3 years probation and ordered to pay \$70,000 in restitution on charges related to embezzlement from a Federal grant program. PTG holds contracts with the New Jersey Department of Transportation (NJ-DOT), a FHWA grantee. Ransom admitted that, from January 2000 through August 2003, she embezzled \$70,000 by creating bogus petty cash receipts for photographic film and related supplies which supported invoices submitted to the NJ-DOT under PTG contracts for inspection of bridges and tunnels. PTG has reimbursed NJ-DOT for all embezzled funds. The investigation was conducted jointly with the Port Authority of New York and New Jersey.



Tennessee Engineering Company to Pay \$250,000 in Civil Settlement of Alleged False Claims

April 17, 2006

TRC International Ltd., headquartered in Brentwood, Tennessee, agreed to pay \$250,000 to settle claims in Tennessee State Court, that it had over-billed the state of Tennessee for labor under a \$4 million contract for highway signs inspection and maintenance in the Memphis, Tennessee area. The Federal-aid contract ran from 1999 to 2004. An audit conducted in October 2004 by the Tennessee State Comptroller's office reported over-billing by the firm; the Tennessee Attorney General's Office agreed to allow TRC to pay the civil settlement. This investigation was conducted jointly with the Tennessee Attorney General's Office, the FBI, and the Tennessee Bureau of Investigations.



Former Air Carrier Flight Procedures Instructor Pleads Guilty to Falsifying FAA Airman Certificates

April 18, 2006

Stephen Lawrence Gatlin, a former flight procedures instructor for Delta Air Lines pled guilty in U.S. District Court in Atlanta, GA to two felony counts of falsifying FAA Temporary Airman Certificates (TACs). Gatlin presented Delta with two fraudulent FAA TACs. The first, certifying him as a ground instructor and the other, certifying him as a commercial airline pilot, in order to gain and maintain employment as a flight procedures instructor. He held that position with Delta for several months before a FAA certification review disclosed the falsifications, and Gatlin resigned in September 2004. Our investigation also found that Gatlin used the social security number of another individual on one of the TACs. This was a joint investigation with the Social Security Administration's OIG, with assistance from the FAA's Southern Region.

Significant Improvement in Motor Carrier Safety Since 1999 Act but Loopholes for Repeat Violators Need Closing

April 21, 2006

We issued a report on our audit of FMCSA's implementation of the Motor Carrier Safety Improvement Act (MCSIA) of 1999. Our audit objectives were to assess FMCSA's progress in (1) implementing the OIG's 1999 audit recommendations, (2) establishing the new entrant program, and (3) completing MCSIA-required rulemakings. We found that FMCSA significantly improved oversight of motor carrier safety since our 1999 audit, but needs to ensure that repeat violators cannot escape maximum fines. We recommended that FMCSA

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strengthen the repeat violator policy by enhancing controls and developing a procedure to count all acute and critical violations of safety regulations. We also made specific recommendations to improve the quality of motor carrier data, continue monitoring states' progress in conducting safety audits to maintain timeliness and enhance effectiveness, and complete a MCSIA-required rule-making to combine the commercial driver's license with the medical certificate. FMCSA agreed to take action to address our recommendations.

FAA Telecommunications Infrastructure Program: FAA Needs to Take Steps to Improve Management Controls and Reduce Schedule Risks

April 27, 2006

We issued a report on FAA's efforts to transition multiple telecommunication networks to a single network, thereby reducing operating costs. We found that the FAA Telecommunications Infrastructure Program (FTI) is a high risk and schedule-driven program that is unlikely to meet its December 2007 revised completion date. This is because the Program Office has yet to develop a detailed realistic master schedule or an effective transition plan. The transition plan is critical to identifying when each site and service will be accepted, when services will be cut over to FTI, and when existing (legacy) services will be disconnected. Further, the Program Office needs to ensure better coordination with its field offices and with the legacy contractor in order to ensure that service disruptions are avoided when services are transitioned to FTI. To increase program management controls over the FTI transition, we recommended that FAA (1) develop a realistic master schedule and an effective FTI transition plan that requires the FTI Program Office to coordinate with all of its contractors and regional offices to manage and execute the FTI transition and (2) determine the number of Leased Interfacility National Airspace System Communications System (LINCS) circuits and funding requirements to extend the Agency's LINCS bridge contract for the 1 year extension or longer if necessary. FAA concurred with our recommendations and is taking a number of actions to increase the effectiveness of project management controls over the FTI program transition.



Principal Assistant Inspector General for Auditing and Evaluation Testifies on Pipeline Safety

April 27, 2006

The Principal Assistant Inspector General for Auditing and Evaluation testified before the House Subcommittee on Energy and Air Quality regarding pipeline safety. The testimony focused on the progress and challenges in strengthening pipeline safety, including (1) the progress made in implementing integrity management programs for hazardous liquid and gas transmission pipeline systems, (2) establishing an integrity management program for gas distribution pipeline systems, and (3) the need for clearer lines of authority to address pipeline security and responding to disasters.

Three Defendants Sentenced to Prison in Michigan Driver's License and Identification Document (ID) Case

May 1, 2006

Regjean Welch, a former clerk for the Michigan Secretary of State (MSOS) was sentenced in U.S. District Court in Detroit, MI to 10 months in prison for her part in a scheme to sell driver's licenses and IDs. Welch, who had worked at the Livonia MSOS office, pled guilty in December 2005 to charges of conspiracy in providing the fraudulent documents. She admitted to issuing temporary instruction permits and operator's licenses on at least three occasions without requiring that the individuals take the written knowledge test and/or provide proof of residency or valid identification. Applicants, who had been referred to Welch by Andre Donaldson, paid \$100 to \$500 (split between Welch and Donaldson) for each fraudulent document issued. On April 20, Kimberly Murray, a former clerk for the MSOS, was sentenced to nine months in prison for her part in a scheme to sell driver's licenses and IDs. Murray pled guilty in February to charges of ID fraud conspiracy. She admitted issuing IDs or driver's licenses to at least 10 individuals in exchange for about \$300 per document. Donaldson also pled guilty and was sentenced to 12 months in prison on April 10, 2006. The investigation was conducted as part of an FBI Task Force with DHS-ICE, the Michigan Department of State, and the Michigan State Police.

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Owner of Disadvantaged Business Enterprise (DBE) is Suspended by Oklahoma Department of Transportation (OK-DOT) for Defrauding the Federal Government on a \$12 Million Highway Project

May 1, 2006

Walter Alan Patton, owner and president of Patton Construction, Inc. (PCI), Tahlequah, OK, was suspended by OK-DOT from doing business with the Oklahoma government and was issued a notice of proposed debarment. Both of these actions stem from a scheme to violate DBE regulations on a \$12 million federally funded highway widening project. As a certified DBE, PCI's \$280,000 subcontract for concrete work on drainage ditch boxes and culverts would have satisfied the contractor's DBE set-aside requirement. However, Patton conspired with a non-DBE to perform the work and made false statements on the payroll reports to make it appear as though PCI employees were doing the work. Patton pled guilty in October 2005 to a felony conspiracy charge and was sentenced in March 2006 and fined \$40,000 and serve five years probation. This is an ongoing joint investigation with DCIS, the OK-DOT, and AF-OSI.



Acting Inspector General Testifies on Household Goods Moving Fraud

May 4, 2006

The Acting Inspector General testified before the Senate Commerce Surface Transportation Subcommittee regarding OIG investigations of household goods moving fraud. He discussed OIG investigations that have led to the prosecution of 25 household goods carriers (many operating under multiple names), along with their officers and employees, for allegedly defrauding about 8,000 victims nationwide since 2000. He also gave examples of the types of schemes used to hold goods hostage, as well as the impact on victims. His testimony noted that FMCSA has increased its focus on household goods enforcement and outreach. We recommended three near-term actions

for the Agency: (1) meeting public access requirements for complaint data, (2) ensuring that states enforce operating authority rules against unregistered household goods carriers, and (3) taking more action to implement the SAFETEA-LU provision which allows states to enforce Federal consumer protection provisions.

Former Acting Superintendent of Massachusetts Bay Transportation Authority (MBTA) ‘Money Room’ Gets One Year in Jail for Tax Evasion

May 11, 2006

Former MBTA manager Mary Lempitski, who oversaw the operation of MBTA’s Cash Processing Center (also known as the ‘Money Room’), was sentenced in U.S. District Court in Boston, MA to 366 days in prison and fined \$10,000 for tax evasion. Our investigation found that, from 2000 through 2002, Lempitski spent more than \$267,000, mostly in \$20 bills, at ‘high-end’ department stores and boutiques for personal items such as designer jewelry, clothing, and cosmetics. Lempitski’s taxable income substantially exceeded the amount she declared on her 2000 through 2002 income tax filings. Lempitski pled guilty in January 2006 to three felony counts of tax evasion. The investigation was conducted jointly with the IRS and MBTA Police.

Owner of California Composites Manufacturing Company Sentenced for Unlawful Transportation and Distribution of Substandard Compressed Gas Cylinders

May 18, 2006

Krishna Lal Agrawal, owner and chief engineer of Global Composites International, Inc. (GCI), Ontario, CA, was sentenced in U. S. District Court in Los Angeles to pay \$9,073 in fines and restitution for violating the Hazardous Materials Transportation Act and ordered to serve 36 months probation (with the first 10 months as home confinement). GCI produced compressed gas cylinders, which required hydrostatic testing before sale to determine that cylinder walls were sufficiently strong. Substandard compressed gas cylinders pose a public health danger from possible rupture/explosion. In August 2005, Agrawal pled guilty, admitting to causing the transportation and distribution of 110 gas cylinders that were marked as having been properly tested, when in fact they had not been. PHMSA suspended GCI’s exemption and manufacturer authorization, and has issued a safety advisory notice to the public. This was a joint investigation with the FBI, with assistance from PHMSA.



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Small Community Aviation Delays and Cancellations

May 19, 2006

We issued a report on Small Community Aviation Delays and Cancellations. This audit was requested by the Senate Commerce Aviation Subcommittee. We found that, in our sample of scheduled passenger air service, flights from small communities incurred about the same rate of flight delays as those from large communities, but the delays were longer and small community flights were cancelled at higher rates than flights from larger communities. We also found that when the national aviation system is congested (usually due to weather), FAA and airlines work together to balance demand with capacity. FAA may implement programs to halt or delay flights in the most severe conditions, and the airlines may exercise some flexibility to rearrange delayed flights.

Review of FAA Compliance with Anti-Lobbying and Appropriations Act Restrictions

May 19, 2006

We issued our response to a February 10, 2006 request from the National Air Traffic Controllers Association (NATCA) that OIG conduct an investigation to determine whether FAA's communications to Congress and the media concerning legislation introduced by Senator Barak Obama violated the Anti-Lobbying Act and provisions contained in the Fiscal Year 2006 Appropriations Act. NATCA asserted that FAA officials violated the Anti-Lobbying and Appropriations Acts by attempting to gain grassroots opposition to the legislation by sending documents to Congressional offices, posting documents on FAA's website, and persuading newspaper editorial boards to write articles opposing the legislation. Based on our interviews with FAA officials and employees, and evaluations of FAA documents and electronic records, we did not find any evidence constituting any potential violation of the Anti-Lobbying Act or the DOT Appropriations Act by FAA officials or employees concerning Senator Obama's legislation. Accordingly, we found no basis for referral of this matter to DOJ, nor for further review by the Department's Office of General Counsel.

Former Iowa Aircraft Maintenance Company Owner Pleads Guilty to Forging Inspector's Signature on Aircraft Maintenance Logs

June 7, 2006

Clark Calta, former owner of Air America, Mt. Vernon, IA, pled guilty in U.S. District Court in Des Moines, IA to four felony counts of making false statements regarding airplane and engine maintenance records. Our investigation found that Calta forged the name of an FAA- certified mechanic on the maintenance logbooks of four private aircrafts, indicating that the annual inspections had been performed, when they in fact had not. Annual inspections are used to determine the airworthiness of the aircraft and are important in protecting public safety. Sentencing for Calta is pending.

Minnesota Company and President Sentenced to Pay Over \$400,000 for Conspiring to Commit Fraud on Federal-aid Highway Projects Worth \$4.4 Million

June 20, 2006

Minnesota Valley Landscape, Inc. (MVL) and its President, David Allyn Lindstrom, were sentenced in U.S. District Court in St Paul, MN for conspiracy to defraud the Federal Highway Administration on federally-funded highway construction projects. Lindstrom was ordered to serve 18 months in prison, followed by 3 years supervised release and was fined \$4,000; MVL was sentenced to 5 years probation; and both MVL and Lindstrom were ordered to pay \$396,257 in restitution. Lindstrom and MVL pled guilty in June 2005 to the felony charge. MVL is the largest highway landscaping company in Minnesota, and was the prime contractor on \$4.4 million in such contracts between 1996 and 2002, as well as subcontractor on numerous others. Our investigation found that during that time, MVL invoiced for and was paid \$396,257 through the federally-funded contracts for work either billed at other than the prevailing wage rates or for overtime charged, but for which the MVL employees were not paid. In June 2005, MVL and Lindstrom were debarred by the Minnesota Department of Transportation (MN-DOT) for three years. The investigation was conducted jointly with the FBI, with assistance from the MN-DOT.

Report on the Air Traffic Organization's Management Controls over Credit Hours

June 21, 2006

We issued a report on the Air Traffic Organization (ATO) and local air traffic facility policies over credit hours. Credit hours are hours that an employee



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elects to work with supervisory approval in excess of the employee's basic work requirement under a flexible work schedule. Our review indicated that since the implementation of the 1998 FAA and National Air Traffic Controllers Association collective bargaining agreement, the number of credit hours earned by ATO employees doubled from 503,000 hours to nearly 1.2 million hours in FY 2005, or the equivalent of approximately 577 full-time positions. We also found that despite the large numbers of credit hours being earned, ATO had no assurances that the credit hours were justified, necessary, or in the best interest of the Government because the ATO's management controls over the earning and use of credit hours were insufficient. The lack of controls resulted in a myriad of local credit hour policies, many of which limited facility management's ability to determine if and when credit hours were necessary. During our review, ATO took timely action to address our concerns and improve its management oversight of credit hours by identifying agreements that needed to be renegotiated or rescinded.

Observations on Current and Future Efforts to Modernize the National Airspace System

June 21, 2006

The Acting Inspector General testified before the House Subcommittee on Aviation on the progress to date with FAA's Joint Planning and Development Office (JPDO). The testimony focused on progress and problems with current billion-dollar air traffic modernization projects, alignment of Agency resources needed to support the JPDO, and the actions needed to move forward with the Next Generation Air Traffic Management System.

FHWA Suspends New York Traffic Engineering Firm in Bribery Case

June 27, 2006

Dunn Engineering and Associates, P.C. (Dunn); Norton Brothers Dunn Engineering and Surveying, LLP (a related firm); and Dunn executives: Walter M. Dunn, Jr., President; Ronald N. Hill, Vice President; and Robert A. Reiss, Treasurer, were suspended pending debarment proceedings by the Federal Highway Administration from



doing business with the Government. Dunn pled guilty in April 2005 to charges of providing gratuities to a former District of Columbia Department of Transportation (DC-DOT) official, Wilhelm DerMinassian, in exchange for favorable treatment by DerMinassian on a five-year \$17.5 million Integrated Traffic Management System contract that Dunn held with DC-DOT. DerMinassian also pled guilty to related charges and was sentenced in September 2005. In May 2006, Dunn was suspended by the DC Office of Contracting and Procurement from doing business with the District, with proposed debarment pending. The investigation was conducted jointly with the FBI and the Antitrust Division of DOJ.

Two Montana Businessmen and Former Airport Director Plead Guilty in Connection with Fraudulent \$603,000 Land Sale to Missoula International Airport (MIA)

June 29, 2006

William Joseph Lefler and Roger Dale Hall pled guilty in U.S. District Court in Missoula, MT to program fraud in connection with a land sale scheme. In December 2000, the Missoula International Airport purchased additional runway approach land from Lefler and Hall for \$603,000 (\$350,000 above the highest appraised value). Our investigation found that the men conspired with John Seymour, former director of MIA, to sell the land to MIA at an inflated price, with Seymour receiving a \$60,000 kickback. In May 2006, Seymour also pled guilty to the charges. The three men were indicted on charges of conspiracy, mail fraud and program fraud in March 2006. Sentencing date for the three men is pending. This was a joint investigation with the FBI.

Internal Controls Over Payments for Emergency Disaster Relief Transportation Services

June 30, 2006

We issued our report of internal controls over payments for emergency relief transportation services. The Federal Government's National Response Plan assigns DOT the responsibility of coordinating and providing Federal and civil transportation support, as directed by the Federal Emergency Management Agency, during times of national emergency. In response to the devastating hurricanes striking the U.S. Gulf Coast states in 2005, FAA's Southern Region activated an emergency relief transportation services contract to deliver commodities such as water, ice, and food to disaster distribution sites and to transport people to and from hurricane-affected areas. FAA and the contractor arranged for over 11,000 trucks to move more than 14,000 truckloads of goods.

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We found that better internal controls are needed to ensure that the Government receives the transportation services it pays for. While there were procedures in place for Government personnel at field locations to log trucks and trailers in and out as they arrived and departed, this documentation was not uniformly sent to FAA's Southern Region Emergency Transportation Center and was not used to verify invoices from the contractor. Instead, contracting officers were relying on documentation provided by the contractor to verify that transportation services had been provided as billed. While the documentation offered a level of support for billings, the lack of an independent verification process meant that contracting officers essentially had to rely on contractor documentation to support contractors' invoices. FAA Southern Region management is aware of the need to develop better internal controls and is addressing this issue through an on-line contract administration system. Once the system is in place and operating, FAA Southern Region management will need to ensure that contracting officers are using the system to verify invoices.



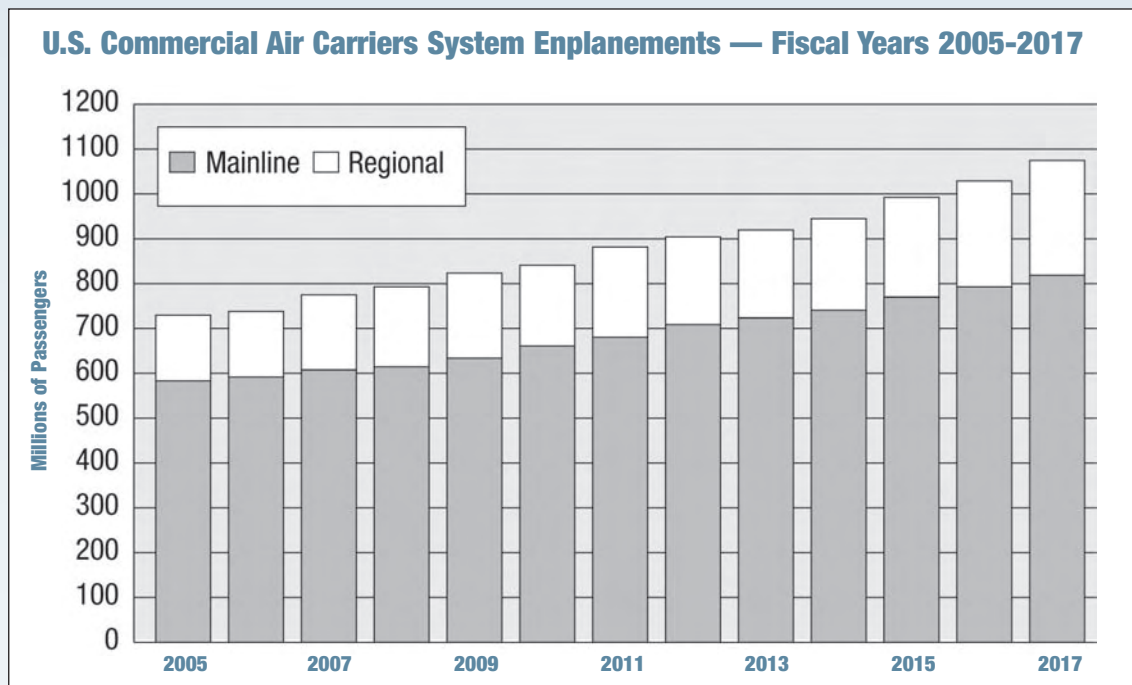
Progress and Challenges for Moving Forward with the Next Generation Air Traffic Management System

One of the issues that dominated the congressional aviation agenda in 2006 focused on how quickly — and at what cost — the Nation could move to the next generation air traffic management system. In several congressional testimonies before the House and Senate, the OIG chronicled progress to date in planning for the next generation system.

FAA's Joint Planning and Development Office (JPDO) was specifically mandated by Congress to develop a vision for the next generation system and coordinate various Federal agency research efforts. Currently, JPDO participating agencies include the National Aeronautics and Space Administration and the Departments of Defense, Homeland Security, and Commerce.

Surging Demand for Air Travel.

There are a number of compelling reasons for moving toward the next generation system. The current air traffic system has served the Nation well, but FAA reports that the current system will not be sufficient to meet the anticipated demand for air travel or changes in the industry. Last year, over 700 million passengers used the system, and this number is forecasted to grow to over 1 billion by 2017. The following table illustrates the forecasted growth in passenger demand through 2017.



Source: FAA Aerospace Forecast Fiscal Years 2005–2017

JPDO's Critical Mission.

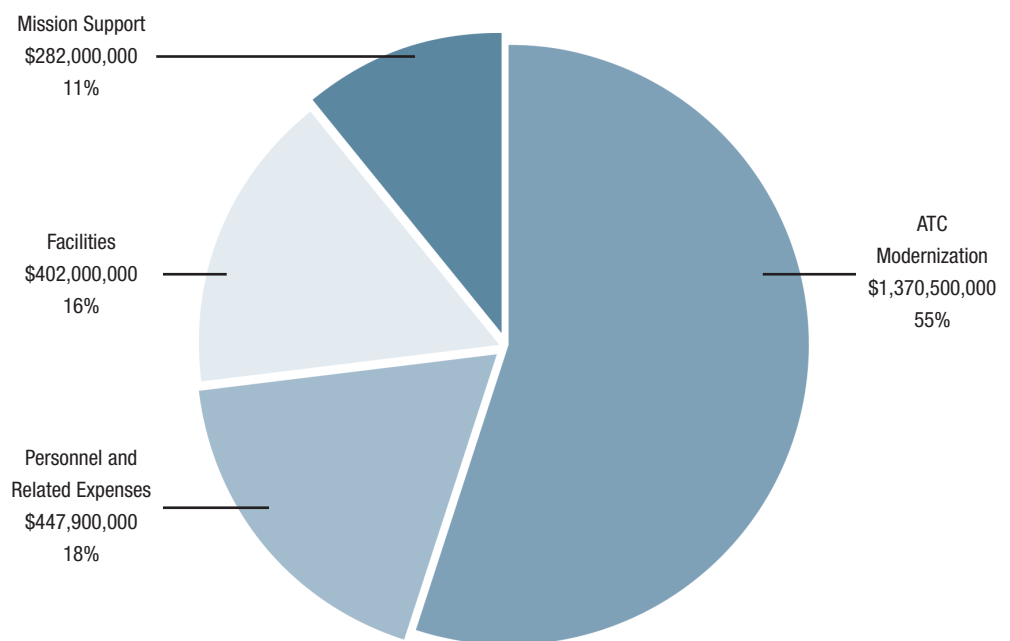
The JPDO's congressionally mandated mission to leverage resources throughout the Federal government is critical given that FAA conducts little long-term air traffic management research. In fact, about 70 percent of FAA's \$130 million Research, Engineering, and Development budget is dedicated to safety. Moreover, only about

55 percent of FAA's \$2.5 billion annual investment in its Facilities and Equipment Account for modernizing the National Airspace System will actually go for acquiring air traffic control systems, while the remainder will be spent on personnel, mission support, and facilities as illustrated below.

High-Risk Transition.

Moving to the next generation air traffic system is important to meet the demand for air travel, change the way FAA provides services, and help control operating costs. However, it is also an extraordinarily complex and high-risk effort given the potential multi-billion dollar investments by FAA and airspace users. Also, the transition to the next generation system will involve important but difficult policy questions, such as how to spur aircraft equipage and how to handle a mix of aircraft with different capabilities in congested airspace.

Figure 1: FAA's FY 2007 Facilities and Equipment Budget Request



In a series of congressional testimonies, we have identified a range of actions to reduce risks with the next generation system and to help the FAA and JPDO transition from planning to implementation:

■ **Establishing Cost Estimates, Quantifying Expected Benefits, and Developing a Roadmap for Industry.** The JPDO's progress report to Congress was silent on funding requirements and complex transition issues. Moving to the next generation air traffic management system will require significant investments from FAA (new ground systems) and airspace users (new avionics).

Some preliminary estimates have been developed, but they have not been finalized or approved by senior FAA management. There are considerable unknowns and costs depend on, among other things, performance requirements for new automation, weather initiatives, and to what extent FAA intends to consolidate facilities.

We pointed out that the JPDO needs to report the costs of a next generation system to Congress and stake holders along three vectors — development efforts, adjustments to existing programs, and system implemen-

tation. This will give decision makers a clearer understanding of system costs and program schedules.

■ Developing and Implementing Mechanisms for Alignment between Agencies. There is considerable coordination among JPDO participating agencies but little alignment of budgets and plans. There is a need for mechanisms to help the JPDO align diverse agency efforts over the long haul. The JPDO recognizes this and is working with the Office of Management and Budget to, among other things, develop an integrated budget document.

We pointed out that JPDO should include in its periodic reports to Congress a table of specific research projects with budget data for FAA developmental efforts as well as budget data of other agencies it is leveraging and how ongoing research is supporting the next generation air traffic management system. This will help decision makers address whether FAA is leveraging the right research and taking full advantage of ongoing research being performed by other agencies.

■ Developing Approaches for Risk Management and Systems Integration. The transition to the next generation air traffic management system is a high-risk effort potentially involving billions of dollars for both the government and industry. FAA will face extraordinarily complex software development and systems integration challenges. The JPDO and FAA need to articulate how problems that affected past modernization efforts will be mitigated and what specific skill sets will be required. This is also important because the transition to a new system will require synchronized investments over several years between FAA (new ground systems) and airspace users (new avionics) on an unprecedented level.

■ Conducting Sufficient Human Factors Research to Support Anticipated Changes. The JPDO is planning to make fundamental changes in how the system operates (for both controllers and pilots) to accommodate three times more aircraft in the system. Our work shows that focused human factors work will be needed to ensure that expected changes in roles and responsibilities of pilots and controllers can safely be accommodated. Key issues focus on what reasonably can be expected from new automation systems and how more responsibility can be shifted to the cockpit. It will be important for the JPDO to conduct sufficient human factors analyses and studies to ensure that the changes envisioned for the next generation air traffic management system can be safely accommodated.

Future Outlook.

The question of how to fund the next generation system will remain a critical issue in 2007. Both FAA's current authorization and the existing airline ticket taxes expire in the fall of 2007. While there is almost universal agreement that the existing air traffic management system needs to change to meet the anticipated growth, there is considerable disagreement among aviation shareholders about how to pay for it. Further, it is doubtful that Congress will authorize billions of dollars for a wide range of new initiatives without some assurances or mechanisms in place to prevent problems that plagued FAA's past modernization efforts.

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Former Connecticut Official and a Private Contractor Plead Guilty to Theft and False Statement Charges Related to a Renovation Project at New Haven's Union Station

July 5, 2006

Saverio Sereno, a former supervising rail officer at Connecticut-DOT (ConnDOT), and Frederick F. Kelly, a private contractor, pled guilty in U.S. District Court in New Haven, CT to felony charges of theft involving federal programs and of making false statements, respectively. Sereno was Project Manager on a \$300,000 construction contract for renovation of ConnDOT offices in New Haven's Union Station. Louis F. Testa was the owner of Merritt Builders, the company which was the prime contractor on the renovation project. Sereno admitted to scheming with Raymond F. Cox, former Assistant Rail Administrator for ConnDOT, to have Testa provide items of value (e.g., a desktop computer, refrigerators, and televisions) to several ConnDOT employees, with the expenses being billed by Testa to ConnDOT through the project. Sereno was also involved in influencing Testa to provide \$3,000 to Kelly, who prepared fake bids on the project in order to circumvent the competitive bidding process. Kelly admitted lying to federal investigators by denying that he received anything of value in return for preparing the fake bids. On June 19, Cox pled guilty to theft involving federal programs and to obstruction of justice. Cox admitted that, between June 2003 and May 2004, he directed Testa to provide Kelly with an additional \$3,500 in cash for fake bid documents for the renovation and to provide items of value to several ConnDOT employees. Cox also admitted that after learning of the OIG investigation in March 2005, he attempted to corruptly persuade two of the ConnDOT employees to dispose of items they had received and to deny knowledge of them if questioned by authorities. This ongoing investigation is being conducted jointly with the FBI, IRS, and ConnDOT.



Ohio Landscaping Subcontractor Ordered to Pay \$54,050 in Fines and Restitution for Disadvantaged Business Enterprise (DBE) Fraud Under a \$37 Million Federally-funded Highway Project

July 6, 2006

Deitering Landscaping, Inc. was sentenced in U.S. District Court in Columbus, OH to pay \$44,050 in restitution, fined \$10,000 and ordered to serve two years probation, for making false statements or otherwise aiding and abetting in providing false statements in the form of certified payrolls submitted to the Ohio Department of Transportation (O-DOT) under a federally-funded highway project. Between October 2001 and July 2003, Deitering (a non-DBE) was a subcontractor on a \$37 million highway project in Ohio with a 7.1 percent DBE goal. Our investigation found that while Deitering certified that a DBE firm would perform seeding, mulching, and ditch protection on the project, Deitering employees and equipment were used in performing this work. After felony charges were leveled against Deitering, O-DOT debarred the firm from doing business with the Ohio state government for a six-month period ending in October 2004. Deitering pled guilty in February 2006. The ongoing investigation is being conducted jointly with the Department of Labor.

California Aircraft Parts Brokerage and Manager are Convicted of Conspiracy and Fraud Involving Misrepresentation of Aircraft Parts

July 10, 2006

Standby Parts, Inc. (Standby), an El Segundo, CA aircraft parts brokerage and Herik Johansen, its operator/manager, were found guilty following a two-week trial in U.S. District Court in Los Angeles on felony charges of conspiracy and fraud involving aircraft parts. Our investigation found that Johansen conspired with others, including Daniel L. Booker, a former FAA Designated Airworthiness Representative and George Thompson, owner of Total Airframe and Turbine Company (TATCO), a former FAA-certificated repair station, in obtaining FAA airworthiness tags for various aircraft parts (e.g., engine bolts and a tail skid actuator) indicating that the parts were either new or of higher quality than Johansen knew them to be. Johansen then sold the misrepresented parts. Booker and Thompson pled guilty in 2003. Booker admitted to signing Forms 8130-3 without actually inspecting the parts and Thompson to signing Forms 8130-3 for parts which TATCO was not rated to inspect. None of the affected parts were deemed flight critical, but FAA issued a safety alert on some parts in April 2001, and is considering others. TATCO is no longer in business and Thompson has died. Johansen and

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Standby are scheduled for sentencing on October 31, 2006; Booker's sentencing is also pending. The investigation was conducted jointly with the FBI, with assistance from FAA.

Review of FAA's Actions to Address Mold at the Detroit Metropolitan Air Traffic Control Tower Facility

July 11, 2006

We issued our report on FAA's actions to address mold at the Detroit Metropolitan Air Traffic Control Tower Facility. This audit was requested by the two senators and six representatives of the Michigan congressional delegation. We found that FAA has taken actions to remove mold from the Facility but has not alleviated the source of moisture causing mold growth. Until the moisture source has been controlled, mold will continue to be an ongoing problem. FAA is aware of this issue and advised us that projects to address the moisture and humidity problems are expected to be complete in November 2006. Those projects include sealing and caulking the exterior of the tower to eliminate water infiltration; additional replacement of interior wallboard; and further heating, ventilation, and air conditioning work to manage humidity. Completing these projects on schedule is essential to fully remediate mold at the Facility.

Lower Manhattan Reconstruction: Lessons Learned From Large Transportation Projects

July 13, 2006

The Acting Inspector General testified before the House Homeland Security Subcommittee on Management, Integration, and Oversight on the importance of oversight of the post September 11th transportation reconstruction projects in Lower Manhattan. The Federal Government dedicated \$4.55 billion to fund large-scale projects to reconstruct and enhance Lower Manhattan's transportation infrastructure, including the Permanent World Trade Center PATH Terminal, Fulton Street Transit Center, South Ferry Terminal Station, the World Trade Center Vehicle Security Center, and the Route 9A/West Street/Promenade South highway project. Significant amounts of Federal funding are also being dedicated to other ongoing transportation projects in the area, most notably the large-scale East Side Access and the Second Avenue

Subway projects. The Acting Inspector General addressed key lessons learned from OIG work on federally funded transportation projects that should be applied wherever major transportation construction is undertaken, including reconstruction after any future disaster.

Missouri Asphalt Paving Contractor Pays \$200,000 in Civil Settlement Of A False Claims Case

July 17, 2006

Pace Construction Company (Pace), a St. Louis, MO asphalt paving firm, paid \$200,000 in accordance with a civil settlement reached with the U.S. Attorney's Office in St. Louis and the Federal Highway Administration. The settlement resolves allegations that Pace, which held road paving contracts with



the Missouri Department of Transportation (MO-DOT), submitted false claims for payment associated with the quality of asphalt materials used. Investigation found that, between August 28 and September 24, 2004, Pace employees submitted incorrect core samples to MO-DOT for testing. The core samples were of higher quality than the asphalt actually used in the project, resulting in inflated contract payments. There is no evidence that Pace management was aware of the fraudulent claims, but the employees involved have since been terminated from the firm, and a company policy that provided employee bonuses based on the outcome of asphalt quality tests has been discontinued. MO-DOT and FHWA assisted in this investigation.

Southeastern Pennsylvania Transportation Authority (SEPTA) Contractor and Owner Convicted Of Disadvantaged Business Enterprise (DBE) Program Fraud; Prime Contractor Ordered to Pay Over \$1.2 Million

July 20, 2006

A jury in U.S. District Court in Philadelphia, PA found Tulio Landscaping Inc. (TLI) and its owner, Michael V. Tulio, guilty of conspiracy and mail fraud related to the DBE program on SEPTA contracts. Between 1999 and 2002, TLI was awarded approximately \$418,000 in prime contracts by SEPTA (an FTA grantee) for replacement of collapsed culverts on a commuter rail project. The contracts required TLI to subcontract with a DBE for a portion of the work. Our investigation found that TLI circumvented those requirements by paying Pullins Dump Truck, a certified DBE, \$4,810 on the DBE subcontracted project that was actually performed by TLI, but billed to SEPTA as DBE work. Tulio submitted false checks, reports, and correspondence misrepresenting

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senting that the DBE had performed the work. Tulio and TLI are scheduled for sentencing on October 26, 2006. This investigation, conducted jointly with the FBI, is part of a larger case involving JMG Excavating Co., (JMG) a prime contractor that pled guilty on similar charges and was sentenced in May 2006 to pay over \$1.2 million for DBE fraud. On May 18, JMG pled guilty to mail fraud related to a DBE pass-through scheme on federally-funded transit contracts. JMG also agreed to be debarred from doing business with the government for five years. Sentencing for Tulio is set for December 15, 2006.



Perspectives on the Progress and Actions Needed to Address the Next Generation Air Transportation System

July 25, 2006

The Assistant Inspector General for Aviation and Special Programs testified before the Senate Aviation Subcommittee regarding FAA's Joint Planning and Development Office (JPDO). Our testimony focused on JPDO's mission and the need for FAA to refine costs, align diverse Agency budgets, and set expectations for airspace users. We also identified a range of actions that will help shift JPDO from planning to implementation, including finalizing cost estimates, developing mechanisms for alignment, and conducting targeted human factors research to support anticipated changes safely.

Illinois Man Pleads Guilty to Flying a Helicopter Without a Valid Pilot's License and Falsifying an Application for Airman's Medical Certificate

July 26, 2006

Randy A. Sanders pled guilty in U.S. District Court in Chicago, IL to felony charges of operating an aircraft without an airman's certificate and of making false statements to the FAA for an airman medical and student pilot certificate. Our investigation found that Sanders falsified his application to the FAA in 2004 by failing to disclose several prior convictions -- one weapon and two drug-related. In January 2005, Sanders also piloted a helicopter he owned from Kenosha, WI to Schaumburg, IL for routine maintenance, even though he did

not hold a valid airman's certificate. On October 25, Sanders was sentenced to 12 months probation and ordered to pay a \$5,000 fine. FAA assisted in this investigation.

Former Employees of a Seattle Fuel Delivery Company Plead Guilty in Case Involving Over \$3.9 Million of Stolen Motor Fuel

July 27, 2006

Christy S. Rawls, a former automation clerk at Kinder Morgan Energy Partners' (KMP) Terminal 18 in the Port of Seattle, WA, and Andrew D. Cutright, a former KMP terminal operator, were each sentenced in U.S. District Court in Seattle, WA. They were ordered to pay \$235,360 in restitution and serve 18 months in prison for their participation in a scheme to steal more than 1.49 million gallons of fuel. In March 2006, a grand jury indicted Rawls, Cutright, and three co-conspirators including, a former KMP terminal supervisor and two employees of General Transport Company (GTC), a Seattle fuel delivery firm, Neil B. Kikuchi and James R. Ito. On July 17, Kikuchi and Ito pled guilty to money laundering, conspiracy, and theft of interstate shipments and await sentencing in October. The investigation determined that as part of the scheme to steal fuel and then sell it to gasoline stations, the conspirators took advantage of an acceptable "margin of error" for the rack pumps used to fill tanker trucks, as the oil companies would not miss fuel as long as they kept the fuel amounts within the margin of error on the pumps. Kikuchi would enter the Terminal by driving a GTC's tanker truck and proceed to a rack pump for a normal and legitimate transaction. Rawls would subsequently access the terminal accounting system and delete the bills of lading associated with Kikuchi's fuel transaction from the system, ensuring no record of the pumped fuel. In addition, Cutright participated in the scheme by using another method which misused a maintenance code at the pump. The maintenance code would override the internal accounting system so that it would not record the volume or type of fuel that passed through a pump while it was in manual or maintenance mode, again ensuring that no record or bill of lading was generated from the pumped fuel. The former KMP terminal supervisor devised the scheme to steal the fuel by using the maintenance code. Kikuchi and Ito then sold the stolen fuel at or below market rates to unsuspecting owners of fuel service stations operating in Washington, Idaho, and Oregon. The co-conspirators received a total of about \$3.9 million in sales from the stolen fuel between 1999 and October 2004, when KMP detected the fuel discrepancies through an internal audit. An estimated \$750,000 in federal and state excise taxes also went uncollected. The ongoing investigation is being conducted jointly with the IRS-CID and Port of Seattle Police.

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Third Quarterly Report on Amtrak Financial Status

July 28, 2006

As required by Congress, we issued our third quarterly assessment of the savings Amtrak has achieved from operational reforms. This report also fulfills the certification requirement included in the FY 2006 DOT Appropriations Act. We found that Amtrak achieved at total of \$46.3 million savings from operating reforms through May 2006 - \$3.8 million savings from operational reforms not included in the FY 2006 Board-approved budget and \$42.5 million savings from operational reforms included in the FY 2006 budget. These overall savings contributed to Amtrak's current better-than expected financial performance through the third quarter of FY 2006. We also found that Amtrak currently estimates its financial performance will continue to improve and, as a result, expects to end FY 2006 with a \$165 million cash balance.

Ohio Painting Company and Owner Plead Guilty to Bribery and Conspiracy in Substandard Bridge Painting Work on a \$2.5 Million Project

July 28, 2006

American Painting Company, Inc. (APC), Campbell, OH, and its owner, Anthony Katsourakis, pled guilty in U.S. District Court in Cleveland, OH to felony charges of bribery and conspiracy in connection with a \$2.5 million painting contract. Katsourakis admitted that, between May and December 2001, he conspired with others and bribed an Ohio Department of Transportation inspector by making cash payments totaling \$24,000 and allowing use of his Florida condominium in exchange for approval of shoddy work (e.g., failure to properly scrape, sand-blast, and prime surfaces) on a federally-funded bridge painting project of Interstate 90, west of Cleveland. The estimated cost of repainting the substandard bridge work is \$7.5 million, three times the original amount. Both were suspended by FHWA pending proposed debarment, and their sentencing date is pending. This is an ongoing joint investigation with the FBI.



Ex-Fugitive Canadian Truck Driver Involved in Fatal U.S. Accident Pleads Guilty to Falsifying Logbooks

August 3, 2006

Gulvinder Singh Sandhu, a former driver for Montreal-based Garfield Container Transport, Inc., pled guilty in U.S. District Court in Philadelphia, PA to 42 counts of making false statements on his driver's daily logbooks. On September 22, 1999, a tractor trailer overloaded with rock salt that was driven by Sandhu jumped a guardrail on Interstate 78 in Philadelphia, killing four occupants of a minivan -- including a four year-old boy and his parents. Our investigation found that Sandhu falsified his logbooks on a nearly daily basis between August 2 and September 22, 1999 to conceal that he was driving more than the maximum driving hours in violation of federal motor carrier safety regulations. In April 2002, Sandhu was indicted by a federal grand jury. On May 30, 2006, he voluntarily returned to the United States to face the criminal charges after more than four years as a fugitive in Canada, and is being held pending sentencing, scheduled for November 2, 2006. The investigation was conducted with assistance from the Canadian Ministry of Justice and FMCSA.

Use of Airport Revenues by the Greater Orlando Aviation Authority

August 3, 2006



Our report to the FAA on the use of airport revenues by the Greater Orlando Aviation Authority found that the City of Orlando, the airport sponsor, diverted \$1.7 million in Airport revenues by overcharging the Aviation Authority for police pension fund contributions and a radio communications system upgrade. In addition, we identified approximately \$493,000, over a 5-year period, in net parking fine proceeds that have been retained by the City instead of being used to offset the Aviation Authority's costs of issuing the tickets. We also found that the Aviation Authority could be losing as much as \$144,000 per year in rental income from a lease for a plant inspection station. We recommended that FAA ensure that the City reimburses the Aviation Authority for the \$1.7 million in revenue diversions and provides the Aviation Authority with the approximately \$493,000 in past net revenue obtained from parking tickets plus future net revenue. Finally, FAA should require the Aviation Authority to recover its costs of a plant inspection station.

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Two Israeli Nationals and Former Florida Driver's License Examiner Plead Guilty in Connection with the Unlawful Sale of Driver's Licenses

August 4, 2006

Joseph Cohen and Elan Bitton, both Israeli nationals residing in Florida, pled guilty in U.S. District Court in Miami, FL to a one-count charge of conspiracy to the unlawful production of driver's licenses (DLs) and commercial driver's licenses (CDLs). Our investigation found that Cohen served as a middleman, receiving \$1,500 from Bitton (who sought to obtain a Florida CDL for which he was ineligible) and directing him to Marta Pinto, a license examiner for the Florida Division of Highway Safety and Motor Vehicles. Pinto received between \$700 and \$1,000 for processing approximately 100 DLs and CDLs, including Bitton's. Pinto pled guilty on July 26, 2006. Pinto's plea stems from a 2003 household goods (HHG) moving fraud case in which Pinto and a middleman were identified as allegedly assisting many Israeli and foreign nationals who were employed by HHG companies to obtain CDLs and DLs. A 17-year employee of DHSMV, Pinto resigned in September 2005 and is scheduled for sentencing on October 4, 2006. Cohen and Bitton are also scheduled for sentencing on October 4, 2006. This ongoing investigation is being conducted jointly with the FBI and DHS/ICE, with assistance from the Florida Highway Patrol.

Owner of Florida Import/Export Company Sentenced to Forfeit Two Private Aircraft for Illegally Transporting Radioactive Hazardous Materials (HazMat)

August 4, 2006

Harold J. DeGregory, Jr., president and registered agent of H&G Import/Export of Fort Lauderdale (H&G) was ordered by a U.S. District Court Judge in Miami, FL to forfeit two Piper aircrafts valued at a combined \$150,000 and sentenced to two years in prison for illegally transporting radioactive HazMat and for making false representations to the Government.

Our investigation disclosed that DeGregory contracted with Bahamas Oil Refining Company (BORCO) to transport radioactive Iridium-192 to and from the Bahamas. H&G was not licensed or certified to handle or transport radioactive HazMat. DeGregory never submitted HazMat manifests required by law, nor did he disclose the HazMat (which, was shipped in November 2004 from the Bahamas to Fort Lauderdale, and hidden in a wing compartment of the aircraft) to Customs officials. DeGregory was convicted by a Miami jury in January 2006. This was a joint investigation with DHS-ICE, DHS-CBP, and the FAA.

Aviation Industry Performance

August 4, 2006



We issued the eighth in a series of periodic updates to our aviation performance report. The report identifies trends in aviation demand and capacity, aviation system performance, airline finances, and service to small communities. The report highlights the rise in fuel costs and the impact on the airlines' efforts to improve their financial performance through control of other costs and increases in fares. The report also notes that domestic airline service to most communities, after rebounding in 2005 to 2000 levels, has begun to decline as airlines better match capacity with demand. However, service to the smallest communities did not rebound in 2005 and suffered a further deterioration into 2006.

Owner of Financial Services Company Sentenced for Involvement in Trucking Company Bonding Scheme

August 4, 2006

Larry James Jackson, owner of Pacific Northwest Financial Services, Inc. (PNFS), in Portland, OR, was sentenced in U.S. District Court in Sacramento, CA to pay \$236,347 in restitution and serve 70 months in prison for mail fraud stemming from a nationwide interstate trucking company bonding scheme. DOT regulations require \$10,000 surety bonds or trust funds for ensuring the financial responsibility of trucking companies or brokers. Although Jackson was never authorized to act as a bonding company and collect trust fund monies, he falsely represented PNFS as a financial institution for that purpose. Jackson also submitted fraudulent forms to FMCSA between August and December 2003. In addition, Jackson embezzled the money collected for his personal use. In September 2005, Jackson pled guilty, admitting to defrauding 57 interstate trucking companies or brokers. PNFS is now defunct.

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U.S. Merchant Marine Academy (USMMA) Employee Sentenced for Resisting Arrest by the Academy Chief of Police

August 8, 2006

Dan Kyle Tibbs, a motor vehicle operator at the USMMA in King's Point, NY was sentenced in U.S. District Court in Islip, NY to four months imprisonment for resisting arrest by the USMMA's Chief of Police. Our investigation found that, on December 3, 2004, Tibbs obstructed an Academy roadway, failed to heed police instructions, and fought with officers attempting his arrest. Subsequently, the Police Chief has been absent from duty for over a year stemming from injuries associated with this incident. Tibbs pled guilty to the felony charge in February and is currently incarcerated. He has been issued a Notice of Proposed Removal. In October, Tibbs responded to the USMMA with his reasons as to why he should not be removed. The USMMA Superintendent's (Deciding Official) decision is pending. The investigation was conducted jointly with the USMMA Police Department.

Former Florida State Examiner Pleads Guilty to Accepting Bribes to Issue Fraudulent CDLs; Florida DMV Revokes 139 CDLs

August 11, 2006

Yolanda Pippins, a former examiner of the Florida Division of Motor Vehicles, pled guilty in U.S. District Court, Tampa, FL, to a one count Information charging conspiracy to accept bribes in exchange for the issuance of fraudulent commercial driver's licenses (CDL). The investigation disclosed that Pippins, whose responsibility was to monitor applicants for CDL and ensure their qualifications before the issuance of a CDL, used her employment to fraudulently issue CDLs to individuals who did not have the requisite training and documentation to support their qualifications. Pippins admitted to accepting between \$100 and \$200 per fraudulent commercial driver's license and to issuing between 50 and 80 fraudulent licenses. The State DMV sent letters to all who were issued CDLs by Pippins, requiring that they return to the DMV for proper processing or have their CDL revoked. Subsequently, 139 CDLs were revoked. Sentencing date for Pippins is pending. The investigation was jointly worked with the Florida Dept. of Law Enforcement and Florida Dept. of Highway Safety and Motor Vehicles.

Virginia Truck Driver Gets Jail Time for Falsifying Logbooks

August 11, 2006

Matthew L. Gessner, a former driver for Carson Brown Trucking, Inc., Wytheville, VA, was sentenced in U.S. District Court in Brunswick, GA to 10 months in prison followed by 3 years probation for making false statements on his driver's daily logbooks. On September 12, 2004, a truck driven by Gessner veered off Interstate 95 in Camden County, GA, striking a parked vehicle and killing one of the occupants - a ten year-old child. Our investigation found that Gessner had fallen asleep at the wheel after driving 19 hours without rest, far exceeding the maximum driving hours permitted by federal highway safety regulations. Our investigation also disclosed that Gessner had falsified his logbook on several prior occasions to conceal his hours-of-service violations. Gessner was indicted by a Federal grand jury in March 2006 and pled guilty in May. A state vehicular homicide charge is pending. This investigation was conducted jointly with FMCSA.

Georgia Motorcycle Importer Sentenced to Prison for Smuggling and Selling Grey Market Motorcycles

August 17, 2006

Andrew Wright, the Chief Executive Officer for SuperBike Racing, Inc. of Valdosta, GA, was sentenced in U.S. District Court in Valdosta, GA, to pay \$20,674 in restitution and ordered to serve 27 months in Federal prison. Wright was convicted in March on multiple counts of smuggling illegal goods into the U. S., mail fraud, wire fraud, and false statements. Wright, a citizen of the United Kingdom, illegally imported five foreign-made motorcycles into the United States that did not comply with National Highway Traffic Safety Administration (NHTSA) safety standards and Environmental Protection Agency (EPA) environmental emission standards. Wright applied labels to the motorcycles indicating they complied with these standards and sold them to unsuspecting customers. Our investigation was conducted jointly with the EPA-OIG and DHS-ICE, with assistance from NHTSA, DHS Customs and Border Patrol, and the EPA Office of Transportation and Air Quality.



FHWA Recovered Total of \$20 Million from Tennessee DOT Following Memphis Intermodal Transportation Project Investigation

August 23, 2006

The Federal Highway Administration (FHWA) recovered a total of \$20 million in funds from the Tennessee Department of Transportation (T-DOT)

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following an investigation of the Memphis Intermodal Transportation Project. The recovery of \$11 million from T-DOT occurred on August 23, in addition to \$9 million recovered on August 4, amounts to a full recovery of \$20 million in FHWA funds involving the Project. The Memphis Intermodal Transportation Project, which was completed in 2004 at a cost of \$26 million (\$20 million in FHWA funds), was intended for the construction of an intermodal transportation center adjacent to the Memphis FedEx Forum. The design concept included a transfer facility for transit passengers with indoor waiting rooms, vending areas, offices and covered areas for loading and unloading passengers. Our investigation and a T-DOT audit, disclosed that the 1,700-space parking garage was operated for-profit by a franchise of the NBA Grizzlies team, based on an agreement with the City of Memphis.

Two Former NHTSA Employees Ordered to Repay Total of \$36,000 for Embezzling From Government

August 28, 2006

Beatriz Lorena Villa, a former NHTSA administrative staff assistant was ordered by a U.S. District Court judge in Washington, DC to pay \$24,000 in restitution and serve 48 months probation on embezzlement charges. Between December 2001 and March 2004, Villa fraudulently claimed that she and another NHTSA staff assistant, Julia Goldson, had worked over 1,000 hours of overtime. In fact, the overtime was neither authorized nor performed. Villa received about \$24,000 and Goldson more than \$12,000 as a result of the fraudulent overtime claims. Goldson pled guilty to the same charge on June 1, and was sentenced on Aug. 17 to repay \$12,000 and serve 24 months of probation. Both women resigned from NHTSA in October 2004.

Philadelphia Company and its Owner Ordered to Pay \$135,000 in Fines and Restitution for DBE Construction Fraud

August 29, 2006

Philly-Wide Interiors, Inc. (PWI) and its owner, Daniel Pellicciotti were ordered by U.S. District Court judge in Philadelphia, PA to pay \$135,000 in fines and restitution as a result of their prior guilty plea to charges of bribery

and tax fraud. In March, Pellicciotti and PWI were debarred from participating in federal contracts for a term of three years. The investigation revealed that Pellicciotti provided money and other things of value to a Philadelphia Minority Business Enterprise Council employee in exchange for receiving an illicit Disadvantaged Business Enterprise certificate. This certificate was used by the defendants to fraudulently obtain SEPTA and other subcontracts for demolition and other work. The investigation was worked jointly with the FBI, DOL-OIG, DOC-OIG and IRS Criminal Investigations.

Two Former Employees of a Big Dig Subcontractor Plead Guilty to Fraud-Related Charges

August 30, 2006

Richard Joyce and Brian Di, former assistant project managers for Mass Electric Construction Company (MECC), a subcontractor on the Central Artery Tunnel/Project's tunnel finishes contract, pled guilty in U.S. District Court in Boston, MA to one count of conspiracy to commit fraud each for their involvement in a scheme to misclassify apprentice-level electricians as journeymen electricians, with a higher hourly pay rate, on daily reports used to compile costs for time and materials change orders. The practice began in 2003 and continued through June 2005. The company's subcontract included the installation of electrical conduit and wiring in the tunnel. The approximate loss to the government is \$100,000. This investigation was conducted with the DOL-OIG.

Former Florida Division of Motor Vehicles (DMV) Employee and a Florida Resident Sentenced for Conspiring to Produce Fraudulent Identification Documents

August 31, 2006

On August 31, 2006, Denice Morris, a former driver's license examiner for the Florida DMV was sentenced in U.S. District Court in Miami, FL, to 6 months home confinement to be followed by 3 years supervised release. Allen Silberman of Miami, FL, received a sentence of 5 months home confinement to be followed by 2 years supervised release. On June 21, Morris and Silberman pled guilty to three felony counts of conspiring to produce fraudulent identification documents. Our investigation found that Morris used her position at the DMV to fraudulently process an application for a Florida identification card for an individual who she believed to be an illegal alien (but who was actually a confidential government informant in the investigation) and that Silberman facilitated the scheme by providing a fraudulent

ACTIVITIES

social security number and immigration documents. The informant paid \$2,500 for the fraudulent identification document. This was a joint investigation with the FBI.

Wisconsin Student Pilot Pleads Guilty to Submitting a False Statement

August 31, 2006

David Allen DeSantis pled guilty in U.S. District Court in Milwaukee, WI, to charges of submitting a fraudulent statement on a FAA application for an airman medical and student pilot certificate in August 2001. The investigation revealed that DeSantis failed to disclose his criminal conviction records in his application form, as required by law, and was subsequently issued a Student Pilot Certificate. DeSantis has an extensive criminal history. DeSantis has turned in his expired student pilot certificate and pilot logbook and is scheduled for sentencing on December 2, 2006. This case was investigated with assistance from the FAA.



Results of OIG Investigation of 9/11 Commission Staff Referral

August 31, 2006

We issued a report on the results of our review from a referral made by the 9/11 Commission staff regarding certain inaccurate statements made by FAA officials regarding their notifications to DOD during the September 11 hijackings. Our investigation included examining whether FAA officials knowingly made any false statements. In brief, we did not find evidence to conclude that FAA officials knowingly made false statements, purposely omitted accurate information from any statement, or intentionally failed to correct an inaccurate statement after becoming aware of it. However, during our investigation we discovered that three FAA executives did not act to correct an erroneous FAA response to a Commission Question for the Record (QFR) after learning it was inaccurate. As a result, we have recommended to the FAA Administrator that FAA correct its QFR response and consider appropriate administrative action for two current executives. Our other recommendations to the Administrator include enhancing FAA's capability to respond to and report on hijacked or suspicious aircraft.

Operation Safe Road: Former Illinois Governor Sentenced to 6 Years in Prison and Ordered to Pay \$603,348 in Restitution

September 6, 2006

Former Illinois Governor George Ryan was sentenced in U.S. District Court in Chicago, IL to 78 months in prison and ordered to pay \$603,348 in restitution as a result of his conviction on charges of racketeering, conspiracy, mail and tax fraud and making false statements. Lawrence Warner, Ryan's long-time personal associate and a businessman/lobbyist in Chicago, IL, was sentenced to 41 months in jail and ordered to pay fines and restitution totaling \$1.7 million. A federal jury convicted the two men on April 17, 2006. Specifically, Ryan was found guilty of receiving illegal cash payments and gifts, vacations and personal services for himself and his family while serving as Illinois Secretary of State from 1991 to 1999 and as Governor from 1999 to 2003. Additionally, on May 11, Donald A. Udstuen was sentenced to eight months in prison and was fined \$30,000 for committing tax fraud. Udstuen, a former board member of Metra (the commuter rail system serving northeast Illinois) and a top lobbyist for the Illinois State Medical Society, was also a political adviser to Ryan. Udstuen has cooperated in the investigation. The underlying joint-agency investigation 'Operation Safe Road' initially focused on bribes in exchange for commercial driver's licenses for unqualified truck drivers when Ryan was the Secretary of State. The investigation subsequently expanded to include political corruption and led to the indictment and subsequent convictions of several of Ryan's top aides and associates. The investigation was worked jointly with the FBI, IRS and USPS.

Audit of the Mississippi Department of Transportation's (MDOT) Award of Selected Hurricane Katrina Emergency Repair Contracts

September 6, 2006



We issued a report on our audit of MDOT's management of the award of selected Hurricane Katrina emergency repair Federal-aid contracts. Our audit objectives were to determine whether MDOT's emergency repair contract award processes were consistent with applicable Federal and state procurement requirements and whether prices received were fair and reasonable under the emergency conditions that resulted from Hurricane Katrina. Despite the catastrophic conditions created by Hurricane Katrina, we found that the FHWA and MDOT officials worked together to ensure MDOT's emergency repair contract award processes were generally consistent

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with Federal and state procurement requirements. However, we also found that the lack of standard construction contract provisions caused MDOT to award some contracts without the assurance of fair and reasonable prices. Further, we found that FHWA should strengthen its Emergency Relief Manual and the related Federal regulations to better assist states in awarding emergency repair contracts. FHWA concurred with our recommendations and agreed to take corrective actions.

Letter to Representative Oberstar Regarding FAA's Aging Airplane Safety Rule

September 7, 2006

We issued the results of our review of FAA's implementation of the Aging Airplane Safety Rule. This review was conducted at the request of Representative James Oberstar, Ranking Member of the House Committee on Transportation and Infrastructure. Our review determined that while FAA and the industry have made important progress in implementing procedures for monitoring the aging aircraft fleets for larger air carriers, more work needs to be done to protect the safety of cargo operators and passengers flying on smaller aircraft.

Former Employee of Asbestos Monitoring Company Jailed for Violating the Clean Air Act on a FAA-Funded Airport Project

September 15, 2006

John Toner, a former employee of Comprehensive Employment Management (CEM), pled guilty in U.S. District Court in Buffalo, NY, to one count of violating the Clean Air Act. Toner was fined \$1,000 and sentenced to serve 7 months in prison. Toner was charged with making false statements for not truthfully reporting on the illegal removal of asbestos; however, he ultimately pled guilty to a one count violation of the Clean Air Act, Negligent Release of Asbestos into the Air. Toner was responsible for ensuring that asbestos removed by USA Remediation Services (USAR) during a demolition project from the \$4 million FAA-funded Buffalo-Niagara Airport expansion was done in compliance with all federal and state regulations. USAR workers, however, improperly



removed asbestos from pipes. In September 2002, several USAR employees were charged and were subsequently sentenced for improper removal of asbestos from the expansion project. In February 2006, USAR was fined \$500,000 and placed on 3 years probation for violating the Clean Air Act. This investigation was worked jointly with the EPA-CID, FBI, OSHA, and New York State Department of Environmental Conservation.

Report on Integrity Threats to Hazardous Liquid Pipelines **September 18, 2006**

We issued a report on Integrity Threats to Hazardous Liquid Pipelines. We found that hazardous liquid pipeline operators had repaired all 409 threats we examined, with about 98 percent of the repairs completed within established timeframes. While progress is being made in identifying, repairing, and overseeing integrity threats, several challenges still remain. These include the need to improve the accuracy of operator annual reports submitted to the Office of Pipeline Safety and to ensure the effective use of pipeline inspection technology (smart pigs). The Pipeline and Hazardous Materials Safety Administration agreed with both of our recommendations and took action to meet the intent of our recommendations.

Observations on FAA's Oversight of Aviation Safety **September 20, 2006**



The Acting Inspector General testified before the House Transportation Aviation Subcommittee regarding aviation safety. The Acting IG's testimony highlighted three areas that characterize the current aviation safety landscape and current challenges. First, FAA is making progress in using risk-based systems to carry out its safety oversight mission but a lot of work remains. Second, there are several key trends and issues that need FAA's attention, such as determining the type of work performed by non-certificated repair facilities and determining inspector staffing needs. Third, FAA must continue to emphasize and address the risks of runway incursions and operational errors.

Audit of FAA's RESULTS National Contracting Service **September 21, 2006**

We issued a report on FAA's RESULTS National Contracting Service, a procurement program established to acquire support services. This audit was requested by the Chairman of the Senate Committee on Finance and the

ACTIVITIES

Chairman of the Senate Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management, Government Information, and International Security. We found that the program was not properly structured to meet FAA's needs for faster, cheaper, and better acquisition of support services. Additionally, FAA officials did not award contracts with sufficient competition or adequate price analysis, and deficiencies existed in the administration of individual contracts. Although FAA took steps during our audit to improve the procurement program by requiring additional executive oversight and training, we recommended that the Agency dissolve the procurement program due to its structural weaknesses and implement additional procedures and controls to improve oversight of all support services contract. FAA generally concurred with our recommendations and is taking actions that, when fully implemented, will address the problems discussed in the report.

Former Company Official and Consultant Plead Guilty in Corruption Scheme Involving Philadelphia International Airport Concession Contracts

September 27, 2006

Joseph Evans, former CEO of Sky Sites, Inc., and Joseph Moderski, a consultant of Sky Sites, pled guilty in U.S. District Court, Philadelphia, PA, to criminal charges related to a corruption scheme involving FAA-regulated airport advertising contracts at the Philadelphia International Airport. Evans pled guilty to mail fraud charges outlined in a superseding indictment filed on September 27. In February 2006, Evans, Moderski, and two other individuals (Eric Selby, former Regional Vice-President for Sky Sites, and Terry F. Crockett, an owner of an architectural firm) were charged with conspiracy, mail fraud, and wire fraud. In March 2006, Crockett and Selby pled guilty to conspiracy and wire fraud charges. During the investigation, Selby admitted that the conspirators used Sky Sites to illegally fund \$30,000 in contributions to political action committees that supported the Mayor of Philadelphia because they thought that the payment would help them to secure contracts at the Airport. Moderski, Evans, and Selby also pled guilty to having Sky Sites pay Moderski a \$10,000 sham consulting bonus to disguise the use of corporate funds for another illegal political contribution. This investigation was part of a

wide-ranging corruption probe in Philadelphia, which revealed that a former fundraiser for the Mayor, now deceased, controlled the political action committee that received these illicit contributions. The case was investigated by OIG, FBI and IRS Criminal Investigations.

FAA's Management and Controls Over Memorandums of Understanding (MOUs): Follow-up Review

September 28, 2006

We issued a report on our follow-up audit of FAA's management and controls over MOUs. The review was conducted at the request of the House Subcommittee on Transportation Appropriations in the accompanying report for the Department of Transportation's FY 2006 appropriations. Our objective was to determine whether FAA's newly established internal policies and procedures have been effective in improving the Agency's management of and controls over MOUs. We found that the policies and procedures established by FAA in June 2003 have provided the Agency with substantially improved controls over its MOU process.

Restoring the Public's Confidence in Boston's Central Artery/Tunnel Project

On July 10, 2006, 22 tons of concrete ceiling panels broke loose in the Central Artery/Tunnel (CA/T) Project in Boston, Massachusetts, and fell onto the roadway. The impact crushed a car passing below, instantly killing one passenger and injuring another. The National Transportation Safety Board arrived shortly thereafter and began its own independent investigation of the tunnel collapse. After the accident, key tunnels were closed to traffic and a phased series of safety reviews and repairs are being conducted before they reopen. In addition, the Governor of Massachusetts called for a separate comprehensive "Stem to Stern" review of the entire CA/T Project (Project). A week after the accident the Massachusetts U.S. Congressional delegation and the Office of the Secretary of Transportation requested that OIG provide independent oversight of these safety-related activities. In response to these requests, the OIG has redeployed resources and dedicated a team of auditors, engineers, and investigators to provide this oversight.

CA/T's Troubled History

The CA/T was designed to replace Boston's deteriorating elevated highway system with an underground expressway and extend the Massachusetts Turnpike to Logan Airport. It is the largest federally funded public works project in recent history. The Project has had a long history of ballooning costs and construction delays. Project costs have increased dramatically from an original estimate of \$2.6 billion in 1985 to the most recent cost projection of \$14.625 billion. Federal investment in the Project has been capped at \$8.549 billion.



*Boston, MA — Collapsed section of the I-90 eastbound tunnel.
Photo by Matthew West, Boston Herald.*

The Project was originally scheduled to be completed in December 1998, but was substantially completed in January 2006. We have issued over 20 reports on the CA/T Project since the 1990s. In the past, we have also found instances of poor quality construction and fraudulent activity. For example, in April 2005, we testified on significant water leaks in the CA/T tunnels and noted that the oversight of its construction was lacking. Additionally, OIG investigators have found instances of fraud in the construction of the Project.

OIG Activities to Reestablish the Public's Confidence in the Tunnels' Safety

The recent fatal accident and past water leaks highlight failures in construction quality and the need for FHWA to take additional steps to ensure the safety of the Nation's highway infrastructure. The magnitude of this oversight effort, as well as the intense public concern for the safety of this massive project, presents a significant challenge to the Department of Transportation far beyond its normal oversight role. Accordingly, we have undertaken a comprehensive range of oversight activities:

■ Monitoring reopening activities for CA/T ramps and tunnels. The OIG's ongoing oversight of the phased tunnel reopenings is focusing on tunnel areas which pose the greatest risk to the traveling public. Oversight has occurred in

overlapping phases, including reviewing the methodology for reopening activities to ensure that it is clear and comprehensive, the results of engineering analyses to ensure that they comply with the methodology, and the conditions under which the roadways are reopened to minimize risks. For example, we recommended, and the Commonwealth has implemented, an interim plan to conduct frequent measurements that will, through the early identification of any moving ceiling panel components, mitigate the risk of another collapse in the reopened Ted Williams Tunnel.



■ Evaluating the Stem to Stern Effort. The OIG is also assessing the adequacy of the Commonwealth’s comprehensive “Stem to Stern” safety review of the structural and life safety systems of the Boston metropolitan highway system. To assist with this effort, a team from the Army Corps of Engineers is providing specialized engineering expertise to the OIG. Our efforts in providing oversight have helped to ensure the comprehensiveness of the safety review by identifying deficient areas that otherwise may have been overlooked. We will continue to monitor the safety review effort through its two phases, the first of which is expected to be completed by mid-November 2006.

■ Taking Action to Detect and Prevent Fraud. OIG investigators are actively working with the United States Attorney and the Massachusetts Attorney General to support their ongoing work.

■ Other OIG Work on the CA/T Project. The OIG will evaluate the impact of the ceiling collapse and subsequent remediation on the CA/T Project’s finances. In 2000, Congress directed the Secretary of Transportation to withhold obligations of Federal funds until the OIG completes its review of the CA/T Project Finance Plan. There is \$81 million in unobligated Federal funds remaining for the Project. Once the Commonwealth of Massachusetts submits a revised project finance plan, we will review it to ensure that it reflects any additional costs to fix problems identified by the various safety reviews.

The Challenge for FHWA

The safety problems that surfaced in the Central/Artery Tunnel Project also call into question the oversight and quality control processes for constructing and maintaining major highway projects. In light of the known problems of the Central Artery tunnels, FHWA should develop and implement a system to ensure that states inspect and periodically report on the condition of the Nation’s tunnels. FHWA should begin by promptly determining whether a rulemaking or additional legislative authority is necessary for this action.

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.

FAA'S WESTERN PACIFIC REGION GRANTS MANAGEMENT

At the request of FAA's Airports Office, we conducted a limited review of FAA's Western Pacific Region grants management. After reviewing 40 closed Airport Improvement Program (AIP) grant files, we briefed FAA Headquarters and Regional Officials on steps the Agency could take to improve AIP grants management. In particular, we suggested that the Western Pacific Region Airports Division could improve compliance with the AIP Handbook and other FAA guidance by (1) more actively monitoring regional grant activities, such as awards, drawdowns, amendments, and closeouts; (2) using Agency accounting databases to track key warning indicators, such as inactive grants, premature disbursements, multiple grants or closeouts per project, and a 4-year closeout performance measure; (3) conducting quarterly reviews to ensure that projects are completed before closeout, closeouts are timely, amendments are processed, and excess funds are promptly de-obligated; and (4) issuing formal guidance with respect to using competitive bids in determining grant awards. FAA Headquarters and Regional Officials concurred with each of these suggestions and are developing a national policy to address the issues.

INFORMATION TECHNOLOGY SECURITY AND PRIVACY BRIEFING

The Assistant Inspector General for Financial and Information Technology provided the annual briefing on major information technology security and privacy issues to the President's Council on Integrity and Efficiency—the coalition of presidentially appointed Inspectors General. The Assistant Inspector General

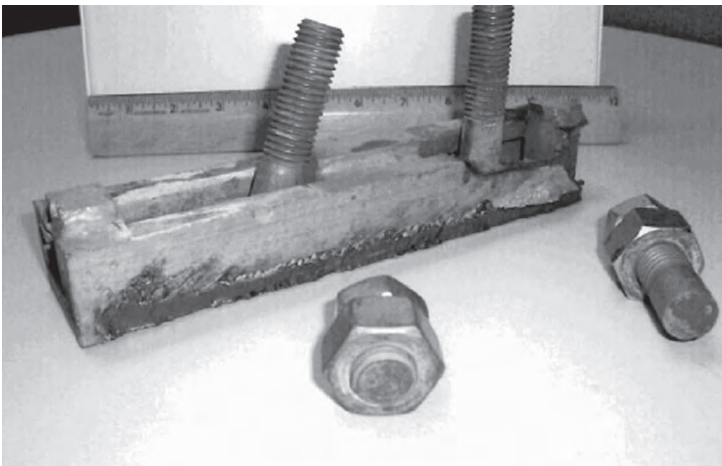
also represented the IG community's interests at the Information Security and Privacy Advisory Board, which is tasked to advise the Office of Management and Budget and the National Institute of Standards and Technology on information technology issues.

PROPOSED LANGUAGE FOR THE RESPOND ACT OF 2006

At the request of House of Representatives Transportation and Infrastructure Committee staff, the OIG provided technical drafting assistance on the oversight and accountability sections of the bipartisan "Restoring Emergency Services To Protect Our Nation From Disasters (RESPOND) Act of 2006." The Committee's staff asked for suggestions, based on our experience in reviewing DOT's response to Hurricanes Katrina and Rita, to identify best practices and mechanisms that could be implemented governmentwide to help guarantee effective stewardship of monies provided through Federal Emergency Management Agency (FEMA) mission assignments. The OIG submitted suggestions focused on designing management oversight activities to ensure that Federal funds are appropriately spent for their intended purpose and to fully protect the taxpayers' interests.

RESOLVED QUESTIONED BOLTS ISSUE

Working with FHWA, FMCSA, and Louisiana state officials, OIG special agents helped ensure motorist safety by reviewing an allegation that over 400 bolts used to temporarily repair the hurricane-damaged I-10 Twin Spans Bridge in New Orleans were defective. Specifically, we found that trucks overloaded with debris from hurricane clean up efforts were speeding across the temporarily repaired bridge, which was not designed to handle the related stresses, thereby resulting in broken bolts. After tests requested by the OIG proved that the bolts met contract specifications for the Federal-aid project, OIG agents worked with Louisiana Department of Transportation and Louisiana State Police to lower bridge weight and speed limits. Subsequent increased enforcement (24 hours per day, 7 days a week) of these new limits helped reduce the number of broken bolts and eliminate potentially serious safety concerns.



FREED UP DISASTER RELIEF FUNDING

As a result of an OIG-suggested review, the Department's Assistant Secretary for Budget and Programs /Chief Financial Officer identified nearly \$41 million in excess FEMA Gulf Coast Hurricane funding that could be de-

obligated and made available for other disasters. Specifically, these monies were for various Hurricane Katrina, Rita, and Wilma emergency transportation mission assignment services requested under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. About \$27.8 million of the excess funding came from the Federal Aviation Administration, \$11.7 million from the Maritime Administration, and \$1.3 million from the Department's Office of the Secretary. Requests to FEMA to process the deobligations have been made or are in process.

DEVELOPED INVESTIGATIVE INTELLIGENCE ON HURRICANE KATRINA-RELATED CONTRACTS

At the request of the U.S. Department of Justice Hurricane Katrina Fraud Task Force, the OIG summarized selected information on approximately 75 hurricane-related acquisition contracts being monitored by the DOT's Senior Procurement Executive. The Task Force, which includes OIG investigators, is analyzing this information to identify potential fraudulent activity warranting further investigation. The contract information was also forwarded to the U.S. Department of Labor for crosschecking against the Federal Insurance Contributions Act and other withholdings databases to identify possible indicators of organized crime activities.

AVOIDED POTENTIAL IMPROPER PAYMENTS

The OIG alerted FHWA officials to several changes authorized by the Louisiana Civil Service Commission to increase flexible special and overtime pay for State employees performing work related to Hurricanes Katrina and Rita. We advised FHWA officials that OMB guidance did not allow Federal reimbursement of these increased costs. In addition, we noted that the U.S. Department of Homeland Security Inspector General had stated that increased costs resulting from these policy changes were not eligible for reimbursement under any of FEMA's disaster grant programs. In response, FHWA Louisiana Division personnel took action to ensure that these costs were not reimbursed through the FHWA Emergency Relief Program. For example, the Acting Division Administrator formally notified the Secretary of the Louisiana Department of Transportation that the increased compensation authorized by the Commission was not eligible for Emergency Relief Program reimbursement.

STRENGTHENED OVERSIGHT OF REIMBURSABLE EXPENDITURES

The OIG briefed officials from DOT's Office of Intelligence, Security, and Emergency Response, FAA, and FEMA on our concerns about the sufficiency of Defense Contract Audit Agency coverage of the Department's \$800 million

emergency transportation services contract. The contract supports DOT's responsibilities during national emergencies (e.g., the 2005 hurricane season). Based on OIG results, officials from the three different offices agreed to work together to (1) ensure comprehensive audits of the reasonableness of prices and costs for reimbursable delivery orders issued against the DOT contract and (2) modify language in existing and future mission assignments between DOT and FEMA to include contract audits as reimbursable tasks as opposed to having contract audit costs funded from FAA appropriations.

IMPROVED PURCHASE CARD TRANSACTION REPORTING

Based on OIG-identified concerns regarding the reliability and reasonableness of DOT hurricane-related purchase card transaction reporting, DOT's Senior Procurement Executive took immediate actions to enhance the accuracy and completeness of departmental reporting. Specifically, using sophisticated data analytics software, OIG auditors identified potentially significant underreporting of Operating Administrations' purchase card transactions for the 2005 Gulf Coast Hurricane relief efforts. The OIG shared the information with departmental procurement and financial managers, who confirmed the underreporting and implemented new policies and strategies to eliminate it. As a result, the reporting of hurricane-related purchase card expenditures increased about 193 percent, from \$410,000 in December 2005 to over \$1.2 million in August 2006.

CHARTS & TABLES

Summary of Performance

Office of Inspector General

April 1–September 30, 2006

Reports issued		32
Recommendations Issued		85
Congressional Testimonies		6
Total financial recommendations	\$	95,379,323
— that funds be better used	\$	36,193,000
— that questioned costs	\$	59,186,323
Indictments		84
Convictions		69
Fines, restitutions, recoveries	\$	26,120,354

INVESTIGATIONS

Judicial and Administrative Actions

April 1–September 30, 2006

Employee Terminations	5
Employee Suspensions	3
Employee Reprimand	1
Employee Resignations/Retirements	1
Employee Counseling	7
Debarments/Suspensions	56
Certificates/License suspended/revoked/terminated	4
Indictments	84
Convictions	69
Years Sentenced	56
Years Probation	74
Years Supervised Release	55
Hours of Community Service	1100

Financial Impact

Fines	\$1,959,975
Restitution/Civil Judgments	\$3,464,022
Federal Recoveries	\$436,260
Administrative Recoveries	\$20,009,968
State Recoveries	\$250,129
Total	\$26,120,354

During the 6 month period covered by this report, 78 cases were opened and 88 were closed, leaving a pending caseload of 575. In addition, 136 cases were referred for prosecution, 102 were accepted for prosecution, and 61 were declined. As of September 30, 2006, 39 cases were pending before prosecutors.

Profile of All Pending Investigations

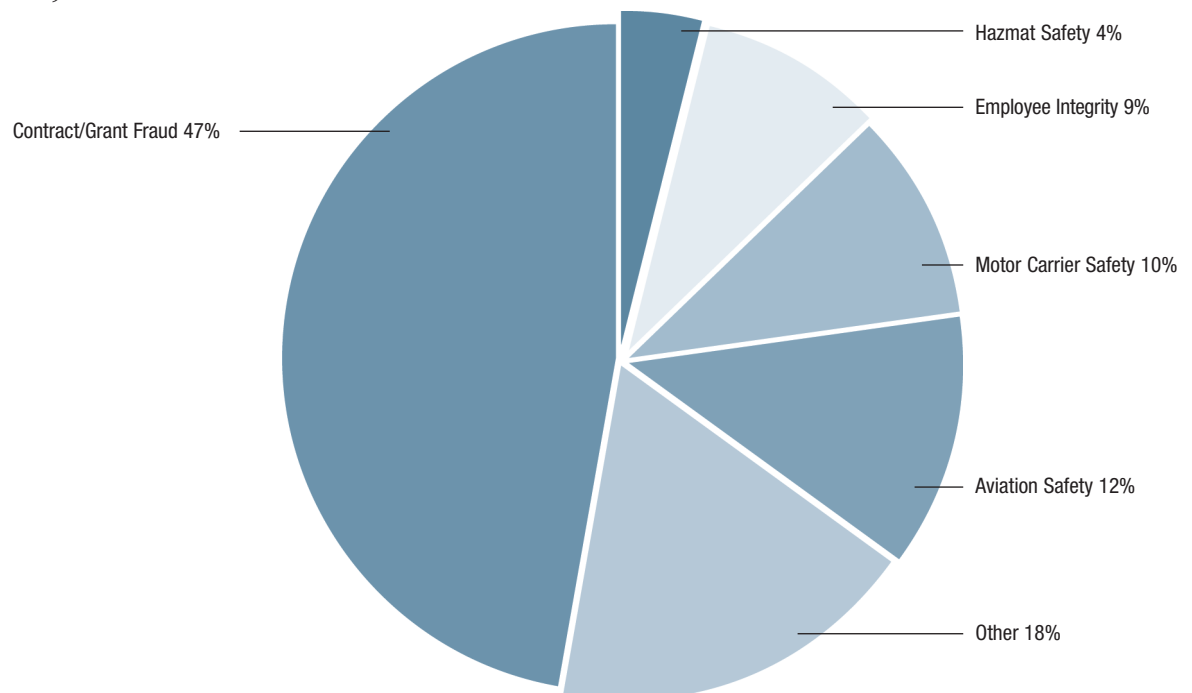
As of September 30, 2006

Types of Cases

	Number of Cases	Contract/Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	Hazmat	Other
Operating Administration							
Federal Aviation Administration	223	46	66	95	0	8	8
Federal Highway Administration	154	140	7	0	0	0	7
Federal Railroad Administration	14	2	5	0	0	4	3
Federal Transit Administration	33	30	3	0	0	0	0
Maritime Administration	5	2	2	0	0	0	1
Federal Motor Carrier Safety Administration	89	3	9	0	49	20	8
Office of the Secretary	20	3	11	0	0	0	6
Pipeline and Hazardous Materials Safety Administration	23	0	1	0	0	22	0
Research and Innovative Technologies Administration	2	2	0	0	0	0	0
National Highway Traffic Safety Administration	10	3	3	0	1	0	3
St. Lawrence Seaway Development Corporation	1	0	1	0	0	0	0
National Transportation Safety Board	1	0	1	0	0	0	0
Totals	575	231	109	95	50	54	36
Percent of Total:	100%	40%	19%	17%	9%	9%	6%

Application of Investigative Project Hours by Priority Area

April 1–September 30, 2006



Note: May not equal 100 percent due to rounding.

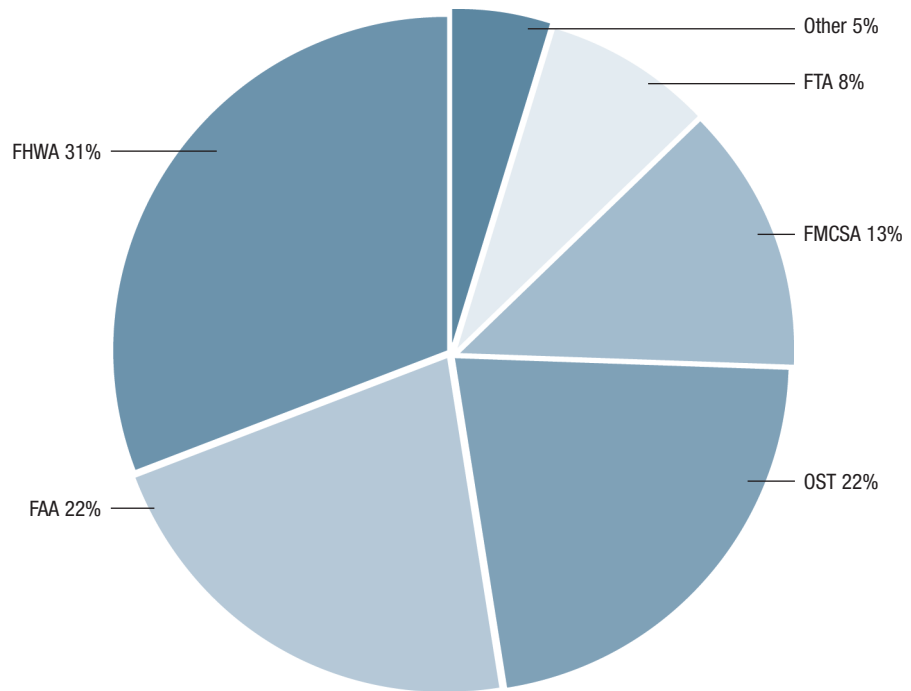
Status of Unresolved Investigations Recommendations

April 1–September 30, 2006

Associated Operating Administration	Recommendation(s)	Status
<i>For Semiannual Report Period of April 1, 2005–September 30, 2005</i>		
OST/OCIO	That OCIO account for all missing invoices and review costs for reasonableness on an inappropriately expanded and inadequately managed subcontract for consulting services.	Working with OST/OCIO to resolve open issues
OST/OCIO	That OCIO review other contracts and task orders for deficiencies in award and oversight (e.g., excessive numbers/dollar value of modifications or modifications finalized after performance) with corrective action taken on those found.	Working with OST/OCIO to resolve open issues
RITA	That RITA (a) disallow all or part of the matching contributions of a university [a grantee under RITA's University Transportation Center (UTC) Program] for building construction costs misrepresented by the university as a "matching asset" under the grant; and (b) that RITA recoup the corresponding grant funding or require the university to provide appropriate matching contributions.	Working with RITA to resolve open issues
RITA	That RITA request that the Department of Health and Human Services review the university's matching contributions in its next scheduled audit of the university.	Working with RITA to resolve open issues
RITA	That RITA develop and disseminate clear guidelines for determining if matching contributions under the UTC Program comply with OMB Circular A-110 and 49 CFR 19.	Working with RITA to resolve open issues
FAA	That FAA (a) work with the Social Security Administration and other disability benefits providers to develop a strategy to (i) identify certificated pilots nationwide who are receiving medical disability benefits from any provider, and (ii) determine whether the documented medical conditions of those disability recipients would disqualify them from maintaining their Airman Medical Certificates; and (b) take appropriate certificate enforcement action where falsifications are found.	Working with FAA to resolve open issues
FAA	That FAA consider revising its Application for Airman Medical Certificate to require applicants to explicitly identify whether they are receiving medical disability benefits from any provider.	Working with FAA to resolve open issues

Application of Investigative Project Hours by Operating Administration

April 1–September 30, 2006



Completed OIG Reports

April 1–September 30, 2006

(Dollars in Thousands)*

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs**	Funds to Be Put to Better Use
<i>Internal Audits</i>				
— Performance/Attestation Audits	11	39	\$1,400	\$36,193
— Financial Audits	1	12	\$0	\$0
Total Internal Audit Reports	12	51	\$1,400	\$36,193
<i>Grant Audits</i>				
— Audits of Grantee Under Single Audit Act	20	34	\$57,786	\$0
Totals	32	85	\$59,186	\$36,193

*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. The table above shows OIG's results in the three categories for the 6 months covered by this report.

OIG Reports with Recommendations That Questioned Costs

April 1–September 30, 2006

(Dollars in thousands)

Reports	Number of Reports	Number of Recommendations	Questioned Costs*
A For which no management decision had been made by the start of the reporting period	20	26	\$14,301
B Which were issued during the reporting period	18	32	\$59,186
Totals (A+B)	38	58	\$73,487
C For which a management decision was made during the reporting period	13	18	\$11,152
(i) dollar value of disallowed costs**	7	9	\$6,642
(ii) dollar value of costs not disallowed**	7	10	\$4,530
D For which no management decision had been made by the end of the reporting period	25	40	\$62,335

*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, 2006

(Dollars in thousands)

Reports	Number of Reports	Number of Recommendations	Funds to Be Put to Better Use
A For which no management decision had been made by the start of the reporting period	4	6	\$1,743,500
B Which were issued during the reporting period	2	3	\$36,193
Totals (A+B)	6	9	\$1,779,693
C For which a management decision was made during the reporting period	3	3	\$46,993
(i) dollar value of recommendations that were agreed to by management *	3	3	\$39,049
(ii) dollar value of recommendations that were not agreed to by management *	1	1	\$7,944
D For which no management decision had been made by the end of the reporting period	4	6	\$1,732,700

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

OIG Reports Recommending Changes for Safety, Economy, or Efficiency

April 1–September 30, 2006

	Number of Reports	Number of Recommendations
Reports		
A For which no management decision had been made by the start of the reporting period	40	147
B Which were issued during the reporting period	12	50
Totals: (A+B)	52	197
C For which a management decision was made during the reporting period*	25	88
D For which no management decision had been made by the end of the reporting period*	30	109

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

Management Decisions Regarding OIG Recommendations

April 1–September 30, 2006

(Dollars in thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs*	Funds to Be Put to Better Use
Unresolved as of 04/01/06	54	179	\$14,301	\$1,743,500
Audits with Findings During Current Period	27	85	\$59,186	\$36,193
Total to be Resolved	81	264	\$73,487	\$1,779,693
<i>Management Decisions:</i>				
— Audits Prior Period‡	23	66	\$11,152	\$12,500
— Audits Current Period‡	9	43	\$0	\$34,493
Total Resolved	32	109	\$11,152	\$46,993
<i>Aging of Unresolved Audits: **</i>				
Less than 6 mos. old	19	42	\$59,186	\$1,700
— 6 mos.–1 year	10	23	\$1,050	\$0
— 1 year–18 mos.	6	17	\$21	\$975,000
— 18 mos.–2 years	9	34	\$1,722	\$0
— Over 2 years old	8	39	\$356	\$756,000
Unresolved as of 09/30/06	52	155	\$62,335	\$1,732,700

*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.

Office of Inspector General Published Reports

April 1–September 30, 2006

Report	Date	Title	Focus of Report/ Recommendations
FEDERAL AVIATION ADMINISTRATION			
<i>Internal Audits: Performance/Attestation—7 reports</i>			
AV-2006-047	04/27/06	FAA Telecommunications Infrastructure Program: FAA Needs to Take Steps to Improve Management Controls and Reduce Schedule Risks	Master schedule and transition plan needed to execute FTI transition
CR-2006-049	05/19/06	Small Community Aviation Delays and Cancellations (<i>also listed under Office of the Secretary</i>)	Length of flight delays longer and cancellation rates higher for small communities
AV-2006-050	06/21/06	Report on the Air Traffic Organization's Management Controls Over Credit Hours	Insufficient management controls over the earning and use of credit hours
AV-2006-055	07/11/06	Report on FAA's Actions to Address Mold at the Detroit Metropolitan Air Traffic Control Tower Facility	Actions taken to remove mold but more work needed to alleviate moisture sources
AV-2006-056	08/03/06	Use of Airport Revenues by the Greater Orlando Aviation Authority	Put \$2,193,000 to better use
FI-2006-072	09/21/06	Federal Aviation Administration's RESULTS National Contracting Service	Put \$34,000,000 to better use
AV-2006-074	09/28/06	Follow-Up Audit Report on FAA's Management Of and Controls Over Memorandums of Understanding	Significant progress made in improving controls
<i>Internal Audits: Financial—1 report</i>			
QC-2006-076	09/29/06	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>)	Strengthen control objective areas to enhance Delphi operations
<i>Grant Audits: Audits of Grantee Under Single Audit Act—7 reports</i>			
QC-2006-048	05/01/06	Miami-Dade County Aviation Department, FL	Improve grantee oversight
QC-2006-053	07/06/06	Virgin Islands Port Authority	\$77,925 questioned
QC-2006-054	07/06/06	Greater Orlando Aviation Authority, FL	Improve grantee oversight
QC-2006-057	08/29/06	Jefferson County, CO	\$355,000 questioned
QC-2006-059	08/29/06	State of Minnesota (<i>also listed under Federal Highway Administration</i>)	\$151,000 questioned
QC-2006-069	09/14/06	Republic of Palau National Government	\$67,526 questioned
QC-2006-070	09/14/06	County of San Bernardino, CA	\$225,464 questioned
FEDERAL HIGHWAY ADMINISTRATION			
<i>Internal Audits: Performance/Attestation—1 report</i>			
MH-2006-065	09/06/06	Mississippi Department of Transportation's Award of Selected Hurricane Katrina Emergency Repair Contracts	\$1,400,000 questioned

Report	Date	Title	Focus of Report/ Recommendations
<i>Grant Audits: Audits of Grantee Under Single Audit Act—8 reports</i>			
QC-2006-059	08/29/06	State of Minnesota (also listed under Federal Aviation Administration)	\$12,568,300 questioned
QC-2006-060	08/29/06	State of North Carolina	\$33,288 questioned
QC-2006-061	08/29/06	State of Florida	\$759,358 questioned
QC-2006-062	08/29/06	State of Vermont (also listed under Federal Transit Administration)	\$586,415 questioned
QC-2006-063	08/29/06	State of Rhode Island and Providence Plantations	\$397,828 questioned
QC-2006-064	08/29/06	State of Montana (also listed under National Highway Traffic Safety Administration)	\$14,041,974 questioned
QC-2006-067	09/14/06	Dallas County, TX	\$145,333 questioned
QC-2006-075	09/28/06	State of Hawaii, Department of Transportation, Highways Division	\$2,741,137 questioned
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION			
<i>Internal Audits: Performance/Attestation—1 report</i>			
MH-2006-046	04/21/06	Significant Improvements in Motor Carrier Safety Program Since 1999 Act but Loopholes for Repeat Violators Need Closing	Document all safety violations to aid in identifying patterns of violations
<i>Grant Audits: Audits of Grantee Under Single Audit Act—1 report</i>			
QC-2006-052	07/06/06	Commonwealth of Puerto Rico Public Service Commission	\$302,876 questioned
FEDERAL TRANSIT ADMINISTRATION			
<i>Grant Audits: Audits of Grantee Under Single Audit Act—4 reports</i>			
QC-2006-045	04/20/06	City of Colorado Springs, CO	\$984,000 questioned
QC-2006-062	08/29/06	State of Vermont (also listed under Federal Highway Administration)	\$15,981 questioned
QC-2006-066	09/07/06	City of El Paso, TX	\$19,564,974 questioned
QC-2006-073	09/21/06	State of Maryland	Improve grantee oversight
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
<i>Grant Audits: Audits of Grantee Under Single Audit Act—3 reports</i>			
QC-2006-058	08/29/06	State of Mississippi	\$12,619 questioned
QC-2006-064	08/29/06	State of Montana (also listed under Federal Highway Administration)	\$4,729,041 questioned
QC-2006-068	09/14/06	Government of Guam	\$26,284 questioned
OFFICE OF THE SECRETARY OF TRANSPORTATION			
<i>Internal Audits: Performance/Attestation—2 reports</i>			
CR-2006-049	05/19/06	Small Community Aviation Delays and Cancellations (also listed under Federal Aviation Administration)	Length of flight delays and cancellation rates higher for flights from small communities

Office of Inspector General Published Reports *(continued)*

April 1–September 30, 2006

Report	Date	Title	Focus of Report/ Recommendations
AV-2006-051	06/30/06	Internal Controls Over Payments for Emergency Disaster Relief Transportation Services	Better internal controls needed to ensure Government receives purchased relief services
<i>Internal Audits: Financial–1 report</i>			
QC-2006-076	09/29/06	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>	Strengthen control objective areas to enhance Delphi operations
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION			
<i>Internal Audits: Performance/Attestation–1 report</i>			
AV-2006-071	09/18/06	Integrity Threats to Hazardous Liquid Pipelines	Progress made in addressing pipeline integrity threats; improvements needed in operator reporting accuracy and analysis of inspection data

Other Audit Work Products

April 1–September 30, 2006

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.

Type of Product	Number of Products
Briefings and Presentations	27
Formal Correspondence	4
Non-Audit Data Call Products	2
Speaking Engagements/Speeches	1

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

- A briefing by the Inspector General for Representative John Olver, House Appropriations Subcommittee on Transportation, on the OIG's oversight of life cycle costs for the Standard Terminal Automation Replacement System, which will supply new controller displays and related computer equipment for FAA's terminal facilities.
- A briefing by the Acting Principle Assistant Inspector General for Auditing and Evaluation and the Deputy Assistant Inspector General for Surface and Maritime Programs for staff of the Senate and House Appropriations Committees on the OIG's oversight of the ongoing Central Artery/Tunnel safety reviews.

- A briefing by staff of the Office of Competition and Economic Analysis for Chairman Don Young, Representative John Mica, and staff of the House Transportation and Infrastructure Committee on the OIG’s review of Amtrak’s management of outside legal services related to the Northeast High Speed Rail Improvement Project.
- A formal correspondence from the Acting Inspector General to Representative Michael Capuano, House Transportation and Infrastructure Committee, on OIG’s oversight of the comprehensive safety review of the Central Artery/Tunnel.
- A formal correspondence from the Assistant Inspector General for Surface and Maritime Programs to the Massachusetts Congressional Delegation on OIG’s observations of Phases 1, 2, and 3 of the reopening of the Central Artery/Tunnel.
- A presentation for the 2006 Midwest States Highway-Rail Safety Meeting on the findings and recommendations of OIG Report No. MH-2006-016 “Audit of Oversight of Highway-Rail Grade Crossing Accident Reporting, Investigations, and Safety Regulations.” The report found that greater attention is needed in the areas of reporting and investigating grade crossing collisions, and strengthening enforcement when an FRA inspector cites a railroad for a safety defect.

Office of Inspector General Congressional Testimonies

April 1–September 30, 2006

Control No.	Date	Subject	Before
CC-2006-039	04/27/06	Pipeline Safety: Progress and Remaining Challenges	Committee on Energy and Commerce Subcommittee on Energy and Air Quality U.S. House of Representatives
CC-2006-044	05/04/06	Household Goods Moving Fraud	Committee on Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine U.S. Senate
CC-2006-031	06/21/06	Observations on Current and Future Efforts to Modernize the National Airspace System	Committee on Transportation and Infrastructure Subcommittee on Aviation U.S. House of Representatives
CC-2006-056	07/13/06	Lower Manhattan Reconstruction: Lessons Learned from Large Transportation Projects	Committee on Homeland Security Subcommittee on Management, Integration, and Oversight U.S. House of Representatives
CC-2006-065	07/25/06	Perspectives on the Progress and Actions Needed to Address the Next Generation Air Transportation System	Committee on Commerce, Science, and Transportation Subcommittee on Aviation U. S. Senate
CC-2006-074	09/20/06	Observations on FAA’s Oversight of Aviation Safety	Committee on Transportation and Infrastructure Subcommittee on Aviation U.S. House of Representatives

Status of Unresolved Recommendations Over Six Months Old

Cited in Semiannual Report for April 1, 2000–September 30, 2000

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

Acquisition of the Weather and Radar Processor	AV-2002-084	02/28/02	Working with FAA to resolve open issues
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Cited in Semiannual Report for April 1, 2003–September 30, 2003

Status Report on FAA's Operation Evolution Plan	AV-2003-048	07/23/03	Working with FAA to resolve open issues
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FAA Needs to Reevaluate STARS Costs and Consider Other Alternatives	AV-2003-058	09/09/03	Working with FAA to resolve open issues
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Cited in Semiannual Report for October 1, 2003–March 31, 2004

Chambersburg Transit Authority	QC-2004-019	01/20/04	FTA working with Grantee to resolve open issues
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Quality Control Review of Audited Financial Statements for Fiscal Years 2003 and 2002, Highway Trust Fund	QC-2004-029	01/23/04	Working with FHWA to resolve open issues
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Inactive Obligations	FI-2004-039	03/31/04	Working with FHWA to resolve open issues
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Cited in Semiannual Report for April 1, 2004–September 30, 2004

Highway-Rail Grade Crossing Safety Program	MH-2004-065	06/16/04	Working with FHWA, FRA, and FTA to resolve open issues
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Cited in Semiannual Report for October 1, 2004–March 31, 2005

2003 Status Assessment of Cost Accounting System and Practices	FI-2005-010	11/17/04	Working with FAA to resolve open issues
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Managing Risk in the Federal-Aid Highway Program	MH-2005-012	11/19/04	Working with FHWA to resolve open issues
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Terminal Modernization: FAA Needs to Address its Small, Medium, and Large Sites Based on Cost, Time, and Capability	AV-2005-016	11/23/04	Working with FAA to resolve open issues
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Government of the United States Virgin Islands	QC-2005-020	12/14/04	FHWA working with Grantee to resolve open issues
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Puerto Rico Highway Transportation Authority	QC-2005-039	01/04/05	FHWA and FTA working with Grantee to resolve open issues
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Inactive Obligations	FI-2005-044	01/31/05	Working with FAA to resolve open issues
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FHWA Needs to Capture Basic Aggregate Cost and Schedule Data To Improve its Oversight of Federal-Aid Funds	MH-2005-046	02/15/05	Working with FHWA to resolve open issues
Greater Cleveland Regional Transit Authority	QC-2005-053	03/15/05	FTA working with Grantee to resolve open issues
Office of the Chief Information Officer's Budget	FI-2005-055	03/31/05	Working with OST to resolve open issues

Cited in Semiannual Report for April 1, 2005–September 30, 2005

Walker River Paiute Tribe	QC-2005-056	05/12/05	FHWA working with Grantee to resolve open issues
Status of FAA's Major Acquisitions: Cost Growth and Schedule Delays Continue to Stall Air Traffic Modernization	AV-2005-061	05/26/05	Working with FAA to resolve open issues
Safety Oversight of an Air Carrier Industry in Transition	AV-2005-062	06/03/05	Working with FAA 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	Working with FAA to resolve open issues
Chicago's O'Hare Modernization Plan	AV-2005-067	07/21/05	Working with FAA to resolve open issues
Analysis of Cost Savings on Amtrak's Long-Distance Services	CR-2005-068	07/22/05	Working with FRA to resolve open issues

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

Central Puget Sound Regional Transit Authority	QC-2006-004	11/02/05	FTA working with Grantee to resolve open issues
Highway-Rail Grade Crossing Inspections, Accident Reporting, and Investigations	MH-2006-016	11/28/05	Working with FRA to resolve open issues
Central Puget Regional Transit Authority	QC-2006-020	12/07/05	FTA working with Grantee to resolve open issues
Followup Audit Review of Air Traffic Controller Training	AV-2006-021	12/07/05	Working with FAA to resolve open issues
Sunset Empire Transportation District	QC-2006-023	12/07/05	FTA working with Grantee to resolve open issues
Chicago Transit Authority	QC-2006-026	12/07/05	FTA working with Grantee to resolve open issues
Air Carriers Use of Non-Certificated Repair Facilities	AV-2006-031	12/15/05	Working with FAA to resolve open issues
Greenville Transit Authority	QC-2006-034	02/02/06	FTA working with Grantee to resolve open issues
Gulfport-Biloxi Regional Airport Authority	QC-2006-042	03/09/06	FAA working with Grantee to resolve open issues
Safety of Highway Bridges	MH-2006-043	03/21/06	Working with FHWA to resolve open issues

Application of Audit Project Hours by Operating Administration

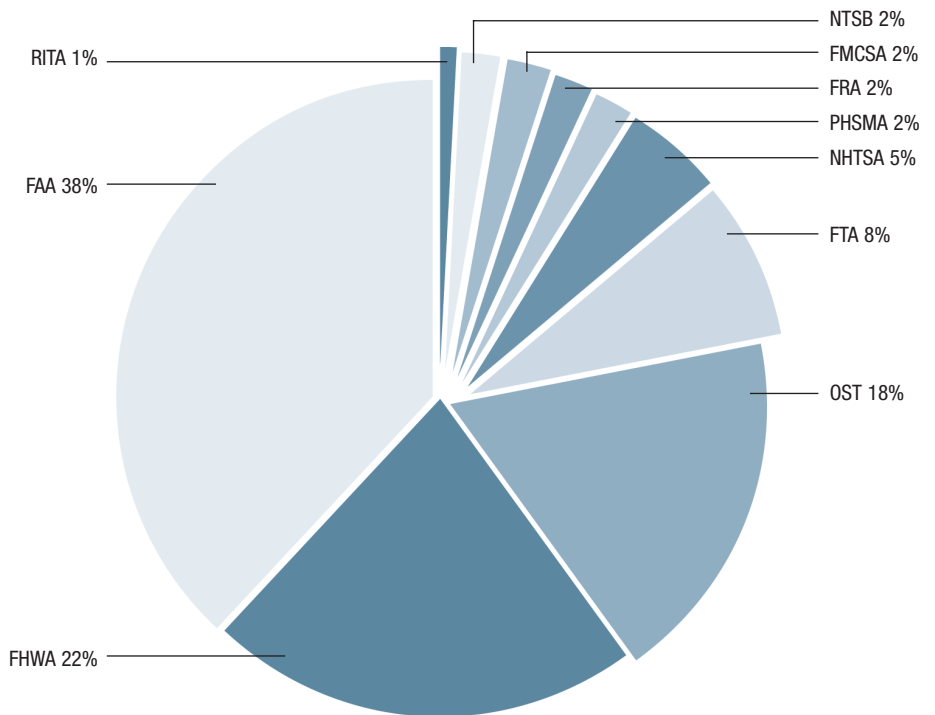
April 1–September 30, 2006

Notes:

Resources shown for OST include time spent performing audits of the DOT Consolidated Financial Statements (which includes all Operating Administrations), Follow-up on Airline Customer Service Commitment, and DOT's Information Security Program.

Resources shown for FRA include time spent performing audits of the National Railroad Passenger Corporation.

There were no resources expended on the Maritime Administration, St. Lawrence Seaway Development Corporation, and Surface Transportation Board during the reporting period.



Required Statements:

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.

MISSION, ORGANIZATION, & CONTACTS

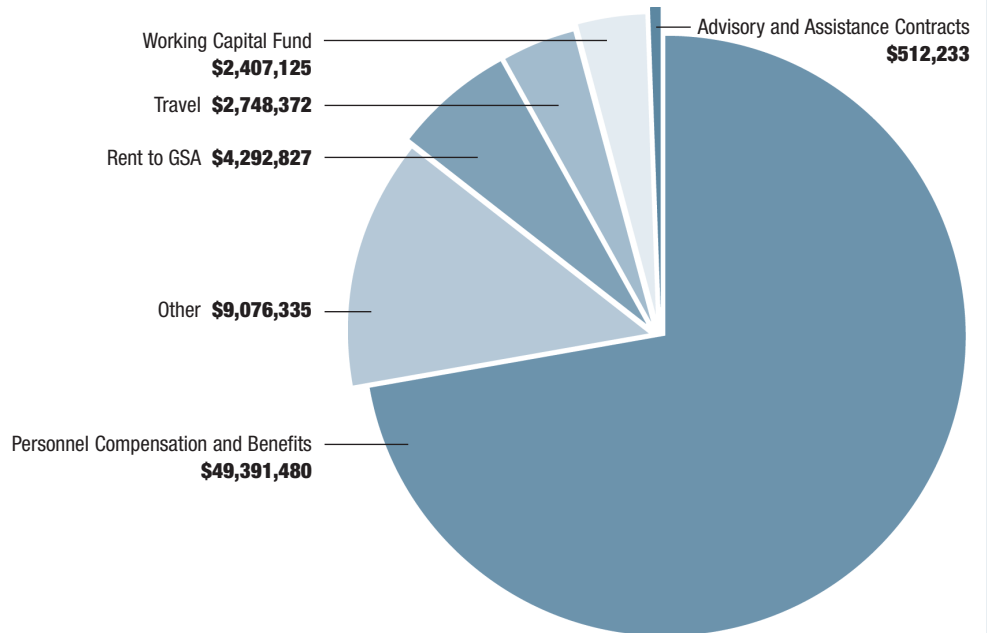
The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95-452). The act sets several goals for OIG:

- To conduct or supervise objective audits and investigations of DOT's programs and operations;
- To promote economy, effectiveness, and efficiency within DOT;
- 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 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.

OIG FY 2006 Actual Obligations

Total: \$68,428,372



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fax: 540-373-2090

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

ABBREVIATIONS

AF-OSI	Air Force Office of Special Investigations	GSA	General Services Administration
AICPA	American Institute of Certified Public Accountants	HAZMAT	Hazardous Material
AIG	Assistant Inspector General	HTF	Highway Trust Fund
AIP	Airport Improvement Program	IG	Inspector General
AIR-21	Aviation Investment and Reform Act for the 21st Century	IRB	Investment Review Board
ASDE-X	Airport Surface Detection Equipment-Model X	IRS	Internal Revenue Service
ATC	Air Traffic Control	IT	Information Technology
ATO	Air Traffic Organization	JPDO	Joint Planning and Development Office
ATOP	Advanced Technology and Oceanic Procedures	MARAD	Maritime Administration
ATOS	Air Transportation Oversight System	MCSIA	Motor Carrier Safety Improvement Act
BATF	Bureau of Alcohol, Tobacco, Firearms and Explosives	MOU	Memorandum of Understanding
BTS	Bureau of Transportation Statistics	NAFTA	North American Free Trade Agreement
CDLIS	Commercial Driver's License Information System	NAS	National Airspace System
CDL	Commercial Driver's License	NCIS	Naval Criminal Investigative Service
CFO	Chief Financial Officer	NDR	National Driver Register
CFR	Code of Federal Regulations	NHTSA	National Highway Traffic Safety Administration
CID	Criminal Investigations Division	NTSB	National Transportation Safety Board
CIO	Chief Information Officer	OA	Operating Administration
CPDLC	Controller-Pilot Data Link Communications	OCIO	Office of Chief Information Officer
DAIG	Deputy Assistant Inspector General	OIG	Office of Inspector General
DBE	Disadvantaged Business Enterprise	OMB	Office of Management and Budget
DCAA	Defense Contract Audit Agency	OPM	Office of Personnel Management
DCIS	Defense Criminal Investigative Service	OSI	Office of Special Investigations
DHS	Department of Homeland Security	OST	Office of the Secretary of Transportation
DOJ	Department of Justice	PCIE	President's Council on Integrity and Efficiency
DOT	Department of Transportation	PHMSA	Pipeline and Hazardous Materials Safety Administration
EPA	Environmental Protection Agency	QCR	Quality Control Review
FAA	Federal Aviation Administration	RITA	Research and Innovative Technology Administration
FBI	Federal Bureau of Investigation	RSPA	Research and Special Programs Administration
FHWA	Federal Highway Administration	SAFETEA-LU	Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users
FISMA	Federal Information Security Management Act	SAS-70	Statement on Auditing Standards Number 70
FMCSA	Federal Motor Carrier Safety Administration	SafeStat	Safety Status Measurement System
FRA	Federal Railroad Administration	SLSDC	St. Lawrence Seaway Development Corporation
FTA	Federal Transit Administration	STARS	Standard Terminal Automation Replacement System
FTI	FAA Telecommunications Infrastructure	STB	Surface Transportation Board
FY	Fiscal Year	SUP	Suspected Unapproved Parts
GAO	Government Accountability Office	TEA-21	Transportation Equity Act for the 21st Century
GMRA	Government Management Reform Act		



U.S. Department of Transportation

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