



Semiannual Report to Congress

October 1, 2005 – March 31, 2006

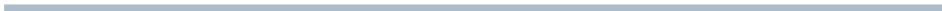




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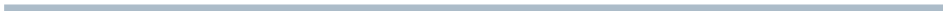
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FROM THE ACTING INSPECTOR GENERAL

We are pleased to present the Department of Transportation Office of Inspector General's Semiannual Report to Congress for the six months ending March 31, 2006. We thank Secretary Mineta, Deputy Secretary Cino, our modal administrators, and Congressional members and staff for their responsiveness to our recommendations to strengthen safety, improve program delivery, and maximize efficiency.

During this semiannual period, we issued 44 audit reports and 182 recommendations, and our investigations resulted in 103 convictions. Our work resulted in more than \$819 million in financial recommendations, fines, restitutions, civil penalties, and recoveries. We testified before Congress on 5 occasions including such issues as ATC modernization; FAA's budget; Pipeline safety; Amtrak; and Aviation safety. A summary of highlights from audits, investigations, and testimonies presented during this reporting period can be found in this report.

We also want to recognize the contributions of our former Inspector General, Kenneth M. Mead, who retired in February 2006 after more than 30 years of Federal service. Ken served with great distinction and dedication for almost nine years as Inspector General and his tenure was marked by a solid record of accomplishments. As Secretary Mineta stated when he learned of Ken's retirement:

“Taxpayers are losing a fierce ally with the resignation of my good friend and respected colleague, Inspector General Mead. Ken has been a tireless advocate for setting the highest possible standards of integrity, accountability, and performance. Thanks to his efforts, we are all better at the work we do making the nation's transportation system as safe and efficient as possible. He will be remembered for his contributions and distinguished public service.”

To commemorate his service, on February 17, 2006 the United States Senate passed a resolution recognizing Ken for his exemplary service. A copy of the resolution is included in this report. It was a privilege and an honor for all of us to have served under his leadership.



109TH CONGRESS
2D SESSION

S. RES. 382

Recognizing Kenneth M. Mead's service as the Inspector General of the Department of Transportation.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 17, 2006

Mr. STEVENS (for himself, Mr. INOUE, Mr. BURNS, Mr. McCAIN, Mr. ROCKEFELLER, Mr. LOTT, Mr. LAUTENBERG, Mr. SUNUNU, Mr. PRYOR, and Mr. NELSON of Florida) submitted the following resolution; which was considered and agreed to

RESOLUTION

Recognizing Kenneth M. Mead's service as the Inspector General of the Department of Transportation.

Whereas Kenneth M. Mead has announced his retirement as the Inspector General of the Department of Transportation after nearly 9 years of service in that position;

Whereas Kenneth M. Mead and his staff conducted investigations independently, impartially, and with rigorous professionalism into myriad issues affecting transportation and transportation policy;

Whereas Kenneth M. Mead and his staff provided independent, thorough, and relevant commentary and recommendations on a wide-range of Federal transpor-

tation policies and programs, including aviation operations and safety, highway, auto and truck operations and safety, transportation security, rail operations and safety, and pipeline and hazardous materials transportation safety;

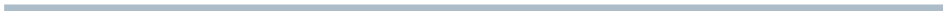
Whereas, during Kenneth M. Mead's tenure as Inspector General, the events of September 11, 2001, had a dramatic impact on the Federal government's relationship with the aviation industry and posed significant challenges for ensuring the safety and security of public transportation in general and the United States aviation industry in particular; and

Whereas Secretary of Transportation Norman Mineta recognized Kenneth M. Mead's contributions by describing him as "a tireless advocate for setting the highest possible standards of integrity, accountability, and performance" in the Department's efforts to make the Nation's transportation system as safe and efficient as possible: Now, therefore, be it

1 *Resolved*, That the United States Senate commends
2 Kenneth M. Mead for his more than 8 years of faithful
3 and exemplary service to the Nation as the Inspector Gen-
4 eral of the Department of Transportation, and expresses
5 its deep appreciation and gratitude for his long and out-
6 standing service.

7 SEC. 2. The Secretary of the Senate shall transmit
8 a copy of this resolution to Kenneth M. Mead.

○



WORK PLANNED AND IN PROGRESS

This section describes significant projects currently underway or planned by the Office of Inspector General that focus on the Department's progress in achieving its strategic objectives in safety, mobility, global connectivity, environmental stewardship, and security. We will review the oversight of aircraft maintenance work performed by outside repair stations, FAA's progress on major acquisitions, and the competitive outsourcing of flight service stations. We will ensure thorough financial reporting and accounting practices throughout the Department and review information system security. We will report on the status of the North American Free Trade Agreement's border crossing provisions, the oversight of FTA's grants management program, and NHTSA's management reviews of state highway safety programs. Our ongoing work in response to the natural disasters in the Gulf Coast region continues to focus on the Department's efforts to rebuild damaged or destroyed infrastructure and to protect reconstruction funding from fraud, waste, and abuse.

OIG has developed the following work plan for the period of April 1 through September 30, 2006.

AVIATION AND SPECIAL PROGRAMS

■ **Advanced Technology and Oceanic Procedures II**

Compare FAA's experience in acquiring an oceanic system to the experiences of other major oceanic air traffic control service providers. Review the cost, schedule, performance specifications, and the operating environment (i.e., complexity and volume of airspace) that the system was designed to accommodate.

■ **Validation of the Standard Terminal Automation Replacement System (STARS) Phase I Program Costs**

Review and validate the life cycle cost studies and other relevant analyses provided to FAA's Joint Resources Council to justify and rebaseline Phase I of the STARS program.

■ **Oversight of Aircraft Manufacturers' Quality Assurance System for Suppliers**

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

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

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

■ **FAA's Telecommunication Infrastructure Program**

Determine whether FAA can transition to FTI within revised cost and schedule guidelines and identify the key program risks that could affect FAA's ability to meet cost and schedule projections.

■ **Integrity Threats to Hazardous Liquid Pipelines**

Assess (1) actions taken by hazardous liquid pipeline operators to remediate integrity threats and (2) PHMSA efforts to verify the adequacy of these corrective actions.

■ **Follow-Up Review of FAA's Management and Controls Over Memoranda of Understanding (MOUs)**

Determine whether FAA's newly established internal policies and procedures have been effective in improving the Agency's management of and controls over MOUs. The audit was requested by the House Appropriations Subcommittee on Transportation, Treasury, and Housing and Urban Development.

■ **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 runway incursions and ground collisions.

■ **FAA Joint Planning and Development Office (JPDO)**

Determine (1) progress made by JPDO in aligning and leveraging research conducted by other Federal agencies, (2) how JPDO will shift new technologies and capabilities from research to prototype and introduction into the National Airspace System, and (3) what barriers JPDO must overcome to transition to a new air traffic management system. This audit was requested by the Chairman and Ranking Member of the House Transportation and Infrastructure's Aviation Subcommittee.

■ **Follow-Up on Airline Customer Service Commitment**

Follow-up on the performance of U.S. airlines in implementing provisions of the Airline Customer Service Commitment and related issues



that have an immediate impact on passengers, such as (1) notification of delays and cancellations, (2) frequent flyer program, (3) overbooking and denied boardings, and (4) accommodation for disabled and special needs passengers. In addition, we will evaluate how well the Department is overseeing and investigating air travel and consumer protection requirements. The audit was requested by the Chairman of the House Transportation and Infrastructure's Aviation Subcommittee.

■ **FAA's Oversight of Airport Revenue Diversions**

Determine whether the City of Orlando is complying with revenue use requirements.

■ **Review of Air Traffic Organization's (ATO) Management Controls Over Credit Hours**

Determine if the ATO's management controls over credit hours are sufficient to ensure that credit hours are justified, necessary, and in the best interest of the Government.

■ **FAA's Oversight of Airport Improvement Program (AIP) Hurricane Grants**

Evaluate the adequacy of FAA's procedures and controls for oversight of AIP grants issued to assist airports in rebuilding after Hurricanes Katrina and Rita.

■ **Emergency Disaster Relief Transportation Services Contract**

Determine if FAA Southern Region's internal controls over the contract are sufficient to ensure that the Government received the services it paid for.

■ **FAA Oversight of Aging Aircraft**

Evaluate FAA's progress in implementing provisions of the Aging Airplane Act that require mandatory aging aircraft inspections and records review.

■ **FAA's Efforts To Improve Weather Forecasting in Terminal and En Route Environments**

Review major improvements-both technological and procedural-for enhancing the flow of weather information to air traffic controllers and pilots and determine how these improvements can be made more cost effective.

■ **Progress in Executing FAA's Air Traffic Controller Staffing Strategy**

Address FAA's progress executing this plan and determine whether productivity gains are being realized and realistically quantified.



■ Implementation of FAA's A-76 Plans for Flight Service Stations

Assess FAA's oversight and management of the transition. Specifically, we will determine if sufficient controls are in place to ensure that expected savings are realized.



■ Progress and Problems with FAA's Major Acquisitions

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). The audit was requested by the Chairman and Ranking Member of the House Aviation Subcommittee.

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 contracts awarded by states to engineering and design firms. Procedures include testing the allowability of compensation and other high overhead cost elements billed by these firms.

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

Determine whether (1) personal identification information stored in the NDR can be accessed for unapproved use; (2) traffic violations are promptly and accurately processed for NDR reporting; (3) an adequate contingency plan exists to ensure business continuity; and (4) risks associated with NDR system operations are properly assessed, tested, and mitigated to meet minimum Government security standards.

■ 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.

■ **FAA's RESULTS National Contracting Service**

Review FAA's use of multiple-award umbrella procurement programs to acquire contract support services, focusing on the RESULTS procurement program. We will determine whether RESULTS was properly established and whether contracts are properly competed, administered, and have a well-defined scope.

■ **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 measures and accounting practices are in place to prevent an Anti-Deficiency Act violation similar to the one reported by FTA in June 2003 for \$77 million.

■ **National Transportation Safety Board (NTSB) Government Travel Cards**

Determine whether (1) internal controls are adequate to safeguard against unauthorized use, (2) National Transportation Safety Board employees use travel cards only for official Government business, and (3) delinquent travel charge accounts are identified and monitored to ensure timely resolution.

■ **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.

■ **Oversight of IPA's SAS-70 Review of FAA's Enterprise Service Center as it Relates to the Delphi Financial Management System**

Perform a quality control review of the audit by an independent public accounting firm. DOT has been designated as one of the Centers of Excellence to provide cross-agency accounting system services throughout the Federal Government. OMB requires servicing agencies to hire an independent contractor to review and test management assertions in accordance with AICPA standards (SAS-70). The contractor will examine computer controls over the information technology and data processing environment, as well as the input, processing, and output controls built into the Delphi system.

■ **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.

■ **FY 2006 DOT Federal Information Security Management Act (FISMA) Review**

Determine the effectiveness of DOT's information security program by measuring progress made in (1) implementing information security requirements since last year, (2) correcting air traffic control system security deficiencies, and (3) enhancing information technology investment management controls. We will also provide input to DOT's annual FISMA report by answering questions specified by OMB.

■ **FY 2006 NTSB Federal Information Security Management Act Review**

Determine whether NTSB has made adequate progress in implementing the planned correcting actions, based on last year's audit recommendations.

■ Security and Controls Over the Pilot Medical Database

Determine whether the confidentiality and integrity of the Pilot Medical Database is 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.

■ Independent Assessment of DOT and NTSB Privacy

Contract with an independent, third party that is a recognized leader in privacy assessments to (1) evaluate the use of information in identifiable form, (2) evaluate the privacy and data protection procedures of DOT and NTSB, and (3) recommend strategies and specific steps to improve privacy and data protection management.

SURFACE AND MARITIME PROGRAMS

■ Federal Transit Administration Bus Procurement Processes

Determine whether FTA's oversight ensures that transit agencies using Federal funds to purchase and operate transit bus fleets (1) follow procurement and management practices in accordance with Federal guidelines and (2) have business practices that achieve the most cost effective use of Federal dollars.

■ Central Artery/Tunnel Project 2004 Finance Plan

Determine whether the 2004 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.

■ Highway-Rail Grade Crossing Accident Reporting and Data Analysis

Assess the adequacy of the Federal Railroad Administration's oversight of railroads' reporting of grade crossing collisions and analysis of data in its national accident database. This report is a follow-up to our November 2005 report.



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

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.

■ **Federal Highway Administration's Oversight for Implementing Value Engineering (VE)**

Determine whether FHWA's oversight is adequate to ensure that (1) VE studies are performed in accordance with established criteria and (2) VE recommendations are timely and implemented to the maximum extent possible, permitting potential savings to be achieved.



■ **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.

■ **Mississippi DOT Katrina Emergency Repair Contracts**

Ensure that Mississippi Department of Transportation Emergency Repair contract awards were consistent with applicable Federal and state procurement procedures and that prices received were fair and reasonable under the emergency conditions that resulted from Hurricane Katrina.

■ **Oversight of Federal Transit Administration Fixed Guideway Modernization**

Assess FTA's statutory oversight role and evaluate a sampling of transit agencies to determine whether they have used these funds in accordance with the program policies.

■ **National Highway Traffic Safety Administration (NHTSA) Oversight of State Highway Safety Programs**

Evaluate NHTSA's practices and procedures in conducting management reviews and special management reviews of state highway safety programs and identify best practices to improve the reviews.

■ **Federal Transit Administration Administrative Expenses**

Determine if Federal Transit Administration administrative expenditures were in compliance with the provisions of the FY 2005 Appropriations Act.

■ Review of FTA's Oversight of Grants Management

Determine whether (1) grant drawdowns are adequately supported, and the grantee is managing grant receipts in accordance with Federal requirements; (2) costs charged to the grant 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 and progress reports accurately reflect grant activity and are submitted in a timely manner.

■ Springfield Union Station Rehabilitation Project

Determine whether the Federal Transit Administration's oversight of the project was adequate.

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

Analyze the Federal Motor Carrier Safety Administration'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

Assess the validity of data in CDLIS on a state-by-state basis, assess the extent to which convictions are validly posted on drivers' records, and analyze the revenue derived from fees charged for use of CDLIS and the use of that revenue.

■ Audit of the Federal Highway Administration's Risk Assessments Under Its Financial Integrity Review and Evaluation Program (FIRE)

Assess the Federal Highway Administration's actions to implement its new FIRE Program by (1) determining whether FHWA's 52 division offices conducted risk assessments that evaluated risks associated with the oversight of Federal-aid funds provided to state departments of transportation and (2) analyzing the policies, methods, processes, and systems used by Federal-aid division offices to conduct these assessments. Identify existing or potential risks to highway grant funds and monitor or mitigate such risks.

■ Audit of the New Haven Harbor Crossing Project

Assess the (1) causes and effects of cost growth, funding shortfalls, and schedule delays on the project; (2) Connecticut Department of Transportation's (ConnDOT) planned actions to manage these issues; and (3) FHWA's stewardship to ensure that ConnDOT accurately developed and updated its cost estimate and that sufficient long-term capital exists to complete the project.





■ Risks Facing Major Highway Projects

Identify key management risks to cost, funding, schedule, and other project elements and provide an assessment of FHWA's stewardship and oversight of these major projects.

COMPETITION AND ECONOMIC ANALYSIS

■ Aviation Delays and Cancellations in Small Communities

For a select number of small- and non-hub airline markets, compare the number and rate of airline delays and cancellations to service characteristics in larger markets. Describe the decision-making process and the roles of the various air traffic control, airline, and airport functions in determining how delays and cancellations are allocated throughout the National Airspace System under constrained capacity conditions.

■ Amtrak Quarterly Report 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.

■ Airline Metrics

Update statistics on airline industry metrics regarding air service demand and capacity, service performance, airline finances, and air service at small airports.

■ 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 Cost Accounting System

As required by the Fiscal Year 2006 Appropriations Act funding the Department of Transportation, 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.



ACTIVITIES

Company and Its President Sentenced for Illegal Transport and Disposal of Hazardous Waste

October 6, 2005

J & N Coatings International (J & N) and the company's president, Drossos Tiliakos, were sentenced in U.S. District Court in Oklahoma City, Oklahoma for their roles in illegally transporting and disposing of lead-based paint removed from bridges by J&N employees on two federally-funded highway projects in Oklahoma. Tiliakos was sentenced to 16 months imprisonment and ordered to pay a \$10,000 fine. The company was fined \$20,000 and placed on two years' probation. Investigation found that a project inspector had falsified waste analysis reports in exchange for a \$3,000 bribe. This allowed J&N to transport and dispose of the hazardous waste in non-hazardous waste landfills. By doing so, the contractor saved thousands of dollars in disposal fees. The inspector and a J&N secretary were previously sentenced in this case, which was investigated jointly with the EPA-CID. Tiliakos and J&N were referred to FHWA for consideration of suspension on January 25, 2006; FHWA action is pending as of March 31, 2006.

DOT's Information Security Program

October 7, 2005

We issued our annual report on DOT's information security program and found that the quality of security certification reviews improved during FY 2005. However, about 15 percent of departmental systems were overdue for recertification. The Department also needs to enforce implementation of the security configuration policy, ensure computer vulnerabilities are corrected in a timely manner, and complete deployment of the intrusion detection system at one Internet connection point. Further, FAA took only limited steps this year to address prior air traffic control system security recommendations. FAA only collected security information on about half of the systems used to support en route air traffic services and has not yet analyzed the information collected.

Finally, we found that departmental oversight of major system investments needs to be enhanced. While projects managed by most Operating Administrations benefited from the departmental Investment Review Board's oversight, the Board has had little positive impact on complicated air traffic



control projects. These FAA projects are the most complex and challenging systems, accounting for over 80 percent of the Department's IT budget. The issue that needs to be resolved is whether FAA's exemption from compliance with the Federal procurement regulations (based on provisions in the Appropriations Act for FY 1996) also exempts it from the investment management oversight requirements of the Clinger-Cohen Act. To enhance IT investment management controls, we recommended that the Department (1) clarify, in consultation with the Secretary, the Board's role in performing investment management oversight of FAA's major investments and (2) identify resources and processes to better support the Board by performing more substantive, in-depth, analytical reviews of progress, problems, and risks associated with major FAA investments.

NTSB's Information Security Program

October 7, 2005

As required by the Federal Information Security Act, we performed an audit of NTSB's information security program. This is the second year that small agencies such as NTSB are required to report to Congress on their information security programs. Last year, we identified significant system vulnerabilities, such as a lack of system inventory and limited ability to respond to security incidents in a timely manner. We reported that NTSB's information security program should be classified as a material weakness and recommended corrective actions; NTSB management concurred. This year, our follow-up review found that NTSB has made limited progress in implementing the planned actions and that its computer networks, incident monitoring, and response capabilities remain vulnerable. Our recommendations to enhance network security include finalizing the system inventory, completing risk assessments for all systems, and requiring the Chief Information Officer to submit monthly reports describing progress made towards completing critical security program elements. The corrective actions planned by NTSB in response to our recommendations are reasonable and should provide a solid foundation for implementing an effective information security program. We will continue to monitor NTSB's progress towards completing these actions.

Illinois Truck Driver Involved in Fatal Accident Jailed for Lying to Investigators about CDL Fraud

October 12, 2005

Nasko Nazov, a former driver for World Truck, Chicago, Illinois, was sentenced in U.S. District Court in Chicago to 10 months in prison. Nazov pled guilty in June 2005 to lying to a federal grand jury investigating allegations of Illinois residents fraudulently obtaining Wisconsin CDLs. He stated that he

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had lived at an address in Wisconsin for several years when he actually lived in Illinois. In March 2004, Nazov, who held a Wisconsin CDL, caused an accident resulting in the death of a family of four while he was operating a commercial motor vehicle in Tennessee. Our investigation found that the address used by Nazov for his Wisconsin CDL was also used by other Illinois residents who had obtained Wisconsin CDLs. Those residents admitted to having been assisted in obtaining the CDLs by an interpreter who provided written test answers to CDL applicants at the test site. Upon completion of his prison term, Nazov will be transferred to Tennessee authorities to face charges of vehicular homicide. The investigation was conducted jointly with the U.S. Postal Inspection Service.

Demolition Company and Executive Plead Guilty in Bribery Case Involving Falsified DBE Certification affecting \$228,000 in DOT-funded Subcontracts

October 14, 2005

Philly-Wide Interiors, Inc. (PWI) and its owner, Daniel Pellicciotti, pled guilty in U.S. District Court in Philadelphia to bribery of a public official. Pellicciotti admitted to submitting a false application to the Philadelphia Minority Business Enterprise Council (MBEC) for certification as a disadvantaged business enterprise (DBE). The application falsely stated that Pellicciotti's wife, a full-time nurse, controlled PWI, allowing the firm to qualify as a woman-owned business. The company subsequently obtained a \$228,000 subcontract in 2001 for demolition and refurbishment work on a Southeastern Pennsylvania Transportation Authority project. Investigation found that at various times in 2000, Pellicciotti had provided cash and other things of value to Wendell B. Toland, Jr., then employed by MBEC, in exchange for receiving the illicit DBE certification. Toland, who cooperated in the investigation, pled guilty on May 25, 2005 and was ordered to pay \$1,500 in fines and restitution and to serve 36 months probation. Both Pellicciotti and PWI have been debarred from doing business with the federal government for a three year period. The investigation was conducted jointly with the FBI, IRS, and the Department of Labor-OIG.



Helicopter Mechanic Sentenced for Making False Statements on Maintenance Records

October 14, 2005

John Henry Ford, who formerly held an FAA Airframe and Power Plant (A&P) Certificate and was the owner/mechanic of Raco Helicopters Corp., based at Monmouth County New Jersey Airport, Farmingdale, New Jersey was sentenced in U.S. District Court in Trenton, New Jersey to five months in a community correctional center, five months home detention, a total of ten years probation (during which he may have nothing to do with the aviation industry), and was ordered to pay \$7,700 in fines and restitution. In April, Ford pled guilty to felony charges of making false statements related to helicopter maintenance records. In 2001 and 2003, FAA had revoked Ford's A&P Certificates. Our investigation found that during that time, even though he was not certified to perform inspections, Ford had continued to perform helicopter maintenance without the requisite supervision and falsified inspection dates. FAA assisted in this investigation.

Actions Taken and Needed in Implementing Mandates and Recommendations Regarding Pipeline and Hazardous Materials Safety

October 20, 2005

We issued our report on DOT's progress in implementing congressional mandates and other safety recommendations for improving pipeline and hazardous materials safety. Our review found that while progress has been made, the Department needs to continue its focus on reducing the number of outstanding congressional mandates and NTSB recommendations—these include legislation enacted as far back as 1992 and mandates resulting from the Pipeline Safety Improvement Act of 2002. We also stated that senior officials need to focus on meeting their statutory requirements when responding to NTSB recommendations to ensure they have been handled in a timely manner and properly addressed.

The Acting Inspector General testified in March 2006 before the House Committee on Transportation and Infrastructure, Subcommittee on Highways, Transit, and Pipelines on progress and remaining challenges in strengthening pipeline safety. Currently, there is only one open mandate from 1992, and PHMSA plans to issue a rulemaking proposal by the end of the year. All mandates from 1996 are closed. PHMSA has also completed actions on 19 of the 23 mandates from the



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2002 Act. The congressional deadlines for two of the mandates are not until the end of this year and PHMSA plans to meet the target dates. Clearly, PHMSA is making good progress in implementing congressional mandates and improving pipeline safety, but it is not at an end state because operators are still in the early stages of implementing integrity management programs.

Former Paving Contracting Official Jailed Over Three Years for Bribery in Connection with Washington, DC Road Projects

October 20, 2005

Antonio C. Bras, former asphalt superintendent for Fort Myer Construction Company (FMCC) was sentenced in U.S. District Court in Washington, D.C. to 37 months in prison for his role in a scheme to bribe D.C. Department of Public Works engineers and inspectors to accept job tickets overstating the amount of asphalt used in city paving jobs by nearly \$500,000. Bras pleaded guilty in 2003 to conspiracy to commit bribery. FMCC, two other companies, and 12 individuals (including Bras) were investigated under the 'Operation Hot Mix' investigation, which involved FHWA contracts totaling over \$32 million. FMCC was ordered in April 2003 to pay \$900,000 in fines, restitution and civil damages, and was debarred from Government contracting for 18 months, ending in December 2004. Granja Contracting, Inc. (Granja) and C&F Construction Co. (C&F) were sentenced in February 2002. Granja was debarred by FHWA for a two-year period that expired in June 2004, and C&F was subject to a one-year voluntary exclusion agreement (expiring in February 2003) that precluded C&F from contracting on Washington, DC-funded/administered projects.

Bras is currently under an indefinite suspension from doing business with the Government. All 12 individuals, including city public works officials who accepted bribes of up to \$200 for each phony asphalt job ticket, have also been sentenced. The investigation was conducted jointly with the FBI.



Second Former Professor Pleads Guilty to Embezzlement from DOT-funded Research Center

October 24, 2005

Paul G. Bedewi, former adjunct professor at George Washington University (GWU) and deputy director of the DOT-funded National Crash Analysis Center in Ashburn, Virginia pled guilty in U.S. District Court, Washington, DC to one felony count of theft from programs receiving federal funds. Bedewi was charged with embezzling \$78,602 in DOT and GWU research funds between August 2002 and June 2004 through illegal stipends and unallowable purchases. Our investigation found that Bedewi caused the Center to issue \$36,150 in unauthorized and fraudulent graduate assistant stipends to his wife; Bedewi also made unauthorized charges totaling \$42,452 using a GWU-issued purchase card. Paul Bedewi is the cousin of Nabih Bedewi, former GWU engineering professor and director of the crash center, who was sentenced in June 2005 to over three years in prison and ordered to pay \$872,221 in restitution for embezzling nearly \$1 million in DOT and GWU research funds. Paul Bedewi has been referred to FHWA for consideration of suspension and Nabih Bedewi has been referred for consideration of debarment following his term of imprisonment.

California Aircraft Parts Manufacturing Company Pays \$2.5 Million in Civil Settlement under SUPs Case

October 25, 2005

Paul R. Brilles, Inc., doing business as PB Fasteners, Gardena, California, paid the Government \$2.5 million pursuant to a settlement agreement under a whistleblower case. The case involved alleged nonconforming aircraft fasteners used on a variety of military and commercial aircraft (e.g., Boeing 737, 747s, 757s, 767s, and 777s). PB Fasteners allegedly submitted claims to the Government and other entities/customers for the sale of fasteners when PB Fasteners had failed to perform magnetic particle inspections required by contract specifications. According to the FAA, the rejected fasteners were not safety-critical items, and there is no evidence of these parts failing during use. As part of the settlement agreement, the criminal case was dismissed. This was a joint investigation with DCIS, the US Army's Criminal Investigation Command, and NASA-OIG.



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Former Colorado DMV Clerk Gets 18 Months in Prison for Fraud in Connection with the Unlawful Sale of Fraudulent CDL

October 28, 2005

Virginia Villegas, a former driver's license clerk for the Colorado Department of Revenue, Division of Motor Vehicles (CO-DMV), was sentenced in U.S. District Court in Denver to 18 months in prison and 36 months probation for fraud in connection with identification documents. Villegas pled guilty in August 2005. Our investigation found that Villegas facilitated the unlawful sale of approximately 100 Colorado driver's licenses and 20 CDLs to illegal aliens. Unqualified drivers pose a safety threat to all travelers on our nation's roadways. The scheme involved a middleman, Juan Francisco Alderete-Diaz, who admitted to locating individuals seeking to buy driver's licenses, collecting as much as \$2,400 per license, and paying Villegas \$200 to \$500 for each license issued. Alderete-Diaz was sentenced to three years' probation on October 17, 2005.

Ringleader in Conspiracy Involving nearly 600 Fraudulent Wisconsin CDLs gets More Than Three Years in Prison

November 4, 2005

Adam Babul, Chicago, Illinois was sentenced in U.S. District Court in Chicago to 41 months in federal prison followed by 36 months supervised release for his role in a conspiracy to fraudulently obtain CDLs. Babul, owner of Bamba, Inc. (a firm providing assistance to individuals seeking legal documents and legal status in the United States) was found guilty of conspiracy by a federal jury in June 2005. Three other defendants pled guilty as co-conspirators and were sentenced in October 2005 to varying periods of probation. Investigation revealed that the defendants guaranteed CDL certification to Illinois residents in exchange for cash payments of about \$2,000 each. CDL applicants were transported to Wisconsin where they established bank accounts using a fraudulent Wisconsin address. The bank account documentation was then used as proof of residency for Wisconsin CDL applications. The CDL applicants were also assisted by a language translator supplied by Bamba, Inc., who provided answers to CDL test questions at the examination site. This investigation was conducted jointly with the U.S. Postal Inspection Service.

FINANCIAL STATEMENT AUDITS

In **November 2005**, we issued our annual reports on the financial statement audits conducted for the Department and the National Transportation Safety Board. All financial statements received unqualified or "clean" opinions. Our reviews, listed below, are congressionally required to verify that the audits complied with applicable laws and standards, including the Chief Financial Officers Act, Generally Accepted Government Auditing Standards, and the Office of Management and Budget Bulletin 01-02, "Audit Requirements for Federal Financial Statements."

DOT Consolidated Financial Statements, FY 2005 and FY 2004

We reported on DOT's consolidated financial statements fiscal years 2005 and 2004. For the fifth consecutive year, the Department received an unqualified, or "clean," audit opinion, indicating to users of the Department's financial statements that the information presented is reliable. This year, the Department again met the Office of Management and Budget's accelerated deadline to submit audited financial statements as part of the Government's annual Performance and Accountability Report. The Operating Administrations made substantial progress in FY 2005 to strengthen management controls and provide better oversight of resources. We identified three financial management issues that need heightened attention: FAA transactional accounts, reliability of FHWA financial data, and FHWA's grant financial management and oversight practices. We believe that FHWA and FAA have plans underway that, if implemented on a sustained basis during 2006, will result in these issues not being material next year.

Quality Control Review of Audited Financial Statements for FY 2005 and FY 2004 for the Federal Aviation Administration

We performed a quality control review of KPMG's audit of FAA's FY 2005 and FY 2004 financial statements. The financial statements received an unqualified or "clean" opinion. The report also presented one material internal control weakness, three reportable conditions, and three instances of noncompliance with laws and regulations. We concurred with KPMG's 18 recommendations for corrective actions and found that KPMG's audit work complied with applicable laws and standards. FAA agreed with KPMG's findings and recommendations and committed to implement corrective actions during FY 2006.

Quality Control Review of Audited Financial Statements for FY 2005 and FY 2004 for the Highway Trust Fund

We performed a quality control review of the audit of the Highway Trust Fund FY 2005 and FY 2004 financial statements, completed by Clifton

Gunderson LLP. The financial statements received an unqualified or "clean" opinion. The audit categorized problems identified into two material weaknesses, two reportable conditions, and four instances of noncompliance with laws and regulations. Clifton Gunderson made 37 recommendations for corrective actions. Management concurred with the weaknesses, generally agreed with the recommendations, and planned to submit a detailed action plan to the OIG. OIG concurred with the recommendations and found that the audit work complied with applicable standards.

Quality Control Review of the Audited Balance Sheet for FY 2005 for FAA Administrative Services Franchise Fund

We performed a quality control review of KPMG's audit of the Franchise Fund's September 30, 2005, balance sheet. The audit presented one material internal control weakness and three reportable internal control weaknesses. KPMG made 15 recommendations regarding the internal control weaknesses and 2 additional ones to correct instances of noncompliance with significant laws and regulations. Management concurred and agreed to implement corrective action. In our opinion, KPMG's audit work complied with applicable standards.

Quality Control Review of Audited Financial Statements for FY 2005 and FY 2004 for the Saint Lawrence Seaway Development Corporation (SLSDC)

Our quality control review of the SLSDC's audited financial statements for FY 2005 and FY 2004 concluded that the financial statements presented fairly, in all material respects, the financial position of SLSDC as of and for the fiscal years ended September 30, 2005, and September 30, 2004. In our opinion, the audit work complied with applicable standards, and we issued no recommendations.

Quality Control Review of Audited Financial Statements for FY 2005 and FY 2004 for the National Transportation Safety Board

We issued a quality control review of the audit of the NTSB's financial statements, as of and for the years ended September 30, 2005, and September 30, 2004. The audit provided an unqualified or "clean" opinion on NTSB's financial statements; however, it included one material internal control weakness related to implementation of an agency-wide information security program. In our opinion, the audit work complied with applicable standards. ■

Report on Inactive Obligations in the Federal Highway Administration

November 14, 2005

We issued our fifth report in 8 years on FHWA's efforts to identify and release Federal-aid funds kept idle on transportation projects year after year.

We found \$258 million of unneeded funds in 14 states and estimated that states nationwide could release unneeded Federal-aid funds between \$440 million and \$775 million. In response to our audit, FHWA worked aggressively with the states to review inactive obligations and, as a result, released a total of \$757 million of idle Federal-aid funds by September 30th and made them available for use on active transportation projects. FHWA also endorsed our prior recommendations and identified implementation actions, such as establishing the new Financial Integrity Review and Evaluation Program and proposing amendments to its regulation governing when unneeded obligations should be released. FHWA agreed to continue working with the states to institutionalize processes to identify and release unneeded Federal-aid funds. This will ensure that the progress FHWA made this year is sustained in the future.



DOT'S TOP MANAGEMENT CHALLENGES

November 15, 2005

We issued our annual report on the top management challenges facing the Department, as required by law. The report was incorporated into the Department's FY 2006 Performance and Accountability Report, which is signed by the Secretary and sent to Congress and the Office of Management and Budget. In considering the nine challenges identified for FY 2006, we continued to focus on the Department's key strategic goals to improve transportation safety, capacity, and efficiency.

■ **Working With Other Agencies To Respond to Disasters and Address Transportation Security.**

The attacks of September 11, 2001, and the recent hurricane destruction in the Gulf Coast region exposed the vulnerabilities of our Nation's citizens and critical transportation and energy infrastructure to catastrophic events. There is a continuing need for an efficient interagency approach to preparing for, responding to, and recovering from such devastating events. As DOT addresses rebuilding and relief tasks, it will need to work closely with other agencies to (1) ensure that missions are well-coordinated and cost-effective so that reconstruction funding is protected from fraud, waste, and abuse and (2) address security issues within the U.S. transportation system and protect users from criminal and terrorist acts.



■ **Getting the Most for Every Taxpayer Dollar Invested in Highway and Transit Projects.**

This year, we have seen positive signs from FHWA with its commitment to increase oversight of transportation dollars, and we urge that sustained attention be given to this area. More progress is needed, as we continue to see examples of ineffective management of highway funds, such as the identification of over \$1.2 billion in Federal highway aid obligations sitting idle during the last 7 years. We see three key issues that need to be addressed: (1) actions by FHWA and the states are needed to provide oversight of highway funds to ensure projects are delivered on time, within budget, and free from fraud; (2) enhancing fraud prevention capabilities and taking aggressive action against fraud perpetrators, including motor fuel tax evasion; and (3) tough decisions between competing transit needs.

■ **Building on Recent Initiatives To Further Strengthen Surface Safety Programs.**

The Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), enacted August 10, 2005,

includes significant funding increases and initiatives in highway, commercial vehicle, and rail safety programs. DOT has set an ambitious goal of reducing the rate of highway fatalities from 1.46 fatalities per 100 million vehicle miles traveled to 1.0 fatality by 2008. The Department should explain how it will meet the targeted decline from 2007 to 2008, which, if met, would more than double the largest year-to-year rate decline going back 30 years. DOT must maximize SAFETEA-LU provisions to build on past initiatives by (1) addressing highway safety problems where serious injuries and fatalities persist through advances in infrastructure and behavioral strategies, (2) preventing fraud in the Commercial Driver's License program, and (3) strengthening Rail Safety Program oversight and enforcement.

■ **Reforming Intercity Passenger Rail To Improve Performance.** Amtrak's current model for intercity passenger rail is broken. From FY 1997 to FY 2004, the Agency's annual operating losses rose from \$797 million to \$1.3 billion, and its debt grew from \$1.7 billion to \$4.6 billion. Amtrak has an estimated \$5 billion backlog of infrastructure repairs, and on-time performance continues to fall—from 77 percent in FY 2002 to 71 percent in FY 2004. Reauthorization is an opportunity for true reform in these areas and should focus on improving mobility around the country—not just in the Northeast Corridor—and on restructuring long-distance services. It is imperative that DOT work with Congress to create a new model for passenger rail. Three key steps are to (1) require Amtrak to do more to reduce cost, (2) give states a larger voice in determining service requirements, and (3) establish adequate and stable Federal funding.



■ **Mitigating Flight Delays and Relieving Congestion-Actions Needed To Meet Demand.** After a few years of relative reprieve from aviation congestion, large growth in operations has increased both traffic and the number of aviation delays. The incidence, rate, and length of delays this past summer approached 2000 levels, which is generally regarded as the worst summer of aviation delays. The number of arrival delays in the summer of 2005 was within 5 percent of those in the same period of 2000 and represented an 8 percent increase over the number of delays in 2004. DOT's challenge in addressing delay growth is three-fold: (1) taking appropriate action against growing aviation delays, such as developing relief measures that include construction, technological improvements, procedural changes, administrative controls, and market-based solutions; (2) keeping planned

infrastructure and airspace redesign projects on schedule while effectively implementing short-term initiatives; and (3) exploring alternatives for managing capacity where new initiatives are not feasible.

■ **Reauthorizing Aviation Programs-Establishing Requirements and Controlling Costs Are Prerequisites for Examining FAA Financing Options.**

Over the next year, FAA will be preparing to reauthorize a wide range of aviation programs. The current authorization and various taxes expire in 2007, and FAA has begun seeking views on alternative financing options. However, before financing decisions can be made, a clear understanding of financial requirements and cost control methods is needed. FAA's rising operating costs are now crowding out its capital and airport accounts, and there are increasing demands on the Trust Fund and other revenue sources, including the General Fund. In FY 2006, FAA's budget is expected to exceed estimated Trust Fund revenues by \$2 billion. The challenges facing FAA include (1) controlling costs of major acquisitions and making decisions on the scope of delayed billion-dollar projects, (2) getting control of support service contracts, (3) establishing requirements for the next generation air traffic management system, (4) addressing the expected surge in controller attrition, and (5) completing a cost-accounting system to reduce costs and improve operations.



■ **Aviation Safety-Developing Effective Oversight Programs for Air Carrier Operations, Repair Station Maintenance, and Operational Errors.**

The U.S. aviation industry has maintained an impressive safety record, and, to its credit, FAA is making progress toward a risk-based safety oversight system to focus limited inspection resources. However, financial uncertainty, competition from low-cost carriers, and rebounding air traffic all contribute to a very different and still evolving aviation environment, in which large air carriers are working to reduce costs by increasing the use of outside repair facilities. Key challenges for FAA are (1) following through on its commitments to advance risk-based oversight systems for air carrier operations and work performed by external repair facilities and (2) continuing its efforts to identify and reduce operational errors.

■ **Improving Information Technology Investment and Computer Security.**

DOT is responsible for one of the largest information technology (IT) investment portfolios among civilian agencies, with almost 500 computer systems supporting key mission areas at a cost of about \$2.7 billion annu-

ally. During FY 2005, the Department enhanced the quality of systems security, and the departmental Investment Review Board continued its oversight of major IT investments, but with mixed results. DOT's major challenges in these areas include (1) clarifying the Board's role in assisting the Secretary to maximize the value and manage the risk of major IT investments, (2) eliminating redundant IT infrastructures outside of DOT Headquarters to reduce operating costs, (3) better securing operational air traffic control systems, and (4) correcting weaknesses in the Federal Railroad Administration network and enhancing business contingency plans for critical DOT systems.

■ **Ensuring That Reforms Are Implemented in the Maritime Administration's Title X1 Loan Guarantee Program.**

As of June 30, 2005, MARAD's consolidated Title XI loan guarantee program portfolio was valued at \$3.2 billion, with another \$618 million in pending loan guarantee applications. Over 25 percent (\$800 million) of the portfolio remains at an elevated risk of default. However, the number of companies considered at the greatest risk and the total number of companies have been reduced on the Credit Watch list since the issuance of our September 2004 audit report. MARAD has also made progress in implementing the new program oversight policies and procedures that we recommended. MARAD must continue vigilant oversight of the loan guarantee portfolio by (1) completing the development of its computerized Title XI loan guarantee tracking system and (2) fully enforcing the reserve requirements established to mitigate the risks of noncompliant loans and pursuing remedies to cure any outstanding defaults. ■

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Inspector General Testifies on Aviation Safety

November 17, 2005

On November 17th, the Inspector General testified before the Senate Committee on Commerce, Science, and Transportation regarding FAA's oversight and changes in the airline industry. The testimony focused on advancing risk-based safety oversight systems for air carriers, improving oversight of domestic and foreign repair stations, reducing collision risks in the air and on the ground, improving operational error reporting, and addressing emerging issues.

Final Defendant is Sentenced in \$100 Million Wisconsin Bid-Rigging Scheme

November 21, 2005

Daniel D. Beaudoin, a former manager of a Wisconsin construction company, was fined \$10,000 by a U.S. District Court judge in Green Bay, Wisconsin and ordered to serve one year probation for providing price information used in a bid-rigging scheme on Wisconsin highway construction projects. The company was unaware of Beaudoin's illegal conduct. Beaudoin pled guilty in August 2005 to a felony charge of violating the Sherman Antitrust Act. Unbeknownst to his employer, Beaudoin conspired with principals of two other Wisconsin firms, Vinton Construction Co. and Streu Construction Co. to rig bids on about \$100 million in contracts funded by FHWA and FAA. Vinton, Streu, and their executives involved in the scheme have been sentenced to pay a total of \$3.1 million in fines. Vinton and its co-owners were suspended from contracting on federally-funded projects in March 2004. The owners of Streu are subject to a voluntary exclusion agreement prohibiting them from doing business with the government through August 3, 2007. Beaudoin has been debarred by the state of Wisconsin for three years, and FHWA is considering debarment at the federal level. The investigation was conducted jointly with the FBI and Department of Justice, with assistance from FHWA and the Wisconsin DOT.

Owner of Fire Safety Company Jailed and Ordered to Pay Over \$11,000 for Fraudulently Certifying the Safety of Compressed Gas Cylinders

November 22, 2005



Dale B. Nason, owner of Statewide Fire Protection, Buxton, Maine was sentenced in U.S. District Court in Portland, Maine to six months in prison and ordered to pay \$11,203 in restitution for violating federal Hazmat transportation laws by falsely certifying the hydrostatic retesting of high-pressure carbon dioxide fire extinguishers. Nason pled guilty in July. Investigation disclosed that, from May 2001 until December 2004, Nason fraudulently marked the Re-tester Identification Number (RIN) of another company on high-pressure cylinders which had not been tested in accordance with DOT's Hazmat regulations. Customers for these fire extinguishers included fire departments, numerous public and private schools, hospitals, and the Portsmouth Naval Shipyard. Failure to perform accurate periodic hydrostatic retesting of gas cylinders, which is required by law, places lives of users at risk of injury or death due to explosion or malfunction. All known customers (over 700) were alerted to the fraudulent certifications and the need for critical re-testing. PHMSA assisted in this investigation.

Two Officials of California Aircraft Parts Brokerage Firm Sentenced to Combined 22 Years in Jail and Ordered to Pay Nearly \$5.5 Million in Case Involving Substitution of Flight-Critical Parts

November 28, 2005



Amanullah J. Khan, former owner/operator of United Aircraft & Electronics, Inc. (UAE), Anaheim, California was sentenced in U.S. District Court in Santa Ana, California to 15 years and 8 months in jail and ordered to pay nearly \$5.5 million in restitution on numerous felony charges, including conspiracy and aircraft parts fraud. Khan pleaded guilty in 2003 during a jury trial to charges that, between 2000 and 2002, he falsely certified that a flight-critical part for Bell helicopters called a 'grip assembly' (which connects the helicopter tail rotor blades to the hub) sold by UAE was made of steel, when in fact it was made of aluminum. Aluminum has a significantly shorter useful life than steel, and if a grip failed in flight, the helicopter would likely crash. Khan

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also sold used turbine blades and other critical parts for jet aircraft that were falsely certified as new and airworthy. Both Khan and UAE have been debarred from Government contracting for 50 years (expires July 2052) based on extensions of prior debarments resulting from suspected unapproved parts (SUPs) cases investigated by the Air Force. Khan's sentence was impacted by a second case investigated by DHS-ICE in which Khan attempted to sell fighter jet parts to undercover agents who he thought were Chinese arms brokers. In that case, Khan pled guilty in 2004 to conspiracy and violating the Arms Export Control Act. On November 7, Ziad J. Gammoh, a UAE salesman/purchaser who was charged with Khan in the false certification case and pled guilty in October 2003, was sentenced in the same U.S. District Court to 6 years and 6 months in jail and ordered to pay nearly \$5.5 million (jointly with Khan) and \$14,794 in restitution to the IRS. The false certification/SUPs case was investigated jointly with the FBI, DCIS, and AF-OSI, and with assistance from FAA.

Audit of Oversight of Highway-Rail Grade Crossing Accident Reporting, Investigations, and Safety Regulations

November 28, 2005

We reported on the adequacy of FRA's oversight of grade crossing (1) accident reporting to the National Response Center (NRC), (2) accident investigations, and (3) enforcement of safety regulations. Prior to report issuance, in response to continuing congressional concerns about rail safety, the Inspector General also testified in July on the findings discussed in this report before the House Committee on Transportation and Infrastructure, Subcommittee on Railroads. First, we found that railroads failed to report 21 percent of serious crossing collisions to NRC and FRA can do more to enforce this reporting requirement. Second, the Federal Government investigates very few crossing collisions and needs to develop strategies to increase its involvement in investigations. Third, FRA should strengthen its enforcement of grade crossing safety regulations. FRA concurred with our audit results and agreed to take corrective actions.



Virginia Company and Employees Fined a Combined \$163,500 for Falsely Certifying the Safety of Compressed Gas Cylinders

November 30, 2005

Fire Safety Products, Inc. (FSPI), Christiansburg, Virginia was ordered to pay \$62,500 in fines and restitution by a U.S. District Court judge in Roanoke, Virginia for violating Hazmat regulations regarding testing and certification of compressed gas cylinders -- and for mail fraud in billing customers for the false certifications. FSPI owner/vice-president Gilbert Lee Maxwell was fined \$20,000. Manager Allen Jay Dickerson was fined \$1,000. FSPI previously agreed to pay an additional \$80,000 fine under a civil settlement reached on November 30, 2005. FSPI was also required to surrender its PHMSA retest authority for a period of five years. OIG investigation found that over 1,200 cylinders (e.g., medical oxygen tanks and firefighter air packs) serviced by FSPI were falsely certified as having been retested. Testing either was not conducted or was inadequate due to improperly trained FSPI employees and/or poorly calibrated test equipment. Customers included hospitals, nursing homes, and fire departments. Periodic hydrostatic retesting of gas cylinders is required by law, and failure to perform such testing places the lives of users at risk of injury or death due to explosion or malfunction. All known customers were alerted to the fraudulent certifications and the need for critical re-testing.

FAA Has Opportunities To Reduce Academy Training Time and Costs by Increasing Educational Requirements for Newly Hired Air Traffic Controllers

December 7, 2005

With plans to hire 12,500 new air traffic controllers over the next 10 years, FAA must carefully evaluate all opportunities to control costs and efficiently train new controllers while maintaining the quality and standards of those services. Our report on new controller training at the FAA Academy found ways that FAA could reduce training costs and expedite the training process. We recommended that FAA (1) identify specific coursework that could be discontinued as part of Government-provided training, (2) determine if those courses could be made a prerequisite to employment, and (3) include that determination in the next update to FAA's Controller Workforce Plan. These actions would save FAA between \$16.8 million and \$21.3 million over the next 9 years (2006 to 2014) and would allow the Academy to concentrate resources on providing training that focuses more on FAA-specific operations and equipment.



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Texas Highway Construction Firm to Pay \$3 Million in Civil Settlement for Alleged DBE Program Fraud

December 12, 2005

Williams Brothers Construction Co., Inc., Houston, Texas agreed to pay \$3 million to resolve claims that it violated DBE program contracting requirements by using two concrete-supply DBE companies which it controlled and by claiming DBE contracting credit for equipment lease expenses incurred by the two DBE subcontractors for equipment owned by an affiliate of Williams Brothers. These claims involved multiple federally-funded highway construction projects in Texas. The DBE program provides a vehicle for increasing the participation by women and minority businesses in state and local procurement. In addition to the \$3 million payment to resolve civil claims, Williams Brothers has also entered into a separate administrative agreement with the Department of Transportation involving the hiring of a DBE compliance monitor and an agreement by Williams Brothers to voluntarily contribute assistance and other services to the Texas Department of Transportation's DBE Supportive Services Program. FHWA participation was key in reaching both settlements.

Review of Air Carriers' Use of Non-Certificated Repair Facilities

December 15, 2005

We issued our audit of FAA's oversight of air carriers' use of non-certificated repair facilities. This audit was requested by Representative James Oberstar, Ranking Minority Member of the House Transportation and Infrastructure Committee. We found that although air carriers have used non-certificated facilities for years to perform minor or emergency repairs, they are now using these facilities to perform scheduled and critical maintenance. The work performed at non-certificated facilities is approved by FAA-certificated mechanics; however, these facilities do not have the same safeguards and controls for maintenance repair and oversight that are required at FAA-certificated facilities. Also, neither FAA nor air carriers are providing adequate oversight of the maintenance work performed at these facilities. FAA agreed with our recommendations, acknowledging that the recommended actions were reasonable and that the Agency would be able to accomplish them.

Perspectives on Aviation Safety

FAA's Oversight and Changes in the Airline Industry

In November, the Inspector General testified before the Senate Committee on Commerce, Science, and Technology, Subcommittee on Aviation. He noted that while the United States maintains a remarkable safety record amidst a sea of change occurring in the aviation industry, FAA can do more to enhance safety. Competition from low-cost carriers and financial uncertainty have led commercial carriers to work aggressively to move away from high-cost structures, and these changes have brought certain oversight issues to light. For example, carriers are reducing in-house staff and increasing the use of outside repair facilities; currently, 54 percent of maintenance work is performed by external repair facilities. As both in-house and outside maintenance must be monitored, FAA will need to take steps to adequately oversee all repairs. Our work has also shown that FAA needs to improve its risk-based safety oversight systems to ensure inspectors are able to keep pace with current and anticipated industry changes.

Challenges for FAA

■ **Following through on commitments to improve oversight of domestic and foreign repair stations.** Maintenance, regardless of where it is performed, requires oversight. We previously reported that FAA's oversight had not shifted to where the majority of maintenance is being performed; rather, it remained focused on air carriers' in-house maintenance.

In July 2003, we made recommendations for FAA to improve its repair station oversight; these included identifying repair stations used for critical maintenance and targeting surveillance based on risks.

In July 2005, we found that FAA's planned implementation dates for improved oversight had slipped to FY 2007. Given the continued trend of increased use of outside repair facilities, it is important that FAA expedite its efforts to fully implement its risk-based oversight system for repair stations.

■ **Focusing oversight on air carriers' use of non-certificated repair facilities.** In December, we reported

on another segment of the repair industry that is widely used by air carriers, but is neither certificated nor routinely reviewed by FAA-non-certificated repair facilities. In fact, FAA was unaware of the fact that these facilities now perform scheduled maintenance and critical repairs. FAA regulations permit use of these facilities if the work is approved by an FAA-certificated mechanic. However, our report identified six air carriers that did not provide adequate oversight of the work that non-certificated facilities performed.

These carriers primarily relied on telephone contact to monitor the maintenance performed by non-certificated facilities rather than on-site reviews of the actual work.

We recommended that FAA determine whether it should limit the type of work these facilities can perform and ensure



that air carrier oversight systems verify that maintenance is performed correctly. FAA agreed with these recommendations but is still working on its action plans.

■ **Advancing risk-based systems to identify potential safety risks at air carriers experiencing major change.** In addition to repair station oversight, FAA needs to continue advancing its risk-based oversight systems to monitor air carrier operations. In June 2005, we reported that while FAA's risk-based oversight systems are conceptually sound, and FAA has come a long way in advancing this new approach, system implementation is not at an end state. We also found the following:

Twenty-six percent of planned inspections were not completed when air carriers were at the height of streamlining operations, and more than half of those were in identified risk areas.

FAA's inspectors had difficulties using its risk-based oversight systems to respond to major air carrier changes. For example, during the August 2005 mechanics strike at Northwest Airlines, inspectors abandoned the risk-based system in favor of a more simplified checklist approach.

FAA committed to begin developing procedures to ensure that inspectors continually monitor the effects of industry changes, and prioritize inspections to high-risk areas first.

Future Outlook: Emerging Issues for FAA

■ **FAA inspector staffing.** If used properly, FAA's risk-based oversight systems should allow it to deploy inspection resources to the greatest risk areas. This is key because the number of aircraft needing inspections will always outnumber available inspectors. FAA currently has 3,200 aviation safety inspectors in its field offices and, like many of the airlines, is facing budgetary challenges. Much attention has been paid to controller staffing and retirements—FAA plans to hire 12,500 air traffic controllers in the next 10 years. While that is a critical issue, the Agency must balance these plans with the need to maintain a sufficient safety inspector workforce. In FY 2007, FAA's budget calls for an increase of 116 safety inspectors. However, it is unlikely that staffing gains over the next few years will be enough to offset the number of safety inspectors eligible to retire in coming years. For example, this year, 28 percent of the current inspector workforce (1,008 of 3,628) will be eligible to retire. By 2010, however, half of the safety inspector workforce (1,820 of 3,628) will be eligible to retire. Until FAA is effectively targeting resources to the greatest risk areas, it needs to carefully evaluate inspector staffing levels to sustain sufficient oversight given the potential attrition within that workforce.

■ **Microjets.** A class of aircraft operations called microjets is rapidly becoming a new method of air travel. These are small, low-cost jet aircraft that will carry up to six passengers. Priced as low as \$1 million per aircraft, microjets may be more attractive to the business market than the current comparable aircraft priced at about \$6 million. Manufacturers anticipate that these aircraft will find a niche among corporate and private owners and as on-demand air taxi services. Microjets could lead to the influx of a new class of pilots, which could lead to human factor and maintenance issues. They could also affect air traffic controllers' workload and FAA's aviation safety workforce.

■ **Foreign manufactured aircraft parts.** Aircraft manufacturing has become a global operation. Large sections of aircraft are now built by industry partners and shipped to the aircraft manufacturer for assembly. FAA and the industry will have to ensure that the suppliers' quality assurance systems are effective and that all parts meet industry specifications.

Former Owners and Driver for Nebraska Trucking Company Ordered to Pay \$50,000 in Logbook Falsification Case

December 27, 2005



Rose and Robert Vyhnalek, former co-owners of R.J. Vyhnalek Trucking (RJVT), Wilber, Nebraska were fined \$12,500 each and ordered to jointly pay \$20,000 in restitution by a U.S. District Court judge in Omaha, Nebraska for conspiracy to violate FMCSA regulations governing maximum daily driving hours and for falsifying driver logbooks. Rose Vyhnalek pled guilty in October to the felony conspiracy charge, admitting to directing drivers to violate hours-of-service regulations. Robert Vyhnalek pled guilty in October to misdemeanor charges. Richard Crawford, a driver/mechanic for RJVT was also fined \$5,000 for falsifying driver logbooks subsequent to his October guilty plea. FMCSA assisted with this investigation.

FY 2006 First Amtrak Quarterly Report

January 5, 2006

Pursuant to the requirements of the FY 2006 Appropriations Act funding the Department of Transportation, we established and reported to Congress an operating subsidy baseline against which Amtrak's progress will be measured. This is required so that OIG, DOT, and Congress will be able to determine whether and to what extent Amtrak has achieved savings as a result of operational reforms. We have set Amtrak's overall operating subsidy baseline at \$586 million. This baseline represents Amtrak's FY 2006 budget results before implementation of new strategic reforms and corresponds to Amtrak's FY 2006 estimated operating losses. It also includes savings from initiatives begun in FY 2005 and scheduled to begin in FY 2006. Under the Act, unless we certify that Amtrak has achieved operational savings by July 1, 2006, Amtrak will be restricted from using appropriated funds to subsidize the net losses from food, beverage, and sleeper car service on any Amtrak route.

Report on Audit of Security of the Federal Railroad Computer Systems Network

January 9, 2006

We reviewed the security of FRA's network infrastructure and found that it was vulnerable to unauthorized access from both inside and outside the Department. Given its interconnectivity with other DOT networks, FRA's lack of security puts other departmental systems at risk. We made recommendations to better protect computers on the network by enhancing its capabilities to

ACTIVITIES

detect security breaches, increasing personnel security, and strengthening management oversight. FRA management agreed with our recommendations and has started taking corrective actions.

Former Supervisor of Pennsylvania Township Gets 12 Months in Jail for His Role in a Corruption Scheme Involving Over \$133,000 in Public Transportation-Funded Paving Contracts

January 27, 2006

Harold Long, a former Drumore Township, Pennsylvania supervisor and owner of Long's Asphalt, Inc. (LAI), Quarryville, PA, was sentenced in U.S. District Court in Allentown, Pennsylvania to 12 months in prison, 3 years supervised release, and fined \$5,000 for mail fraud related to Drumore Township paving contracts. As an elected official and township roadmaster, Long was responsible for awarding nearly all the township's road contracts and overseeing work performed by both contractors and the Township's road crew. Between 2000 and 2002, Long circumvented the competitive bid process by awarding paving contracts totaling over \$133,000 to fictitious companies he created and then subcontracting the work to LAI. Long pled guilty in October 2005 and resigned as Township supervisor in 2004. Both LAI and Long were referred on December 15, 2005 to FHWA for consideration of debarment; FHWA action is pending as of March 31, 2006. The investigation was conducted jointly with the FBI.



Federal Motor Carrier Safety Administration Oversight of Commercial Driver's License Program

February 7, 2006

Our review of FMCSA oversight of the Commercial Driver's License (CDL) Program found that the Agency has implemented specific actions to counter CDL fraud, but more must be done to identify those suspected of obtaining CDLs fraudulently and remove CDLs when necessary. We recommended that FMCSA (1) direct the states to report on the final disposition of suspect drivers, (2) determine that state CDL programs are out of compliance if the state fails to impose adequate internal controls to prevent fraud or fails to take or propose necessary corrective action, and (3) impose sanctions against states that

fail to establish adequate fraud control measures. FMCSA generally agreed with our recommendations although the Agency did not believe it had authority to direct states to report on the disposition of suspect drivers when no specific or direct evidence of fraud exists. The report discusses our view on this issue and points out how FMCSA can use its authority under Federal regulations to promote strong state programs to counter CDL fraud.

Former Trucking Executive Fined \$18,000 in Hours-of-Service Case

February 9, 2006



A U.S. District Court judge in Lynchburg, Virginia imposed an \$18,000 fine on James E. Sanders, former president and co-owner of K&C Trucking Co., Inc. (K&C), Rustburg, Virginia, for his role in a scheme to falsify driver logbooks in order to conceal violations of FMCSA 'hours-of-service' regulations. Regulations governing the number of hours driven by truckers are designed to protect the public from trucking-related accidents caused by driver fatigue. Sanders pled guilty in March 2005 to making false statements and to conspiracy to defraud the government. Sanders is the last person to be sentenced in this case. In January, former K&C co-owner, Norvell Preston, was fined \$10,000 and sentenced to 30 days in jail, and former K&C dispatcher, David Martin, was fined \$3,400. Each had pled guilty on related charges. Seven former K&C tractor-trailer drivers were previously sentenced to home confinement or to fines ranging from \$500 to \$2,000 each. FMCSA assisted with this investigation.

New Approaches Needed in Managing the Physical Security of FAA Facilities and the DOT Headquarters Building

February 14, 2006

We issued a report to the FAA and the Department regarding physical security of FAA facilities and the Department's Headquarters building. We examined the (1) security processes and standards applied to FAA facilities; (2) access controls to FAA's staffed National Airspace System (NAS) critical facilities; and (3) security at FAA-staffed facilities to ensure that contract security guards meet FAA's requirements for security training, weapons qualification, and background checks. As a result of our initial testing of the access controls at the two FAA Headquarters buildings and because the same company provides security services at both the FAA and DOT Headquarters buildings, the Department asked that we include its Headquarters building in our testing and security guard review. We made specific recommendations to strengthen physical security over the FAA facilities and DOT Headquarters buildings. FAA and DOT management generally agreed with our findings and have taken

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steps to strengthen existing access controls and to accelerate and complete security upgrades on the most mission-critical facilities. The Department of Transportation has determined that this report contains Sensitive Security Information as defined by 49 CFR Part 1520. Accordingly, it was not available for public release.

Asbestos Removal Contractor Ordered to Pay Over \$500,000 for Clean Air Act Violations in Connection with Fraud on Buffalo-Niagara Airport Expansion Project

February 15, 2006

USA Remediation Services, Inc. (URSI), Warrenton, Virginia, was ordered to pay \$501,600 in fines and special assessments by a U.S. District Court judge in Buffalo, NY following the firm's October 2005 "no contest" plea to a felony charge of violating the Clean Air Act and conspiracy to violate the Clean Air Act. As part of a \$4.3 million demolition contract awarded by the Niagara Frontier Transportation Authority (an FAA grantee), URSI was awarded a \$981,000 subcontract in 1999 for removal of asbestos at an industrial facility adjacent to the Buffalo-Niagara Airport. Three URSI employees were convicted in September 2002 on numerous charges related to illegal removal of asbestos from pipes in the building. The employees were sentenced to jail terms. The Environmental Protection Agency (EPA) has declared one of the employees ineligible for awards to be performed at the URSI facility in Sauquoit, NY, and both URSI and the other two employees have been referred to the EPA for consideration of statutory debarment. This investigation was conducted jointly with the EPA's Criminal Investigations Division (EPA-CID), the FBI, and the New York State Department of Environmental Conservation.



Florida Inspector Sentenced for Conducting Fraudulent Commercial Motor Vehicle Safety Inspection

February 15, 2006

Jose Miguel Basto (a/k/a Joe Basto), a self-employed third-party commercial motor vehicle safety inspector in Hialeah, Florida, was sentenced in U.S. District Court in Miami to ten months home confinement (with electronic

monitoring) and three years probation for making material false statements. Basto pled guilty in December 2005 to making false statements in connection with unlawfully providing an annual inspection report and decal for a commercial motor vehicle (used for transporting flammable liquids). Periodic inspections of commercial motor vehicles help to protect the safety of the traveling public. Undercover investigation confirmed allegations that Basto accepted money in exchange for inspection reports and decals issued on vehicles which he had not inspected at all. As a specific condition of probation, Basto is prohibited from being involved in any truck inspections within the jurisdiction of the State of Florida and the U.S. Department of Transportation. This case was jointly investigated with FMCSA and the Florida Department of Transportation which will continue to pursue potential re-inspections of other vehicles which Basto had inspected.

Guilty Plea in Michigan Commercial Driver's License (CDL) Fraud Case

February 24, 2006

Kenneth MacKay, a former certified third-party tester for the Michigan Secretary of State (MSOS), pled guilty in U.S. District Court in Detroit, Michigan to making false statements related to certificates he issued for applicants of CDL and other drivers licenses. Our investigation found that, between the summers of 2000 and 2002, MacKay conspired with the now out-of-business proprietors of A&K Truck Driving School to falsely certify students as qualified on driving and skills tests. MacKay admitted to falsifying more than 25 CDL and other license exams, in exchange for payment of \$100 per certificate. MSOS records indicate that over 900 individuals received licenses through MacKay's certificates and re-testing has been required of those individuals in order to retain Michigan licenses. FMCSA has followed up on license holders who subsequently moved to about 26 different states, and all of the over 900 individuals have either successfully re-tested (with some CDLs downgraded to standard state drivers licenses), or had their licenses cancelled. The ongoing investigation is being conducted jointly with the FBI and IRS, with assistance from MSOS and FMCSA.

Former Executive of Advertising Company Pleads Guilty in Corruption Scheme Involving \$15 Million in Philadelphia Airport Concession Contracts

March 6, 2006

Eric Selby, former regional vice president for Sky Sites, Inc. (Sky Sites), pled guilty in U.S. District Court in Philadelphia to charges related to a corruption scheme involving FAA-regulated advertising concession contracts at

ACTIVITIES

the Philadelphia International Airport. Selby was one of four people indicted by a federal grand jury in February on charges of conspiracy, mail fraud, and wire fraud in connection with approximately \$15 million in such contracts awarded by the City of Philadelphia. Selby admitted that, in an effort to secure or extend airport advertising contracts, the conspirators used Sky Sites to illegally fund \$40,000 in contributions to a political action committee (PAC) which supported Philadelphia politicians, including the mayor. One of the conspirators used his certified DBE as a conduit to create a false \$30,000 invoice that was paid by Sky Sites; Selby and two other conspirators subsequently each paid \$10,000 of this amount to the PAC. Selby also conspired in disguising the source of another \$10,000 contribution as a consulting bonus paid by Sky Sites to one of the defendants. The DBE owner, Terry Crockett, pled guilty on March 2 to conspiracy and wire fraud. Sentencing for Crockett is set for July 31, 2006 and for Selby on August 2, 2006. Both Selby and Crockett were referred to FAA for potential suspension from doing business with the Government on March 5, 2006; FAA action is pending as of March 31, 2006. The continuing investigation is being conducted jointly with the FBI.

Former Commercial Pilot Jailed for Operating an Aircraft While Intoxicated

March 10, 2006

Scott Marvin Russell, a former pilot for Sky King Airlines of Sacramento, California, was sentenced in U.S. District Court in Scranton, Pennsylvania to six months in prison, two years supervised release, and fined \$2,000 for operating a common carrier while under the influence of alcohol. He pled guilty to the felony charge in October 2005. On May 12, 2004, Russell was scheduled to copilot a Boeing 737 charter flight departing Wilkes-Barre/Scranton International Airport bound for Myrtle Beach, South Carolina with 57 passengers. While Russell and the pilot taxied from the commuter terminal to the passenger terminal, an FAA inspector smelled alcohol on Russell's breath. A test administered about three hours after the scheduled departure time indicated that Russell's blood-alcohol level was 0.083. (A level of 0.04 is the limit under FAA regulations for anyone piloting an aircraft.) Russell removed himself from the flight before take-off and resigned from Sky King Airlines the same day. FAA issued an emergency revocation of Russell's pilot's license in July 2004. FAA assisted in this investigation.

Pipeline Safety: Progress and Remaining Challenges

March 16, 2006

On March 16th, the Acting Inspector General testified on the progress and remaining challenges in strengthening pipeline safety before the House Committee on Transportation and Infrastructure, Subcommittee on Highways, Transit, and Pipelines. Key focus points included (1) progress made in implementing integrity management programs for hazardous liquid and gas transmission pipeline systems, (2) establishment of an integrity management program for gas distribution pipeline systems, and (3) the need for clearer lines of authority to address pipeline security and respond to disasters.

Intercity Passenger Rail and Amtrak

March 16, 2006

On March 16th, the OIG Senior Economist testified before the Senate Appropriations Transportation Subcommittee on Federal funding for Amtrak in FY 2007. He stated that in order to maintain the currently reconfigured system

in a steady state of repair, the FY 2007 appropriation for Amtrak would need to be about \$1.4 billion (after accounting for the reform efforts already underway). This includes \$485 million for cash operating losses, \$600 million for capital spending, and \$295 million for debt service. The operating subsidy amount, put in place by Congress last year, would continue the pressure on Amtrak for reform; the capital amount would simply keep the system from falling into further disrepair; and the debt service amount is Amtrak's fixed costs for repayment of principal and interest. He also cited previous OIG testimony that the current system needs to be fundamentally restructured and that any restructuring would require new authorizing language for Amtrak programs and funding support.



Audit of Oversight of Load Ratings and Postings on Structurally Deficient Bridges on the National Highway System

March 21, 2006

We issued a report on (1) state transportation departments' actions in calculating load ratings and posting weight limits on structurally deficient National Highway System bridges and (2) FHWA's oversight of state actions. We found that inaccurate or outdated maximum weight limit calculations and posting entries were recorded in bridge databases of the state transportation

ACTIVITIES

departments and in the National Bridge Inventory. We reported that FHWA can do more to oversee states' actions in inspecting bridges, calculating load limits, and posting maximum weight limits. FHWA concurred with our recommendations to revise its annual compliance reviews of state bridge programs and evaluate greater use of computerized bridges management systems.

Perspectives on FAA's FY 2007 Budget Request and the Aviation Trust Fund

March 28, 2006

On March 28th, the Acting Inspector General testified before the Senate Committee on Commerce, Science, and Transportation, Subcommittee on Aviation regarding FAA's FY 2007 budget request and the status of the Aviation Trust Fund. Key focus points included (1) progress and challenges within FAA's three major accounts-Operations, Facilities and Equipment (F&E), and the Airport Improvement Program (AIP) and (2) observations on the current funding mechanisms for FAA.

Observations on the Progress and Actions Needed To Address the Next Generation Air Transportation System

March 29, 2006

On March 29th, the Assistant Inspector General for Aviation and Special Program Audits testified before the House Committee on Science, Subcommittee on Space and Aeronautics regarding FAA's Joint Planning and Development Office (JPDO) and the plans for the next generation air transportation system. Key focus points included (1) the JPDO's critical role in leveraging resources for the next generation air transportation system, (2) progress and challenges to date in aligning Agency budgets and plans, and (3) actions that will help the JPDO to keep moving forward in both the short-and long-term.



Owner of Disadvantaged Business Enterprise (DBE) Firm Fined \$40,000 for Defrauding the Federal Government on a \$12 Million Oklahoma Highway Project

March 29, 2006

Walter Alan Patton, owner and president of Patton Construction, Inc. (PCI), Tahlequah, Oklahoma was sentenced in U.S. District Court in Muskogee, Oklahoma to five years probation and fined \$40,000 for conspiring to defraud the United States in connection with a scheme to violate DBE regulations on a nearly \$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 instead with a non-DBE to perform the work and made false representations in the form of fraudulent payroll reports to make it appear that PCI employees were doing the work. Investigation determined that employees listed on PCI payroll reports actually were employees of the non-DBE. Patton pled guilty to the felony conspiracy charge in October 2005. The investigation was conducted jointly with the Oklahoma DOT.

Former Maryland MVA Employee and Owner of Driving School Pleads Guilty to Conspiracy to Commit Identification Document Fraud

March 31, 2006

Ahmed Abdul Moiz, a former Maryland Motor Vehicle Administration (MD-MVA) driver's license examiner and later the owner of the All American Driving School (now All American Driving Academy, a third-party driver testing facility located in Baltimore, Maryland) pled guilty in U.S. District Court in Baltimore to conspiracy to commit identification document fraud. Between 1998 and 2003, Moiz conspired with MD-MVA employees and others in assisting over 500 individuals (mostly from southwestern Asian countries) to fraudulently obtain Maryland driver's licenses, commercial driver's licenses (CDLs) and related documents in exchange for payments totaling more than \$200,000. Sentencing for Moiz, a naturalized citizen of the United States, has been scheduled for July 6, 2006. MD-MVA has been provided a list of individuals who obtained licenses fraudulently in order to re-test them. The ongoing investigation is being conducted jointly with the FBI and the Department of Homeland Security's U.S. Immigration and Customs Enforcement (DHS-ICE).

OVERSIGHT OF HURRICANE RELIEF AND RECOVERY EFFORTS

Soon after Hurricane Katrina struck on August 29, 2005, OIG investigators were on the ground in Mississippi and Louisiana protecting DOT people and assets, assisting DOT with damage assessments, and conducting liaison with other law enforcement agencies. OIG auditors were working to assess risks associated with the expenditure of funds related to this hurricane. Shortly thereafter, two other devastating hurricanes-Rita and Wilma-hit the U.S. Gulf Coast. On October 6, 2005, as our focus moved from immediate efforts to longer-term recovery and reconstruction, we announced plans to conduct a series of audits and investigations of DOT's hurricane activities.

The costs of rebuilding the Gulf Coast are still being calculated, but we already know that Hurricane Katrina has topped 1992's Hurricane Andrew in Florida as the most costly natural disaster in U.S. history. History has shown that substantial infusions of funding for relief and recovery efforts increase the risk of fraud by those who exploit weaknesses in Government oversight.

The Federal Government has committed more than \$87 billion for hurricane relief and recovery efforts related to Hurricanes Katrina,

Rita, and Wilma. DOT expects to spend nearly \$4.5 billion for work primarily related to emergency and permanent repairs of hurricane-damaged roadways and bridges on Federal-aid highways. Approximately 75 percent of the \$4.5 billion will be used for transportation infrastructure reconstruction grants to states under FHWA's Emergency Relief Program and other direct expenses. For example, in late December 2005, Congress authorized \$629 million for repair and reconstruction of the I-10 Twin Spans Bridge in New Orleans, LA.

During congressional testimony concerning DOT's response to these hurricanes, Secretary Mineta stated, "Oversight and accountability of taxpayer funds is a top priority for me-relief aid must be spent wisely and well." In support of the Secretary, we are committed to working with the Department to ensure proper stewardship and oversight. The scope of these disasters presents a significant challenge for the Department, its Operating Administrations, and state departments of transportation to ensure that taxpayers' interests are fully protected.

The Department is taking extraordinary steps to protect taxpayers' funds spent for hurricane repair and reconstruction work. For example, the Department created a special financial integrity team to oversee that Hurricane Katrina spending is thoroughly documented and funds are properly accounted for. DOT also submitted to OMB a detailed Hurricane Financial Stewardship Plan that outlines existing and additional internal controls intended to safeguard taxpayer funds.

We are working closely with others in the Federal IG community as a member of the PCIE Homeland Security Roundtable and coordinating with the Department of Justice, congressional committees, the Government Accountability Office, and state auditors and inspectors general, as appropriate. These efforts are directed at coordination to prevent overlap and duplication of respective work efforts and to share information of mutual interest. For example, as a member of the Roundtable, we helped the PCIE Hurricane Procurement Audit Working Group develop a risk assessment guide by recommending specific audit steps and criteria. This guide was intended to facilitate consistent risk assessments of hurricane-related contracts by staff of all Federal Offices of Inspector General. We also provided suggestions that were incorporated into other audit guides addressing issues such as no-bid contracting, price evaluation, local business preference, and small business utilization.



New Orleans, LA - East-bound I-10 near the I-90 interchange.

OIG Oversight Efforts

Our oversight efforts focus on obligations and expenditures of DOT appropriations and reimbursable mission assignments and agreements from FEMA and others. Our overall efforts are directed at preventing fraud, waste, and abuse and detecting and prosecuting fraud. Specifically, we are:

- verifying that expenditures of Federal funds on transportation services and programs are being appropriately tracked;
- proactively ensuring that Operating Administrations and state transportation departments exercise adequate oversight of Department expenditures and put systems in place to make certain that funds are appropriately spent;
- auditing selected projects, grants, and contracts;
- conducting fraud awareness and prevention activities to alert Federal, state, and local government agencies; and
- investigating allegations of fraud involving transportation-funded projects.

This work has already produced significant results. For example, a recent OIG audit led to the recovery of \$32 million on the Department's emergency transportation services contract after we raised questions about the actual number of buses used for evacuating flood victims from New Orleans, compared to initial estimates. This audit also identified opportunities for improving how the contract is administered during future emergencies. FAA implemented our recommended changes to obtain better information for evaluating contractor price quotes and documentation of goods and services received. Examples of other audit-related accomplishments follow.

■ **Reviewed MARAD's Support of Hurricane Relief Efforts.** For the first time in its history, MARAD was tasked by the FEMA to activate and operate Ready Reserve Force and training ships for a domestic emergency (Hurricane Katrina). The ships provided the Gulf Coast with urgently needed supplies, water, generation of electricity, assistance for oil spill cleanup, and food and shelter for rescue and recovery workers. The OIG verified that the ships were used for their intended purpose and that MARAD was exercising oversight controls available under existing contracting structures. To follow up, the OIG participated in a conference panel on the Hurricane Katrina Maritime Disaster Response, where lessons learned for future disaster planning were shared with representatives from MARAD, the U.S. Coast Guard, the maritime industry, and various state and local disaster response groups.

■ **Improved Financial Management Oversight for Hurricane-Related Expenditures.** At the request of the Department's Assistant Secretary for Budget and Programs/Chief Financial Officer, we assisted DOT in developing a detailed Hurricane Financial Stewardship Control Plan. The plan represented DOT's initial concept for overseeing expenditures related to Hurricanes Katrina and Rita and outlined existing and needed internal controls to safeguard



Bay Saint Louis, MS - US-90 bridge.

taxpayer funds spent on hurricane relief and recovery activities. We provided input regarding (1) possible financial management risks identified in our prior audit reports and congressional testimonies and (2) specific actions planned for OIG oversight of the Department's hurricane-related spending. The plan was submitted to OMB.

■ **Streamlined DOT Reporting for Hurricane Contracts.** We worked with the DOT Office of the Senior Procurement Executive to incorporate OMB and PCIE reporting requirements for hurricane contracts into departmental stewardship and oversight reports. In part, these efforts (1) eliminated the tracking of duplicate reporting requirements, (2) helped ensure that a process exists for collecting information needed to fulfill unique requirements, and (3) facilitated effective coordination and timely reporting by the Operating Administrations to satisfy short notice inquiries from Administration and legislative stakeholders.

We have also fully integrated OIG investigators with the Department of Justice Hurricane Katrina Fraud Task Force and the FBI Public Corruption Task Force. In addition, our investigators are actively working with FAA to ensure proper disposition of wind- and flood-damaged aircraft considered unairworthy. For example, our investigators recently arrested an individual for flying without a pilot's license; we later learned he was ferrying a hurricane-damaged aircraft allegedly for resale to an unsuspecting buyer rather than for destruction or salvage. We notified FAA officials and helped them develop a national strategy to identify and track hurricane-damaged aircraft and to disseminate information about this important safety concern. Among other actions, the FAA Safety Team has (1) sent a "Special Notice" to all registered airmen (approximately 250,000) concerning this issue, (2) placed information about hurricane-damaged aircraft on its web site at www.faa.gov, and (3) begun working with insurance companies to obtain listings of damaged aircraft for follow-up attention, as appropriate. Examples of other investigative-related accomplishments follow.

■ **Provided Fraud Prevention Briefings.** OIG special agents conducted nearly 50 fraud awareness briefings to various oversight providers, FHWA and state transportation department personnel, and trade association officials as part of our hurricane-related fraud prevention activities. The briefings addressed fraud risks and indicators and provided an opportunity to share information of mutual interest. Also addressed were fraud schemes that historically occur on highway and bridge projects, including false claims, product substitution, bid-rigging, Disadvantaged Business Enterprise fraud, and kickback and bribery schemes. The briefings also resulted in the identification of several allegations of criminal activity.

■ **Supported the PCIE Hurricane Relief Fraud Hotline.** At the request of the Department of Defense OIG, we detailed an investigator to support the PCIE Hurricane Relief Fraud Hotline. DOD manages the Hotline on behalf of all Federal Inspectors General involved in hurricane recovery oversight. Our investigator assisted with implementation of the Hotline's database and helped to evaluate and process approximately 9,000 fraud complaints related to Hurricanes Katrina, Rita, and Wilma.

Moving Forward

During the next semi-annual period, we will determine risks associated with contracts for repairing air traffic facilities, ensure that FHWA emergency relief funds were spent in accordance with program guidelines, and focus on award criteria and grantee oversight for significant infrastructure construction projects.



Ocean Springs, MS — US 90 bridge.



OTHER ACCOMPLISHMENTS

This section extends beyond the legal reporting requirements of the Inspector General Act to highlight other accomplishments and contributions by Office of Inspector General staff. 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.

EMPLOYEE INVESTIGATIONS BY RAILROAD POLICE

In November 2003, the Senate Commerce Committee requested our assessment of the responsibilities of railroad police, including any additional duties they perform as railroad employees that may involve enforcing company rules and policies. We also investigated a number of instances brought to our attention involving the potential for abuse of railroad police authority.

In our November 2004 response, we noted that railroads can benefit from: (1) guidance governing the conduct of employee investigations, (2) policies governing employee-related matters for which police involvement would be merited, (3) internal affairs programs, and (4) collection and maintenance of accurate and sufficiently comprehensive police activity data.

Based on our report, the Committee incorporated a provision in legislation to improve rail security (S. 1052) that would have restricted the authority of railroad police to investigate railroad employees for violations of company policies and regulations not related to safety or security. At markup, this section was removed based on a letter dated November 16, 2005, from the Association of American Railroads to Senator Frank R. Lautenberg stating that Class I railroads have “fully implemented the recent recommendations of the Inspector General...concerning the proper use of law enforcement authority in the investigation of railroad employees.”

PROTECTING HIGHWAY TRUST FUND REVENUES

Responding to a Senate Appropriations Committee directive, the OIG consulted with the Treasury Inspector General for Tax Administration (TIGTA) on its audit of the Internal Revenue Services (IRS) management of Highway





Trust Fund monies used to develop an excise fuel tax reporting system for enhancing motor fuel tax enforcement. TIGTA found that the IRS was not maximizing DOT's nearly \$40 million investment in this system. Specifically, the IRS was not using the system to identify potential instances of fuel tax evasion and to ensure the collection of the appropriate excise tax revenues. As a result, DOT has not received any appreciable return on its investment in the system. In November 2005, we recommended that FHWA become much more involved with the stewardship and oversight of Highway Trust Fund monies that were provided to the IRS. This would help ensure the effective

use of planned future investments of about \$122 million for continued system development, operations and maintenance, and other compliance activities. FHWA took immediate steps to bolster its stewardship and oversight efforts in this area and ensure that the appropriate congressional committees remain informed.

CHARTS & TABLES

Summary of Performance

Office of Inspector General

October 1, 2005–March 31, 2006

Reports issued		44
Recommendations Issued		182
Congressional Testimonies		5
Total financial recommendations	\$	798,061,150
— that funds be better used	\$	757,000,000
— that questioned costs	\$	41,061,150
Indictments		86
Convictions		103
Fines, restitutions, recoveries	\$	21,406,821

INVESTIGATIONS

Judicial and Administrative Actions

October 1, 2005–March 31, 2006

Employee Terminations	1
Employee Suspensions	14
Employee Downgrade	1
Employee Reprimand	8
Employee Resignations/Retirements	1
Employee Counseling	7
Debarments/Suspensions	14
Certificates/License suspended/revoked/terminated	7
Indictments	86
Convictions	103
Years Sentenced	64
Years Probation	195
Years Supervised Release	42
Hours of Community Service	554
<hr/> Financial Impact <hr/>	
Fines	\$973,030
Restitution/Civil Judgments	\$8,791,272
Federal Recoveries	\$11,096,480
Administrative Recoveries	\$546,039
Total	\$21,406,821

During the 6 month period covered by this report, 113 cases were opened and 94 were closed, leaving a pending caseload of 589. In addition, 123 cases were referred for prosecution, 85 were accepted for prosecution, and 40 were declined. As of March 31, 2006, 48 cases were pending before prosecutors.

Profile of All Pending Investigations

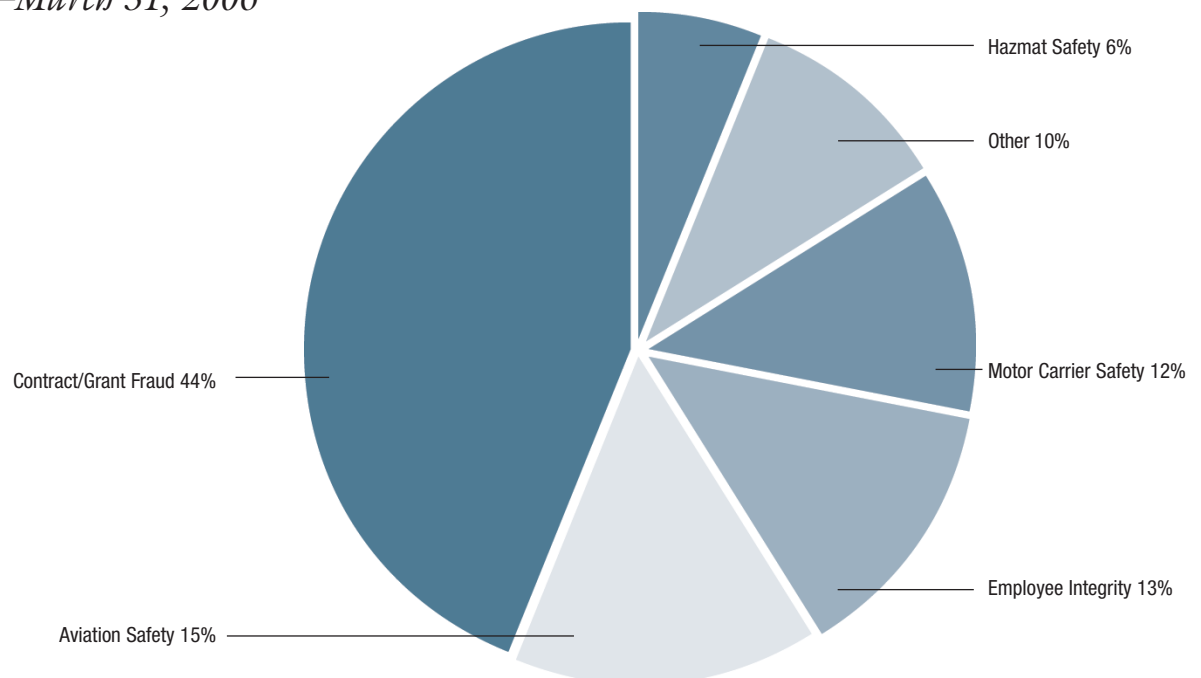
As of March 31, 2006

Types of Cases

	Number of Cases	Contract/Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	Hazmat	Other
Operating Administration							
Federal Aviation Administration	231	37	73	107	0	8	6
Federal Highway Administration	155	144	4	0	0	0	7
Federal Railroad Administration	12	2	3	0	0	4	3
Federal Transit Administration	33	30	2	0	0	0	1
Maritime Administration	5	2	1	0	0	0	2
Federal Motor Carrier Safety Administration	96	3	7	0	59	20	7
Office of the Secretary	17	4	7	0	0	0	6
Pipeline and Hazardous Materials Safety Administration	25	0	1	0	0	24	0
Research and Innovative Technology Administration	2	2	0	0	0	0	0
National Highway Traffic Safety Administration	11	3	4	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	589	227	104	107	60	56	35
Percent of Total:	100%	39%	18%	18%	10%	10%	6%

Application of Investigative Project Hours by Priority Area

October 1, 2005–March 31, 2006



Note: May not equal 100 percent due to rounding.

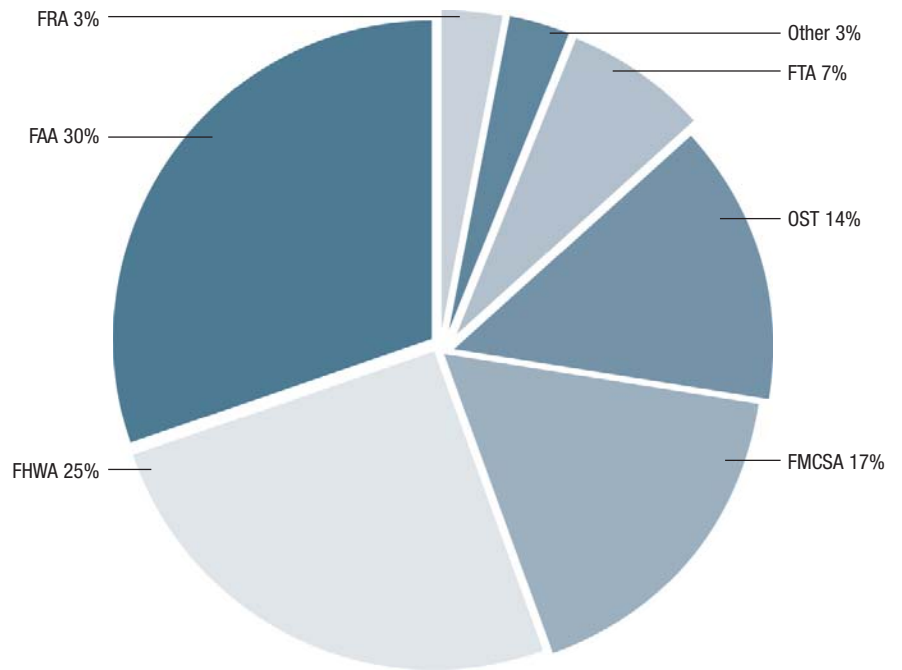
Status of Unresolved Investigations Recommendations

October 1, 2005–March 31, 2006

Associated Operating Administration	Recommendation(s)	Status
<i>For Semiannual Report Period of October 1, 2004–March 31, 2005</i>		
FAA	That FAA ensure its Dallas/Forth Worth (DFW) Terminal Radar Approach Control facility complies with national policy for investigating and reporting operational errors; initiate close oversight and appropriate administrative actions.	Working with FAA to resolve open issues
<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 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

October 1, 2005–March 31, 2006



Completed OIG Reports

October 1, 2005–March 31, 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>				
— Program/Functional	14	77	\$33,292	\$757,000
— Chief Financial Officer Financial Statements	8	76	\$0	\$0
<i>Other OIG Reports***</i>	1	0	\$0	\$0
Total Internal Audits and Reports	23	153	\$33,292	\$757,000
<i>Grant Audits</i>				
— Audits of Grantee Under Single Audit Act	21	29	\$7,769	\$0
Totals	44	182	\$41,061	\$757,000

*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.

***These reports do not meet Government Auditing Standards.

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

October 1, 2005–March 31, 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	25	\$12,312
B Which were issued during the reporting period	15	19	\$41,061
Totals (A+B)	35	44	\$53,373
C For which a management decision was made during the reporting period	15	18	\$39,073
(i) dollar value of disallowed costs**	11	12	\$39,072
(ii) dollar value of costs not disallowed**	8	9	\$3,316
D For which no management decision had been made by the end of the reporting period	20	26	\$14,301

*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

October 1, 2005–March 31, 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	6	9	\$1,988,110
B Which were issued during the reporting period	1	1	\$757,000
Totals (A+B)	7	10	\$2,745,110
C For which a management decision was made during the reporting period	3	4	\$1,001,610
(i) dollar value of recommendations that were agreed to by management *	2	3	\$999,300
(ii) dollar value of recommendations that were not agreed to by management *	1	1	\$2,310
D For which no management decision had been made by the end of the reporting period	4	6	\$1,743,500

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

OIG Reports Recommending Changes for Safety, Economy or Efficiency

October 1, 2005–March 31, 2006

	Number of Reports	Number of Recommendations
Reports		
A For which no management decision had been made by the start of the reporting period	31	118
B Which were issued during the reporting period	25	162
Totals: (A+B)	56	280
C For which a management decision was made during the reporting period*	18	133
D For which no management decision had been made by the end of the reporting period*	40	147

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

Management Decisions Regarding OIG Recommendations

October 1, 2005–March 31, 2006

(Dollars in thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs*	Funds to Be Put to Better Use
Unresolved as of 10/01/05	48	152	\$12,312	\$1,988,110
Audits with Findings During Current Period	37	182	\$41,061	\$757,000
Total to be Resolved	85	334	\$53,373	\$2,745,110
<i>Management Decisions:</i>				
— Audits Prior Period‡	18	32	\$5,388	\$244,610
— Audits Current Period‡	15	123	\$33,684	\$757,000
Total Resolved	33	155	\$39,073	\$1,001,610
<i>Aging of Unresolved Audits: **</i>				
Less than 6 mos. old	22	59	\$7,377	\$0
— 6 mos.–1 year	8	25	\$86	\$975,000
— 1 year–18 mos.	10	36	\$1,722	\$0
— 18 mos.–2 years	2	4	\$4,380	\$0
— Over 2 years old	12	55	\$736	\$768,500
Unresolved as of 03/31/06	54	179	\$14,301	\$1,743,500

*Rounding of dollars may affect totals; 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

October 1, 2005–March 31, 2006

Report	Date	Title	Focus of Report/ Recommendations
FEDERAL AVIATION ADMINISTRATION			
<i>Internal Audits: Program/Functional—4 reports</i>			
AV-2006-021	12/07/05	FAA Has Opportunities to Reduce Academy Training Time and Costs by Increasing Educational Requirements for Newly Hired Air Traffic Controllers	Require general coursework as prerequisite for new controller employment
AV-2006-031	12/15/05	Air Carriers' Use of Non-Certified Repair Facilities	Improve critical safeguards and controls for aircraft maintenance repair
AV-2006-038	02/14/06	New Approaches Needed in Managing the Physical Security of FAA Facilities and the DOT Headquarters Building (<i>also listed under Office of the Secretary; report contains Sensitive Security Information as defined by 49 CFR Part 1520; not available for public inspection or copying</i>)	Strengthen existing access controls and accelerate and complete security upgrades
FI-2006-039	02/21/06	Security and Controls over the Remote Maintenance Processing System (<i>report contains Sensitive Security Information as defined by 49 CFR Part 1520; not available for public inspection or copying</i>)	Eliminate weaknesses and strengthen security protection
<i>Internal Audits: Chief Financial Officer Financial Statement—2 reports</i>			
QC-2006-010	11/14/05	Quality Control Review of Audited FAA Financial Statements for FY 2005, FY 2004	Unqualified opinion on financial statements
QC-2006-013	11/15/05	Quality Control Review of the Audited FAA Administrative Services Franchise Fund Balance Sheet for FY 2005	Unqualified opinion on balance sheet
<i>Grant Audits: Audits of Grantee Under Single Audit Act—4 reports</i>			
QC-2006-006	11/02/05	Virgin Islands Port Authority	\$66,500 questioned
QC-2006-018	12/07/05	County of Chautauqua, NY	Improve grantee oversight
QC-2006-027	12/07/05	Dallas/Fort Worth International Airport, TX	\$592,467 questioned
QC-2006-042	03/09/06	Gulfport-Biloxi Regional Airport Authority, MS	\$618,673 questioned
FEDERAL HIGHWAY ADMINISTRATION			
<i>Internal Audits: Program/Functional—2 reports</i>			
FI-2006-011	11/14/05	Inactive Obligations	Put \$757,000,000 to better use
MH-2006-043	03/21/06	Oversight of Load Ratings and Postings on Structurally Deficient Bridges on the National Highway System	Revise annual compliance reviews and evaluate use of computerized bridges management systems
<i>Internal Audits: Chief Financial Officer Financial Statement—1 report</i>			
QC-2006-012	11/14/05	Quality Control Review of Audited Highway Trust Fund Financial Statements for FY 2005, FY 2004	Unqualified opinion on financial statements
<i>Grant Audits: Audits of Grantee Under Single Audit Act—3 reports</i>			
QC-2006-005	11/02/05	State of Alabama	\$326,146 questioned
QC-2006-022	12/07/05	State of Georgia	\$776,520 questioned
QC-2006-024	12/07/05	Michigan Department of Transportation	Improve grantee oversight

Report	Date	Title	Focus of Report/ Recommendations
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION			
<i>Internal Audits: Program/Functional—1 report</i>			
MH-2006-037	02/07/06	Oversight of the Commercial Driver's License Program	Promote stronger state programs to counter CDL fraud
<i>Grant Audits: Audits of Grantee Under Single Audit Act—2 reports</i>			
QC-2006-035	02/02/06	Commonwealth of Puerto Rico Public Service Commission	\$70,898 questioned
QC-2006-040	03/09/06	Commonwealth of Puerto Rico Public Service Commission	\$331,558 questioned
FEDERAL RAILROAD ADMINISTRATION			
<i>Internal Audits: Program/Functional—2 reports</i>			
MH-2006-016	11/28/05	Oversight of Highway-Rail Grade Crossing Accident Reporting, Investigations, and Safety Regulations	Greater attention needed in reporting and investigating grade crossing collisions and enforcement of safety defect citations
FI-2006-029	01/09/06	Security of the Federal Railroad Computer Systems Network	Strengthen network security and Internet communication points; prevent unauthorized remote access
FEDERAL TRANSIT ADMINISTRATION			
<i>Grant Audits: Audits of Grantee Under Single Audit Act—10 reports</i>			
QC-2006-004	11/02/05	Central Puget Sound Regional Transit Authority, WA	\$40,000 questioned
QC-2006-020	12/07/05	Central Puget Sound Regional Transit Authority, WA	Improve grantee oversight
QC-2006-023	12/07/05	Sunset Empire Transportation District, OR	\$180,639 questioned
QC-2006-025	12/07/05	Metropolitan Transit Authority of Harris County, TX	Improve grantee oversight
QC-2006-026	12/07/05	Chicago Transit Authority, IL	Improve grantee oversight
QC-2006-028	12/07/05	Massachusetts Bay Transportation Authority	\$393,275 questioned
QC-2006-030	12/14/05	Dallas Area Rapid Transit, TX	Improve grantee oversight
QC-2006-034	02/02/06	Greenville Transit Authority, SC	\$210,684 questioned
QC-2006-036	02/02/06	Santa Clara Valley Transportation, CA	\$1,787,329 questioned
QC-2006-044	03/22/06	Rock Island County Metropolitan Transit District, IL	\$780,000 questioned
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION			
<i>Internal Audits: Program/Functional—1 report</i>			
FI-2006-033	02/01/06	Inspector General Review of FY 2005 Drug Control Funds	Conforms with the Office of National Drug Control Policy Circular
<i>Grant Audits: Audits of Grantee Under Single Audit Act—2 reports</i>			
QC-2006-019	12/07/05	New Mexico Department of Transportation	Improve grantee oversight
QC-2006-041	03/09/06	State of New Jersey	\$1,594,760 questioned
NATIONAL TRANSPORTATION SAFETY BOARD			
<i>Internal Audits: Program/Functional—2 reports</i>			
AV-2006-003	10/20/05	Actions Taken and Needed in Implementing Mandates and Recommendations Regarding Pipeline and Hazardous Materials Safety (also listed under Pipeline and Hazardous Materials Safety Administration and Office of the Secretary)	Continue to focus on outstanding congressional mandates and NTSB recommendations
FI-2006-001	10/07/05	Information Security Program	Information security program remains a material weakness

Office of Inspector General Published Reports *(continued)*

October 1, 2005–March 31, 2006

Report	Date	Title	Focus of Report/ Recommendations
<i>Internal Audits: Chief Financial Officer Financial Statement–1 report</i>			
QC-2006-008	11/07/05	Quality Control Review of Audited NTSB Consolidated Financial Statements for FY 2005, FY 2004	Unqualified opinion on financial statements
OFFICE OF THE SECRETARY OF TRANSPORTATION			
<i>Internal Audits: Program/Functional–4 reports</i>			
FI-2006-002	10/07/05	Information Security Program	Strengthen information security and reduce vulnerabilities to economic or operational harm
AV-2006-003	10/20/05	Actions Taken and Needed in Implementing Mandates and Recommendations Regarding Pipeline and Hazardous Materials Safety <i>(also listed under Pipeline and Hazardous Materials Safety Administration and National Transportation Safety Board)</i>	Continue to focus on outstanding congressional mandates and NTSB recommendations
AV-2006-032	01/20/06	Internal Controls Over the Emergency Disaster Relief Transportation Services Contract	\$33,291,701 questioned
AV-2006-038	02/14/06	New Approaches Needed in Managing the Physical Security of FAA Facilities and the DOT Headquarters Building <i>(also listed under Federal Aviation Administration; report contains Sensitive Security Information as defined by 49 CFR Part 1520; not available for public inspection or copying)</i>	Strengthen existing access controls and accelerate and complete security upgrades
<i>Internal Audits: Chief Financial Officer Financial Statement–3 reports</i>			
FI-2006-014	11/15/05	Audit of DOT Consolidated Financial Statements for FY 2005, FY 2004	Unqualified opinion on financial statements
FI-2006-015	11/18/05	Audit of Special-Purpose Financial Statements for FY 2005, FY 2004	Unqualified opinion on financial statements
FI-2006-017	12/02/05	Independent Accountant's Agreed-Upon Procedures for Intragovernmental Activity and Balances	Report submitted for preparation of Governmentwide financial statements
<i>Other OIG Reports –1 report</i>			
PT-2006-007	11/15/05	Top Management Challenges	Nine challenges identified
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION			
<i>Internal Audits: Program/Functional–1 report</i>			
AV-2006-003	10/20/05	Actions Taken and Needed in Implementing Mandates and Recommendations Regarding Pipeline and Hazardous Materials Safety <i>(also listed under National Transportation Safety Board and Office of the Secretary)</i>	Continue to focus on outstanding congressional mandates and NTSB recommendations
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION			
<i>Internal Audits: Chief Financial Officer Financial Statement–1 report</i>			
QC-2006-009	11/08/05	Quality Control Review of Audited SLSDC Financial Statements for FY 2005, FY 2004	Unqualified opinion on financial statements

Office of Inspector General Congressional Testimonies

October 1, 2005–March 31, 2006

Control No.	Date	Subject	Before
CC-2006-003	11/17/05	Aviation Safety — Observations on FAA's Oversight and Changes in the Airline Industry	Committee on Commerce, Science, and Transportation, Subcommittee on Aviation U. S. Senate
CC-2006-023	03/16/06	Pipeline Safety: Progress and Remaining Challenges	Committee on Transportation and Infrastructure, Subcommittee on Highways, Transit, and Pipelines, U.S. House of Representatives
CC-2006-026	03/16/06	Intercity Passenger Rail and Amtrak	Committee on Appropriations, Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies, U. S. Senate
CC-2006-027	03/28/06	Perspectives on FAA's FY 2007 Budget Request and the Aviation Trust Fund	Committee on Commerce, Science, and Transportation, Subcommittee on Aviation, U.S. Senate
CC-2006-032	03/29/06	Observations on the Progress and Actions Needed to Address the Next Generation Air Transportation System	Committee on Science, Subcommittee on Space and Aeronautics 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

Cited in Semiannual Report for October 1, 2001–March 31, 2002

Downtown Waycross Development Authority, GA

QC-2002-027 10/31/01 FHWA working with Grantee to resolve open issues

Acquisition of the Weather and Radar Processor

AV-2002-084 02/28/02 Working with FAA to resolve open issues

Status of Unresolved Recommendations Over Six Months Old *(continued)*

Cited in Semiannual Report for October 1, 2002–March 31, 2003

Innovative Pavement Research Foundation

QC-2003-035 03/31/03 FHWA working with Grantee to resolve open issues

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

City and County of San Francisco, CA

QC-2003-056 09/03/03 FAA working with Grantee to resolve open issues

FAA Needs to Reevaluate STARS Costs and Consider Other Alternatives

AV-2003-058 09/09/03 Working with FAA to resolve open issues

State of California

QC-2003-085 09/23/03 FHWA working with Grantee to resolve open issues

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

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

Revenue Diversions at San Francisco International Airport

SC-2004-038 03/31/04 Working with FAA to resolve open issues

Inactive Obligations

FI-2004-039 03/31/04 Working with FHWA to resolve open issues

Cited in Semiannual Report for April 1, 2004–September 30, 2004

Indianapolis Public Transportation Corporation

QC-2004-052 04/08/04 FTA working with Grantee to resolve open issues

Highway-Rail Grade Crossing Safety Program

MH-2004-065 06/16/04 Working with FHWA, FRA, and FTA to resolve open issues

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

Managing Risk in the Federal-Aid Highway Program

MH-2005-012 11/19/04 Working with FHWA to resolve open issues

Terminal Modernization: FAA Needs to Address its Small, Medium, and Large Sites Based on Cost, Time, and Capability

AV-2005-016 11/23/04 Working with FAA to resolve open issues

Government of the United States Virgin Islands

QC-2005-020 12/14/04 FHWA working with Grantee to resolve open issues

State of Hawaii, Department of Transportation — Highways Division

QC-2005-024 12/20/04 FHWA working with Grantee to resolve open issues

Puerto Rico Highway Transportation Authority

QC-2005-039 01/04/05 FHWA and FTA working with Grantee to resolve open issues

Inactive Obligations

FI-2005-044 01/31/05 Working with FAA to resolve open issues

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

Controller Staffing: Observations on FAA's 10-Year Strategy for the Air Traffic Controller Workforce

AV-2005-060 05/26/05 Working with FAA 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

Status of Unresolved Recommendations Over Six Months Old *(continued)*

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
Commonwealth of Kentucky		
QC-2005-073	08/30/05	FHWA working with Grantee to resolve open issues

Application of Audit Project Hours by Operating Administration

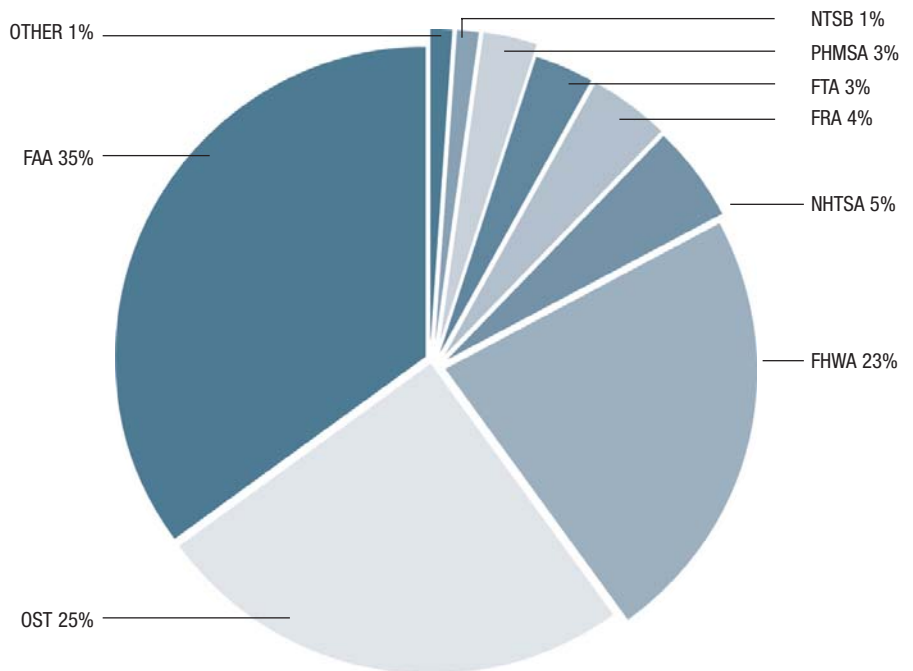
October 1, 2005–March 31, 2006

Notes:

Resources shown for OST include time spent performing audits of the DOT Consolidated Financial Statements (which includes all Operating Administrations), Internal Controls Over the Emergency Disaster Relief Transportation Services Contract, and DOT's Information Security Program.

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

Resources shown as "Other" were expended on the Research and Innovative Technology Administration, the Federal Motor Carrier Safety Administration, and the St. Lawrence Seaway Development Corporation, and totaled less than 1 percent each.



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.

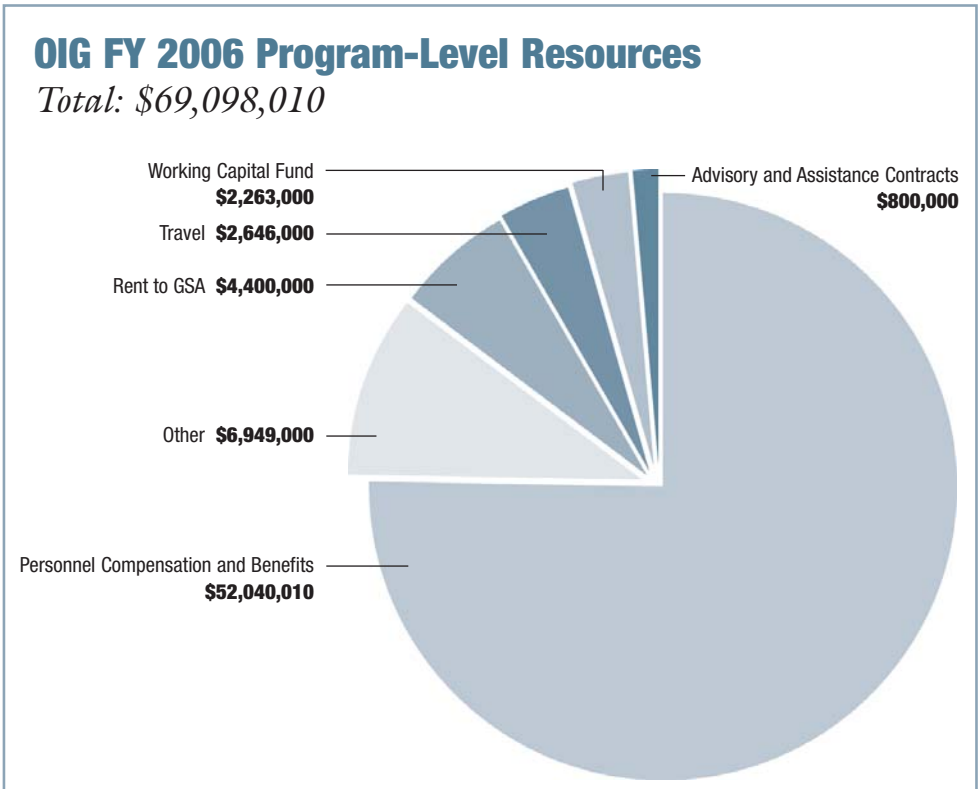
The Act also requires descriptions of any significant decisions that departmental management made regarding an audit with which OIG disagrees. When the reporting period closed, there were no such significant decisions with which OIG disagreed.

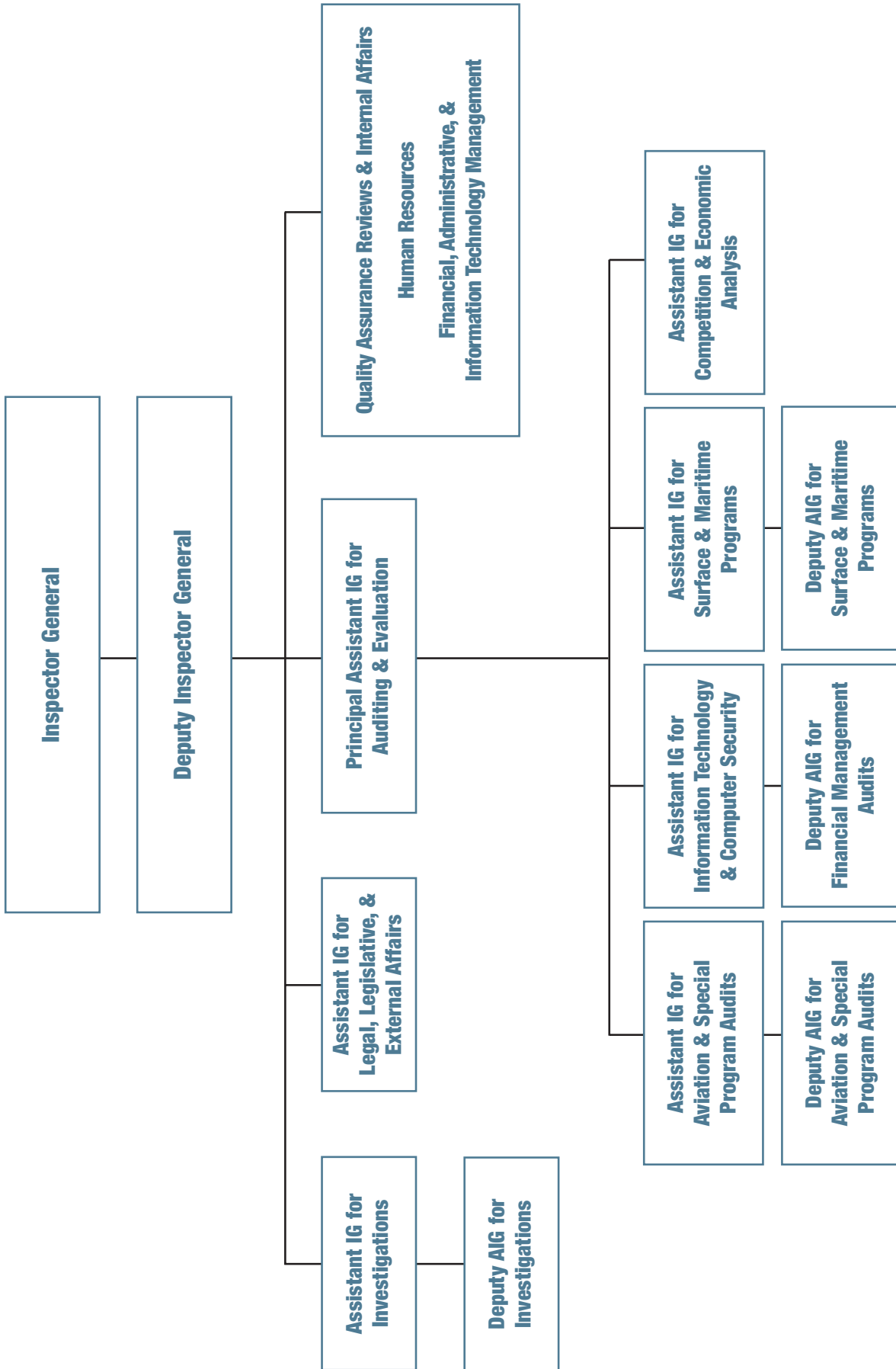
MISSION, ORGANIZATION, & CONTACTS

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.





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Hotline to report fraud, waste, and abuse:

phone: 800-424-9071

fax: 202-366-7749

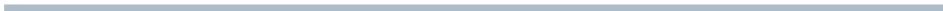
e-mail: hotline@oig.dot.gov

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



ABBREVIATIONS

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





U.S. Department of Transportation

Office of Inspector General

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