



**Office of Inspector General  
U.S. Department of Transportation**



# SEMIANNUAL Report to Congress

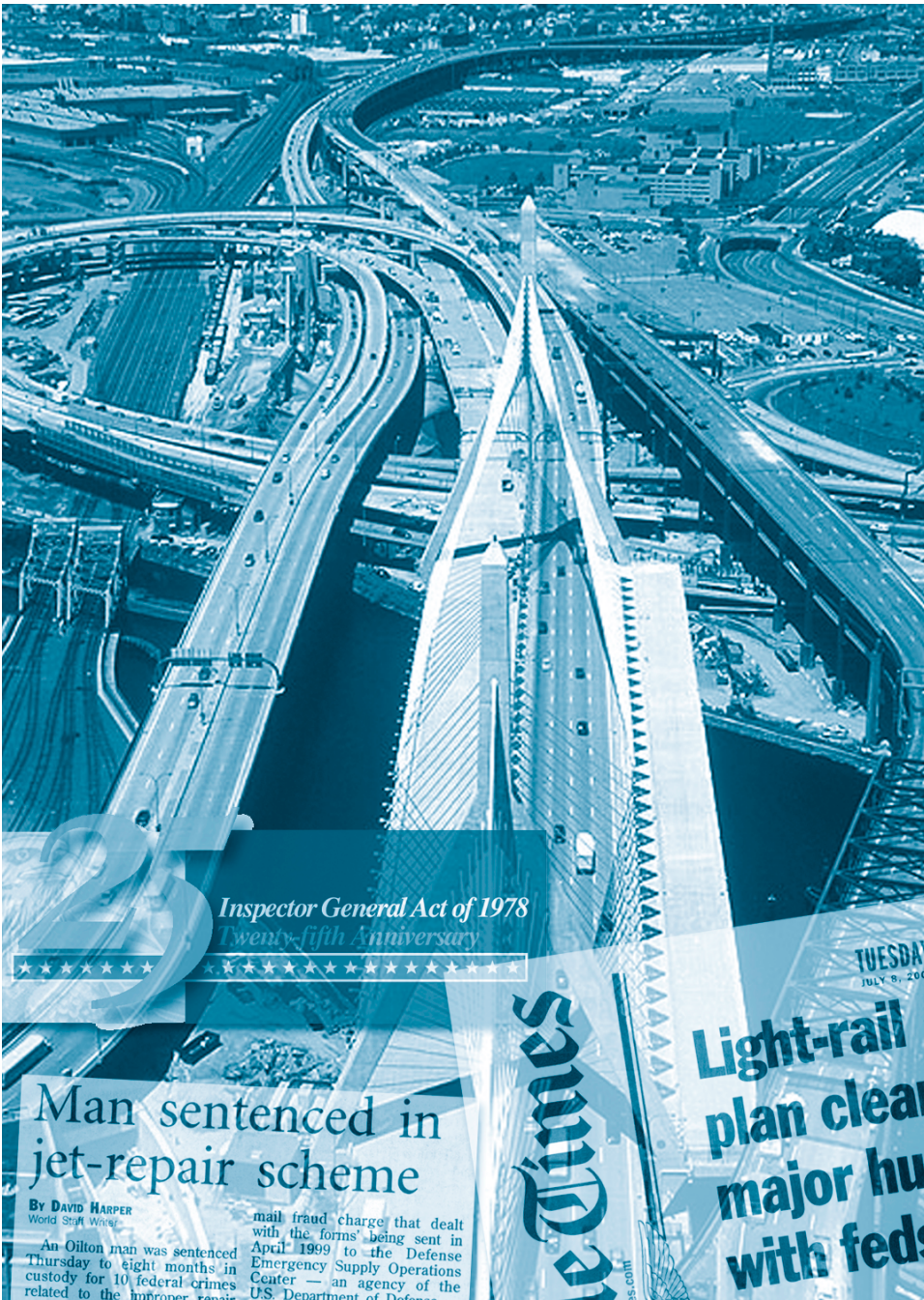


**APRIL 1 - SEPTEMBER 30, 2003**



# SEMIANNUAL REPORT TO CONGRESS

*April 1–September 30, 2003*



*Inspector General Act of 1978  
Twenty-fifth Anniversary*



## Man sentenced in jet-repair scheme

By DAVID HARPER  
World Staff Writer

An Orlton man was sentenced Thursday to eight months in custody for 10 federal crimes related to the improper repair

mail fraud charge that dealt with the forms being sent in April 1999 to the Defense Emergency Supply Operations Center — an agency of the U.S. Department of Defense.

The Times  
es.com

TUESDAY  
JULY 8, 2003  
Light-rail  
plan cleared  
major hurdle  
with feds



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# FROM THE INSPECTOR GENERAL

During the reporting period, we focused on the Department's missions of transportation safety, mobility, and efficiency. Carrying out these responsibilities poses great challenges in the current environment of deficit spending, reduced trust fund revenues, increased program needs, and pending reauthorizations for intercity passenger rail, highways, motor carriers, and transit; yet, for the third consecutive year, the Department received an unqualified or "clean" audit opinion on its recent financial statements, reflecting its emphasis on stewardship over Federal funds.

Certain DOT Operating Administrations, however, will need to make major improvements in their accounting policies and procedures for the Department to complete its FY 2004 financial statements by the accelerated OMB deadline of November 15, 2004.

I would like to thank Secretary Mineta and his staff and members of Congress and their staffs for their continuing support, which helps save taxpayers money and promotes a safer, more effective, and more efficient transportation system.

This period, we delivered 10 congressional testimonies, issued 54 audit reports, and made more than \$410 million in financial recommendations that questioned costs and suggested how funds be put to better use. Our investigative work resulted in more than \$127 million in fines, restitutions, civil judgments, and recoveries, with 83 convictions.

We also issued our report identifying the Department's top management challenges for FY 2004, which form the foundation of our work.

■ **Highway Safety.** Since 1998, we have identified suspected fraud in the testing and licensing of commercial drivers in 16 states. Safety and security concerns dictate that we take preventive action against such fraud. Of over 40,000 highway fatalities annually, 11 percent involve large trucks, making it important to strengthen the system that identifies high-risk motor carriers for heightened review. We are evaluating NHTSA's progress in implementing the TREAD Act. While NHTSA has made strides in issuing several required rulemakings, the year ahead will determine whether the agency will be able to fully evaluate the early warning information that vehicle and equipment manufacturers must now submit.

■ **Aviation Safety.** FAA's challenge involves adjusting its safety oversight to keep pace with emerging trends in the aviation industry and changing economic conditions, such as developing a more comprehensive approach to repair-station surveillance, in addition to maintaining a focus on long-standing safety issues. On average, in FY 2002, at least one commercial aircraft was involved in a serious runway incursion (a potential collision on the ground) or operational error (when air traffic controllers allow planes to come too close together in the air) once every 10 days. We have seen considerable progress on runway incursions, but operational errors continue to represent a safety problem in our air traffic control system.

■ **Hazardous Materials Safety and Security.** From 1990 to 2000, incidents involving the transport of hazmat by motor carriers doubled from 7,296 to 14,743, and incidents involving hazmat shipments by air carriers tripled from 470 to 1,415. The challenge facing the Department is to strengthen the capacity of the Operating Administrations to work together in developing policy and regulations and overseeing inspections and enforcement of hazardous materials transportation.



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■ **Protect Taxpayer Investments in Highway and Transit Infrastructure Projects.** We must sustain efforts to ensure that highway and transit projects are delivered on-time, within budget, and free from fraud, and aggressively fight motor fuel-tax evasion, which drains revenue. Over the last 4½ years, highway and transit fraud indictments have tripled, convictions have doubled, and monetary recoveries exceeded \$89 million. We have 130 open investigations of infrastructure projects in 36 states. Whether funds are lost to cost overruns, schedule delays, or fraud, the result is the same — fewer resources are available for important transportation projects. To illustrate, if the efficiency with which the \$700 billion invested in highway projects by the Federal Government and the states over the last six years had been improved by only one percent, it would have resulted in an additional \$7 billion — enough to fund eight of the 15 active, major highway projects.

■ **Controlling Costs and Improving Acquisitions at FAA.** FAA’s FY 2005 authorization of \$14.6 billion exceeds estimated Aviation Trust Fund FY 2005 revenues by \$3.5 billion. Over the next four years, the fund is expected to collect about \$12.5 billion less in taxes than was anticipated in April 2001. We see positive signs that FAA is committed to making changes, which is necessary, since spiraling cost growth is not sustainable from a budgetary standpoint or that of a performance-based organization.

■ **Intercity Passenger Rail.** DOT and Congress required greater financial accountability from Amtrak this year. However, Amtrak’s authorization expired over a year ago. For FY 2004, the Administration requested \$900 million, Amtrak says it needs \$1.8 billion, and Congress provided \$1.2 billion. The Administration’s bill proposes to focus Federal capital funding on developing and investing in short-distance corridors — routes with end-to-end distances of less than 500 miles. While this would target improvements, it could affect longer routes serving multiple cities.

■ **MARAD Loan-Guarantee Program.** The Maritime Administration is implementing new procedures that will minimize financial losses to the Government from MARAD’s \$3.8 billion Title XI Loan-Guarantee Program. Congress requested that we audit the program following several large loan defaults, which cost nearly \$490 million, and has since linked MARAD’s ability to issue further guarantees to implementation of sound financial practices.

■ **Financial Accountability.** The Department has made recent progress in this area, perhaps most notably in achieving a “clean” audit opinion on its FY 2003 consolidated financial statements. Three important financial activities still need strengthening: making idle funds available, especially at the Federal Highway Administration and Federal Transit Administration; improving oversight of cost-reimbursable contracts; and completing implementation of the new Delphi financial management system, which will enable DOT to strengthen financial controls and generate reliable financial reports.

■ **Disadvantaged Business Enterprise Program.** The DBE program suffers from a high level of fraud and abuse, as well as significant gaps in the Department’s oversight. We are currently investigating 40 DBE fraud schemes in 19 states and have found areas where the DBE regulations need strengthening, especially those covering airport concessions. The Secretary established a senior-level DBE task force to address these issues, and it is vital to keep our attention focused.

■ **Information Technology Management.** The Department has made progress protecting its computer systems from Internet intrusions from outsiders. However, DOT should do more to secure its computer systems (especially air traffic control systems) from attack by insiders, whom the FBI recognizes as a major threat, as well as enhance planning to ensure continuity of business operations in an emergency.



Kenneth M. Mead  
January 2004

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# WORK PLANNED AND IN PROGRESS

This section describes the major work the Office of Inspector General (OIG) has planned for the next reporting period — October 2003 through March 2004 — as well as work already in progress.

## Aviation

### ■ ATOP

Evaluate FAA's management of the Advanced Technologies and Oceanic Procedure Program (ATOP) with respect to cost, schedule, and performance. ATOP will modernize Federal Aviation Administration (FAA) facilities responsible for managing large segments of airspace over the Atlantic and Pacific Oceans, significantly increasing the efficiency and capacity of international air traffic.

### ■ Air Traffic Controllers

Determine whether: (1) FAA has identified future hiring requirements for air traffic controllers and developed strategies for filling vacancies; (2) FAA's planned methods of training controllers will be sufficient to meet projected staffing requirements; and (3) FAA has considered alternative approaches that could expedite the training process and reduce costs. Attrition in FAA's air traffic controller workforce is expected to rise sharply in upcoming years.



*An FAA classroom. We will determine if FAA's methods for training air traffic controllers can meet future staffing needs.*

### ■ FAA Oversight of Air Carriers

Determine whether: (1) FAA monitoring of financially distressed air carriers is effective; and (2) FAA has effectively implemented procedures to heighten surveillance of low-cost air carriers.

### ■ Aircraft Design and Manufacture

Evaluate FAA's oversight of aircraft manufacturers' quality-assurance system for domestic and foreign suppliers. We may also evaluate FAA's process for reviewing and approving foreign-manufactured aircraft.



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### ■ **Next-Generation Air-Ground Communication Program**

Determine whether: (1) FAA's acquisition strategy for the Next-Generation Air-Ground Communication Program is cost-effective and there are opportunities to reduce program costs; (2) key risks to this new communication system, including any security concerns, are adequately addressed in the program design; and (3) FAA has an effective process to control contract costs.

### ■ **En-Route Automation System**

Determine: (1) whether FAA has a realistic and executable plan to provide a new en-route automation system on time and within budget; (2) key program risks that could affect FAA's ability to meet cost and schedule projections; and (3) whether FAA has adequately addressed computer security in the system design. The en-route automation modernization program is intended to replace computer hardware and software used to receive, process, and track the movement of high-altitude aircraft throughout the National Airspace System.

## Financial and Information Technology

### ■ **Inactive Obligations**

Determine whether inactive obligations (where there have been no transactions in 18 months) represent valid financial liabilities.

### ■ **DOT Consolidated Financial Statements**

Perform our annual audit of the Department of Transportation's (DOT) principal financial statements to determine whether DOT had adequate internal controls over financial reporting in FY 2003; DOT complied with laws and regulations; and the statements conformed to generally accepted accounting principles. We will also monitor the work of the accounting firm that audits the FY 2003 financial statements of FAA, the National Transportation Safety Board (NTSB), Transportation Security Administration (TSA), Saint Lawrence Seaway Development Corporation, and Highway Trust Fund to ensure the work was performed in accordance with generally accepted auditing standards and Office of Management and Budget (OMB) guidance.

### ■ **FAA Cost-Accounting System**

As required by the Aviation Investment and Reform Act for the 21st Century (AIR-21), issue our fourth annual report to apprise Congress of FAA's progress in implementing its cost-accounting system.

### ■ **Information Technology Management**

Review DOT's plans, progress, and coordination in enhancing information



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technology (IT) security, management of its IT investment, and E-government services.

■ **Department and Operating Administration Internal Controls**

Review DOT’s internal controls report, ensure that all material internal control weaknesses have been included and the status of corrective actions has been accurately reported, and provide our assessment of the report to the Secretary. Also review the Operating Administrations’ internal control procedures and compliance with accounting regulations regarding suspense accounts.

## Surface and Maritime Programs

■ **Highway-Rail Grade Crossings**

Evaluate the Department’s progress on its 1994 initiatives to improve grade-crossing safety and its efforts to implement the recommendations from our 1999 audit report, and identify strategies for reducing accidents and fatalities at grade crossings.

■ **SafeStat**

Determine whether: (1) the Federal Motor Carrier Safety Administration’s (FMCSA) Safety Status Measurement System (SafeStat) reliably identifies high-risk motor carriers by verifying whether the scores calculated are consistent with the model’s design; (2) the data SafeStat uses are complete, consistent, accurate, and timely; and (3) quality-control systems are adequate to ensure the quality of information. SafeStat is an automated analysis system designed to measure the relative safety fitness of motor carriers based on performance data.

■ **Tren Urbano**

For the Tren Urbano Rail Transit Project in San Juan, Puerto Rico, evaluate the reliability of cost and schedule estimates; reasonableness of the financial plan; progress made in resolving significant, outstanding construction quality problems; and the Puerto Rico Highway and Transit Authority’s plans and procedures to begin Tren Urbano’s revenue operations, including operational testing of the rail system.

■ **TREAD Act**

Evaluate the National Highway Traffic Safety Administration’s (NHTSA) progress in implementing our 2002 audit recommendations. We will examine NHTSA’s efforts to: (1) implement rulemakings required by the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act; (2) ensure the Office of Defects Investigation has the appropriate information-sys-





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tem infrastructure and processes in place to promptly identify potential defects, as intended by the TREAD Act; and (3) establish processes to ensure consistency in recommending and opening vehicle-defect investigations in order to make certain the highest priority cases are investigated.

#### ■ **Major Highway and Transit Projects**

Identify: (1) the status of selected major highway and transit projects in the final design and construction stages; (2) risks that may adversely affect these projects; and (3) best practices in use by project sponsors and grantees to manage cost, schedule, and funding risks.

#### ■ **Slow Orders and Track Reclassification**

Evaluate the Federal Railroad Administration’s (FRA) oversight of the use of slow orders and track reclassification and the effects of their use on railroad track safety and service schedules. Railroads use slow orders to reduce train speed in response to certain track defects or adverse weather conditions. Railroads also reclassify segments of track to change maximum allowable operating speeds and corresponding maintenance requirements.

#### ■ **Big Dig Financial Plan**

As required by Congress, determine whether: (1) the estimated cost of the Central Artery/Tunnel Project in Boston, MA, is reasonable; (2) the funding is sufficient to meet the estimated cost; (3) the project schedule is reasonable and concerns raised in our prior report have been addressed; (4) cash flows and other project information are accurately presented; and (5) progress has been made in recovering costs for design errors and omissions.

#### ■ **FTA’s New Starts**

Evaluate the Federal Transit Administration’s (FTA) “New Starts” criteria and efforts to ensure that cost-effective transportation solutions are recommended for funding.

#### ■ **Bridges**

Evaluate whether structurally deficient bridges in the National Highway System have been inspected in accordance with National Bridge Inspection Standards, and oversight by the Federal Highway Administration (FHWA) is effective in addressing deficiencies with these bridges.

#### ■ **Motor Carrier Safety**

Assess FMCSA’s progress in implementing our prior recommendations for strengthening enforcement of motor carrier safety regulations and improving data to regulate the motor carrier industry.



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## Competition and Economic Analysis

### ■ Amtrak

Perform our annual congressionally mandated review of Amtrak's financial status and evaluate its operating and capital budget performance, the 2004 grant request, and its long-term capital needs.

### ■ Title XI

Determine if the Maritime Administration (MARAD) has implemented policies and procedures that adequately respond to our recommendations on the Title XI loan-guarantee program, so we can certify to Congress that our recommendations have been met, thereby enabling MARAD to obtain access to \$25 million in appropriated funds.

### ■ High-Speed Rail Corridors

Assess the status of each designated high-speed rail corridor, focusing on demand studies performed to date, expense projections, estimated capital requirements, and proposed implementation schedules.

### ■ Regional Jets

Evaluate the Department's oversight of the growing use of regional jets and the effects on operations and competition in the aviation system. Estimate the impact of regional jets on fares and identify how the airlines are using regional jets to replace and supplement mainline service, introduce new service, and replace turboprop service.

### ■ Airline Industry Metrics

Report airline industry metrics that monitor trends in domestic air-service demand and capacity, air-service performance, airline finances, and air service at small airports.



## Hazardous Material, Security, and Special Programs

### ■ Pipeline Safety

Assess whether the Office of Pipeline Safety of the Research and Special Programs Administration (RSPA): (1) fulfilled pipeline safety mandates from 1992 and 1996 legislation; (2) expanded research and development to improve technologies used in pipeline inspections; (3) provided specialized training to pipeline inspectors on internal inspection technologies used in, and reports generated from, pipeline inspections; (4) corrected shortcomings in pipeline data collection and analysis; and (5) established timetables to implement open NTSB



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pipeline safety recommendations. Because of the need to protect the nation’s pipeline infrastructure, we will also review the Office of Pipeline Safety’s involvement in the security of the pipeline system.

### ■ Volpe Center

Determine: (1) how the role and functions of the Volpe National Transportation Center in Cambridge, MA, have changed over the years and whether the center’s current activities meet DOT needs; (2) whether the center has the financial controls in place to assure its service fees are appropriate; and (3) DOT’s role in overseeing the center and whether that role is adequate to ensure the center provides cost-effective services.

### ■ FAA Hazmat Regulations

Determine whether FAA is ensuring compliance of the aviation industry with hazardous materials (hazmat) regulations, and shippers, indirect air carriers, and air carriers are complying with FAA’s hazmat requirements. We will also review FAA’s involvement in the security of hazmat shipments by air.

### ■ DOT Rulemaking

Determine: (1) how many of DOT’s rulemaking actions were completed on schedule, how many were completed behind schedule, and how many were not completed; and (2) where the longest delays occurred for rules that were late (for example, with the Operating Administrations, General Counsel, OMB) and the length of those delays.





## Audits, Investigations, Testimony

# AVIATION

### IG Testifies on State of the Aviation Industry and FAA

#### April 2 and 9

As Congress began its deliberations on FAA's FY 2004 appropriation, the Inspector General testified twice regarding the state of the aviation industry and FAA. On April 2, he provided testimony before the Senate Transportation-Treasury Appropriations Subcommittee regarding the airline industry and FAA, and on April 9 he testified before the House subcommittee counterpart regarding FAA's operations and modernization budget.

In his Senate testimony, the Inspector General advised "great care" to ensure that a congressional relief package (to aid the ailing airline industry): (1) does not provide a cash subsidy that allows the airlines to avoid making the hard calls necessary to become sustainable (such as lowering labor costs, including management salaries and bonuses) and increasing productivity of capital; (2) requires documentary evidence showing that airline security-related costs eligible for reimbursement were actually incurred; and (3) be of limited duration.

Effective cost control is an important challenge for FAA, the IG testified before both panels. FAA's budget has increased more than 70 percent over the past eight years — from \$8.2 billion in FY 1996 to \$14 billion in FY 2004. This magnitude of continued cost growth cannot be sustained given the financial state of the airline industry, multibillion-dollar declines in projected Aviation Trust Fund receipts, and greater dependence on the General Fund to pay for FAA's operations. DOT Under Secretary for Policy Jeff Shane also testified at the Senate hearing, and FAA Administrator Marion Blakey testified at both hearings.

### AviationDaily<sup>2</sup>

#### Mead Supports Helping Airlines But Not Subsidizing Losses

With airlines facing losses estimated at more than \$10 billion in 2003 and recovery as far away as 2006, DOT Inspector General Kenneth Mead last week told Congressional appropriators they should consider extending the federal loan guarantee program and offering reimbursements for security improvements and cutting some taxes temporarily.

But Mead cautioned members of the House Appropriations transportation subcommittee that Congress should be wary of providing assistance that could be seen by the international community as an unfair subsidy, and that assistance should be tied to direct costs of security. "Most of the current financial woes of the industry should be solved by the marketplace."

### Six Sentenced in Airways Luggage Theft Ring

#### April 14 & May 1

Six ramp agents who worked for a contractor of British Airways at Miami (FL) International Airport were sentenced in U.S. District Court in Miami for stealing valuables from the luggage of British Airways passengers after earlier pleading guilty. While some of the group stood lookout, others would

break open luggage inside a plane's cargo hold and steal jewelry, laptops, perfume, and other items of value. British Airways claimed losses and damage of over \$300,000 from the theft. A surveillance camera set up by British Airways led to the thieves' arrest.

The six defendants collectively were ordered to spend four months in jail, perform 1,000 hours of community service, and pay \$6,000 in restitution. They were all arrested in December 2002 by OIG, the Miami-Dade Police Department, and U.S. Customs Service.

## Former Miami Aviation Director Gets 4 Years in Contracts-for-Bribes Scheme

### April 25

Ricardo Mendez, former assistant aviation director for the Miami-Dade County (FL) Aviation Department, was sentenced to four years in prison by a

U.S. District Court judge in Miami, FL, for awarding no-bid contracts in exchange for bribes at Miami International Airport (MIA) and failure to pay Federal taxes on the illegally gained income. His wife, Mirta Mendez, received five months in prison and five months of house arrest for her role in the scheme.

Ricardo Mendez awarded a contract to Engineering & Construction Services, Orlando, FL, to provide computer simulations of the MIA expansion. Company owner, Marilyn J. Parker, was sentenced to three years probation after pleading guilty in 2001 to paying the Mendezes \$145,000 in bribes for her computer services. The other contract involved cleaning contaminated soil at the airport. That contractor, Edwin Perkinson, admitted paying Mendez \$81,500 to win

part of this job and was sentenced to a year in prison. The investigation was conducted jointly by OIG, IRS, and the Miami-Dade Police Department.

## Report on the Yardley/Robbinsville Flip-Flop

### May 20

At the request of Rep. Mike Ferguson, we reviewed FAA's actions to inform Congress and the public about the Yardley/Robbinsville (NJ) "Flip-Flop." The Flip-Flop, implemented on December 27, 2001, as part of FAA's National Choke Points Initiative, was undertaken to reduce airline delays that reached intolerable levels in the summer of 2000. It swapped (flip-flopped) air traffic flows into Newark International and LaGuardia International Airports.

Although FAA was not required to inform the public about the airspace change, it decided to do so as part of a much larger airspace-redesign initiative



## Audits, Investigations, Testimony

# AVIATION

planned for the New York/New Jersey/Philadelphia region in 2005. FAA stated in various documents that agency officials had informed members of Congress, community leaders, and affected citizens about the Flip-Flop and that they were supportive of the airspace change. After the Flip-Flop was implemented, it generated considerable controversy with elected officials and citizens in New Jersey, and Rep. Mike Ferguson asked us to review FAA's efforts to inform Congress and the public about it.

We found that FAA embedded congressional and public outreach efforts for the Flip-Flop in the much larger airspace initiative planned for the New York/New Jersey/Philadelphia region. FAA did not provide detailed information to members of Congress and the public on the Flip-Flop and its potential impacts. Our review of FAA records did not support agency statements that it briefed members of Congress, community leaders, and affected citizens specifically about the Flip-Flop. FAA determined the Flip-Flop would not be controversial to the citizens of New Jersey, thereby relieving the agency from taking actions to inform them about the change even though more than 380,000 people would be subjected to increased noise levels.

*“FAA misjudged the reaction the Flip-Flop would generate.”*

We recommended that FAA avoid combining vastly different airspace-redesign efforts, document how it determines whether an airspace change is controversial, and do a better job of documenting its meetings with Congress and the public. FAA officials agreed they should have been clearer in their presentations to Congress, including exactly what the airspace changes would entail.

### IG Testifies Before 9–11 Commission

#### May 22

The Inspector General testified before the National Commission on Terrorist Attacks upon the United States regarding the state of aviation security prior to the September 11 terrorist attacks, actions taken to improve aviation security since then, and areas that still require attention. He reported that avi-



ation security is much tighter now, citing significant weaknesses in the aviation security system before 9–11.

The Inspector General cautioned that the passage of time from a terrorist event may lead to complacency and pressures to relax security. He recommended gathering intelligence on homeland and transportation security; integrating explosive-detection systems into airport baggage-handling systems; investing in research and development for more effective screening equipment; implementing an aggressive covert testing program; establishing screener-performance standards; and improving cargo security. Secretary Mineta and former FAA Administrator Jane Garvey also testified at this set of hearings.

OIG conducted oversight of aviation security until jurisdiction was transferred from DOT to the Department of Homeland Security in March 2003.



## Airline Industry Metrics Update

### July 2

Our fourth update of airline industry metrics found the airline industry is facing its greatest challenge since deregulation, as a result of the weakness in business travel that has persisted since early 2001, the September 11 terrorist attacks, and the war in Iraq.

The metrics illustrate important trends, including:

- The continuing weakness in passenger demand, coupled with the lack of full-fare business travelers and the drop in fare prices, continue to hamper the industry's ability to increase yields and return to profitability.
- The larger network airlines have cut service or shifted capacity to their regional affiliates or both — leading to low-fare and smaller airlines expanding their domestic market shares.
- While the number of flights is approaching pre-September 11 levels, the average size of the aircraft being flown has decreased due to the rapid introduction of regional jets and the retirement of larger aircraft.
- The smallest airports (nonhub) continue to experience a disproportionate reduction in air service.

The metrics were developed as a way to monitor airline industry trends relating to domestic system demand and capacity, performance, finances, and air service at small airports. These metrics provide decision makers with past, present, and future indicators of domestic service levels and general state of the airline industry.

## Audits, Investigations, Testimony

# AVIATION

### Investigation into Allegations Concerning MWAA Duty-Free Concession Contract

#### September 5

We issued an investigative report regarding a contract awarded to operate duty-free shops at Washington Dulles International Airport. At the request of Rep. Joseph Pitts, we examined whether the Metropolitan Washington Airports Authority (MWAA) complied with contracting and competition procedures in awarding the contract to Duty Free Americas (DFA) in April 2003. Separately from Rep. Pitts's request, the Nuance Group, which had unsuccessfully competed for the concession contract, raised concerns about MWAA's certification of Concourse Gift and News, Inc., as a disadvantaged business enterprise (DBE), questioning whether the owner was socially and economically disadvantaged. Concourse Gift and News is DFA's partnering DBE.

We found no evidence that MWAA failed to comply with its contract-competition procedures in selecting DFA. However, we recommended that DOT: (1) prescribe a personal net worth limit for the owner of an airport concession DBE; (2) establish clear criteria by which the presumption of economic disadvantage can be rebutted; and (3) consider instituting terms for DBE firms and their owners to graduate from DBE eligibility.



*OIG investigated a contract to operate duty-free shops at Dulles International Airport.*

### FAA's Management and Controls over MOUs

#### September 12

We issued an audit report on FAA's management and controls over national, regional, and local memorandums of understanding (MOUs) with the National Air Traffic Controllers Association (NATCA). We found that FAA managers and NATCA representatives had entered into between 1,000 and

1,500 MOUs outside the national collective bargaining agreement. Those agreements covered a wide range of issues, such as implementing new technology, changes in working conditions, and — as a result of personnel reform — compensation, bonuses, and benefits.

While many of the agreements serve legitimate purposes, we found some that had significant cost and operational impacts on FAA. For example, as part of a new pay system for air traffic controllers, FAA and NATCA entered into a national MOU that gave controllers an additional cost-of-living adjustment. As a result, controllers at 111 locations receive between 1 and 10 per-



cent in “controller incentive pay,” in addition to Government-wide locality pay. In FY 2002, the cost for this additional pay was about \$27 million.

Despite the cost implications, at the time of our review, FAA management did not know the exact number or nature of MOUs, there were no established procedures for approving them, and their cost impact on the budget had not been analyzed. Because of the significant control weaknesses, we briefed the FAA Administrator about our concerns in January 2003 — two months after initiating this review.

FAA has moved expeditiously to address the control weaknesses. It has implemented new policies for the MOU process, identified existing MOUs that are problematic or costly, and completed negotiations with NATCA to address several agreements as part of a two-year extension of the national collective bargaining agreement.

## IG Issues Report, Testifies on Safety of FAA’s Contract Tower Program

### September 24

The Inspector General (IG) testified before the House Transportation and Infrastructure Subcommittee on Aviation regarding the safety, cost, and operational metrics of FAA visual flight rule (VFR) towers — both those operated by contractors and those staffed with FAA controllers.

In terms of safety of operations as measured by operational errors/deviations, the IG testified that contract VFR towers and FAA-staffed VFR towers fell well below FAA’s FY 2002 average of 6.70 operational errors for every 1 million operations handled. In FY 2002, the contract towers had eight operational errors/deviations, a rate of 0.49 incidents per million operations han-



## FAA Modernization Efforts

**O**IG audit reports issued during the reporting period identified a number of major problems in FAA's modernization efforts that the agency needs to address. These key issues include reversing trends in cost growth, schedule slips, and performance shortfalls with major modernization projects, as well as effectively managing new billion-dollar projects that are just getting started.

During the reporting period, we released two follow-up reports on FAA's modernization efforts and one audit of the Operational Evolution Plan, FAA's blueprint for enhancing National Airspace capacity over the next decade. They are:

- our second annual report regarding the status of FAA's major acquisitions projects, issued on June 27;
- our third audit report on STARS (the Standard Terminal Automation Replacement System), issued September 10; and
- an audit report issued on July 23 that examined 12 major initiatives in the Operational Evolution Plan. This audit evaluated new runways, new technologies, and air traffic procedures and was undertaken at the request of Rep. Don Young, chairman, and Rep. Jim Oberstar, ranking member of the House Committee on Transportation and Infrastructure.

### MAJOR ACQUISITIONS

In June, we issued a status report on 20 of FAA's major acquisitions, which are expected to enhance the safety, security, and capacity of the National Airspace System. While we noted that progress has been made with some efforts, such as Free Flight Phase 1, problems with major acquisitions persist and include many projects that do not have reliable cost, schedule, and performance parameters. For example, of FAA's 20 major acquisitions, 13 experienced schedule slips of one to seven years and 14 had cost growth of about \$4.3 billion, which is more than one year's appropriation for FAA facilities and equipment.

We also noted there are billion-dollar projects just getting started that require sustained management attention. One is the En Route Automation Replacement Modernization which, at an estimated cost of \$2.1 billion, will provide new software and hardware for facilities that control high-altitude traffic in the United States. Another is the Next Generation Air/Ground Communications, a complex effort to replace all existing air-to-ground communications with digital systems in the National Airspace System. The current cost estimate of \$986 million to revamp communications reflects only the first stage of a larger program.



To control costs, we recommended that FAA update the cost, schedule, and performance baselines of several projects, including at a minimum STARS, Integrated Terminal Weather System, Local Area Augmentation System, and Wide Area Augmentation System.

## STARS

We issued an audit on STARS in September. FAA selected STARS in 1996 as the centerpiece of its strategy to replace aging controller and maintenance workstations and computer software and processors at 172 air traffic control terminals.



We found that STARS is not the same program that was planned eight years ago, and as a result, FAA needs to reevaluate cost estimates and consider other alternatives to deploying STARS to all terminal facilities.

Cost estimates for acquiring STARS have nearly doubled since 1996 from \$940 million to \$1.69 billion, and the vast majority of systems have not yet been procured and deployed. Over the past five years, due to delays in the STARS program, FAA deployed Common Automated Radar Terminal System (Common ARTS) hardware and software to 141 terminal facilities, or over 75 percent of the facilities where FAA intends to deploy STARS.

To complete the STARS deployment for \$1.69 billion, FAA is counting on negotiating a fixed-price contract to reduce unit costs. STARS program officials recently asked FAA's senior decision makers to approve a new cost baseline of \$1.69 billion without considering alternatives that could bring significant savings. However, senior FAA officials asked the MITRE Corporation to validate STARS cost estimates before they would approve a new cost baseline.

We recommended that FAA reevaluate STARS's total cost and consider alternatives, such as expanding the use of color displays with Common ARTS, which are already in place at 141



sites. We reported that limiting STARS procurement to 73 sites could result in savings of at least \$221 million in overall procurement costs. FAA agreed with our recommendations and is rebaselining the cost and schedule of the entire STARS effort. Recently, Congress directed us to review and validate the cost and schedule information FAA is using to make decisions on how to move forward with the program.

## OPERATIONAL EVOLUTION PLAN

OEP is an important effort because it will shape FAA and industry investments over the next decade. In our audit, we noted that since FAA introduced the plan, the aviation industry has undergone dramatic changes — the demand for air travel has decreased, major network carriers are in financial distress, and Aviation Trust Fund revenues have declined sharply.

While FAA had made progress with OEP initiatives, we found that the agency still faces considerable work to set priorities and make the plan executable. For example, realistic estimates of what the plan will cost FAA and industry did not exist; key projects had experienced cost, schedule, and performance problems; and the plan was not linked to the agency's \$14 billion budget. In addition, much work remained to quantify the benefits of OEP initiatives and determine how to move forward with new technologies that will require airspace users to equip with new systems which could cost as much as \$11 billion.

We recommended that the agency: (1) determine how much the plan will cost and link the plan to the agency's budget to help decision makers set priorities; (2) determine how to move forward with systems that require airspace users to purchase and install new technologies; (3) maximize benefits associated with new procedures, airspace changes, and systems currently on aircraft; and (4) quantify benefits with OEP projects and use metrics to assess whether initiatives are having the desired impact on capacity. FAA officials generally agreed with our analysis and recommendations. ■

## Audits, Investigations, Testimony

# AVIATION

dled. The 71 FAA-staffed VFR towers had 38 operational errors/deviations, a rate of 2.70 incidents per million operations handled.

Neither the FAA contract nor the FAA-staffed VFR towers has a system for automatically reporting operational errors. As a result, FAA cannot be sure that all operational errors are reported at either FAA-staffed towers or contract VFR towers. An operational error occurs when an air traffic controller does not maintain minimum FAA separation requirements between aircraft. An operational deviation occurs when a controller allows an aircraft to enter airspace managed by another controller without prior coordination and approval.

In terms of costs, the IG testified that in FY 2002, contract towers cost, on average, about \$917,000 less to operate annually than comparable FAA-staffed VFR towers. The difference in costs is primarily due to two reasons: (1) FAA-staffed towers have more controllers than contract towers; and (2) FAA-employed controllers generally have higher salaries than contract controllers.

In terms of operations, the Inspector General testified that while most contract towers are low-activity facilities (nearly half handle fewer than 20 aircraft operations per hour, on average), there are towers in both groups that have comparable operations. For example, 30 FAA-staffed VFR towers and 74 contract towers handle between 20 and 40 aircraft operations per hour.

By way of contrast, the 71 FAA-staffed VFR towers are not a homogeneous group. They have significant differences in the volume of air traffic they control, the number and types of users they serve, and the complexity of the airspace they manage. For example, some of these towers handle an average of 20 aircraft operations per hour and others more than 100 aircraft operations an hour.



### Air Carrier Compensation Claims

#### September 30

We issued a report summarizing our reviews of the financial and operational data that 19 air carriers submitted to support the compensation claims they filed



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under the Air Transportation Safety and System Stabilization Act. We reported that, based on our reviews, the Department saved about \$29 million and could realize additional savings of about \$11 million after it completes discussions with three more air carriers. We previously provided the results of our reviews to the Office of the Secretary in a series of individual reports. The reviews were part of our efforts to assist the Department in determining allowable compensation for air carriers.

## Audits, Investigations, Testimony

# M A R I T I M E

### IG Testifies on MARAD Title XI Program

June 5

The Inspector General testified before the Senate Commerce, Science, and Transportation Committee regarding significant reforms needed in the Maritime Administration's Title XI Loan-Guarantee Program, based on our March 2003 audit report.

The Inspector General recommended that MARAD:

- require rigorous analysis of the risks that arise from modifying loan-approval criteria and, to mitigate those risks, impose compensating provisions on the loan guarantee such as more collateral or higher equity contributions from the borrower;
- establish an external review process as a check on its internal loan-application review;
- establish formal processes for continuously monitoring both the financial condition of borrowers and the physical condition of guaranteed assets over the terms of loan guarantees.

Before it can access \$25 million in FY 2003 appropriated funds, MARAD is required by law to implement the recommendations in our report, and we must certify to Congress that our recommendations have been met. The Inspector General testified that we are working with MARAD to analyze the new processes it has proposed, and we will audit MARAD's compliance with these once they are in use. MARAD Administrator Capt. William Schubert and General Accounting Office Managing Director Thomas McCool also testified.

**Daily Press**  
FRIDAY  
JUNE 6, 2003

# MONEY & WORK

DOW 2.32 (9,041.30)  
S&P 500 3.90 (990.14)  
NASDAQ 11.36 (1,646.01)

## DOT and GAO criticize shipbuilding loans

Title XI program wastes taxpayers' money, agencies conclude in report

By David Lerman  
Washington Bureau

**WASHINGTON**—A federal loan guarantee program for the shipbuilding industry has cost taxpayers more than \$400 million in the past five years and is "vulnerable to fraud, waste, abuse and mismanagement," government investigators warned Thursday.

In a double-barreled critique, the Department of Transportation and the General Accounting Office, the investigative arm of Congress, issued harsh assessments of the Title XI program, which assists private companies in getting loans to build commercial ships.

Since 1998, nine government-guaranteed loans worth about \$2 billion have defaulted, requiring the U.S. Maritime Administration to pay \$402 million, said Kenneth Mead, inspector general of the Department of Transportation.

"Our work found that significant reforms are needed in nearly every phase of the Title XI program," said Mead, who recommended an overhaul in the loan review process.

The Title XI program has been a political target since it was reinstated in 1983 after a decade of massive defaults.

The Bush administration has proposed killing the program in each of its last three annual budget plans, citing a need to end corporate subsidies.

But Congress regularly restores money for the program, which is eagerly sought by the shipbuilding industry.

U.S. shipbuilders have said they cannot compete with heavily subsidized foreign companies for commercial work without federal assistance.

Of the nine defaults in recent years, five stemmed from a single company—American Classic Voyages, which sought money through a subsidiary to build two cruise ships.

The Maritime Administration, or MARAD, approved its largest loan guarantee—more than \$1.1 billion—to American Classic Voyages in 1999.

The company had a contract with Litter's Ingalls Shipbuilding—now owned by Northrop Grumman Corp.—to build the two cruise ships.

By 2001, American Classic Voyages filed for bankruptcy, defaulting on \$187 million in loan guarantees.

All told, the company defaulted on five loans, costing taxpayers an estimated \$39 million.

"The American taxpayer was left holding the bag," complained Sen. John McCain, R-Ariz., chairman of the Senate Commerce Committee, which conducted a hearing on the program Thursday.

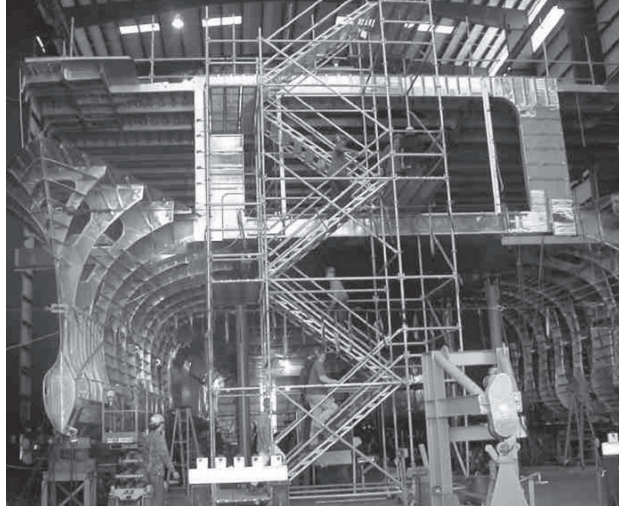
Other senators, however, defended the loan program, noting that most of the defaults occurred in the wake of the

**The Title XI program assists private companies in getting loans to build commercial ships. Since 1998, nine government-guaranteed loans worth about \$2 billion have defaulted, requiring the U.S. Maritime Administration to pay \$402 million, said Kenneth Mead, inspector general of the Department of Transportation.**

Please see **Loans/C3**

## OIG Comments on Lake Express Title XI Loan-Guarantee Application

**June 23**



*Lake Express ferry under construction  
in Mobile, AL.*

We issued a memo to the MARAD Administrator regarding the December 2002 application of Lake Express, LLC for a Title XI loan guarantee to build a high-speed ferry to provide service on Lake Michigan. We are required by Congress to certify that the recommendations in our March 2003 audit report were implemented before MARAD can access \$25 million. Although this certification applied to the newly appropriated funds, Secretary Mineta decided that it would be prudent if MARAD adhered to OIG's recommendations on any new commitments, even those funded by prior-year appropriations, such as the Lake Express application. We also received a congressional request to review the application.

We found in the Lake Express application no modifications to the loan-guarantee approval criteria that would require MARAD to impose compensating provisions to mitigate added risk. In addition, consistent with our recommendation, MARAD retained an independent financial analyst to review the Lake Express business plan and capitalization, and a market analyst to review their market research and demand forecast. Lake Express applied for a \$14.5 million loan guarantee, and its owners committed to invest \$8.5 million in equity. The equity will be used for boat construction (\$4.4 million) and initial start-up costs and working capital (\$4.1 million).

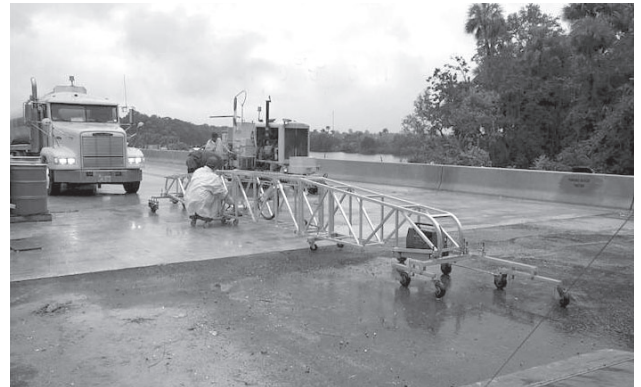
## Audits, Investigations, Testimony

# HIGHWAY, TRANSIT, AND RAIL

### Foreman Jailed and Fined for Approving Inferior Roadwork

**April 7**

David Nielsen, a foreman with Boise Paving & Asphalt of Boise, ID, was fined \$5,000 and ordered to serve five years in prison by an Idaho State Court judge in Boise for attempting to pass off inferior roadwork on state and Federal-aid construction projects. Nielson was responsible for ensuring the quality of his crew's work as partially determined by a profilograph, an instrument that measures the acceptability of road-surface tolerances, such as surface smoothness. When he found unacceptable tolerances on a newly paved surface, he would submit a reading from an acceptable surface instead of ordering workers to grind off the asphalt and redo the work. He did this repeatedly on roads involving over half a dozen state and Federal contracts to the Idaho Department of Transportation and Ada County Highway District. The company fired Nielsen when OIG began its investigation in January 2001.



*Nielsen would not redo inferior roadwork, as partially determined by a profilograph (example seen here).*

### Washington, DC, Road-Paving Firm Fined \$900,000 in Bribery Conspiracy

**April 8**

Paving contractor Fort Myer Construction Corporation of Washington, DC, was ordered by a U.S. District Court judge in Washington, DC, to pay \$900,000 in fines and restitution for conspiracy to bribe employees of the District of Columbia Department of Public Works. The company pleaded guilty in March 2003. So far, this ongoing investigation of OIG and the Federal Bureau of Investigation (FBI) has found three road-paving companies, two of their owners, and nine public works employees guilty of paying or receiving cash bribes in various fraud schemes.

Fort Myer's criminal acts involved a scheme to create false asphalt tickets and bribe employees of the DC Department of Public Works to accept the fraudulent tickets. As a result of the scheme, Fort Myer was paid under

*Fort Myer Construction pleaded guilty to conspiracy to bribe employees of the DC Department of Public Works.*





Federal-aid contracts for materials the company never provided. Fort Myer pleaded guilty to fraud on six Federal-aid road construction contracts in the District of Columbia with a value of \$7,313,530.



*Inspector General Mead testified regarding options to reconfigure Amtrak's long-distance trains before the Senate Commerce Committee.*

## IG Testifies Regarding the Future of Intercity Passenger Rail Service and Amtrak

### April 29

The Inspector General testified on the future of intercity passenger rail and Amtrak before the Senate Commerce, Science, and Transportation Committee. He discussed options to reconfigure Amtrak's long-distance trains to complement a rail network built around higher speed/higher frequency corridors; greater state participation in determining service attributes and covering operating losses; and a stable, long-term Federal funding source for capital grants. Then-Deputy Secretary Michael Jackson and Amtrak President and CEO David Gunn also testified.

## Brooklyn Jury Convicts Three Movers for Defrauding Public

### May 9

Three men who head five Brooklyn, NY, moving companies were convicted for their part in a conspiracy to extort money from their customers. The conviction came from a jury following a six-week trial in U.S. District Court in Brooklyn. The defendants, Avinoam Damti, Ofer Yosef, and Shlomo Hababa, all residents of the New York metropolitan area, lured customers who were moving interstate by giving artificially low estimates, only to later hold their possessions hostage until large additional payments were made. The men controlled Jacoby Moving and Storage, Inc.; Official Moving and Storage; On-Time Van Lines; Newstart Moving, Inc.; and Starving Students Moving and Storage. The three were charged in April 2002. The men are scheduled for sentencing in October 2003. OIG and the FBI conducted the investigation, with assistance from FMCSA.

## Follow-Up Audit of FMCSA's Implementation of NAFTA's Cross-Border Trucking Provisions

### May 16

In response to a congressional mandate, OIG reviewed operations at the U.S.-Mexico border to verify completion of eight safety requirements needed before cross-border trucking can begin. Our follow-up to our previous audit found that FMCSA "substantially completed" the actions necessary to meet requirements of the North American Free Trade Agreement (NAFTA) to hire and train inspectors, establish inspection facilities, and develop safety processes and procedures for Mexican long-haul motor carriers.

## Audits, Investigations, Testimony

# HIGHWAY, TRANSIT, AND RAIL

While FMCSA has largely complied with the NAFTA safety requirements, other issues have affected opening of the border to long-haul traffic. On January 16, 2003, the U.S. Court of Appeals for the Ninth Circuit in *Public Citizen v. DOT* set aside three FMCSA regulations, effectively preventing FMCSA from conducting safety audits and compliance reviews until completion of an environmental impact statement and Clean Air Act analysis. Department officials stated that the delay might extend up to 24 months if an environmental impact statement is prepared, or longer, if environmental mitigation measures are required.

The Administration filed a petition with the Supreme Court on September 8, seeking a review of the Mexican truck decision. FMCSA on August 26 published a notice of intent to prepare an environmental impact statement and an evaluation of the air quality impacts under the Clean Air Act.

In our audit, we recommended that FMCSA:

- use border safety auditors and investigators to conduct safety audits, as appropriate, in order to implement the new entrant program until the border opens. The new entrant program establishes minimum requirements for new motor carriers to ensure they are knowledgeable about Federal safety standards;
- monitor dedicated inspection, out-of-service, and office spaces at commercial crossings to ensure sufficient inspection facilities are available;
- assess crossings where passenger buses are expected to enter the United States;
- provide refresher training for Federal and state inspectors.

12 — June 9, 2003 TRANSPORT TOPICS

### DOT Completes Tasks for Mexican Truck Entry

By Jeff Johnson  
Staff Reporter

The Department of Transportation's Inspector General said the government had accomplished virtually all the tasks Congress required before allowing DOT to open the U.S. border to long-haul Mexican trucks.

President Bush moved to allow Mexican trucks in November, but a federal court ruled that DOT had not done the required study of what environmental impact Mexican trucks would

have on the United States.

The inspector general's June 2 report, a follow-up to a similar report in 2002, said DOT officials estimated performing an environmental study could delay the border opening by 24 months or more if it found that measures to mitigate the environmental effect were needed.

The court ruling came in response to a lawsuit by a coalition that included the Teamsters union, the California Trucking Association, Public Citizen, the National Resources Defense Council and the Environmental

Law Foundation.

The groups argued that DOT had not done a required review of environmental effects of allowing Mexican trucks, and a three-judge panel of the 9th U.S. Circuit Court of Appeals in San Francisco agreed.

DOT appealed the decision to the full court, but that request was rejected April 10, leaving the U.S. Supreme Court as the agency's final option.

A spokesman for the Federal Motor Carrier Safety Administration said DOT had not yet decided whether to appeal to the

Supreme Court but expected a decision in the next month.

The lawsuit notwithstanding, the inspector general found FMCSA had completed virtually all it was required by Congress to do in order to open the border.

"FMCSA has substantially completed the actions necessary to meet [the] requirements to hire and train inspectors, to establish inspection facilities and to develop safety processes and procedures for Mexican long-haul motor carriers," the report said.

The report said FMCSA had

hired all but five of the 144 inspectors required by Congress and all but two of the 67 auditors lawmakers mandated.

FMCSA also completed construction of safety inspection facilities at 24 of the 25 southern commercial border crossings, the report said.

The report said the one crossing without the required facilities was in Andrade, Calif., which averages just seven trucks a day.

FMCSA said it had received 252 applications from Mexican carriers to operate beyond the commercial zones.

## Oversight of the Cost Recovery Program of the Central Artery/Tunnel Project

**May 21**

In response to a request from Rep. Don Young, Chairman of the House Committee on Transportation and Infrastructure, and Rep. Michael Capuano, we reviewed efforts by FHWA and the Central Artery/Tunnel Project in Boston to recover project payments for change orders caused by errors or omissions by design and consulting contractors. In order to prevent delays and related cost increases, the project approves change orders and pays the construction contractor before determining whether a design error caused the change. If a review determines that the change order corrected a design error or omission, the project can recover some of these costs from the design contractor.

We reported that: (1) past efforts have not resulted in substantial recoveries — eight years of work yielded only \$30,000 in recoveries from a single consultant; and (2) efforts have not been timely — 76 items have been under review from two to seven years. We also reported that adequate controls are important to ensure that costs are recovered when appropriate and to assure taxpayers that the process is credible. The parties involved, including the Governor's office, need to agree on a proper governance framework and an appropriate review methodology.

We plan to monitor efforts by FHWA, the project, and several state entities to strengthen and revise the cost recovery program and to resolve cost recovery items.



Photo courtesy of the Central Artery/Tunnel Project, [www.BigDig.com](http://www.BigDig.com)

*OIG oversaw efforts by FHWA and the Central Artery/Tunnel Project in Boston (pictured here) to recover costs for change orders caused by errors or omissions.*

## Trucking Supervisor Admits Role in Bribes-for-Jobs Scheme

**May 22**

Frank Catanzarite, a former supervisor for Watkins Truck Line, Lyons, IL, pleaded guilty in U.S. District Court in Chicago to taking \$10,000 in bribes from unqualified commercial drivers who were seeking work from Watkins. Catanzarite also acknowledged assisting John Nowak, a former safety supervisor for Watkins, in fraudulently completing test score sheets for numerous independent truck drivers.

Catanzarite and Nowak recruited non-English-speaking individuals to obtain CDLs issued in Florida. In exchange for cash payments, a Florida third-party tester passed the applicants on the skills portion of the driving test without testing if they could drive a truck. Catanzarite and Nowak then gave them jobs working for Watkins in Lyons in exchange for bribes. Catanzarite accept-

## Audits, Investigations, Testimony

# HIGHWAY, TRANSIT, AND RAIL

ed between \$500 and \$2,000 per driver, and he gave Nowak between \$100 and \$200 for each driver. In 1998, one of the drivers, Adem Salihovic, triggered a 74-vehicle pileup in California that killed two people and injured 51. Catanzarite was scheduled for sentencing in December. Nowak was also found guilty of mail fraud and fined in December 2002.

### Seven Sentenced, Seven More Plead Guilty in Southern Florida Household Goods Cases

#### June–September

Of 74 individuals in Miami, FL, charged in March 2003 with cheating unsuspecting customers out of hundreds of thousands of dollars during household goods moves, seven were sentenced and seven more pleaded guilty during the reporting period. Six employees of Elite Van Lines of West Palm Beach and one employee of Majesty Moving & Storage of Miami were sentenced to a total of three years and four months in prison and ordered to pay more than \$149,000 in restitution. Charges included conspiracy to commit extortion, wire and mail fraud, and falsifying bills of lading. Two additional Elite employees, including the former owner, are fugitives believed to be residing in Israel.

Four of the seven who were sentenced have been turned over to immigration authorities for deportation to their native Israel or will have to surrender for deportation after completing their prison term.

Seven former Majesty employees who worked as drivers, foremen, and sales representatives, pleaded guilty in U.S. District Court in Miami to conspiracy to commit extortion, wire fraud, and falsifying bills of lading. They are awaiting sentencing.

The defendants' scheme involved giving customers low-ball moving estimates, inflating the charges once the household goods were loaded, and then withholding the possessions from delivery until the customer paid the inflated charges. These cases resulted from an undercover operation that brought charges against 16 companies in southern Florida that victimized 424 customers. The investigation was conducted jointly by OIG, the FBI, and FMCSA.





## Seattle Central Link Light Rail Project

July 7

We issued our audit report on the proposed 13.9-mile Initial Segment of the Seattle Central Link Light Rail Project, in response to a 2002 request from the former chairman of the House Transportation Appropriations Subcommittee. At an estimated cost of \$2.437 billion, the Initial Segment is one of the largest transit projects in the United States; the Federal share through FTA would be \$500 million.

We found Sound Transit has significantly strengthened its proposal for constructing the first segment in response to recommendations from our April 2001 report on the project. In addition, we found that FTA has provided strong oversight of Sound Transit's plans; project cost, schedule, and funding appear to be reasonable; Sound Transit has adequately addressed the safety issues related to operating buses and trains in the tunnel; and FTA's requirements for a stand-alone system have been met.

Sound Transit's funding for the Initial Segment faced a possible risk from the recently passed local Initiative 776, which eliminated motor vehicle fees and taxes above a flat \$30 fee, including Sound Transit's 0.3 percent motor vehicle excise tax. As a result, we recommended that: (1) before the Federal grant is approved, Sound Transit's board of directors agrees to commit alternative local revenues to the project in case of a funding deficit or shortfall due to loss of excise-tax revenues and related

fees; and (2) Sound Transit's finance plan be amended to reflect this commitment. FTA agreed with our recommendation, stating that it would request written agreement to our recommendations from the Sound Transit board of directors.

The Sound Transit board passed

Resolution 2003-15 on July 17, in response to recommendations that call for prompt revision of the finance plan should the motor vehicle excise-tax revenues designated for the light rail project be lost or reduced after FTA approved Sound Transit's request for a \$500 million grant agreement on October 24. The constitutionality of Initiative 776 was upheld by the Washington Supreme Court on October 30. Because the court's decision did not explicitly address the project's bonding and funding, it is uncertain how the ruling will apply to Sound Transit.

**The Seattle Times**  
www.seattletimes.com

TUESDAY  
JULY 8, 2003

# Light-rail plan clears major hurdle with feds

*Sound Transit gets vote of confidence from auditors*

BY ALEX FRYER AND MIKE LINDBLOM  
*Seattle Times staff reporters*

Federal auditors have given Sound Transit's light-rail project a clean bill of health, increasing the odds that the first tracks could be laid by September.

Sound Transit has "substantially strengthened its proposal" since April 2001 when federal auditors blasted the agency for poor cost estimates and management problems, according to a new report by the inspector general of the federal Department of Transportation, released yesterday.

As Sound Transit regrouped, its proposed 21-mile project from the University District to Seattle-Tacoma International Airport was reduced to a 14-mile initial segment from downtown to Tukwila, with the goal of future extensions still in mind.

Basically, the auditors believe that Sound Transit's current \$2.44 billion cost estimate and

*The bottom line is, this is a good day for Sound Transit and the Link light-rail project.*

SEN. PATTY MURRAY  
Democrat

PLEASE SEE *Sound Transit* ON A 11

## Sound Transit wins federal praise for light-rail plan

**SOUND TRANSIT**  
CONTINUED FROM A 1

July 2009 opening date are credible for the initial route.

"The bottom line is, this is a good day for Sound Transit and the Link light-rail project," said Sen. Patty Murray, D-Wash. "After two years of the most intense scrutiny, the inspector general says it is ready to go."

### HIGHLIGHTS FROM INSPECTOR'S REPORT

A report issued yesterday by the inspector general of the U.S. Department of Transportation says Sound Transit has "significantly strengthened" its light-rail plan. Some highlights:

- The planned July 2009 opening date is reasonable and includes a six-month cushion.
- The current \$2.44 billion cost estimate, to go 14 miles from Convention Place to Tukwila, is based on 80 per-

Transit Administration requirement to be a "stand-alone" transit line.

- In the event that tax-cutting Initiative 776 is upheld by the state Supreme Court, Sound Transit has told federal officials it will complete the light-rail line by canceling or deferring other transportation projects if necessary.
- A \$220 million tunnel and station beneath Beacon

## Audits, Investigations, Testimony

# HIGHWAY, TRANSIT, AND RAIL

### Paint Contractor Admits to Stealing Government Funds

**July 22**

Michael Patatoukas pleaded guilty in U.S. District Court in Tampa, FL, to stealing \$25,299 in Government funds over a four-year period by working as a paint contractor while he was receiving social security disability benefits. The crime was uncovered during an ongoing investigation of bridge-painting contractors on projects funded by the FHWA in Oklahoma, which involved allegations the contractors were illegally dumping toxic lead paint residue into navigable waterways. During the investigation, agents determined that Patatoukas had been paid social security disability benefits even though he was working. The charges were filed in Tampa where Patatoukas received the benefit checks. The investigation was conducted jointly by OIG, the Defense Criminal Investigative Service, Social Security Administration OIG, and the Oklahoma Department of Environmental Quality.

### Minnesota Construction Company Ordered to Pay \$124,000 for Cheating Employees Out of Wages and Overtime Pay

**July 31**

Tenson Construction, Inc., was ordered by a U.S. District Court judge in Minneapolis to pay \$115,000 in restitution to its employees for cheating them out of the prevailing wages and benefits required on Federal-aid highway projects. The judge also fined the company \$9,000 and sentenced it to 12 months probation. Company owner Paul Tendrup was sentenced to five months in jail and owner Bonnie Tendrup to 24 months probation. FHWA has proposed to debar the company from future federally funded contracts.

A Minnesota-based firm specializing in asphalt and concrete highway construction, Tenson Construction has Federal-aid highway contracts in Iowa, Minnesota, Texas, and Wisconsin. An investigation by OIG, the FBI, and the Minnesota Department of Transportation revealed the firm had failed to pay at least \$100,000 in overtime to its employees, because the Tendrups deliberately recorded employees' overtime hours as regular work hours.

## Road Superintendent Pleads to Theft of Asphalt from Federal-Aid Road Project

**August 20**

Ray W. Root of Port Richey, FL, pleaded guilty in U.S. District Court in Tampa, FL, to stealing more than \$21,000 worth of asphalt millings from a Federal-aid highway project. In 1998, Root served as a road superintendent for Couch Construction, the prime contractor on a Florida Department of Transportation (FDOT) resurfacing project for U.S. Highway 19 in Pasco County. Root contracted to mill the road surface and return the millings to FDOT. Instead, he stole a large quantity of the millings and sold them for personal profit. Asphalt millings can be mixed with new asphalt or used like gravel to fill potholes and cover dirt roads and driveways. Root was scheduled to be sentenced in December 2003. The case was investigated jointly by OIG, FDOT OIG, and the Florida Department of Law Enforcement.

## Electric Supply Company and President Plead Guilty to Falsifying DBE Applications

**September 9**

L&K Electric Supply Company of Birmingham, AL, and company president Adriene Balton pleaded guilty in U.S. District Court in Norfolk, VA, to falsifying four applications submitted to the Virginia Department of Transportation for disadvantaged business enterprise (DBE) certification. Balton admitted she and her company committed fraud in order to win a \$14.7 million contract for socially and economically disadvantaged individuals, which was to supply electrical material on a Virginia “Smart Traffic” project. Balton answered “no” in response to an application question asking whether she or her company had previously been denied DBE certification. OIG investigators found L&K had been denied DBE status by Louisiana, Maryland, and Florida for a variety of reasons, including that L&K’s business affiliation with another company exceeded the gross revenue limit and Balton did not exercise day-to-day control over business operations.

## Former Maryland Motor Vehicle Administration Employee Receives Jail Time for Issuing Unauthorized IDs

**September 18**

Mellarie L. Chisholm, a former employee of the Maryland Motor Vehicle Administration, was sentenced in U.S. District Court judge in Baltimore, MD, to five months in jail and five months of electronic monitoring and home detention for producing fake identification documents and for mail racketeer-

*(Continued on page 29)*



## Stewardship of Highway and Transit Programs

The Federal highway and transit programs are at one of the most important junctions since creation of the Interstate Highway System in the 1950s. Authorization for the programs expired September 30, 2003, amid a congressional debate over where to find the money to pay for the construction, maintenance, and improvement of our nation's roads, bridges, tunnels, and transit systems.

The Department's SAFETEA proposal (Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003), which calls for a record \$247 billion in highway and mass transit programs through 2009, also included provisions to improve system performance and enhance program accountability. As Transportation Secretary Norman Mineta told state transportation officials recently, "One of the critical challenges facing the Department — in fact, facing state DOTs as well — is the ability to stretch existing Federal dollars to satisfy the increasing demands for transportation improvements. Therefore, effective stewardship of these vital investments is critical."

OIG shares the Secretary's view and is committed to working with the Department to improve system performance and enhance program accountability. Doing this is a formidable task in the face of budget deficits at the Federal and state levels and multibillion-dollar declines in trust funds used to finance highway, transit, and aviation programs.

The Inspector General testified twice in July regarding opportunities to control costs and improve effectiveness in Department programs. In his testimonies, the IG described opportunities to use funds more efficiently and effectively, avoid unnecessary cost increases, and reduce program costs, especially in the Federal highway and transit programs.



### MAXIMIZING INVESTMENT DOLLARS

Based on our audit and investigative work, we see a need for further actions in a number of key areas. These include:

- Making better use of available funds. OIG found \$238 million that states no longer needed on projects, which should have been redirected to other projects. Part of this amount included \$54 million sitting idle for 16 years on a freeway project in Connecticut that was never started.
- Strengthening project management. One problem we see repeatedly is unreliable cost estimates on major highway and transit projects. For example, there were significant cost-estimating problems on San Francisco's BART (Bay





Area Rapid Transit) airport extension project. Our April 2000 report noted project costs increased by \$316 million over the initial cost estimate.

- Requiring finance plans for all highway projects in excess of \$100 million. Finance plans are not usually required for highway projects under \$1 billion, even though these projects can burden a state's management resources. A finance plan is a management tool that is vital for telling project managers and the public how much a project is expected to cost, when it will be completed, whether adequate funding is committed to the project, and whether there are risks to completing the project on time and within budget.

If the states are going to spend \$100 million of taxpayers' money, it is reasonable to require them to develop an approved finance plan that identifies project costs, milestones, and funding sources. The Department has incorporated this new requirement in its reauthorization proposal.

- Refocusing FHWA efforts on project management and financial oversight. Today's highway projects require skills in emerging technologies and professional expertise in financing, cost-estimating, program analysis, environmental streamlining, and schedule management. Yet, FHWA has only limited staff devoted to these areas because its workforce is structured almost exclusively around engineering skills that were needed more during construction of the interstate system.

## PREVENTING CONTRACT AND GRANT FRAUD

The Department also needs to take steps to detect and prevent contract and grant fraud. OIG is investigating over 100 infrastructure projects or contracts. During the last 4½ years, monetary recoveries on highway- and transit-related fraud cases have totaled more than \$80 million. Specific steps we recommended include:

- Using contract debarment to protect the Government's interest against fraud on transportation projects. When contractors are convicted of fraud, they should be debarred from participating on future federally funded projects for an appropriate period, depending on the severity of the case and culpability of the company or its corporate principals. Contractors who are debarred are excluded from receiving prime contracts or serving as subcontractors. Current regulations give FHWA wide discretion in determining whether or not to debar convicted contractors, and contractors are allowed to appeal debarments to FHWA at any time, even though they have been convicted of fraud against the Federal-aid highway program.

- Sharing Federal recoveries with the states. State programs are the first ones damaged by fraud, so allowing states to share in Federal monetary recoveries would help restore their programs and provide support for further deterring and detection of fraud. ■

## Audits, Investigations, Testimony

# HIGHWAY, TRANSIT, AND RAIL

ing conspiracy. Chisholm accepted money for helping two undocumented aliens obtain Maryland identification cards. She pleaded guilty in February 2003.

### Subcontractor Agrees to \$8.7 Million in Restitution and Penalties for Defrauding Federal and State Transportation Projects

**September 24**

Frank S. Chuang of Wethersfield, CT, owner of two engineering and construction services companies, agreed to pay \$8.7 million as part of a plea agreement and civil settlement for defrauding the Department and four state transportation agencies on numerous transportation projects. Chuang pleaded guilty in U.S. District Court in New Haven, CT, to submitting fraudulent invoices to prime contractors, representing that his companies' employees performed specified work when they had not and inflating overhead by including on the payrolls people who were not employees. Chuang also pleaded guilty to tax evasion.

The investigation disclosed that Chuang defrauded the transportation agencies of Connecticut, Rhode Island, Massachusetts, and New York of approximately \$2.7 million, which included a Federal share of \$1.5 million. Under terms of the plea agreement and civil settlement, Chuang and his firm L-C Associates together will pay \$8.7 million in restitution, penalties, and damages, including \$1.024 million in criminal restitution for fraud; \$4.3 million in Federal income taxes, penalties, and interest; and \$3.4 million in civil damages and penalties. Total disbursement to the state agencies is expected to be about \$2.59 million. Approximately \$1 million will be paid to the Federal Highway Trust Fund, with the balance going to the U.S. Treasury.

FHWA suspended Chuang and his two companies from Federal contract work in May 2003 for the duration of the criminal proceeding. OIG led this investigation, with assistance from FHWA, the Connecticut Department of Transportation, IRS, and the FBI.

*“Chuang defrauded  
the transportation  
agencies of Connecticut,  
Rhode Island,  
Massachusetts, and New  
York of approximately  
\$2.7 million.”*

## Follow-Up on Central Artery/Tunnel Project's Owner-Controlled Insurance Program

### September 30

We determined whether FHWA implemented recommendations from our July 2002 audit regarding the recovery of excess reserves from the Owner-Controlled Insurance Program (OCIP) of the Central Artery/Tunnel Project in Boston. We found the project's transfer of \$273 million from the OCIP budget was appropriate and that FHWA issued final OCIP guidance as recommended. The project took these actions as a result of OIG audits of the Central Artery's OCIP in 1999 and 2002.

## NY Fuel Supplier Found Guilty of Evading \$684,000 in Federal Fuel Excise Taxes

### September 30

Samuel Yakobowicz, owner of Twenty-Four Hour Fuel Corporation of Brooklyn, NY, was found guilty by a jury in the U.S. District Court in Brooklyn of evading payment of more than \$850,000 on 2,816,125 gallons of fuel by filing false excise tax returns. He was also convicted of obstructing an IRS audit. Yakobowicz sold fuel under contract to the Long Island Railroad, an FTA sub-grantee. According to the charges, he fraudulently obtained IRS refunds on excise taxes by making it appear that diesel fuel sold to gas stations had instead been sold to the tax-exempt railroad. It was also alleged that on numerous occasions, rather than delivering diesel fuel to the railroad, Yakobowicz had untaxed home heating oil delivered instead, while the delivery tickets falsely indicated that diesel fuel had been supplied. Federal excise taxes on motor fuel provide revenue to the Highway Trust Fund. Yakobowicz was scheduled for sentencing in December 2003. The case was investigated by the IRS and OIG.



## Audits, Investigations, Testimony

# FINANCIAL AND INFORMATION TECHNOLOGY

### Assessment of FAA's Cost-Accounting System and Practices

**June 3**

As required by Congress, we issued our third annual assessment of the adequacy and accuracy of FAA's cost-accounting system and practices as of December 31, 2002. We found that FAA's cost-accounting system captures overall costs, but does not accurately assign costs to specific services, facilities, and activities, making it ineffective. We advised FAA that it cannot function as a performance-based organization without a system that complies with Federal cost-accounting standards. It is our opinion that FAA does not have an effective cost-accounting system because it has not experienced consequences for not having one.

FAA began developing its cost-accounting system in 1996, estimated at that time to cost about \$12 million, and planned to complete the system by October 1998. After nearly seven years of development and spending over \$38 million, FAA expects to spend at least another \$7 million to develop and maintain the system throughout FAA by September 2003.

We recommended that FAA: (1) establish a goal to implement cost-accounting and labor-distribution systems that comply with Federal standards by October 1, 2004, as well as tie successful implementation to awarding of executive bonuses; (2) specify and implement internal controls for the Cru-X labor-distribution system; and (3) make FAA-wide cost and performance-management practices an agency priority and commit appropriate funding to fully establish these practices by October 1, 2004. FAA concurred with all recommendations.

### FAA's Overobligation of ICE-MAN Funds

**June 12**

We performed an audit of FAA's ICE-MAN contracts, as a result of a Hotline complaint alleging that FAA improperly deobligated FY 2001 funds for the Integrated Computing Environment Mainframe and Network (ICE-MAN) contracts. The complaint also alleged that FAA used FY 2001 funds from its facilities and equipment appropriation rather than the operations

*“After nearly seven years of development and spending over \$38 million, FAA expects to spend at least another \$7 million to develop and maintain the system throughout FAA.”*



appropriation to pay bills on deobligated contracts.

Our audit found that: (1) the deobligations were inappropriate; (2) FAA should not have used other funds to pay bills on the deobligated contracts; and (3) FAA inappropriately used about \$800,000 of FY 1999 ICE-MAN funds belonging to other DOT Operating Administrations.

We recommended that FAA record all valid FY 2001 ICE-MAN obligations against ICE-MAN contracts, return funds to the proper appropriation accounts, establish who should be held accountable, and set up proper procedures to account for ICE-MAN funds. We also recommended that after FAA assures the proper accounts were charged, the agency should work with the Department officials to determine if an Antideficiency Act violation occurred, document the decision, and report any violations. FAA concurred with our recommendations.

### Former FAA Employee Admits Stealing Almost \$7,000 in Cash and Purchases with Government Travel Card

**June 26**

Former FAA employee Nicole Jenkins of Renton, WA, pleaded guilty in U.S. District Court in Seattle to using her Government travel card for more than \$4,000 in unauthorized cash withdrawals and her Government purchase card for almost \$3,000 in unauthorized charges. She also pleaded guilty to making a false statement during an OIG investigation. Jenkins was ordered by a U.S. District Court judge in Seattle on October 10 to pay \$6,272 in restitution for the unauthorized withdrawals and charges. As a result of the OIG investigation, FAA terminated Jenkins from her position as a program assistant in October 2001.

### DOT Use of Government Travel Charge Cards

**August 29**

Our audit of DOT's use of Government travel charge cards found that most DOT employees do not abuse their travel card privileges. However, we identified 96 employees who did abuse these privileges by charging personal purchases (\$407,000 worth), withdrawing cash in excess of travel needs (\$361,000 worth), or not paying their bills on time.

In response to our audit, DOT revised its travel-card policy and initiated other corrective actions to address travel-card abuses. For example, in June 2003, the Office of the Secretary issued policy revisions requiring the Operating Administrations to monitor for travel-card misuse in addition to delinquencies; set stringent limits on cash withdrawals; and provide guidance on disciplinary actions for abuses. DOT also blocked specific categories of inappropriate merchants, which means Citibank will decline attempted travel-card purchases at these merchants.

*“DOT revised its policy ... to address travel-card abuses.”*

## Security of Information Technology

**D**OT maintains one of the largest information technology (IT) investments in the Federal government, with 630 computer systems and an annual budget of about \$2.7 billion. A top priority for DOT in meeting the requirements of the Federal Information Security Management Act (FISMA) and implementing the President's Management Agenda for E-government services is to strengthen the Department's computer security and improve controls over its IT investment.

During the reporting period, OIG issued IT audits regarding:

- Department's information security program, issued September 25, in response to FISMA requirements;
- computer security of the Delphi financial management system, issued September 30;
- computer security of FTA's grant management and payments systems, issued September 30.

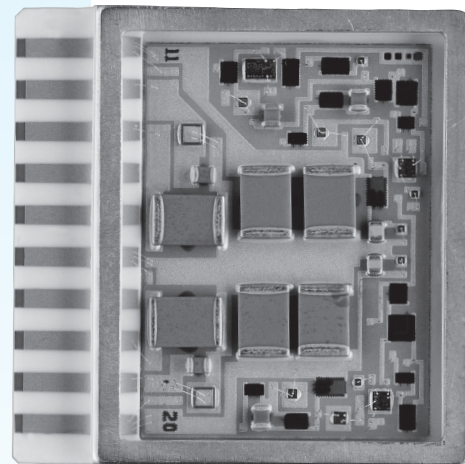
### **DOT SYSTEMS SECURITY STILL A "MATERIAL WEAKNESS"**

Our annual audit found the Department's information — security program remains a "material weakness," despite the Department's improvements. DOT IT systems support air traffic control and distribute billions of dollars in Federal transportation grants. System security breaches could have far-reaching effects on the nation's transportation system and economy.

The Department's most noteworthy improvement was protecting its computer systems from attack by outsiders. However, the Department still has a long way to go in securing its computer systems from unauthorized access by more than 60,000 insiders, including employees, contractors, grantees, and industry associations.

A critical control needed to reduce the insider threat is for the Department to conduct system security-certification reviews. Only 33 percent of DOT's systems had completed these reviews by September 2003. The Department established a new performance goal to have 90 percent of its systems certified by July 2004. Meeting this goal will require a significant commitment of resources, especially for FAA, which will have to review and certify more than 80 percent of its systems in the next nine months.

The Department also needs to develop and test system contingency plans to ensure business continuity in case key computer operations are disrupted for an extended period. The Department has established such plans for only 26 percent of its systems, and these are often inadequate.



Maximizing returns on IT investments is critical to implementing the President's Management Agenda on E-government services. DOT has experienced significant cost overruns and schedule delays with its major IT acquisitions. In FY 2003, DOT appointed a chief information officer and formed an Investment Review Board with the authority to approve, modify, or terminate major IT investments. To improve the cost-effectiveness of IT investments, DOT needs to strengthen oversight by better identifying high-risk projects for the board's review, conducting in-depth reviews of modal IT budget requests, and requiring the modes to share more timely information with the board.

We recommended that the Department improve oversight of its IT investments; further enhance network security; continue enforcing background checks of contractor employees; and enhance contingency planning to ensure business continuity. The DOT and FAA chief information officers agreed with our findings and recommendations and are working to correct deficiencies.

### **BETTER SECURITY NEEDED FOR DELPHI**

Our audit found that DOT needs to enhance Delphi's security and controls before the system can achieve its full potential. Delphi is DOT's new financial management system, which cost \$100 million to develop and deploy. When fully implemented, it will account for over \$50 billion entrusted to the Department each year.

We found that some employees could use Delphi to process unauthorized payments without being detected, and intruders could launch attacks as "trusted parties" through unsecured network connections. We also discovered that critical security measures had not been implemented or enforced, system changes were not properly tested, and contingency planning was not adequate.

We recommended that DOT separate the payment request and approval authority for employees authorized to do both; limit support personnel's access to the production system used to process financial transactions; secure Delphi web sites and network connection points;

enhance the security administration function; better protect sensitive information; complete background checks on system maintenance personnel; enhance controls over system changes; and conduct a comprehensive system-recovery test. Management concurred and is taking corrective action.

### **FTA NEED FOR BETTER CONTROLS CITED**

Our audit of FTA computer systems involved three systems that support the grant administration and payment process of more than \$7 billion of annual FTA and FAA grants. The audit, conducted by KPMG LLP of Washington, DC, under OIG supervision, found weaknesses in security planning and management, access controls, system change controls, and business continuity planning. The three systems audited were the Transportation Electronic Award Management System, Electronic Clearing House Operation System, and Delphi Online Transaction System.

The audit found that:

- FTA did not properly assess security risks or perform security testing before certifying its systems as adequately secured.
- Background checks of contractors and employees were generally inadequate.
- User access to the systems was not properly administered; for example, some of the individuals who had access were no longer employed with the agency.
- Management depended on a single employee to maintain one system without any oversight or documented procedures.
- Contingency plans for two systems were not adequate and had never been tested to ensure continued operations in case of a disaster.

Our recommendations included enhancing security planning and testing, completing background checks on key employees, strengthening controls on user access, increasing oversight of system changes, and testing contingency plans. FTA generally concurred with these and has initiated corrective actions. ■

## Audits, Investigations, Testimony

# TRANSPORTATION SAFETY

### FAA Repair Station CEO Admits to Taking Dangerous Shortcuts on Jet Engines

**April 7**

Gary Key, the CEO of Key Enterprises, Inc., an FAA-certified repair station in Oilton, OK, pleaded guilty in U.S. District Court in Tulsa, OK, to falsifying FAA airworthiness-approval tags on jet combustion chambers. To increase profits, Key directed his employees to skip required repair specifications, such as applying a special hardening coating to bushings in fuel combustion chambers, an omission that can cause engine fires and explosions. Repairs were falsified for Pratt & Whitney JT8 jet engine combustion liners, and FAA ordered Key Enterprises to alert customers to potential problems. Key was fined \$15,000 and ordered to spend eight months in jail by a U.S. District Court judge in Tulsa, OK, on October 2. The firm's repair station certificate could be revoked, pending FAA action. OIG investigated the case jointly with the Defense Criminal Investigative Service and Postal Service OIG, with assistance from FAA and the National Aeronautics and Space Administration (NASA).



### Convicted Felon Gets 5 Years Jail Time, Must Pay \$957,805 in Aircraft Parts Cases

**April 14**

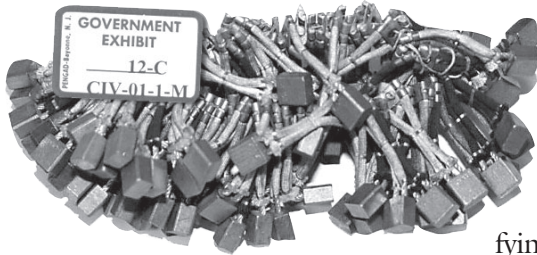
Bo Baker of Dallas, TX, was sentenced in U.S. District Court in Dallas to five years in prison, to run consecutively with an earlier sentence, for a total of 9½ years of jail time without parole. She was also ordered to pay \$957,805 in restitution. Baker pleaded guilty in November 2002 to mail fraud for organizing a bogus investment scheme involving nonexistent aircraft parts in which she tricked people into investing over \$1 million. She used a significant portion of the illegal gains to finance her lifestyle while she was awaiting sentencing from an August 1999 fraud conviction involving the sale of counterfeit aircraft parts. That conviction resulted in a 56-month prison sentence in January 2002, and an order to pay \$198,268 in restitution. At the time,



Baker was president and owner of 3D Industries in Dallas, a now-defunct FAA-certified repair station.

## Aviation Repairman Fined \$14,500 for Falsifying Repairs

### April 18



*Henry used unapproved parts like these in aircraft propellers.*

Johnnie Lee Henry of Bethany, OK, a former aircraft repairman for Thunderbird Accessories, Inc. (TAI), was fined \$14,500 by a U.S. District Court judge in Oklahoma City for falsifying aircraft-repair certifications. TAI and Thunderbird Propellers, Inc., of Bethany, OK, were found guilty in December 2002 of using counterfeit and unapproved parts in aircraft propellers and an aircraft turbocharger and certifying the repairs. They subsequently filed for bankruptcy. One of the propellers was implicated in the crash of a private aircraft in 1994, which resulted in a fatality.

The two firms were ordered in December 2002 to pay a combined \$423,189 in fines and \$25,365 in restitution, and each was put on five years probation. Henry voluntarily surrendered his repairman certificate to the FAA in May 2003. OIG conducted the investigation jointly with the FBI, with assistance from FAA.

## Illegal Foreign National Jailed 1 Year and Fined \$30,000 for ID Fraud

### May 2

Maria de los Santos was sentenced by a U.S. District Court judge in Chicago, IL, to 12 months in jail and a \$30,000 fine for her involvement in an identification-fraud scheme. The fraud was uncovered during an Operation Safe Road investigation of commercial driver's license (CDL) fraud in Illinois. An illegal foreign national from Mexico, de los Santos pleaded guilty to fraud charges in February 2003, and admitted to earning \$100,000 from 1999 through 2001 by helping illegal residents obtain false identifications. While working at the now-defunct New Delhi Driving School, she sold fraudulent social security cards and Mexican birth certificates to illegal residents. Using the bogus documents, illegal residents were then able to obtain valid Illinois driver's licenses. The investigation was conducted by the Operation Safe Road task force, which comprises OIG, the FBI, Postal Inspection Service, IRS, and the Illinois State Police. Operation Safe Road is an ongoing investigation of CDL fraud in Illinois and Florida.

## Aviation Safety

The United States operates one of the safest and most complex aviation systems in the world, an achievement and a responsibility shared by FAA, the air carriers, and aircraft manufacturers. OIG has identified maintaining this impressive safety record as one of the top management challenges of the Department every year since 1998, when we began our management challenge report.

We issued an audit report in July on air carriers' use of repair stations and an audit in April on FAA's progress in reducing operational errors and runway incursions.



### FAA OVERSIGHT OF REPAIR STATIONS

The repair-station report examined the growth in outsourcing of maintenance by major airlines since 1996. While OIG has issued several audits of FAA's oversight of airlines' in-house maintenance, this was the first audit of repair stations since 1994.

There are about 650 foreign and 4,600 domestic FAA-certified repair stations. FAA inspectors are only required to conduct an annual inspection of each repair stations, although they may visit a repair station as part of their maintenance oversight of specific airlines. Repair stations are also monitored by air carrier groups and international aviation authorities. These groups, along with FAA, create a series of overlapping controls designed to ensure repairs are completed properly.

Major findings in our report are summarized below:

- We found that between 1996 and 2002, air carriers increased the amount they spent on outsourced maintenance from 37 percent to 47 percent. The trend toward outsourcing has been largely driven by cost savings of 30–40 percent that can be realized by using these facilities where labor rates are lower.
- Despite the increase in maintenance outsourcing, FAA concentrates its oversight of airline maintenance on work performed at the air carrier's in-house facilities. In FY 2002, FAA inspectors completed an average of 220 inspections of in-house maintenance procedures for the major carriers and only seven inspections of outsourced maintenance facilities used by these carriers.
- Discrepancies in repair-station operations went undetected at 86 percent of the stations we visited. For example, we found repair stations that did not use proper aircraft parts to complete repairs, properly calibrate tools and equipment, maintain sufficient training documentation on their mechanics, and correct repetitive deficiencies.
- FAA does not inspect some FAA-certified foreign repair stations (despite the fact that they are widely used by U.S. air carriers), because other civil aviation authorities review these facilities on FAA's behalf. Nevertheless, FAA has not implemented adequate oversight procedures for ensuring the quality of these inspections.

We recommended that FAA obtain data to determine trends in air carriers' use of repair stations; determine which repair stations the carriers are using to perform maintenance; perform



more frequent, detailed reviews of the facilities air carriers use most; and develop a documented system to share inspection information among FAA offices. Additionally, we recommended that FAA clarify its inspection documentation requirements and take steps to ensure inspections conducted by foreign authorities verify that FAA standards are followed. FAA concurred with our recommendations.

### OPERATIONAL ERRORS AND RUNWAY INCURSIONS

Our April 3 report found that operational errors and runway incursions are beginning to decline after several years of continuous increases. An operational error occurs when an air traffic controller does not ensure that FAA separation standards are maintained between airplanes. Operational errors occur mostly in the air and can pose a very serious safety risk. A runway incursion is an incident on the runway that creates a collision hazard.

FAA's success was due in part to the implementation of FAA and industry initiatives. In addition, we found that there was a statistical correlation between the decrease in these incidents and the reduction in air traffic operations during the period.

Despite FAA's progress, the numbers of these incidents are still too high, considering the potential catastrophic results of a midair collision or a runway accident.

In FY 2002, three operational errors occurred each day on average. The most serious operational errors occurred an average of once every eight days. In the first five months of FY 2003, the number of operational errors rated high risk increased from 21 to 24. In our opinion, FAA's severity rating system understates the number of serious operational errors. For example, FAA rated one error as moderate that was less than 12 seconds from a midair collision.

Reducing runway incursions has remained on the National Transportation Safety Board's annual "Most Wanted" list of transportation safety improve-

ments since 1990. In FY 2002, on average, one runway incursion occurred each day. The most serious runway incursions occurred an average of once every 10 days.

It is important that FAA take additional actions to further reduce the number and safety risk of operational errors and runway incursions, especially since FAA projects that air traffic operations will return to pre-September 11 growth patterns between 2005 and 2007.

Our recommendations focused on the specific actions FAA needs to take to further reduce operational errors and runway incursions, including:

- improving oversight of regions and facilities that do not show progress in reducing operational errors;
- implementing memory-enhancement training for controllers;
- expanding the severity classification for the most serious operational errors;
- implementing mandatory training for controllers who make multiple operational errors or moderate and high-rated operational errors;
- evaluating the impact of the expanded controller-in-charge program on operational errors on a facility-by-facility basis;
- implementing recommendations from its technological reviews completed at 13 airports that had 10 or more runway incursions between 1997 and 2000.

We also recommended that FAA identify and monitor statistics on the number of operational errors by commercial, general aviation, and military aircraft. This is important in measuring the overall safety impact of operational errors. ■

#### Change in Operational Errors and Runway Incursions, FY 1998–2002

Incident	NUMBER OF INCIDENTS			Percentage Change
	FY 1998	FY 2001	FY 2002	
<b>Operational errors</b>	885	1,194		+35
		1,194	1,061	-11
<b>Runway incursions</b>	304	407		+34
		407	339	-17

## Audits, Investigations, Testimony

# TRANSPORTATION SAFETY

### Flight School Instructor Pleads Guilty to Falsifying Airman Medical Application

**May 23**

Guillermo Monsalve of Plano, TX, was fined \$5,000 by a U.S. District Court judge in Dallas for falsifying his airman medical application about prior DUI convictions. He pleaded guilty to the charges on May 14. Monsalve was a ground-school instructor at Link Aviation, a school for pilots in Addison, TX. In February 2003, Monsalve's former employer Nacer Fetamia, owner of Link Aviation, was sentenced as a result of the same investigation for lying about a past DUI charge on his airman medical application. He was ordered to spend three months in jail and fined \$2,500. The FAA has revoked Monsalve's ground instructor and commercial pilot licenses.



### Georgia Tester Sentenced for Falsifying CDL Test Results

**June 4**

Grady D. Saffles, a commercial driver's license (CDL) tester for America's Driving Force in Forest Park, GA, was sentenced in U.S. District Court in Atlanta for falsifying CDL test results. Saffles's actions enabled 26 CDL applicants who did not take the skills portion of the test to become licensed. Saffles was sentenced to six months home confinement, five years probation, and 200 hours community service. The State of Georgia took action against all holders of the fraudulent CDLs by suspending or revoking the CDLs or recalling the holders for retesting. This case was a joint investigation with the Georgia Department of Motor Vehicle Safety, with assistance from FMCSA.

### Medical Supplier to Plead Guilty to Shipping Unlabeled Hazmat

**June 17**

MGC Trading Corporation, Miami, FL, pleaded guilty in U.S. District Court in Miami to charges of willfully delivering unlabeled flammable, corrosive, and poisonous chemicals. MGC sells laboratory and medical supplies, including chemicals used in medical laboratory work, to hospitals and medical





*Some of the hazardous chemicals that MGC Trading had delivered to an air carrier in violation of hazmat laws.*

clinics in Latin America. In June 2002, MGC, through a freight forwarder, offered nine separate packages to Lan Chile, a foreign air carrier, for air transportation to Peru. The packages were described in the air bill as general laboratory supplies. During handling at Lan Chile, one of the packages broke open, exposing its hazardous contents. Many of the bottles inside the box had hazmat labels affixed. Sentencing was scheduled in October 2003.

## Two Olympic Pipeline Executives Jailed in First-Ever Jail Terms in Pipeline Rupture Case

### June 19

Two Olympic Pipeline Company executives were sentenced to jail by a U.S. District Court judge in Seattle, WA, the first jail terms ever received by pipeline managers in a pipeline rupture case. Former Olympic Manager Frank Hopf, Jr., of Woodlands, TX, was ordered to serve six months in prison. Former Olympic Control Room Supervisor Ronald D. Brentson of Kent, WA, was sentenced to 30 days in prison. Control Operator Kevin S. Dyvig of Buckley, WA, was placed on probation for one year.

All three men pleaded guilty in December 2002 to criminal charges arising from rupture of the Olympic petroleum pipeline and subsequent gasoline explosion in Bellingham, WA, on June 10, 1999. The rupture resulted in the release of approximately 236,000 gallons of gasoline into two nearby creeks, where the gasoline ignited leading to three deaths and causing extensive damage to the waters, shorelines, and other natural resources.

In December 2002, Olympic Pipeline Company and Equilon Pipeline Company (now operated by Shell Pipeline Company) agreed to a \$111 million settlement. Under the terms of a plea agreement, the companies were ordered to pay \$36 million in combined fines and penalties, and agreed to undertake remedial programs to inspect and improve pipelines throughout the United States at an estimated cost of more than \$75 million. The criminal fines were the largest ever imposed in a pipeline rupture case. The case was investigated by OIG and the Environmental Protection Agency, with assistance from the FBI and state and local officials.



*The Olympic petroleum pipeline rupture released about 236,000 gallons of gasoline into two creeks, where the gas ignited.*

## Pilot Impersonator Jailed for 11 Months

### June 20

Shawn D. Miller was sentenced in U.S. District Court in Des Moines, IA, to 11 months in jail for forging a commercial pilot's license and impersonating a pilot. By dressing as an American Airlines pilot, Miller was able to travel free on commercial flights throughout the United States from 1998 to 2001. He also obtained access to small rental aircraft by wearing a flight suit and pretending to be an Air Force officer.

## Audits, Investigations, Testimony

# TRANSPORTATION SAFETY

### Passenger Convicted of Illegal Transportation of Ammonia on a Passenger Plane

**July 16**

Bernard Williams of Norwalk, CT, was convicted by a jury in U.S. District Court in Brooklyn, NY, for secretly transporting ammonia, a corrosive hazardous substance, on a passenger plane without declaring it. In February 2002, Williams checked two cardboard boxes labeled “kitty litter” with Spirit Airlines in Fort Myers, FL, for a flight to LaGuardia Airport in New York City. He told at least two airline personnel that the boxes contained kitty litter when they contained 13 bottles of ammonia. During flight, fumes sickened about 28 passengers, including a seven-week-old infant who was subsequently hospitalized. Inspection of the cargo on landing revealed one of the ammonia bottles had broken. Williams’s sentencing was scheduled for January 2004.



### Two Commercial Drivers Forfeit Their CDLs for Life, Receive 6½-Year Jail Terms

**July 22**

Two Florida truck drivers, Alfredo Adan of Kissimmee and John A. Erazu of Orlando, lost their commercial driver’s licenses for life as part of a criminal conviction for drug smuggling. The defendants were convicted on June 11, 2002, in U.S. District Court in Columbia, SC, for smuggling 550 pounds of marijuana out of Mexico into the United States by concealing it in a shipment of fruit inside a tractor-trailer. The men were drivers for 24–7 Majesty, a commercial interstate carrier based in Tampa, FL. Each man was also sentenced to a 6½-year prison term. The case was a joint investigation of the U.S. Customs Service, OIG, and FMCSA.



## Company Manager Pleads Guilty to Falsely Certifying 900 Fire Extinguishers

### August 1

Ransom E. Moore, Jr., manager of Moore Fire Extinguisher & Fire Protection Co. of Albany, NY, pleaded guilty in U.S. District Court in Albany to falsely certifying that approximately 900 high-pressure fire extinguishers had been retested in accordance with Federal regulations. Moore's plea stems from an investigation which found he certified the retesting of carbon dioxide fire extinguishers in 1998 and 1999 when they were not retested. The extinguishers were located in schools, fire departments, a DOD facility, and businesses throughout the Albany area. Moore's sentencing was scheduled for November 18, 2003. This case was investigated by OIG, the FBI, and the Defense Criminal Investigative Service, with assistance from RSPA.

RSPA is the Federal agency with jurisdiction over testing cylinders used to hold and transport such compressed gases as oxygen, hydrogen, helium, and argon. The cylinders must be tested at least every five years to ensure they remain strong enough to contain pressurized gases, many of which can be explosive.

## Owner of Detector Dogs Against Drugs & Explosives Pleads Guilty to Illegally Shipping Explosives via Air

### August 5

Russell L. Ebersole, the owner of Detector Dogs Against Drugs and Explosives of Stephenson, VA, pleaded guilty in U.S. District Court in Harrisonburg, VA, to charges of witness tampering and instructing an employee to ship undeclared explosives by air. Ebersole's guilty plea resulted from a joint OIG and Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) investigation revealing that he told an employee to ship by air a 1.4-pound box of explosives marked as kitchen supplies. The undeclared shipment violated Federal law and posed a serious risk to public safety. Ebersole also shipped by truck a second box of undeclared explosives from Hagerstown, MD, to Seattle. To corroborate the lies he told ATF special agents, Ebersole told the individual who received the ground shipment to destroy the explosives and lie to Federal investigators. No sentencing date has been set.



## Audits, Investigations, Testimony

# TRANSPORTATION SAFETY

In a June 2003 unrelated case, a U.S. District Court jury in Alexandria, VA, convicted Ebersole of defrauding the Government by contracting to provide explosives-detection services at Federal agencies using dogs when the dogs were unable to distinguish explosives.

### Long Beach Man Fined \$25,000 and Imprisoned Two Years for Hazmat Dumping

#### August 5

Gary Barken, president of Barken's Hard Chrome, Inc., in Long Beach, CA, was ordered by a U.S. District Court judge in Los Angeles to pay a \$25,000 fine and serve two years in Federal prison for illegally transporting and dumping hazardous wastes. Barken's Hard Chrome is a chrome-plating and metal-finishing firm that uses chemicals such as chromic acid and cadmium cyanide in its work. Barken was found guilty by a jury in March 2003 of transporting 40 drums of corrosive chemical waste in a rented truck and dumping it in the desert in Riverside County, CA. This case was investigated jointly by OIG and the FBI.

### Former Airtrans Recruiter Sentenced in CDL Fraud Case

#### August 11

Robert L. Savely, a recruiter and safety officer for Airtrans, a now-defunct trucking company, was sentenced in U.S. District Court in Memphis, TN, for making false statements regarding fraudulent commercial driver's license applications he helped prepare at the former Dyersburg, TN, trucking company. Savely instructed new commercial drivers to falsify the employment history section on their application in order to meet the minimum driving experience required by Airtrans's insurance provider. Savely was sentenced to two years probation and a \$750 fine. This is an ongoing joint investigation of OIG, the FBI, and U.S. Postal Inspection Service.



*Barken was found guilty of dumping 40 drums of chemical waste in the California desert.*



## Former License Examiner Produced Fake IDs

**August 28**

*“Campbell, a former examiner for the Maryland Motor Vehicle Administration, pleaded guilty to producing false driver’s licenses for illegal foreign nationals.”*

Walter R. Campbell, a former driver’s license examiner for the Maryland Motor Vehicle Administration (MVA) in Elkton, MD, pleaded guilty to producing false driver’s licenses for illegal foreign nationals. In exchange for varying sums of money or other forms of remuneration, such as paying his electric bill or taking him to lunch, Campbell allegedly processed about 180 license applications from 1999 through 2002 for Turks and Russians who did not have valid immigration status. He estimated that approximately 100 Maryland driver’s licenses were issued due to his efforts, about 25 of them commercial driver’s licenses.

Campbell processed the applications without requiring proper proof of identification and legal status within the United States, and also provided answers to the written driving test. MVA canceled the illegally issued driver’s licenses and is working to locate those individuals who obtained commercial driver’s licenses through Campbell. The names of the illegal foreign nationals will be provided to INS for possible action. Campbell’s sentencing date has not yet been scheduled.

## Seven Truckers Plead Guilty to Fraudulent Hours-of-Service Logs

**September and October**

Seven truck drivers for Ontelaunee Transport Services, Inc., of Kempton, PA, pleaded guilty in U.S. District Court in Philadelphia to falsifying their driver’s logbook. They falsified their logbooks on almost a daily basis to hide the fact they were violating FMCSA’s hours-of-service regulations, intended to protect the public from the danger of motor-carrier accidents caused by driver fatigue. The men were indicted on July 31 with the company dispatcher and the company. Trial dates have not been set for the dispatcher and the company, nor have sentencing dates been determined for the seven truckers.

B4 C South Jersey www.philly.com

PENNSYLVANIA

### Indictment says truckers broke rules

Prosecutors say drivers ignored limits on hours. They include the driver in a fatal Blue Route crash.

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# OTHER ACCOMPLISHMENTS

This section comprises significant accomplishments of OIG staff that are not included in the legal reporting requirements of the Inspector General Act.

## STARS COST ESTIMATES

During our review of FAA's STARS program, we questioned the credibility of the program's cost estimates and expressed concern that program officials had not complied with FAA's policy to obtain an independent cost estimate before requesting a new cost baseline. In response, program officials requested two independent reviews of STARS costs before they proceeded with a new cost baseline. (April)

## \$59 MILLION SAVED ON WILSON BRIDGE

Maryland officials for the Woodrow Wilson Bridge project outside Washington, DC, reversed a previous decision concerning an engineering proposal, thereby saving the project \$59 million. In 2002, Maryland officials rejected a proposal to change from one type of girder to another because they questioned the plan's feasibility and cost. We reviewed the proposal, and at our request, FHWA advised the state to more objectively re-examine the rejected proposal, which project officials subsequently accepted. (May)

## STRONGER OVERSIGHT ADDED TO SAFETEA

In response to our suggestions for strengthening oversight of major highway projects, the Department proposed monitoring the effective and efficient use of Federal-aid funds in its reauthorization proposal, "Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003 (SAFETEA)." The proposal includes requirements for FHWA to establish minimum cost-estimating standards and prepare financial plans for projects estimated to cost \$100 million or more; requires mandatory debarments for any contractor or subcontractor convicted of fraud in a federally funded highway or transit project; and requires sharing Federal monetary judgments from fraud in highway or transit programs with the affected state or local transit agency. (May)



Photo courtesy FAA

*STARS workstation in operation.*



Central Communications Group

*The Woodrow Wilson Bridge.*



*Government agent performs security check on airplane.*

### **ASSISTING THE 9–11 COMMISSION**

OIG provided information to the National Commission on Terrorist Attacks Upon the United States regarding the state of aviation security before September 11, 2001, to help Commission staff better understand the complexities of the aviation security system and its known vulnerabilities before the attacks. The information included FAA's policies, procedures, programs, systems, and technologies used for screening passengers and their checked and carry-on baggage, and for airport-access control and cargo security, and procedures for passenger prescreening. (May)

### **UNSECURED CONNECTIONS TO DOT NETWORKS**

OIG helped the Department identify 200 unsecured connections (dial-up modem) to DOT networks at headquarters and in the field, which the Department subsequently terminated. These network connections created vulnerabilities that could have allowed non-DOT entities to bypass firewall security and gain unauthorized access to DOT computer systems. (May and June)

### **SAFETY ADVISORY ISSUED**

An OIG investigation prompted RSPA to publish a safety notice in the *Federal Register*, advising that ABM Fire Equipment of Milford, NY, may have been stamping high-pressure cylinders that contain oxygen with the DOT retester identification number of another firm. The cylinders may not have been retested and visually inspected as required to ensure they remain strong enough to contain pressurized oxygen gas, which can be explosive. The notice advised that ABM allegedly had been testing high-pressure cylinders for many years, including for many local fire departments. Some of these cylinders included fire extinguishers, firefighters' scottpaks (breathing apparatus tanks), and the tanks used to fill the scottpaks. RSPA also sent the notice to customers of ABM. (June)



### **UNAUTHORIZED CONTRACT VEHICLES TERMINATED**

Based on an April 2002 OIG audit, DOT terminated 435 IT service-procurement contracts awarded under two procurement programs and was able to put \$37.5 million to better use. A former DOT center, TASC, created two contract vehicles — Value Added Niche Information Technology Services (VAN-ITS) and Specialized Technical and Technology User Services (STATUS) — without proper approval and used the contracts to provide services to outside

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# OTHER ACCOMPLISHMENTS

agencies without obtaining full reimbursement. We recommended that DOT stop using the contracts to serve outside agencies unless explicitly authorized by the Deputy Secretary. The Deputy Secretary subsequently decided to terminate all VANITS and STATUS contracts. Of those, 375 contracts, which each guaranteed a minimum of \$100,000 in work, had not been awarded. Terminating the contracts enabled Government customers, including DOT, to use the \$37.5 million on authorized IT contract vehicles. (July)

## **ISRAEL AIDED IN CDL MEDICAL QUALIFICATIONS**

We assisted the Auditor General and Ombudsman of Israel's Ministry of Transport in planning a future audit on medical standards related to licensing of drivers. We provided information regarding how FMCSA conducts compliance reviews to enforce medical requirements for commercial drivers; audit reports on the commercial driver's license program; Federal regulations on medical qualifications for drivers; and web links to information on U.S. driver licensing requirements, medical qualifications, and audit standards. (August)

## **RISK-ASSESSMENT GUIDE**

We posted a risk-assessment audit guide on the OIG web site that state auditors may use to evaluate controls over the Federal-aid highway payment process to prevent and detect duplicate and erroneous payments. The guide grew out of risk-assessment work on the Federal-aid payment process that we conducted jointly with auditors from the Florida and Texas Departments of Transportation and presented at the July 2003 audit subcommittee meeting of the American Association of State Highway and Transportation Officials in Duluth, MN. (August)

## **NASA HOTLINE IMPROVEMENTS**

Representatives from NASA's OIG hotline met with DOT OIG staff to learn ways to expand and improve their hotline program. (September)







# C H A R T S & T A B L E S

## Summary of Performance

*April 1–September 30, 2003*

Reports issued	54
Recommendations issued	160
Congressional testimonies	10
Total financial recommendations	\$410,863,188
— that funds be better used	\$361,160,000
— that questioned costs	\$49,703,188
Cases referred for prosecution	137
Cases accepted for prosecution	127
Indictments	115
Fines, restitutions, civil judgments, and recoveries	\$127,362,279
Convictions	83
Debarments and suspensions	7
Actions affecting DOT employees	28

## INVESTIGATIONS

### Judicial and Administrative Actions

April 1–September 30, 2003

Indictments	115
Administrative actions	
Employee	
— terminations	2
— suspensions	4
— reprimands	1
— counseling	1
— resignations and retirements	4
— other remedial actions	16
Debarments and suspensions	7
Licenses revoked or terminated	3
Convictions	83
Years sentenced	63
Years probation	143
Years supervised release	77
Hours of community service	5,370
Fines	\$39,599,775
Restitutions/civil judgments	\$3,713,439
Federal recoveries*	\$83,976,265
State recoveries*	\$72,800
<b>TOTAL</b>	<b>\$127,362,279</b>

\* "Recoveries" include fines, restitution, civil judgments or settlements, and the cost of remedial actions. Federal recoveries go to the U.S. Treasury; state recoveries are retained by the states.

During the six-month reporting period, 171 cases were opened and 123 were closed, leaving a pending caseload of 538. Cases involving 137 people and institutions were referred for prosecution. Cases involving 127 people and institutions referred during this or prior reporting periods were accepted for prosecution, and the cases of 23 people or firms were declined. As of September 30, 2003, 21 cases were pending before prosecutors.

## Profile of Pending Investigations

As of September 30, 2003

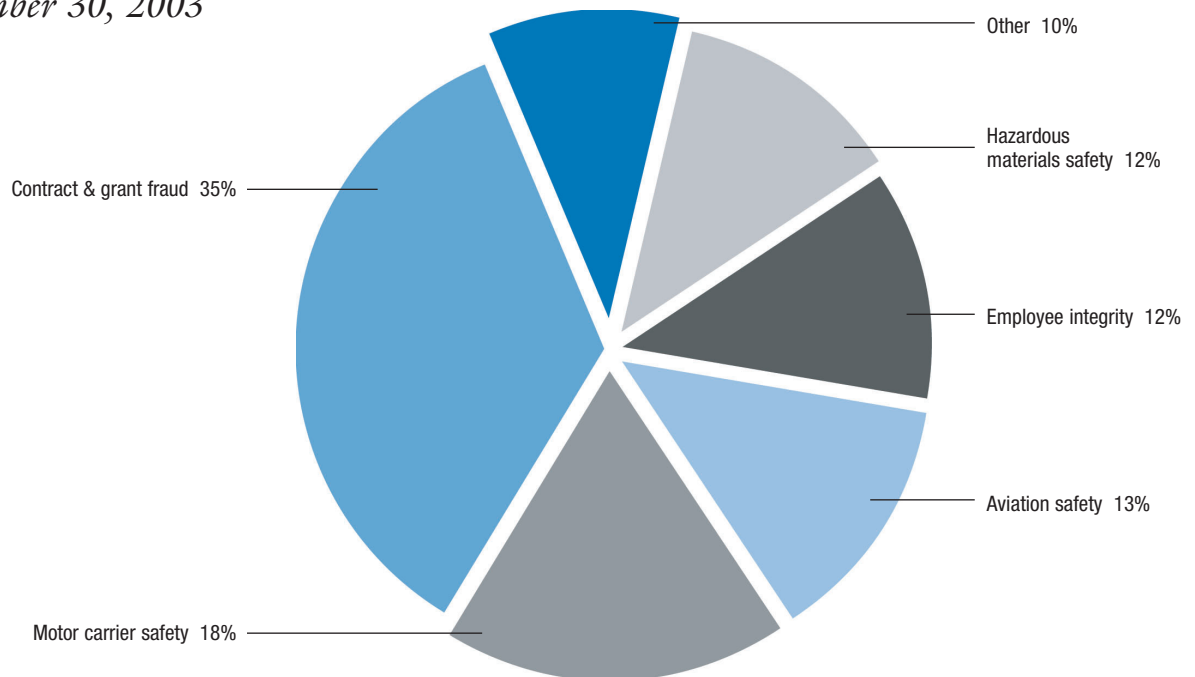
### Types of Cases

	Number of Cases	Contract & Grant Fraud	Employee Integrity	Aviation Safety	Motor Carrier Safety	Hazmat	Other
<b>Operating Administration</b>							
Bureau of Transportation Statistics	1	0	1	0	0	0	0
Federal Aviation Administration	219	25	70	103	0	12	9
Federal Highway Administration	114	106	4	0	0	1	3
Federal Railroad Administration	13	3	1	0	0	6	3
Federal Transit Administration	22	20	1	0	0	0	1
Maritime Administration	5	4	1	0	0	0	0
Federal Motor Carrier Safety Administration	98	1	3	0	78	15	1
Office of the Secretary	13	6	6	0	0	0	1
Research and Special Programs Administration	37	1	3	0	0	33	0
National Highway Traffic Safety Administration	16	2	7	0	0	0	7
Other Agencies	1	0	1	0	0	0	0
<b>Totals</b>	<b>539</b>	<b>168</b>	<b>98</b>	<b>103</b>	<b>78</b>	<b>67</b>	<b>25</b>
<b>Percent of Total*</b>	<b>100%</b>	<b>31%</b>	<b>18%</b>	<b>19%</b>	<b>14%</b>	<b>12%</b>	<b>5%</b>

\*Percentages equal more than 100 percent due to rounding.

## Application of Investigative Resources by Priority Area

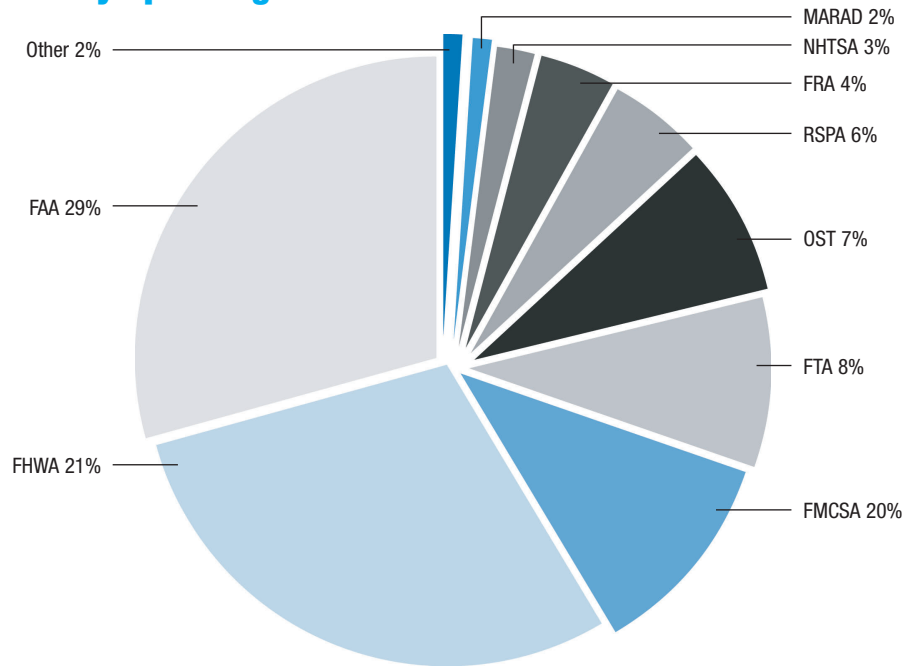
April 1–September 30, 2003





## Application of Investigation Project Hours by Operating Administration

April 1–September 30, 2003



Percentages do not equal 100 percent due to rounding.

## AUDITS

### Completed OIG Reports

April 1–September 30, 2003

(Estimated amounts\*, dollars in thousands)

Type of Review	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs	Funds to Be Put to Better Use
<i>Internal Audits</i>					
— Program/Functional	19	97	\$47,000	\$0	\$361,160
— Chief Financial Officer financial statements	0	0	\$0	\$0	\$0
<i>Other OIG Internal Reports</i>	0	0	\$0	\$0	\$0
<b>Total Internal Audits and Reports</b>	<b>19</b>	<b>97</b>	<b>\$47,000</b>	<b>\$0</b>	<b>\$361,160</b>
<i>Grant Audits</i>					
— Audits of grantee under Single Audit Act	35	63	\$2,703	\$0	\$0
<b>Total</b>	<b>54</b>	<b>160</b>	<b>\$49,703</b>	<b>\$0</b>	<b>\$361,160</b>

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

Note: Department of Transportation programs and operations are primarily carried out by the Department's personnel and recipients of Federal grants. Audits by DOT's Office of Inspector General, as a result, fall into three categories: (1) internal audits of departmental programs and operations; (2) internal reviews of departmental programs and operations; and (3) audits of grant recipients. The table shows OIG's results in the three categories.

## OIG Reports with Recommendations That Questioned Costs

April 1–September 30, 2003

(Dollars in thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs*
<b>Reports</b>				
<b>A</b> For which no management decision was made by the start of the reporting period	7	8	\$4,598	\$0
<b>B</b> Which were issued during the reporting period	14	20	\$49,703	\$0
<b>Total A+B</b>	<b>21</b>	<b>28</b>	<b>\$54,301</b>	<b>\$0</b>
<b>C</b> For which a management decision was made during the reporting period	4	7	\$5,320	\$0
— dollar value of disallowed costs†	3	6	\$1,408	\$0
— dollar value of costs not disallowed†	1	1	\$3,911	\$0
<b>D</b> For which no management decision was made by the end of the reporting period	17	21	\$48,982	\$0

\* Unsupported costs are included in figures for questioned costs.

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

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

April 1–September 30, 2003

(Dollars in thousands)

	Number of Reports	Number of Recommendations	Funds to Be Put to Better Use
<b>Reports</b>			
<b>A</b> For which no management decision was made by the start of the reporting period	3	3	\$544,100
<b>B</b> Which were issued during the reporting period	3	3	\$361,160
<b>Total A+B</b>	<b>6</b>	<b>6</b>	<b>\$905,260</b>
<b>C</b> For which a management decision was made during the reporting period	3	3	\$141,760
— dollar value of recommendations agreed to by management	3 *	3 *	\$141,760
— dollar value of recommendations not agreed to by management	0 *	0 *	\$0
<b>D</b> For which no management decision was made by the end of the reporting period	3	3	\$763,500

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

## OIG Reports Recommending Changes for Safety, Economy, or Efficiency

April 1–September 30, 2003

	Number of Reports	Number of Recommendations
<b>Reports</b>		
<b>A</b> For which no management decision was made by the start of the reporting period	28	74
<b>B</b> Which were issued during the reporting period	41	137
<b>Total A+B</b>	<b>69</b>	<b>211</b>
<b>C</b> For which a management decision was made during the reporting period	29*	97
<b>D</b> For which no management decision was made by the end of the reporting period	44*	114

\* Includes reports where management made decisions on some but not all recommendations.

## Management Decisions Regarding OIG Recommendations

April 1–September 30, 2003

(Dollars in thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs*	Funds to Be Put to Better Use
Unresolved as of October 1, 2002	31	85	\$4,598	\$0	\$544,100
Audits with findings during current period	46	160	\$49,703	\$0	\$361,160
<b>Total to Be Resolved</b>	<b>77</b>	<b>245</b>	<b>\$54,301</b>	<b>\$0</b>	<b>\$905,260</b>
<i>Management Decisions:</i>					
— Audits prior period†	18	47	\$4,179	\$0	\$1,600
— Audits current period†	13	60	\$1,141	\$0	\$140,160
<b>Total Resolved</b>	<b>31</b>	<b>107</b>	<b>\$5,320</b>	<b>\$0</b>	<b>\$141,760</b>
<i>Unresolved:</i>					
— Less than 6 mos. old	36	100	\$48,562	\$0	\$221,000
— 6 mos.–1 year	3	8	\$53	\$0	\$0
— 1 year–18 mos.	0	0	\$0	\$0	\$0
— 18 mos.–2 years	6	18	\$32	\$0	\$494,500
— Over 2 years old	5	12	\$334	\$0	\$48,000
<b>Total Unresolved as of September 30, 2003‡</b>	<b>50</b>	<b>138</b>	<b>\$48,982</b>	<b>\$0</b>	<b>\$763,500</b>

\* Unsupported costs are included in figures for questioned costs.

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

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

## Office of Inspector General Published Reports

April 1–September 30, 2003

### Operating

Operating Administration/ Type of Report	Report Number	Date Issued	Title	Focus of Report/ Recommendations
<b>Federal Aviation Administration</b>				
<i>Internal Audits: Program/Functional—10 reports</i>				
	AV-2003-040	04-03-03	Operational Errors and Runway Incursions	Further actions needed to reduce the number of operational errors and runway incursions
	AV-2003-042	05-20-03	Airspace Redesign: Yardley/Robbinsville Flip-Flop	Steps need to be taken to inform Congress and public about controversial airspace changes
	FI-2003-043	06-03-03	2002 Status Assessment of Cost-Accounting System and Practices	Additional actions needed to correct weaknesses
	FI-2003-044	06-12-03	Overobligation of ICE-MAN Funds	\$1,141,000 questioned
	AV-2003-045	06-26-03	Status of FAA's Major Acquisitions	Cost, schedule, and performance baselines are not reliable and need to be updated
	AV-2003-047	07-08-03	Review of Air Carriers' Use of Aircraft Repair Stations	Oversight improvements needed for repair stations
	AV-2003-048	07-23-03	Status Report on FAA's Operational Evolution Plan	Plans needs to be linked to budget, and priorities need to be established
	AV-2003-057	09-04-03	Safety, Cost, and Operational Metrics of FAA's Visual Flight Rule Towers	Comparison of metrics between contract visual flight rule towers and FAA-staffed VFR towers
	AV-2003-058	09-09-03	FAA Needs to Reevaluate STARS Costs and Consider Other Alternatives	Put \$221,000,000 to better use
	AV-2003-059	09-12-03	FAA's Management of and Control Over Memorandums of Understanding	Cost and operational impacts of MOUs

### *Grant Audits: Audits of Grantee Under Single Audit Act—10 reports*

	QC-2003-051	09-03-03	Little Rock National Airport, AR	\$181,136 questioned
	QC-2003-053	09-03-03	King County, WA	Improve grantee oversight
	QC-2003-055	09-03-03	Dallas-Fort Worth International Airport, TX	\$977,306 questioned
	QC-2003-060	09-17-03	County of Monroe, NY	Improve grantee oversight
	QC-2003-062	09-18-03	City of Huron, SD	\$15,319 questioned
	QC-2003-065	09-18-03	State of Hawaii, Department of Transportation, Airports Division	Improve grantee oversight



## Office of Inspector General Published Reports *(continued)*

### Operating

Administration/ Type of Report	Report Number	Date Issued	Title	Focus of Report/ Recommendations
	QC-2003-066	09-18-03	Miami-Dade County Aviation Department, FL	Improve grantee oversight
	QC-2003-070	09-18-03	Indianapolis Airport Authority, IN	\$26,567 questioned
	QC-2003-076	09-23-03	City of Fernandina Beach, FL	\$34,000 questioned
	QC-2003-091	09-30-03	Allegheny County Airport Authority, PA	Improve grantee oversight

### Federal Highway Administration

#### *Internal Audits: Program/Functional—1 report*

QR-2003-089	09-30-03	Follow-Up Audit: Actions Taken to Recover Excess Reserves from the Central Artery/Tunnel Project's Owner-Controlled Insurance Program	Put \$140,000,000 to better use
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#### *Grant Audits: Audits of Grantee Under Single Audit Act—8 reports*

QC-2003-052	09-03-03	New Mexico State Highway and Transportation Department	Improve grantee oversight
QC-2003-061	09-18-03	Lewis County, WA	\$17,067 questioned
QC-2003-064	09-18-03	Commonwealth of Massachusetts	Improve grantee oversight
QC-2003-077	09-23-03	State of Delaware	Improve grantee oversight
QC-2003-079	09-23-03	State of West Virginia	Improve grantee oversight
QC-2003-084	09-23-03	State of Tennessee	\$869,963 questioned
QC-2003-085	09-23-03	State of California	\$367,000 questioned
QC-2003-087	09-26-03	Central Puget Sound Regional Transit Authority, WA	Improve grantee oversight

### Federal Motor Carrier Safety Administration

#### *Internal Audits: Program/Functional—1 report*

MH-2003-041	05-16-03	Follow-Up Audit on Implementation of Commercial Vehicle Safety Requirements at U.S.-Mexico Border	Program met requirements of act but more state action is needed to implement enforcement action
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### Federal Transit Administration

#### *Internal Audits: Program/Functional—2 reports*

MH-2003-046	07-07-03	Seattle Central Link Light-Rail Project's Initial Segment	Proposal for project's first segment was reasonable and FTA's oversight of project was strong.
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<b>Operating Administration/ Type of Report</b>	<b>Report Number</b>	<b>Date Issued</b>	<b>Title</b>	<b>Focus of Report/ Recommendations</b>
	FI-2003-093	09-30-03	Computer Security of Grant Management and Payment Systems	Additional safeguards needed to enhance security, strengthen user access, and identify software vulnerabilities

*Grant Audits: Audits of Grantee Under Single Audit Act—17 reports*

	QC-2003-050	09-03-03	Los Angeles County Metropolitan Transportation Authority, CA	Improve grantee oversight
	QC-2003-054	09-03-03	Sacramento Regional Transit District, CA	Improve grantee oversight
	QC-2003-056	09-03-03	City and County of San Francisco, CA	\$1 questioned
	QC-2003-063	09-18-03	City of Bettendorf, IA	Improve grantee oversight
	QC-2003-067	09-18-03	City of Galveston, TX	Improve grantee oversight
	QC-2003-068	09-18-03	County of Lackawanna, PA	Improve grantee oversight
	QC-2003-069	09-18-03	Santa Barbara Electric Transportation Institute, CA	Improve grantee oversight
	QC-2003-071	09-18-03	Santa Barbara Metropolitan Transit District, CA	Improve grantee oversight
	QC-2003-072	09-22-03	New Jersey Transit Corporation	Improve grantee oversight
	QC-2003-073	09-22-03	Metropolitan Transportation Authority, NY	Improve grantee oversight
	QC-2003-074	09-23-03	Lafayette City-Parish Consolidated Government, LA	Improve grantee oversight
	QC-2003-075	09-23-03	Great Falls Transit District, MT	Improve grantee oversight
	QC-2003-078	09-23-03	Regional Transit Authority, LA	Improve grantee oversight
	QC-2003-081	09-23-03	City of Hattiesburg, MS	\$131,583 questioned
	QC-2003-082	09-23-03	City of Shreveport, LA	\$66,019 questioned
	QC-2003-083	09-23-03	Centre Area Transportation Authority, PA	\$17,530 questioned
	QC-2003-090	09-30-03	Greater Cleveland Regional Transit Authority, OH	Improve grantee oversight

**Office of the Secretary of Transportation**

*Internal Audits: Program/Functional—5 reports*

	FI-2003-049	08-28-03	Use of Government Travel Charge Cards	Put \$160,000 to better use
	FI-2003-086	09-25-03	Information Security Program	While progress has been made, security over DOT computer systems remains a material weakness

## Office of Inspector General Published Reports *(continued)*

Operating Administration/ Type of Report	Report Number	Date Issued	Title	Focus of Report/ Recommendations
	SC-2003-088	09-26-03	Policy and Procedures for Locating Federal Facilities in Rural Areas	Progress has been made in complying with the act, but additional action required
	CR-2003-092	09-30-03	Air Carrier Compensation Claims	\$45,858,697 questioned
	FI-2003-094	09-30-03	Computer Security of Delphi Financial Management System	Further actions needed to enhance security and controls

## Office of Inspector General Congressional Testimonies

*April 1–September 30, 2003*

Title	Congressional Body	Testimony Date
The State of the Aviation Industry and the Federal Aviation Administration	Senate Appropriations Subcommittee on Transportation/Treasury and General Government	04-02-2003
Cost Control Issues for FAA's Operations and Modernization Accounts	House Appropriations Subcommittee on Transportation/Treasury and General Government	04-09-2003
The Future of Intercity Passenger Rail Service and Amtrak	Senate Committee on Commerce, Science, and Transportation	04-29-2003
Management of Cost Drivers on Federal-Aid Highway Projects	House Appropriations Subcommittee on Transportation/Treasury and General Government	05-08-2003
Statement Before the National Commission on Terrorist Attacks Upon the United States on Air Security	National Commission on Terrorist Attacks Upon the United States	05-22-2003
Title XI Loan-Guarantee Program	Senate Committee on Commerce, Science, and Transportation	06-05-2003
Opportunities to Control Costs and Improve the Effectiveness of DOT Programs	House Committee on the Budget	07-09-2003
FAA Efforts to Locate Aircraft N711RD	House Committee on Transportation and Infrastructure	07-15-2003
Controlling Costs and Improving the Effectiveness of FHWA and FTA Programs	House Committee on Transportation and Infrastructure	07-22-2003
Safety and Cost Metrics of FAA's Visual Flight Rule Towers	House Transportation and Infrastructure Subcommittee on Aviation	09-24-2003

## Status of Unresolved Recommendations Over Six Months Old

Cited in Semiannual Report for Reporting Period —	Report No.	Date Issued	Status
<i>April 1–September 30, 2000</i> Contract Towers: Observations on FAA's Study of Expanding the Program	AV-2000-079	04-12-00	Awaiting additional information from FAA
<i>October 1, 2000–March 31, 2001</i> Airport Noise Compatibility Program	AV-2001-012	12-14-00	Awaiting additional information from FAA
Castle Joint Powers Authority, California	QC-2001-022	02-14-01	Working with grantee to resolve issues
<i>April 1–September 30, 2001</i> State of Indiana	QC-2001-052	04-11-01	Working with grantee to resolve issues
Compensation Issues Concerning Air Traffic Managers, Supervisors, and Specialists	AV-2001-064	06-15-01	Working with FAA to resolve open issues
<i>October 1, 2001–March 31, 2002</i> Downtown Waycross Development Authority, Georgia	QC-2002-027	10-31-01	Working with grantee to resolve open issues
State of Minnesota	QC-2002-030	10-31-01	Working with grantee to resolve open issues
State of Indiana	QC-2002-032	10-31-01	Working with grantee to resolve open issues
Operational and Supportability Implementation System	AV-2002-064	12-07-01	Working with FAA to resolve open issues
Review of FAA's Oversight of Aircraft Maintenance	AV-2002-066	12-12-01	Working with FAA to resolve open issues
FAA's Acquisition of Aviation Weather Systems	AV-2002-084	02-28-02	Working with FAA to resolve open issues
<i>October 1, 2002–March 31, 2003</i> Innovative Pavement Research Foundation	QC-2003-035	03-31-03	Working with grantee to resolve open issues
City of Shoreline, King County, Washington	QC-2003-037	03-31-03	Working with grantee to resolve open issues
Birmingham Regional Paratransit Consortium	QC-2003-038	03-31-03	Working with grantee to resolve open issues

*Note: In FY 2003, a total of 95 recommendations were transferred to the Department of Homeland Security for resolution — 7 for FAA, 11 for the Coast Guard, and 77 for the Transportation Security Administration.*

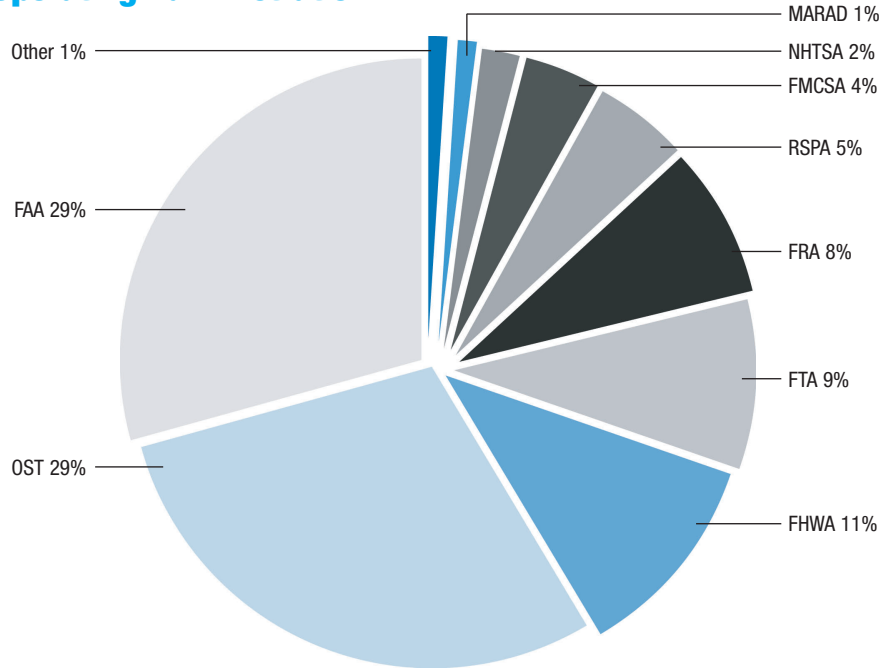


## Application of Audit Project Hours by Operating Administration

April 1–September 30, 2003

Note: Resources shown for OST include time spent auditing the DOT Consolidated Financial Statement (which includes all Operating Administrations) and computer security activities, including for the Delphi Financial Management System.

“Other” represents resources expended on the National Transportation Safety Board, St. Lawrence Seaway Development Corporation, Surface Transportation Board, and National Commission on Terrorist Attacks Upon the United States and totaled less than 1 percent each.



Percentages do not equal 100 percent due to rounding.

### 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.

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# A W A R D S

## Secretarial Awards

### *Award for Meritorious Achievement*

#### **John W. Long**

For leading an investigation regarding fraud and corruption among entities receiving DOT disadvantaged business enterprise funds in New Orleans, LA, in response to a request by the House Transportation Appropriations Subcommittee.

#### **Stuart A. Metzger**

For leading a variety of complex, high-visibility projects involving rail, airline, and maritime issues, and for developing more than 20 congressional testimonies regarding OIG work.

### *Award for Excellence*

#### **Joyce K. Mayeda**

For outstanding administrative support to the Office of Hazardous Material, Security, and Special Programs, in San Francisco, Seattle, and Washington, DC.

#### **Sandra M. Roper**

For support to OIG's Region 4 investigative staff by conducting background, financial, and personal history checks and Internet research.

### *Partnering for Excellence Award*

#### **Household Goods Moving Companies Fraud Team**

For outstanding investigative efforts that uncovered various household moving scams and resulted in 81 individuals and 13 corporations being charged in the Southern District of Florida with conspiracy, mail fraud, wire fraud, extortion, money laundering, and making fraudulent bills of lading.

*Barbara L. Barnet, David J. Barnes, Steven A. DeFazio, Roberto Manzanares*

### *Team Award*

#### **Highway Construction Fraud Investigation Team**

For outstanding investigative work that uncovered evidence of a contractor's fraud through false invoices on highway and bridge construction projects, led to successful prosecution of the parties, and resulted in \$8.7 million in restitution, penalties, and damages.

*Todd A. Damiani, Theodore L. Doherty III, Kevin R. Gaul, Leigh R. Hinson, Joseph B. McGovern, Jennifer A. Walker*

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### **Transportation Security Audit Team**

For outstanding effort, dedication, and contributions toward monitoring TSA's progress in implementing key provisions of the Aviation and Transportation Security Act of 2002.

*Terri A. Aburuonye, George E. Banks, Kari E. Beitel, Gerald L. Blumenthal, Randolph E. De Leon, Sandra M. DeLost, Gary B. Fishbein, Rita L. Fox, Brian J. Frist, Kirk A. Gillett, Lester D. Girdlestone, Carlton H. Hamilton, Earl C. Hedges, Doral D. Hill, John C. Hudson, Robin K. Hunt, Stephen L. Jones, Kevin J. Kelly, Sr., Gary W. Kirk, Robert Y. Lee, Scott K. Macey, Angela D. McCallister, Robert F. Meisenhelder, M. Jeffrey Mortensen, Shirley H. Murphy, Judy W. Nadel, Paul Nagulko, Daniel R. Raville, Petra Rose, Mary E. Smothers, Keri L. Spencer, Kim P. Tieu, Larry B. Walker, Michael G. Weisz, Philip B. Windust, Renee Yancy*

### *Volunteer Service Award*

### **DOT Headquarters Tutoring Team**

For maintaining an outstanding tutorial program at the Lemon G. Hine School and serving as the catalyst for many students to embark upon "pathways to academic excellence."

*Ji Young Yoo*

## **Inspector General Awards**

### *Award for Superior Achievement*

### **Thomas K. Lehrich**

For providing invaluable legal advisory services, administering a highly successful legal intern program in OIG, and serving as an instructor for the Inspector General academy at the Federal Law Enforcement Training Center.

### **James L. Muhlenkamp**

For his unrivaled motivation and professionalism in conducting highly sensitive investigations.

### **Ping Zhong Sun**

For leading numerous initiatives in identifying computer security vulnerabilities in department-wide computer systems and operations.

### *Exceptional Civilian Service Award*

### **Richard C. Beitel, Jr.**

For professionalism and integrity in conducting highly sensitive criminal investigations.

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# A W A R D S

**James F. Heminger**

For exemplary service to OIG in ensuring the security and integrity of information technology systems and operations nationwide and ensuring uninterrupted user access.

**Shirley H. Murphy**

For her expert editorial review of OIG audit reports and testimony and for ensuring style, uniformity, and coherence are of the highest quality.

*Marguerite Christensen Award for  
Excellence in Administration*

**Charles G. Hiep**

For consistent professionalism in administering OIG's budget and financial programs and operations.

*Manager of the Year*

**LaVan Griffith**

For greatly enhancing the responsiveness, morale, and overall performance of OIG's Investigative Field Operations Office.

**Richard A. Kaplan**

For outstanding leadership in numerous audits and testimonies, including an audit of the \$1 billion National Airspace System implementation support contract, which resulted in \$5 million in reprogrammed FAA funds, and the audit of runway incursions and operation errors, which identified significant safety risks to air travelers.

**Scott K. Macey**

For managing several high-profile and complex audits involving aviation security.

*Supervisor of the Year*

**Barbara L. Barnet**

For leading investigations that resulted in 167 judicial actions, 110 indictments, and over \$2 million in fines and restitution.

**Theodore L. Doherty III**

For excelling in his role as supervisor of OIG's Cambridge, MA, investigative staff.

**Robert F. Meisenhelder**

For supervising several high-profile audits, including OIG's audit of TSA screener hiring and training.



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**Tina B. Nysted**

For leading the audit of security at aircraft repair stations and air station operations, which resulted in two separate audit reports and included several briefings with the Inspector General, Congress, and high-level aviation industry and National Transportation Safety Board officials.

**Mary E. Smothers**

For outstanding leadership in preparing the DOT financial statement and TSA screener contract audits.

**Charles A. Ward**

For supervising two major audits over the past year that resulted in significant cost savings to the Department.

### *Employee of the Year*

**Richard C. Appleton**

For excellent investigative skills on several highly significant investigations of sensitive issues, such as improprieties on the part of departmental senior executives.

**Kari E. Beitel**

For her key leadership role in OIG's high-visibility audit of the Federal Air Marshal Program.

**Judy K. Blackwell**

For excellent planning and leadership skills on audit-wide administrative, management, and reporting issues.

**Bernard Fishman**

For exceptional contributions to the Department's review of air carrier compensation payments and loan-guarantee applications and to OIG's oversight of MARAD's Title XI Loan-Guarantee Program.

**Megan K. France**

For completing a lengthy and highly successful investigation of hazardous material violations by a worldwide airline.

**Tammy L. Hegarty**

For her instrumental role in the success of various investigative initiatives.

**Raymond A. Larpenteur**

For exceptional leadership and professionalism in auditing the Seattle Central Link Light Rail Project.

**Angela D. McCallister**

For superior analysis of, and contributions to, several OIG testimonies regarding TSA and FAA.

**Angela M. Thorpe**

For making significant improvements to the effectiveness and operational integrity of OIG's training program.

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# A W A R D S

## *Administrative Professional of the Year*

### **Angela R. Hailes**

For exemplary support to OIG's integrity investigations and Complaint Center operations.

### **Florence H. Scheiner**

For outstanding administrative support of OIG's Baltimore and Oklahoma City regional audit offices.

### **Queen E. Simms**

For exemplary performance, professionalism, and initiative in supporting OIG's human resources programs and operations.

## *New Employee Award*

### **Venetia D. Bell**

For greatly enhancing OIG's legal representation in the critical areas of employment and personnel law.

### **M. Dietrich Bohmer**

For being a highly motivated employee whose accomplishments far exceed his grade level.

### **Jill L. Cottonaro**

For being an industrious worker who performs complex tasks in a quality manner.

### **Scott V. Harding**

For handling and closing more than 200 cases for OIG's hotline complaint center over the last year.

### **Michael W. Knobloch**

For his stellar work ethic in all assignments and handling sensitive investigations with the highest degree of professionalism.

### **Amitra J. Mamdouhi**

For significant contributions to OIG's coverage of U.S. Coast Guard operations.

### **Livingston Pati**

For exceeding job expectations in his contributions and having a take-charge attitude, which is a positive influence on the San Francisco audit office.

## *Team Awards*

### **Airline Compensation Audit Team**

For outstanding support in ensuring air carriers received appropriate compensation under the Air Transportation Safety and System Stabilization Act.

*Mark R. Dayton, James H. Diecker, Joann Felix, Bernard Fishman, Kirk A. Gillett, Michael E. Goldstein, Doral D. Hill, Timothy G. Keane, Deborah A. Kloppenburg, George Lavanco, Johanna L. Nathanson, Joseph Tschurilow*

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### **Audit Team for Controls over Labor Agreements at FAA**

For disclosing significant deficiencies in the negotiation, implementation, cost analyses, and tracking regarding memoranda of understanding between FAA managers and the National Air Traffic Controllers Association.

*Susan L. Bader, Francis E. Danielski, David A. Dobbs, Christopher S. Frank, Kimberly A. Leading, Erik A. Phillips, Robert F. Prinzbach II, Daniel R. Raville, Robert A. Romich, Coletta A. Treakle*

### **Aviation Safety Investigation Team**

For exemplary service during an investigation stemming from a fatal airplane crash that involved harassment of a pilot by FAA regulatory personnel.

*David J. Barnes, Richard C. Beitel, Jr., Brian A. Dettelbach, Robert L. Drake, James L. Muhlenkamp*

### **DHL Airways Review Team**

For conducting an intensive review of DOT's process for determining if the ownership of air carrier DHL Airways and management structure meet Federal U.S. citizenship requirements.

*Mark R. Dayton, Brian A. Dettelbach, Seth B. Kaufman, Thomas K. Lebrich, Jennifer Thibodeau*

### **DOT Computer Security Audit Team**

For identifying hundreds of unauthorized network connections to DOT systems and vulnerabilities in DOT web sites and assisting DOT in developing a strategy for system security reviews and certification — a major challenge since only about 20 percent of DOT systems had undergone such review.

*Jean C. Ablutz, Mitchell N. Balakit, Nathan J. Custer, Philip J. deGonzague, Bradley K. Kistler, Gary M. Klauber, Henry S. Lee, Rebecca C. Leng, James F. Mallow, Michael L. Marshlick, Ping Zhong Sun, Cynthia F. Tims, Ji Young Yoo*

### **FAA Terminal Automation Modernization Strategy Audit Team**

For determining that FAA's plan to deploy the Standard Terminal Automation Replacement System at all terminal facilities was no longer cost-effective and that FAA could save more than \$220 million by revising its strategy.

*George E. Banks, Robert F. DeAntonio, Katrina F. Knight, Michael L. Marshlick, Adam B. Schentzel, Victoria J. Smith, M. Joanne Wallis, Charles A. Ward*

### **Investigation Team for FAA Actions to Locate Aircraft N711RD**

For conducting a high-profile, short-suspense investigation at the request of Senator Joseph Lieberman into FAA's involvement in the May 2003 search for aircraft N711RD, which was associated with absent Texas legislators.

*Richard C. Appleton, David J. Barnes, Richard C. Beitel, Jr., Helena T. Chavez, John R. Davenport, Brian A. Dettelbach, Heather J. Halliwell, David P. Hooper, Charles V. Karshner, Michael W. Knobloch, James L. Muhlenkamp, Gilbert Salazar, Jr., R. Curt Vaughan, Joseph M. Zschiesche*

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# A W A R D S

## **MARAD Title XI Audit Team**

For assessing the Maritime Administration's loan-guarantee process, in response to congressional concerns over recent maritime bankruptcies and loan defaults totaling \$490 million.

*Mitchell L. Behm, Christopher T. Brothers, Mark R. Dayton, David S. Engelen, Gary B. Fishbein, Bernard Fishman, Michael E. Goldstein, Leila D. Kahn, Stuart A. Metzger, William E. Savage, Pamela J. Steele-Nelson, Joseph Tschurilow, Wayne L. White*

## **New Orleans DBE Task Force**

For their investigation into disadvantaged business enterprise programs in New Orleans that receive DOT funds.

*Timothy L. Arnold, M. Dietrich Bohmer, Kent E. Byers, Vito S. Corso, Craig S. Furey, Marlies T. Gonzalez, David J. Hoefler, Aleta N. Huser, Charles V. Karshner, Theodore M. Kilby, Jr., John W. Long, Charles K. Millard, Charles V. Miller, David R. Uhl, Vivian M. Vega, Jennifer A. Walker, Bradley D. Wheeler, Edwin J. Wynn, John M. Zuniga*

## **Office of Human Resources**

For outstanding teamwork in meeting exceptionally challenging reporting and program requirements.

*Lyn Banagan, Kelly M. French, Vivian B. Jarcho, Leslie A. McBroom, Karen A. Muller, Joanne M. Pittman, Queen E. Simms*

## **Olympic Pipeline Investigation Team**

For excellent investigative and teamwork skills related to the Olympic Pipeline rupture in Washington State that killed two children and one adult.

*Lisa A. Glazzy, Michelle Ward McGee*

## **Orbitz Audit Team**

For exceptional teamwork skills in analyzing the impact of emerging trends in travel distribution on consumers' ability to access airfares and service.

*Mark R. Dayton, Robert M. Finley, Leila D. Kahn, Lisa T. Mackall, Stuart A. Metzger, Lauralyn J. Remo, Petra Rose, Joshua L. Schank*

## **President's Council on Integrity and Efficiency Awards**

### *Award for Excellence — Audit*

## **Aircraft Repair Station Safety and Security Oversight Audit Team**

For exceptional performance in enhancing FAA's and TSA's oversight of safety and security of aircraft repair stations.

*Lou E. Dixon, David A. Dobbs, Curtis S. Gelber, Mark A. Gonzales, Brian J. Huckaby, Thomas D. Jefferson, Mike J. Leibrecht, Tina B. Nysted, Katherine A. Yutzey*

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### **Audit Team for FAA Major Acquisitions**

For excellent teamwork in fostering improvements in FAA's management and oversight of major air traffic control modernization projects.

*Catherine Aubrey, Amanda D. Barton, Fidel Cornell, Jr., Robert F. DeAntonio, David A. Dobbs, Kevin Dorsey, Steven E. Erb, Matthew E. Hampton, Heidemarie E. Leinneweber, Shirley H. Murphy, Krystal L. Patrick, Donald E. Pierro, Melissa Pyron-Satchell, Jennifer L. Randall, Victoria J. Smith, Samuel S. Vass, Jr., Charles A. Ward, Sean L. Woods*

### **Audit Team for Implementing Strategies to Increase Seat Belt Use**

For identifying successful strategies for increasing the use of seat belts and reporting progress by the National Highway Traffic Safety Administration and the states in increasing seat belt use.

*Janice S. Alger, Ronald H. Hoogenboom, Michael M. Sivi, Gary D. Stivers*

### **Central Artery/Tunnel Audit Team**

For outstanding performance in reviewing and improving the Central Artery/Tunnel Project finance plans and the owner-controlled insurance program.

*Peter F. Babachicos, Laurence G. Burke, John M. Hannon, Richard A. Kaplan, Seth B. Kaufman, Harriet E. Lambert, Thomas K. Lebrich, William R. Lovett, Paul D. McBride, Rodolfo E. Pérez*

### **Financial Management Audit Team**

For identifying hundreds of millions of dollars in Antideficiency Act violations, and noncompliance with other appropriations law provisions.

*Sharon J. Ayers, Jill L. Cottonaro, Sandra M. DeLost, Terrence J. Letko, Lakarla M. Lindsay, Leonard F. Meade, Michael S. Ralph, Stacie A. Seaborne, Linda L. Toms, Thomas E. Wise, Jr.*

### **Operational Error and Runway Incursion Audit Team**

For outstanding contributions in identifying initiatives to further reduce serious aviation incidents by identifying necessary FAA actions and providing continuous oversight of the issue by keeping the Secretary, the FAA Administrator, and Congress informed of these issues through reports and testimonies.

*Curt L. Boettcher, David A. Dobbs, Kevin F. George, Mary E. Hanson, Richard A. Kaplan, James D. Madden, Jeannette M. McDonald, Shirley H. Murphy, Petra Rose*

### **Seattle Central Link Light-Rail Project Audit Team**

For exceptional efforts in auditing revised plans for the first phase of this \$2.4 billion light-rail project to determine whether conditions had been met for receiving \$500 million in Federal grant money.

*Sarah E. Batipps, Mitchell L. Behm, Diana R. Brattain, Gloria J. Echols, Bernard Fishman, Seth B. Kaufman, Raymond A. Larpenteur, Thomas K. Lebrich, Rodolfo E. Pérez, Leslie A. Smith*



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# A W A R D S

## **TSA Security Screener Contracts Audit Team**

For saving the Department approximately \$100 million as a result of their review of security screener contracts administered by TSA.

*George E. Banks, Brian J. Frist, Earl C. Hedges, Kevin J. Kelly, Sr., Mary E. Smothers, Larry B. Walker, Michael G. Weisz, Renee Yancy*

### *Award for Excellence — Evaluation*

## **Aviation Security Technologies Audit Team**

For performing a congressionally requested review to identify and categorize aviation security technologies that have potential for improving aviation security.

*Terri A. Aburuonye, Kari E. Beitel, Curt L. Boettcher, Rita L. Fox, Robin K. Hunt, Gary W. Kirk, Robert Y. Lee, James H. Yeager, Katherine A. Yutzey*

### *Award for Excellence — Investigation*

## **Household Goods Moving Companies Fraud Investigation Team**

For its work with FMCSA, the Federal Bureau of Investigation, and the U.S. Attorney's Office on this two-year undercover investigation.

*Barbara L. Barnet, Steven A. DeFazio, Roberto Manzanares*

### *Award for Excellence — Law and Regulation*

## **SAFETEA Reauthorization Team**

For exceptional efforts in ensuring that robust stewardship and oversight provisions were incorporated in the Administration's \$247 billion surface transportation reauthorization proposal — the Safe and Accountable Transportation Equity Act — which will serve as the largest surface and public transportation investment in U.S. history.

*Brian A. Dettelbach, Paul M. Feeney, LaVan Griffith, Michael D. Gullede, Richard A. Kaplan, Francis H. Ochs, David R. O'Connell, Brian J. O'Malley, Loretta F. Swanson*

### *Award for Excellence — Multiple Disciplines*

## **Aviation Safety Investigation Team**

For exemplary service during an investigation into alleged harassment of a pilot by regulatory personnel of the Federal Aviation Administration.

*David J. Barnes, Richard C. Beitel, Jr., Brian A. Dettelbach, Robert Drake, James L. Muhlenkamp*

### *Award for Excellence — Joint PCIE and ECIE*

## **Office of Legal, Legislative, and External Affairs**

For exceptional representation and advancement of the interests of the Inspector General community with the Administration and Congress.

*Brian A. Dettelbach, Paul M. Feeney*

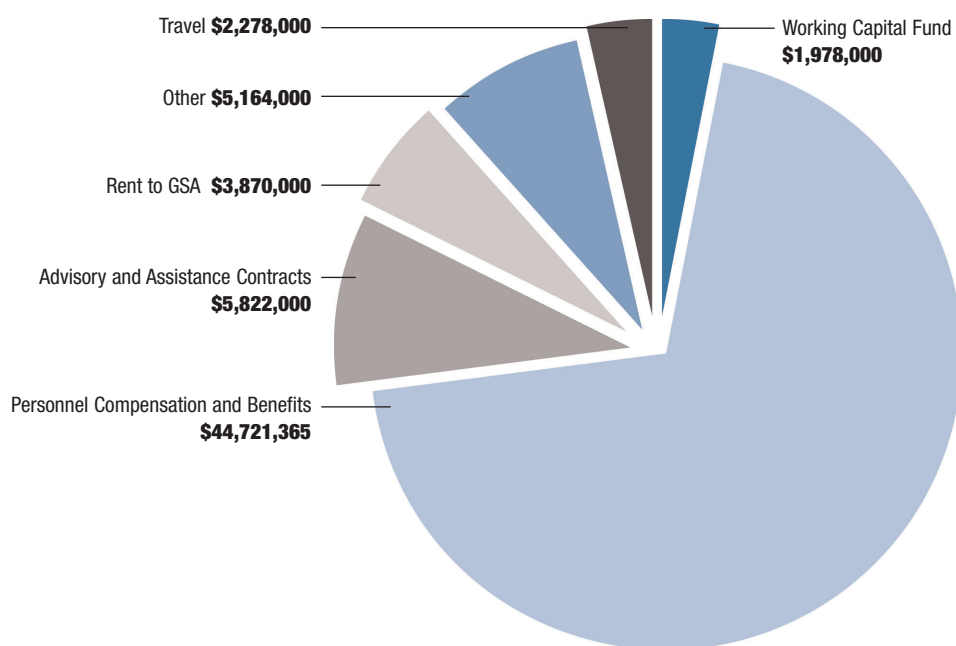
# MISSION, ORGANIZATION, & CONTACTS

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:

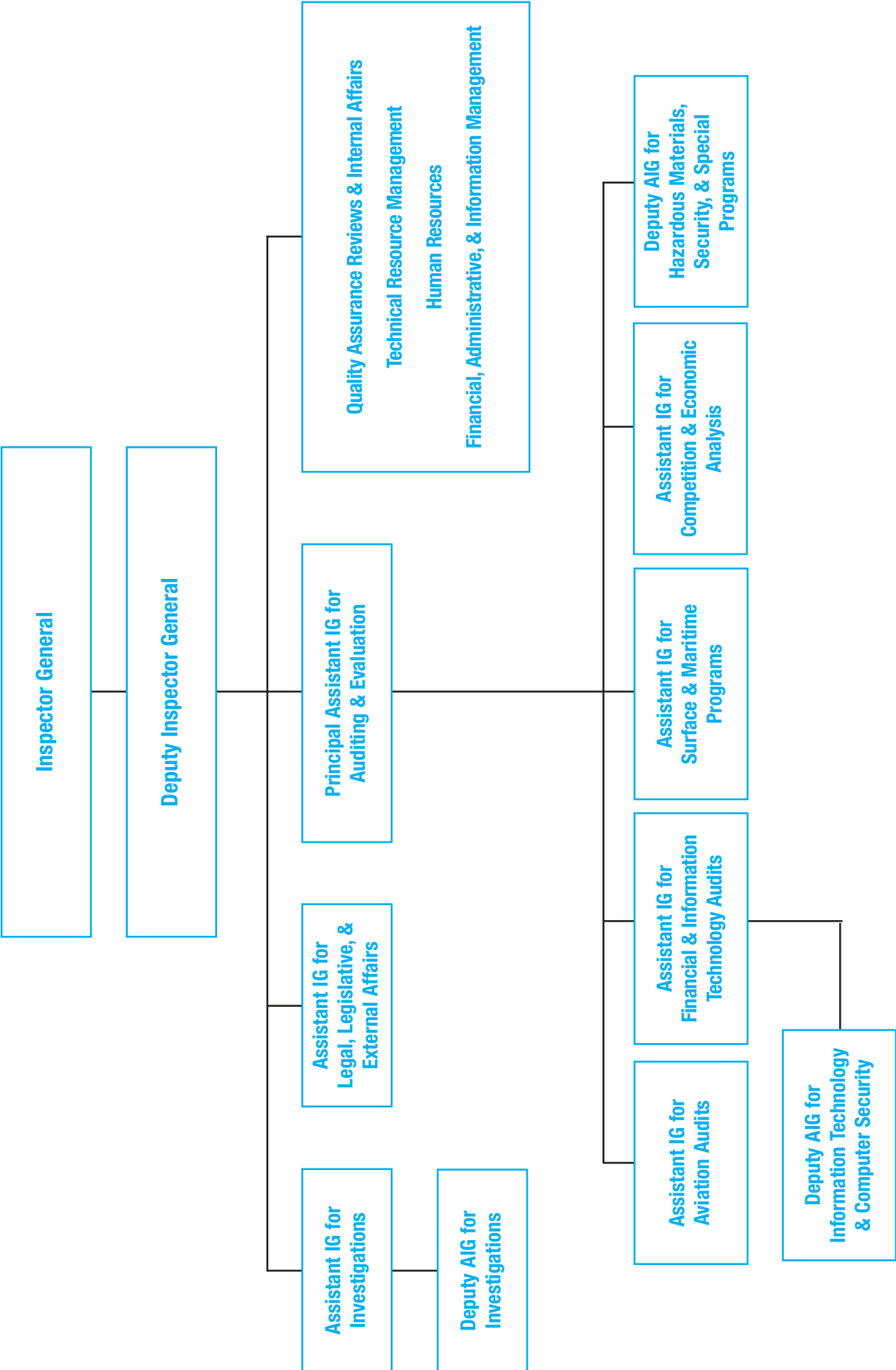
- To conduct or supervise objective audits and investigations of DOT's programs and operations;
- To promote economy, effectiveness, and efficiency within DOT;
- To prevent and detect fraud, waste, and abuse in the Department's programs;
- To review existing and proposed laws or regulations affecting 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 FY 2003 Program-Level Resources

Total: \$63,833,365



OIG is divided into two major units and five 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 Technical Resource Management; the Office of Human Resources; the Office of Financial, Administrative, and Information Management; and the Office of Quality Assurance Reviews/Internal Affairs.



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Charles H. Lee, Jr. ....(202) 366-1967

**Deputy Assistant Inspector General for Investigations**

Vacant

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**Assistant Inspector General for Surface and Maritime Programs**

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**Director of Financial, Administrative, and Information Management**

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**Director of Quality Assurance Reviews and Internal Affairs**

Vacant

Hotline to report fraud, waste, and abuse:

phone: 1-800-424-9071

fax: 202-366-7749

e-mail: [hotline@oig.dot.gov](mailto:hotline@oig.dot.gov)

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

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# ACRONYMS

<b>AIG</b>	<b>Assistant Inspector General</b>
<b>AIR-21</b>	<b>Aviation Investment and Reform Act for the 21st Century</b>
<b>ATOP</b>	<b>Advanced Technologies and Oceanic Procedures</b>
<b>BTS</b>	<b>Bureau of Transportation Statistics</b>
<b>CDL</b>	<b>commercial driver's license</b>
<b>DBE</b>	<b>disadvantaged business enterprise</b>
<b>DOT</b>	<b>Department of Transportation</b>
<b>DUI</b>	<b>driving under the influence</b>
<b>FAA</b>	<b>Federal Aviation Administration</b>
<b>FBI</b>	<b>Federal Bureau of Investigation</b>
<b>FHWA</b>	<b>Federal Highway Administration</b>
<b>FMCSA</b>	<b>Federal Motor Carrier Safety Administration</b>
<b>FRA</b>	<b>Federal Railroad Administration</b>
<b>FTA</b>	<b>Federal Transit Administration</b>
<b>GSA</b>	<b>General Services Administration</b>
<b>ICE-MAN</b>	<b>Integrated Computing Environment Mainframe and Network</b>
<b>IG</b>	<b>Inspector General</b>
<b>INS</b>	<b>Immigration and Naturalization Service</b>
<b>IRS</b>	<b>Internal Revenue Service</b>
<b>IT</b>	<b>information technology</b>
<b>MARAD</b>	<b>Maritime Administration</b>
<b>MOU</b>	<b>memorandum of understanding</b>
<b>NAFTA</b>	<b>North American Free Trade Agreement</b>
<b>NASA</b>	<b>National Aeronautics and Space Administration</b>
<b>NHTSA</b>	<b>National Highway Traffic Safety Administration</b>
<b>NTSB</b>	<b>National Transportation Safety Board</b>
<b>OIG</b>	<b>Office of Inspector General</b>
<b>OMB</b>	<b>Office of Management and Budget</b>
<b>OST</b>	<b>Office of the Secretary of Transportation</b>
<b>RSPA</b>	<b>Research and Special Programs Administration</b>
<b>SafeStat</b>	<b>Safety Status Measurement System</b>
<b>STARS</b>	<b>Standard Terminal Automation Replacement System</b>
<b>TREAD Act</b>	<b>Transportation Recall Enhancement, Accountability, and Documentation Act of 2000</b>
<b>TSA</b>	<b>Transportation Security Administration</b>
<b>VFR</b>	<b>visual flight rule</b>





**U.S. Department of Transportation**

Office of Inspector General  
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