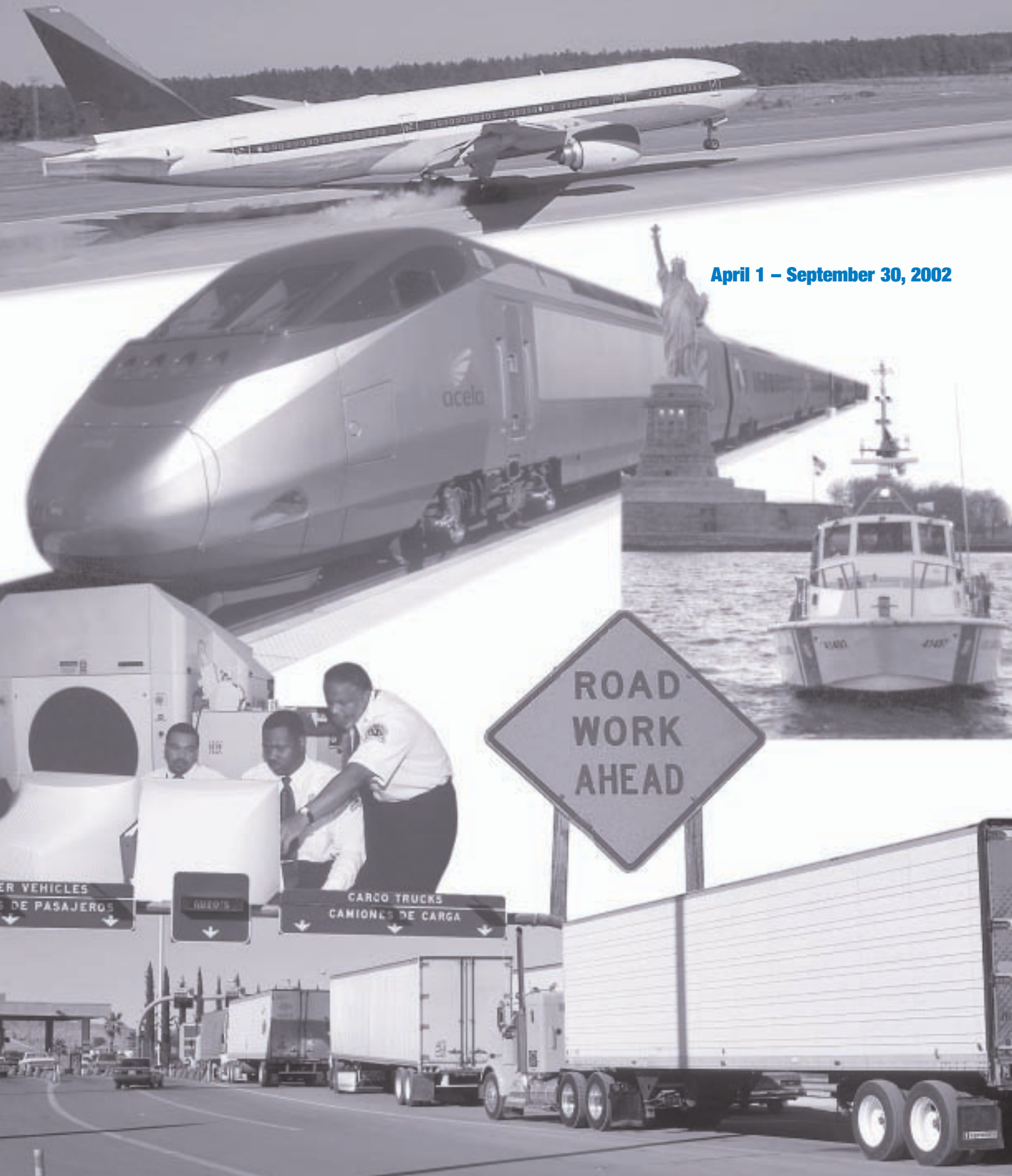


# Semiannual Report to the Congress

Office of Inspector General  
U.S. Department of Transportation

April 1 – September 30, 2002





# SEMIANNUAL REPORT TO THE CONGRESS

*April 1–September 30, 2002*





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# FROM THE INSPECTOR GENERAL

During the past year, the Department has understandably and necessarily focused much of its attention on transportation security. With the establishment of the Department of Homeland Security — the largest reorganization of government in over 50 years — and three major reauthorizations pending — AIR–21, TEA–21, and Amtrak, the Department has an important opportunity to renew its focus on the management of its core safety and mobility missions. The Department’s success will be critical to the effective functioning of transportation, which is an important economic engine that comprises almost 11 percent of the economy’s gross domestic product.

We are currently finalizing our report on DOT’s top management challenges, which consists of the most important issues facing senior DOT management this fiscal year. The last two issues in the list below relate to the Transportation Security Administration (TSA) and the U.S. Coast Guard. While currently part of the Department of Transportation, they will both move to the Department of Homeland Security on March 1.

- Accomplishing DOT’s core missions of safety and mobility during and after an effective transition of TSA and Coast Guard
- Reducing fatalities and injuries on our highways, emphasizing seat-belt-law enforcement
- Reducing the risk of aviation accidents due to operational errors and runway incursions
- Reversing the Federal Aviation Administration’s spiraling operating costs, improving aviation system capacity, and reauthorizing AIR–21
- Clamping down on fraud, obtaining better value in highway and bridge investments, and reauthorizing TEA–21
- Determining the future of intercity passenger rail
- Ensuring highway safety as the southern border is opened to Mexican motor carriers under NAFTA
- Strengthening computer security and capital planning for DOT’s multibillion-dollar information technology investment
- Continuing to improve transportation security
- Meeting Coast Guard’s safety and security missions.

The financial health of the airline industry is not included in our list because it is not a management issue. However, the Department does have responsibility for monitoring the financial health of the industry, which is now a \$100 billion U.S. industry employing half a million Americans. In addition, millions of travelers and shippers depend on the nation’s airlines for business and personal travel each year. The Department’s role takes on more significance with two major airlines in bankruptcy and the resulting implications for competition and service.

This semiannual report details our accomplishments from April 1 through September 30, 2002. In it, you will find our key recommendations and a summary of DOT actions in response to those recommendations. I would like to recognize OIG staff for their continuing hard work. During the reporting period, we delivered 10 congressional testimonies, issued 30 audit reports with more than \$330 million in financial recommendations, and achieved \$33 million in fines, civil judgments, and recoveries and 299 convictions as the result of our investigative work.

Finally, the ultimate effectiveness of audits and investigations is the extent to which corrective actions are made. In that regard, I’d like to express our appreciation to Secretary Mineta, Deputy Secretary Jackson, Members of Congress and their staff for their consideration and responsiveness to our work.



Kenneth M. Mead  
October 2002





# MISSION, ORGANIZATION, & CONTACTS

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

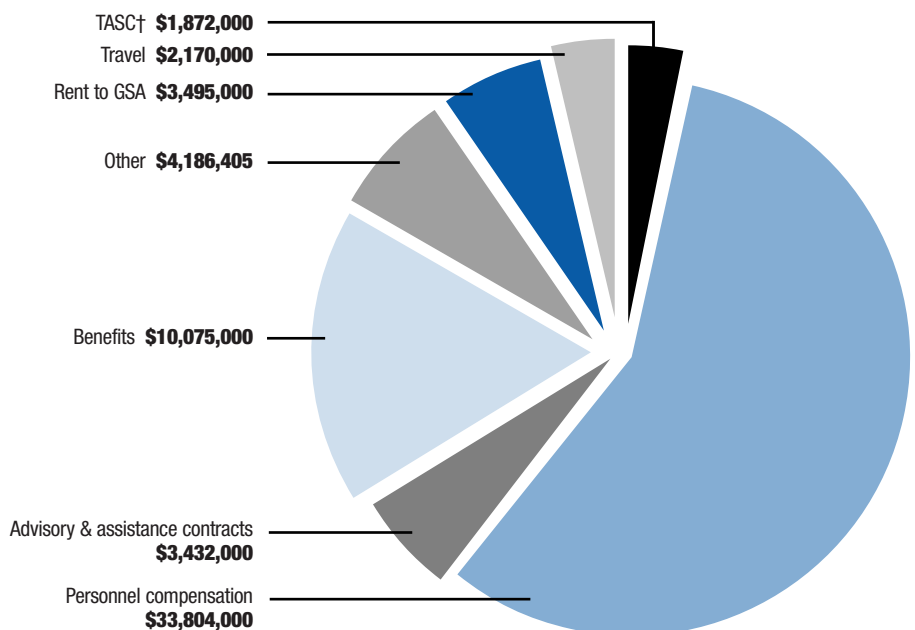
- To conduct or supervise objective audits and investigations of DOT’s programs and operations;
- To promote economy, effectiveness, and efficiency within DOT;
- To prevent and detect fraud, waste, and abuse in the Department’s programs;
- To review existing and proposed laws or regulations affecting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

OIG is divided into two major units and 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.

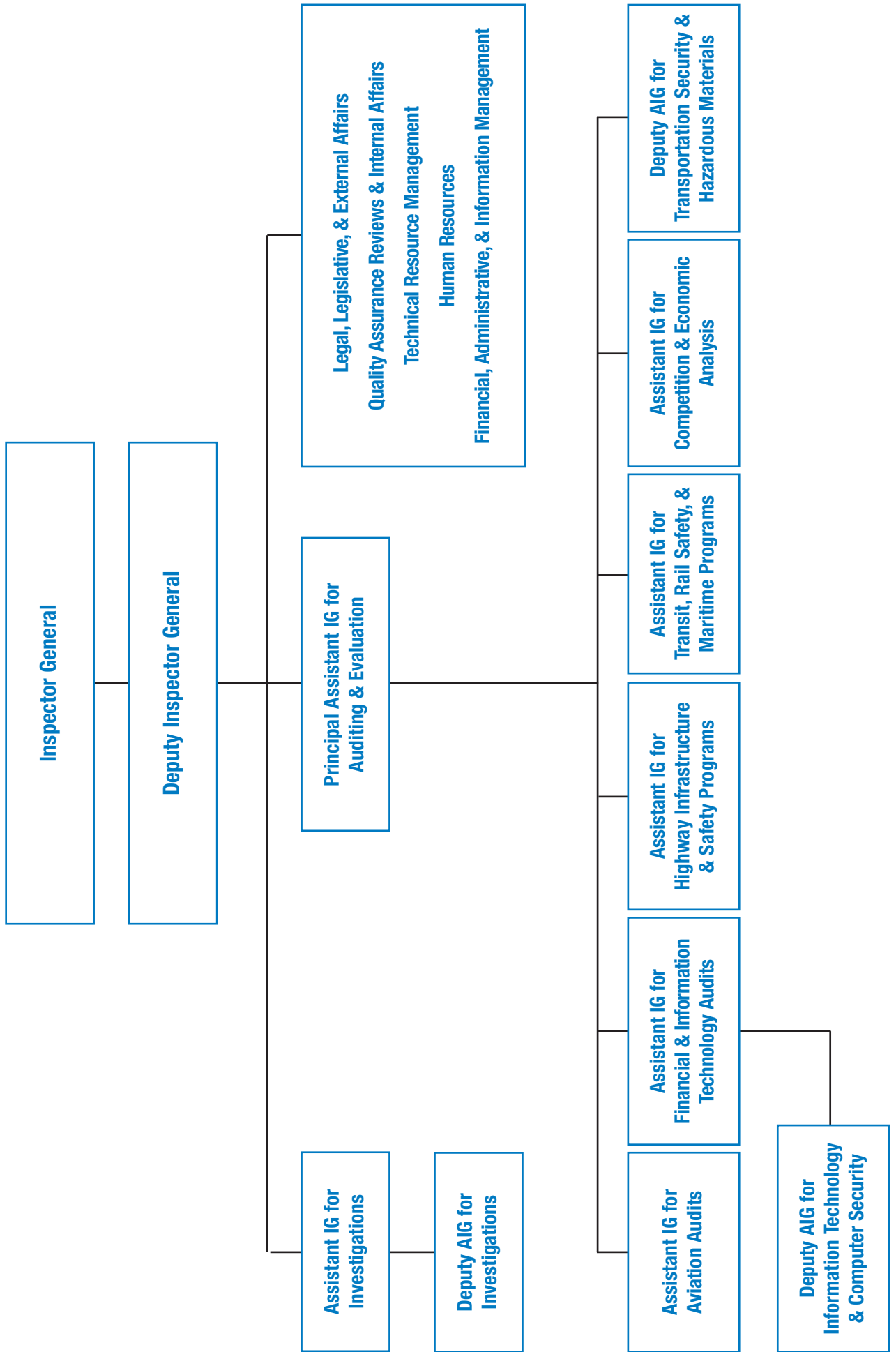
## OIG Actual Fiscal Year 2002 Budget\*

Total: \$60,174,757



\*The chart does not include \$1,140,352 that OIG spent from a supplemental for post-9–11 and border security costs.

†TASC (Transportation Administrative Service Center) provides reimbursable services to DOT Operating Administrations.



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

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



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# WORK PLANNED AND IN PROGRESS

The past year has been one of significant challenge for the Department of Transportation (DOT) and, indeed, the nation. Last year, the top agenda item for DOT was to establish the Transportation Security Administration (TSA) and within congressionally mandated timelines hire and train an estimated 60,000 Federal screeners and deploy explosives detection equipment for screening all checked baggage at more than 400 airports nationwide. Primary responsibility for this and other transportation security issues will transfer to the new Department of Homeland Security (DHS) in March of 2003.

As this transition takes place, we will also be redirecting our work. We intend to complete our ongoing work related to TSA and the Coast Guard, respond to requests from congressional and Administration officials, but not self-initiate any new work in these areas. This plan will enable us to focus our work over the next 6 months on DOT's key transportation safety and mobility issues: (1) seeking program improvements through reauthorization of the Aviation Investment and Reform Act for the 21st Century (AIR-21) and the Transportation Equity Act for the 21st Century (TEA-21); (2) determining how best to structure and fund intercity passenger rail; (3) ensuring highway safety as the southern border is opened to Mexican motor carriers under the North American Free Trade Act (NAFTA); (4) controlling excessive cost increases in Federal Aviation Administration (FAA) operations; (5) improving transportation safety by reducing the risk of aviation accidents due to operational errors and runway incursions and enforcing seat belt laws to limit fatalities and injuries on our highways; and (6) implementing the President's Management Agenda — including needed improvements to computer system security.

To support DOT in these efforts, we have work under way or planned for the reporting period October 1, 2002–March 31, 2003.

## Aviation Audits

■ Determine whether FAA's Air Traffic En-Route Center operations are adequately secured to ensure the integrity, confidentiality, and availability of mission-critical systems within the National Airspace System.

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■ Determine whether: (1) FAA has adequate contract oversight to identify cost overruns and improper billings; (2) FAA has implemented sound business practices when issuing and administering contract task orders; (3) contract deliverables meet FAA’s requirements and are cost-effective; and (4) contract personnel meet skill and qualification standards.

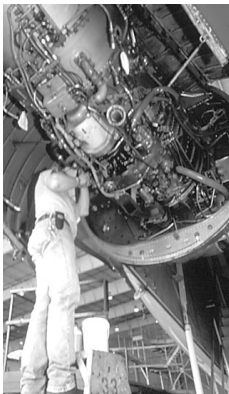
■ Evaluate management of FAA’s Integrated Terminal Weather System with respect to cost, schedule, and performance. Examine how FAA will use the system to lessen the impact of adverse weather and improve the flow of air traffic.

■ Audit FAA’s Local Area Augmentation System (LAAS) program to determine its cost, schedule, and risk. Explore key issues affecting the development and deployment of LAAS for operational use. LAAS is a satellite-based technology offering important safety and capacity benefits and playing an important part in FAA’s new Operational Evolution Plan.

■ Determine whether FAA is making progress in reducing runway incursions and operational errors and what further action is needed.

■ Assess the validity of the proposed cost of implementing FAA’s Operational Evolution Plan (OEP), a set of initiatives and milestones for expanding capacity in the air traffic control system. Examine how the 9–11 terrorist attacks, the economic downturn, and new security measures affected the milestones and budgets of OEP initiatives and assess the critical issues for achieving anticipated capacity enhancements.

■ Determine if FAA has identified all funding requirements necessary to upgrade or replace long-range radars, addressed gaps in domestic radar coverage, and coordinated aircraft surveillance requirements with other Government agencies such as the Department of Defense (DOD).



*Photo by Trans Pixs*

■ Determine if FAA is: (1) ensuring that repair stations have controls in place to provide adequate security for aircraft and repair facilities; (2) verifying that foreign civil aviation authorities conducting inspections on FAA’s behalf ensure that aircraft are adequately safeguarded, repairs are completed properly, and identified deficiencies are corrected; (3) monitoring changes in air carriers’ maintenance expenses and repair station usage to identify notable trends and effectively target FAA’s surveillance resources; and (4) ensuring that maintenance work at FAA-approved repair stations is performed by trained, qualified personnel and complies with approved maintenance procedures.

## Financial and Information Technology Audits

■ In response to concerns raised during an oversight hearing before the House Transportation Appropriations Subcommittee on April 17, 2002 regarding the oversight of security screener contracts, evaluate whether: (1)

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rates charged to TSA were supported by contractor records and were in accordance with contract requirements; (2) contractor invoices were supported; and (3) oversight and administration of screener contracts were effective.

■ Determine the validity of total amounts reported by the Department's Transportation Administrative Service Center (TASC) for fiscal year 2001, the accuracy of revenue and cost balances as shown by service activity, and the adequacy of internal controls. We also will verify the accuracy of TASC's billings to customers and identify potential improvements to the billing processes.

## Department-Wide Management Issues

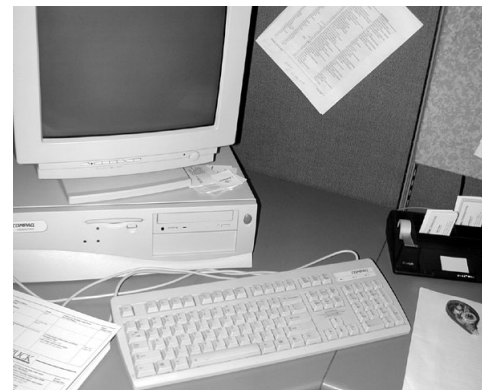
■ Assess the controls over computer center operations in these areas: (1) security planning to ensure that Delphi, DOT's new financial management system, was properly assessed for risk; (2) access security to ensure that Delphi files, documents, and facilities are accessible to authorized personnel with proper segregation of duties; (3) system software settings to ensure firewall, network, database, and transmission controls are adequate; (4) configuration management controls to ensure that only authorized changes can be made to Delphi; and (5) business continuity and contingency plans to ensure that the plans are adequate and have been tested.

■ Audit DOT's FY 2002 financial statements to determine whether: (1) principal financial statements and accompanying notes are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; (2) adequate internal controls exist over financial reporting, including safeguarding assets; and (3) DOT complied with laws and regulations that could have a direct and material effect on the financial statements.

■ As required by the National Energy Conservation Policy Act, determine whether: (1) DOT's Energy Management and Conservation Program complies with the act and other applicable laws and regulations; (2) DOT's energy reports are reliable and reasonably accurate; and (3) DOT is exploring new ways to reduce energy consumption and is using available opportunities to reduce its energy consumption and costs.

■ Determine whether: (1) employees used DOT travel charge cards to obtain Government rates for personal benefit; (2) internal controls were adequate to provide safeguards against unauthorized use; and (3) delinquent travel credit card accounts were identified, monitored, and resolved.

■ Review the adequacy of DOT Operating Administrations' plans for developing and implementing the cost-accounting processes.





*“Big Dig” tunnel in Boston.*

## Highway Infrastructure and Safety Programs

- Determine whether the finance plan for Boston’s Central Artery/Tunnel Project complies with the Federal Highway Administration’s (FHWA) finance plan guidance and report the results as required by the House Conference Report on the 2001 Transportation Appropriations Act. The Central Artery/Tunnel Project, which is estimated to cost \$14.625 billion, has experienced frequent cash and schedule overruns and for these reasons warrants continued close scrutiny.
- Determine whether the Federal Motor Carrier Administration’s (FMCSA) “SafeStat” system (for Safety Status Measurement System) contains reliable data and generates valid safety status rankings. SafeStat monitors motor carrier records to target enforcement to carriers posing the greatest accident risk.
- Evaluate the effectiveness of FHWA’s oversight of the management processes of state departments of transportation to help ensure that states properly manage Federal aid programs. Analyze the procedures used by FHWA division offices to conduct risk assessments and process reviews of state oversight programs.
- Evaluate the National Highway Traffic Safety Administration’s (NHTSA) progress in fulfilling requirements of the TREAD Act by determining whether our prior recommendations have been implemented and assessing progress in developing software for the early warning information system. The TREAD Act requires vehicle and equipment manufacturers to periodically report a variety of information to NHTSA that could indicate the existence of potential safety defects. The act also increases penalties for violations of the vehicle-safety law.

## Transit, Rail Safety, and Maritime Programs

- Follow up on our 2001 findings regarding Seattle’s Central Link Light Rail Project (Sound Transit). Examine whether Sound Transit and the Federal Transit Administration (FTA) adequately addressed issues presented in our April 2001 audit report. Review the estimated cost, funding, schedule, and risks associated with the revised project and the safety issue of running buses and trains in the downtown bus tunnel.
- Evaluate DOT’s efforts to increase the safety of railroad-highway grade crossings and the status of safety proposals included in the 1994 Rail-Highway Grade Crossing Safety Action Plan.
- Monitor FTA’s oversight of the Lower Manhattan Transit Recovery Projects.



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- Evaluate the Puerto Rico Highway and Transit Agency’s most recent cost, schedule, funding estimates, and actions to correct construction problems in the Tren Urbano Rail Transit Project in San Juan.

- Determine whether the Coast Guard properly used FY 2002 operating expense funds earmarked to: (1) increase staffing at search-and-rescue stations and command centers; (2) increase the training and experience levels of station personnel; and (3) modernize and improve the quantity and quality of personal safety equipment for station personnel. Follow up on our findings from an audit of the Small Boat Station Search and Rescue Program.

- Evaluate funding requirements, progress, and management controls for the Coast Guard’s Integrated Deepwater System project and the impact of project funding on the acquisition, construction, and improvements budget.

### Transportation Security and Hazardous Materials

- Monitor TSA’s efforts to meet its deadline to screen all checked baggage using explosives detection systems or alternate screening methods.

- Evaluate TSA’s policies, procedures, and controls for operating an effective and efficient Federal Air Marshal program.

- Monitor and investigate illegal transportation of hazardous materials in all modes of transportation.

### Competition and Economic Analysis

- Review the Maritime Administration’s Title XI loan guarantee program to determine whether procedures for submission, review, approval, and monitoring of Title XI loan guarantees are adequate to effectively protect the interests of the U.S. Government, and assess the impact of American Classic Voyages, Inc., bankruptcy filing on its Title XI loan guarantees.

- Assess changes in air transportation and the extent to which air carriers continue to provide adequate service, especially to smaller communities.

- Monitor Amtrak’s financial status, business-plan projections, and capital plans.

- Evaluate the reasonableness of air carrier compensation payment claims under the Air Transportation and System Stabilization Act, which authorizes payment to air carriers for losses resulting from the 9–11 terrorist attacks.



*Photo courtesy of U.S. Coast Guard*

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# A C T I V I T I E S

## Aviation Repair Station Owner Jailed for Falsifying Aircraft Repairs April 5

John J. Dimattei, owner of Mohawk Aviation, Ft. Lauderdale, FL, was sentenced to a year in jail, fined \$10,000, and ordered to pay \$20,000 in restitution by a U.S. District Court judge in West Palm Beach, FL, for falsifying documents. An engineering representative overseen by FAA, Dimattei falsely portrayed Mohawk as an FAA-certified repair station and completed repairs to military aircraft. In fact, Mohawk is not an FAA-certified repair station and was not authorized to do the repairs. OIG investigated this case with the Defense Criminal Investigative Service (DCIS).

## Shipper Agrees to \$100,000 Fine for Illegal Transport of Hazardous Materials

### April 9

Quick Transportation, Inc., Stockton, CA, agreed to pay a \$100,000 fine as a result of a plea agreement in U.S. District Court in Sacramento, CA, for illegally transporting military decoy flares. Because the flares are made of compressed nitrogen and become dangerous under extreme heat or pressure, they are classified as a hazardous material and must be shipped under surveillance. The flares were to be shipped from Indiana to California in the custody of a Quick Transportation employee, but the company delivered them instead to Union Pacific Railroad. They were discovered when the train transporting them derailed near Lodi, CA, in January 1998. The company owner, Neal Brady, who also owns

Available Shippers and Ready Transportation, has paid restitution of \$50,000 for the damage caused when the hazardous materials spilled. OIG investigated this case jointly with the Naval Criminal Investigative Service and the Federal Bureau of Investigation (FBI), with assistance from the Federal Railroad Administration (FRA), FMCSA, and the Research and Special Programs Administration (RSPA).

*Hazardous military flares were to be shipped under constant surveillance but were not. They were discovered when the train derailed.*



*Photo by Stockyard*

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## Man Jailed for Using False FAA Mechanic's License

**April 9**

Derek Randall Hicks of Merced, CA, pleaded guilty in U.S. District Court in Fresno, CA, to approving the airworthiness records for Boeing 737 jets when he was not qualified to do so. He also admitted to making false statements when he used a fraudulent FAA mechanic's license to obtain employment as a certified FAA aircraft mechanic specializing in hydraulics. Hicks performed maintenance on aircraft that carried professional sports teams, such as the Sacramento Kings basketball team and the San Jose Sharks hockey team. He was sentenced to 2 months in jail and 2 years' supervised release.

## Former Moving Company Employees Jailed in Fraud Case Involving 259 Victims, \$1.5 Million in Losses

**April 9**

David Frank, former manager, and Melanie Murphy, former customer service representative, of All American Van Lines, Pembroke Park, FL, were sentenced in U.S. District Court in Miami for their involvement in a household goods moving scheme that defrauded 259 victims and amounted to \$1.5 million in losses. In the scheme, five defendants induced victims to contract for household goods moving and shipping services and then forced them to pay significantly higher, bogus hidden costs. The defendants held the goods as ransom until they received payment and, in some cases, never returned the victims' belongings. Frank was ordered jailed for 20 months and Murphy for 12 months. Frank and Murphy were ordered to pay \$5,914 each in restitution to one of the victims.

In the summer of 2001, former president Yaron Tishby and Ramon DelValle, foreman, were each given prison terms and ordered to make full restitution to the victims. The fifth and final defendant, Caroline McGowan, a former office manager, is a fugitive and believed to be somewhere in Ireland. The investigation was conducted jointly by OIG, the FBI, and the Florida Department of Law Enforcement.

## French Bridge Builder Fined \$485,000 to Settle Construction Fraud Case

**April 10**

Freyssinet International et Compagnie of Velizy, France, reached an out-of-court settlement in which it agreed to pay \$485,000 in a case that

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# A C T I V I T I E S

*Freyssinet International et Compagnie conspired to win the bid for the Charles River bridge, shown here, part of the "Big Dig" project in Boston, MA.*



brought allegations of antitrust violations and false claims. Freyssinet International, a construction company specializing in the design and construction of cable-stay bridges, was operating in the U.S. under the licensee CCS Special Structures, Inc., Manassas, VA. Freyssinet conspired with VSL United States and Dywidag-Systems, International, USA, Inc., to rig bids on bridge projects in the U.S. from June 1996 to September 1997. In the conspiracy, Freyssinet was selected to win the bid for the Charles River Project in Massachusetts, and as a result of its anticompetitive arrangements with VSL and DSI, caused inflated bids to be submitted to and paid for by DOT and the State of Massachusetts

## Audit Finds ITOP Has Not Met DOT's Mission

### April 15

We issued our audit report on the Information Technology Omnibus Procurement Program (ITOP) to the Department and House and Senate Appropriations Committees. We found that: (1) ITOP has not served DOT's mission as envisioned, (2) is not financially self-sufficient, and (3) has received little DOT oversight. ITOP is a program through which all Government agencies, including state and local governments, can procure information technology services. ITOP was to streamline the procurement process by using prequalified providers under contract with TASC, making it possible to award contracts within about 2 months, compared with the usual 1 year. TASC manages ITOP's day-to-day program operations.

In response to our draft report, DOT decided not to seek redesignation as an executive agent for a Government-wide acquisition program. The Deputy Secretary established a review board headed by the Assistant Secretary for Budget and Programs to set TASC's future direction. The Department

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directed TASC: (1) not to expand or approve any contracts for services to non-DOT customers without the board's approval, and (2) to take the steps necessary to recover the costs of contracts, which were not generating sufficient revenue to cover ITOP's total expenses.

## Update of FAA's Actions to Address Occupational Hazards of Flight Attendants

### April 16

We reported to Representative Peter DeFazio that FAA still has not made progress in issuing standards that address occupational hazards faced by flight attendants. In our September 2001 audit report, we recommended that FAA, with the Occupational Safety and Health Administration (OSHA), establish milestones within 90 days to complete work begun in August 2000 and address safety and health concerns. Even though a joint FAA-OSHA team recently reconvened, we have little confidence that after 26 years, industry standards would be issued in the near future. As a result of our memorandum, members of Congress urged the FAA Administrator to take immediate action to provide flight attendants with workplace protections. FAA, in response to that request, issued an action plan to identify the extent of the workplace hazards and eliminate them.

## Grey Market Vehicle Importer, President to Pay \$1.26 Million

### April 16

Container Services, Inc., a vehicle importation company in Miami, FL, and its president, Nicole G. Schmitt of Miami Beach, were each ordered by a U.S. District Court judge in Miami to pay restitution of \$625,000 for illegally smuggling and selling 45 luxury cars in the U.S. valued in excess of \$1.5 million. The defendants imported the vehicles under the "foreign national exception," which allows short-term visitors to bring their cars into the country without having to pay taxes on them. They then fraudulently titled and sold them without bringing them into compliance with DOT safety and EPA environmental standards or paying U.S. Customs duties. Both defendants were also prohibited from dealing in the importation of any vehicles. Container Services, Inc. was also sentenced to 2 years' probation and fined \$10,000. Schmitt also received 4 months in a community treatment center and 4 months' home detention. Four other defendants pleaded guilty in December 2001. OIG investigated this case with the Environmental Protection Agency (EPA), the U.S. Customs Service, and NHTSA.



*OIG reported that FAA has still not made progress in issuing standards for the occupational hazards of flight attendants.*

*Photo courtesy of Association of Flight Attendants*

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# A C T I V I T I E S

## Former Plant Manager of Strandflex Pleads Guilty to Making False Claims About Aircraft Control Cable to DoD, NASA

**April 16**

David Waddell, a former plant manager of Strandflex Company, a division of Maryland Specialty Wire, Inc., pleaded guilty in U.S. District Court in Syracuse, NY, to making false claims to the Department of Defense and National Aeronautics and Space Administration (NASA) in connection with false certification of aircraft control cable. In 2001, a U.S. District Court judge in Syracuse ordered Strandflex, Oriskany, NY, to pay a criminal fine of \$500,000 and \$100,000 in restitution for manufacturing aircraft cable and falsely certifying that it met the U.S. military specifications for manufacture and testing. Relying on these certifications, Strandflex customers sold the cable to Government agencies and the civilian aviation industry regulated by FAA. The company also agreed to pay \$1 million to settle a civil complaint. Waddell is scheduled to be sentenced in the fall 2002. OIGs from the Department of Defense, NASA, and DOT investigated the case.



*Falsely certified Strandflex aircraft cable seized by OIG special agents.*

*Photo courtesy of OIG Criminal Investigative Region 2*

## Salesman to Pay \$81,500 in Restitution for Bribing Miami Airport Official

**April 17**

Edwin L. Perkinson of Boca Raton, FL, was sentenced in U.S. District Court in Miami for paying \$81,500 in bribes to a top Miami International Airport administrator in order to win a \$2 million soil-cleaning contract without bidding. The airport administrator resigned during the investigation. Perkinson was ordered to spend 1 year in jail and pay \$81,500 in restitution to Miami-Dade County. As a result of the bribes, Universal Environmental Technologies, of Oklahoma, where Perkinson worked as a contract salesman, was awarded the contract to remove jet fuel and other contaminants from airport soil. OIG investigated this case with the Internal Revenue Service (IRS), FBI, and Miami-Dade Police Department.

## Carnival Fined \$18 Million for Environmental Crimes

**April 19**

Carnival Corp., Miami, FL, the world's largest cruise ship operator, was fined \$18 million after pleading guilty in U.S. District Court in Miami to six felony counts for lying about illegally discharging oily bilge wastes into waters off Florida and in the Caribbean. The fine was split into a \$9 million criminal fine — the largest ever paid by a cruise line operator for environmental violations — and another \$9 million for community service dedicated to environmental preservation. In addition, Carnival was placed on 5 years' probation, must establish an environmental compliance department, and must hire executives and ship personnel to enforce environmental treatment programs. Carnival admitted that its operators aboard six of its cruise line vessels schemed from July 1998 to January 2001 to evade the permissible discharge limits and falsified its Oil Record Book, a record of the treatment and discharge of wastes that must be presented to the U.S. Coast Guard after voyages. This was a joint investigation by OIG, EPA, FBI, U.S. Coast Guard, U.S. Customs Service, and Florida Department of Environmental Protection.

## Northern Gas Transport Fined \$75,000, Given 5 Years' Probation in Hours-of-Service Scheme

**April 19**

Northern Gas Transport, Inc. (NGT) of Lyndonville, VT, a hauler of propane gas and other hazardous and volatile materials, was fined \$75,000 and given 5 years' probation by a U.S. District Court judge in Rutland, VT, for falsification of drivers' logs and obstruction of justice. NGT president Bruce Grant was fined \$5,000 and placed on 2 years' probation on the same charges for systematically requiring NGT truckers to drive more hours than those permitted by Federal regulations and for hiding documents showing that NGT regularly omitted trips from drivers' logs. NGT's Safety Manager, Bradley Grant, received 2 years' probation for concealing documents during the course of a FMCSA compliance review. In March 2002, NGT Dispatcher Gary Chamberlain was fined \$1,000 on related charges.

The court order also mandated NGT to create policies and programs to ensure company drivers work only within hours-of-service limits; comply with licensing, vehicle inspection, drug-testing, and accident-reporting requirements; maintain proper records; and fully cooperate with enforcement authorities. The case was investigated by the OIG, with assistance from FMCSA.

### Carnival admits to lies about polluting

Cruise line faces \$18 million in fines

BY GREGG FIELDS  
gfields@herald.com

In a stinging slap for the world's largest cruise ship company, Miami's Carnival Corp. pleaded guilty Friday to six felony counts and agreed to pay \$18 million in fines related to the dumping of oily discharges into the waters off Florida and the Caribbean.

The plea agreement states that six Florida-based cruise ships repeatedly dumped into the sea between July 1998 and January 2001.

Nevertheless, Carnival wasn't convicted of polluting the ocean but, rather, lying about it on pollution treatment records presented to the Coast Guard — a federal offense.

Carnival's workers did it, said U.S. Attorney Guy A. Lewis, because it was easier and saved money to dump the foul water rather than properly treat it.

*The Miami Herald*

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# A C T I V I T I E S

## Delaware Minister Convicted of Stealing \$150,000 Transportation Grant

### April 24

Reverend Lawrence Wright of Wilmington, DE, was convicted in U.S. District Court in Wilmington of conspiracy, theft of funds, money laundering, false statements, and bribery related to a \$150,000 state grant his church won for public transportation projects. Wright kept most of the money, but used \$60,000 to bribe a local politician, now deceased, to help win the grant. The church received \$10,000 of the designated funds. In Delaware, FHWA funds 25 percent of such transportation enhancement projects when matched with suburban street funds. Wright is scheduled to be sentenced in November. OIG investigated the case jointly with the FBI.

## Fines, Confinement Ordered in MARAD Mail-Fraud Case

### April 29

W.B. Construction Company of Beaumont, TX, was ordered by a U.S. District Court judge in Beaumont to pay a \$96,000 fine and spend 2 years on probation, which suspends eligibility to do Government contract work. Company owner Wallace Batiste, Sr., also of Beaumont, was fined \$30,000 and received 6 months' community confinement. The company and Batiste pleaded guilty to mail fraud in May 2001 in connection with rigging bids on Federal construction and service contracts with former Maritime Administration (MARAD) Fleet Superintendent Frederick P. Splinter from 1993 until 1999.

Splinter was also prosecuted. He was ordered, on August 19 by a U.S. District Court judge in Beaumont, to pay \$127,500 in restitution, spend 2 years in jail without parole, and serve 12 months of supervised release for receiving gratuities from a MARAD contractor. The restitution included \$50,000 Splinter paid to avoid forfeiting his residence, which was partially paid for by W.B. Construction Co., Inc. as part of a long-running scheme to rig bids at the Beaumont MARAD facility. MARAD removed Splinter from his position during the investigation. OIG conducted the investigation jointly with DCIS and the FBI.



# FAA's Air Transportation Oversight System

The Air Transportation Oversight System (ATOS) is FAA's new approach to overseeing air carrier safety. This new system is an important change in the way FAA conducts air carrier safety inspections, because it shifts FAA's oversight beyond the traditional method of simply checking an air carrier's compliance with regulations to identifying and assessing risks to safety.

At the request of the Senate Committee on Commerce, Science, and Transportation and the House Committee on Transportation and Infrastructure, we audited ATOS, releasing our report on April 8. Our objectives were to assess FAA's progress in implementing ATOS and identify barriers to successfully implementing it.

In the report and in testimony on April 11 before the House Transportation and Infrastructure Aviation Subcommittee, Principal Assistant Inspector General for Auditing and Evaluation Alexis M. Stefani reported our findings that while ATOS is conceptually sound, in actual field operations it is still not reaching its full potential. She said significant challenges to full implementation still exist. FAA initiated ATOS at 10 of the nation's largest passenger air carriers on October 1, 1998. It has not been expanded to the remaining 129 passenger air carriers.

## We recommended that FAA:

- finish developing and testing key elements of ATOS, specifically, its processes for analyzing ATOS inspection results and ensuring that corrective actions are taken

for weaknesses found in air carrier maintenance and operations systems;

- better prepare its inspectors to carry out ATOS; and
- establish strong national oversight and accountability to ensure consistent implementation of ATOS in the field.

We also found that the location and qualifications of inspectors remain a barrier to implementing ATOS, and FAA inspectors lack confidence in ATOS and have not widely accepted it. While aware

and the results of this project became the framework for developing ATOS.

After the January 2000 crash of Alaska Airlines Flight 261, the Senate Committee on Commerce, Science, and Transportation asked us to review FAA's oversight of airline safety. Following this request, the House Committee on Transportation and Infrastructure asked us to review FAA's current approach for providing oversight of airline operations and maintenance and the agency's efforts to target its inspector

## Study highlights aircraft inspection problems

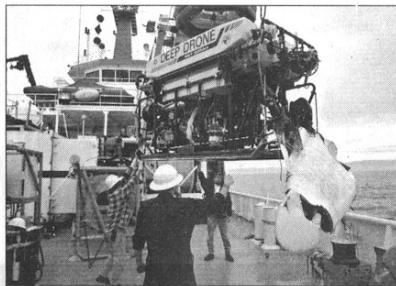
Poor oversight, training, analysis plague program

By Alan Levin  
USA TODAY

WASHINGTON — The federal government's program to oversee airline safety is plagued by poor training, inconsistent management and inadequate analysis of the data it collects, a report obtained by USA TODAY says.

The Federal Aviation Administration (FAA), criticized for failing to detect problems leading to airline crashes, needs to speed improvements in the inspection program, says the Department of Transportation's inspector general.

"The system is not reaching its full potential, and significant challenges to full implementa-



2000 photo by Spike Call, U.S. Navy, via Reuters

**Preventable crash?** The Navy's unmanned "Deep Drone" recovers a piece of debris from ill-fated Alaska Airlines Flight 261.

tion still exist," says a summary of the report, which will be released at a hearing before Congress on Thursday.

The report praises the goals of the safety program and says

the agency has made significant improvements in the past year. But the report is the latest of several to say that the agency stumbled when it introduced its Air Transportation

Oversight System in 1998.

Instead of relying on a limited number of inspectors to check aircraft, the FAA decided to push carriers to make managerial changes to emphasize safety and to conduct extensive analysis to spot safety problems before they cause harm. The changes were spurred by the 1996 ValuJet crash, which was blamed in part on inadequate maintenance oversight. The investigation of the Alaska Airlines crash in 2000 also is focusing on maintenance problems.

FAA officials acknowledge that introduction of the program was rocky. But they say most of the early problems have been solved and with time the new program will provide far better results.

However, the inspector general found these problems:

► Data-collection systems still fall short. FAA inspectors at

an unnamed carrier found loose bolts on a jet that could have led to a fuel leak, but the system's computers would not allow them to note the problem in agency databases.

► Though the new system is based on concepts for imbedding safety protections in airline management, 84% of FAA inspectors told the inspector general they had not been trained in these concepts.

► Management of the system has been inconsistent. At some FAA offices, its inspectors work jointly with airline auditors, while at others inspections are done independently.

► The new system is used to oversee only the 10 largest airlines. FAA planned to expand its program to the other carriers two years ago, but problems delayed the expansion.

The FAA has transferred concepts from the new program to its oversight of smaller carriers.

of problems in ATOS since 1999, FAA has been slow to take corrective actions.

FAA generally agreed with our recommendations and said it is working to correct problems.

The history of ATOS began in the aftermath of the 1996 ValuJet accident, when FAA formed a task force to review its safety-inspection process. The task force recommended that FAA base its inspections on an assessment of safety risks, rather than simply verifying whether carriers complied with FAA requirements. To accomplish this recommendation, FAA hired a contractor

workforce to the most pressing concerns. To address these requests, we reviewed FAA's implementation of ATOS.



## Federal Standards for Commercial Driver's Licenses

After the 9–11 terrorist attacks, apprehension arose about the potential use of trucks in terrorist activities. The threat from hazardous materials gained increased attention when the Justice Department released a list that included 22 people indicted for obtaining fraudulent commercial driver's licenses (CDLs) to transport hazardous material.

On May 8, we released our audit of how well the Federal Motor Carrier Safety Administration (FMCSA) oversees state CDL programs. The audit was the second in a series requested by the House Committee on Transportation and Infrastructure in response to the March 15, 1999, collision between an Amtrak train and a tractor trailer at a grade-crossing in Bourbonnais, IL. The crash killed 11 train passengers and involved a truck driver with a history of CDL suspensions.

### We found that:

- Existing Federal standards are not sufficient to address how the states should verify the eligibility of CDL applicants and what training and qualifications CDL examiners should have. We recommended that FMCSA issue or clarify Federal standards which address the applicant's legal presence in the United States, require proof of the applicant's state residency, verify the applicant's Social Security information, establish qualifications for CDL driver examiners, regulate issuance of CDL learner's permits, and set guidelines for English language proficiency.
- The states' annual certifications that their CDL programs comply with Federal standards are not supported by sufficiently

## Feds: Truck, bus driver licensing a security risk

By MARY LOU PICKEL  
mpickel@ajc.com

Licensing for truck and bus drivers is too vulnerable to fraud and could be a vehi-

we know who they are."

The report, which studied practices in 14 states, recommends that:

► States be required to verify that an applicant is in the

driver license system, which issues about 470,000 new licenses each year, is faulty, the inspector general said. Drivers can get a license in one state and use it to drive

comprehensive reviews. We recommended that the states use more rigorous self-assessments.

- Despite improvements in its oversight reviews of individual states, FMCSA can do more to improve the quality of the reviews

### CDLs: Did You Know?

- An estimated 470,000 new CDLs are issued each year.
- Under Federal standards, a driver must have a CDL to operate a commercial motor vehicle weighing 26,001 pounds or more, or hauling hazardous materials, or transporting at least 16 passengers, including the driver.
- Commercial drivers are limited to a single license that is issued by one state but recognized by all other states.
- States must ensure that commercial drivers successfully complete the appropriate tests of knowledge and a driving test taken in the type of commercial motor vehicle they expect to operate.

and identify systemic problems. We recommended FMCSA do multistate assessments of specific areas.

- Past follow-up on the status of state problems has not been adequate. Ensuring the timely correction of problems and using sanctions when states fail to correct significant problems could improve the national CDL program.

FMCSA concurred with our recommendations and identified corrective actions that are planned or under way.

We also reported that suspected criminal activity dealing with CDLs has been identified in 16 states since 1998. Criminal investigations of CDL fraud show that third-party examiners (nonstate employees who can administer driving tests) have been particularly susceptible to fraud. During this reporting period, a woman was sentenced for helping more than 1,000 unqualified truck drivers obtain Florida CDLs in return for bribes. As a result of our investigation, she and her partner were convicted for giving unqualified applicants answers to the written CDL test and signing that the applicants had passed the practical driving test when no test was given. Two truckers were later involved in two separate accidents that claimed nine lives (*see page 32 for a complete writeup*).

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## Alpine Express to Reimburse DOT \$225,600 in False-Claims Settlement

### May 1

Alpine Express, Inc., Provo, UT, agreed to reimburse DOT \$225,600 and will be debarred from future participation in the Essential Air Service program as settlement of a Federal civil suit under the False Claims Act. The suit alleged the company violated the act when it billed DOT under the Essential Air Service program for providing passenger service between Salt Lake City and Ely, NV, on a Piper Cheyenne III, when it used a Piper Navajo instead. The Piper Cheyenne III is a twin-engine, turboprop aircraft with a pressurized cabin and is almost twice as expensive to operate as the Navajo, a piston-driven twin-engine plane with an unpressurized cabin.

## Coast Guard's Inventory Management of Spare and Repair Parts for Cutters and Small Boats

### May 7

We issued our audit of Coast Guard's inventory management of spare and repair parts of cutters and small boats. During FY 2002, Coast Guard planned to begin constructing a new warehouse for inventory parts managed by its Engineering Logistics Center. Of the items to be housed in the new building in Curtis Bay, MD, 59 percent are inactive, meaning there were no requests for them over a 32-month period, and an additional 28 percent were in low demand, meaning they were requested four or fewer times annually.

Coast Guard agreed to review its inventory to identify items for transfer to the Defense Logistics Agency or other Government agencies and dispose of unneeded inventory. Coast Guard's response included a reevaluation, which concluded that the warehouse was needed and appropriately sized. A contract was let in June.

## FAA Oversight of Cost-Reimbursable Contracts

### May 8

We determined that FAA is not properly administering payment and close-out of cost-reimbursable contracts in accordance with acquisition regulations and guidance. We found that contracting officers were deficient in how they managed contracts from the time of award to closeout. A backlog of 1,400 contracts valued at \$6 billion was overdue for being closed out. In addition, FAA did not obtain the required audits for contracts totaling \$2 billion. As a result of our recommendations, the FAA Administrator will report to the Deputy Secretary efforts to restore accountability to contract management and progress on resolving contract administration problems. We estimate that FAA

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# A C T I V I T I E S

could avoid potential improper payments of \$132 million if audits are obtained and contract closeouts are performed adequately.

## Co-Conspirator Fined \$10,000 in Texas Mass Transit Contract Scheme

### May 10

Irie L. Turner, Jr., a former contracts and procurement manager for the Capital Metropolitan Transportation Authority (CMTA) of Austin, TX, was fined \$10,000 by a U.S. District Court judge in Austin for his role in a conspiracy to defraud CMTA. Turner pleaded guilty in January 2002 to conspiring with James Vickers, Jr., who paid Turner to win a \$10,000 contract. As part of the scheme, Vickers, a former Lexis-Nexis director of product development and marketing and senior vice-president of Purconn Unlimited, arranged to pay Turner more than \$20,000 through fraudulent invoices to Lexis-Nexis. Turner illegally awarded “low-bidder” Purconn procurement contracts on a project to produce a vendor-application form and a policy-and-procedure manual. The manual provided to CMTA was a plagiarized copy of the Dallas Area Rapid Transit Authority Procurement Regulations. Turner was also sentenced to 1 month in prison and placed on supervised release for 36 months. In September 2001, Vickers was sentenced to 1 month in jail and restitution of \$32,000. The investigation was conducted jointly by OIG and the FBI.

## Tanker's Captain and Chief Engineer Plead Guilty to Discharging Wastes into the Sea

### May 10

The captain and chief engineer of the tanker *Guadalupe* pleaded guilty in U.S. District Court in Newark, NJ, to lying to the Coast Guard about emptying oily wastes into the high seas on at least 20 occasions. Elangovan Mani, the chief engineer, admitted to authorizing ship engineers to continue a practice of bypassing the ship's incinerator and oily water separator system to discharge waste oil, sludge, and oily water mixtures in violation of MARPOL, an international treaty to prevent pollution from ships. To conceal the discharges, Mani



*Photo by Stockyard*

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made fraudulent entries in the required Oil Record Book and other records, which the U.S. Coast Guard periodically examines. Captain Ashok Kumar admitted to conspiring to make false statements. The tanker is owned and operated by subsidiaries of OMI Corporation, Stamford, CT. A sentencing date has not been set.

## Employee Sentenced for Falsifying Air Mechanic's Certificate

### May 14

Vihn Quac Tang, a former mechanic with BF Goodrich, Everett, WA, was fined by a U.S. District Court judge in Seattle for falsifying an aviation airframe and power plant (A&P) mechanic's certificate. Tang altered a photocopy of a certificate belonging to an actual A&P mechanic to show that he was the certificate holder, using the false certificate to extend his employment and obtain a wage increase. Tang was fined \$330 and placed on probation.

## Vessel Owner Sentenced in Drowning Case

### May 17

Joseph Mitlof, owner of Hudson Valley Waterways in Valley Cottage, NY, was sentenced by a U.S. District Court judge in White Plains, NY, after a jury found him guilty of manslaughter in connection with a fatal ferry accident on the Hudson River near Nyack, NY, in August 1998. Mitlof had advertised that his company operated Coast Guard-certified vessels, but was charged that the ferry was not certified to operate on the Hudson River and had various physical deficiencies rendering it unfit to carry passengers there. Terminally ill, Mitlof was sentenced to 6 months' home confinement and 2 years' probation. Daniel Sheehan, who was piloting the boat and earlier pleaded guilty, was sentenced in December 2001 to 4 months' home confinement and fined \$3,000. OIG investigated this case with the U.S. Coast Guard and New York State Park Police.



The Conservator was involved in a fatal accident on the Hudson River near Nyack, NY.

Photo courtesy of OIG  
Criminal Investigative Region 2

## Letter Response to Congressional Requests Regarding FAA's FY 2003 Research Budget

### May 20

In response to requests from Representatives Dana Rohrabacher and Bart Gordon, House Science Committee, and Senators Fritz Hollings and John McCain, Senate Commerce Committee, we provided information on FAA's fiscal year 2003 budget request for research, engineering, and development

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# A C T I V I T I E S

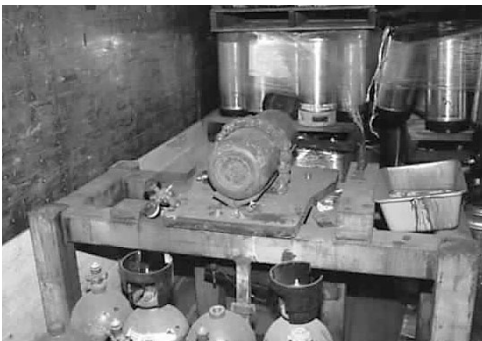
(RE&D) to assist in congressional review of agency budgets and plans. We noted that:

- FAA is requesting \$126.7 million for RE&D — almost \$70 million less than last year's request, primarily because TSA has assumed responsibility for security research.
- FAA will invest 80 percent of its FY 2003 RE&D budget request (about \$101 million) on safety-related research to reduce commercial and general aviation fatalities, as well as improve overall system safety. Key initiatives in this area include aging aircraft, fire safety, and weather research.
- There is wide agreement that greater attention is needed on what the air traffic system will look like in the 2010–2015 time frame and beyond. We see the key elements of the next-generation system as (1) maintaining and improving safety and security, (2) addressing human factors for controllers and pilots, (3) enhancing how the National Airspace System responds and recovers from bad weather, and (4) addressing environmental and noise concerns.

## Three Plead Guilty in Gas-Cylinder Retesting Case

### May 20

Bev Con International, a gas-cylinder retesting firm, and its president Bobby W. Allen, Sr., Brighton, TN, pleaded guilty in U.S. District Court in Memphis, TN, to conspiracy, fraud, and hazardous materials violations for falsifying test results on gas cylinders. On June 27, Charles D. Young, general manager of related company BCI Industries, Inc. (BCII), also of Brighton, TN, pleaded guilty to mail fraud. Bev Con, Allen, Young, and BCII were indicted December 13, 2001, for allegedly falsifying documents to reflect that hydrostatic retesting had been completed on the cylinders when it had not. Under DOT regulations, pressurized gas cylinders must be retested every 5 years in order to ensure their structural integrity and safety, so they will not explode, causing serious injury or death. The charges against BCII are still pending. Sentencing for the defendants is set for October 4. OIG and the FBI investigated this case, with assistance from RSPA.



*Gas cylinders seized as evidence in the Bev Con International gas-cylinder retesting case.*

*Photo courtesy of OIG Special Agent Joseph Zschiesche*

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## Aircraft Parts Owner Jailed for Violating Pretrial Order Regarding SUPs

**May 22**

Aman Kahn, also known as Wally Merchant, owner of United Aircraft and Electronics, in Anaheim, CA, was arrested for a second time when he violated a pretrial order not to conduct business concerning the manufacture and sale of aircraft parts. Kahn was first arrested on April 4, 2002, for selling and distributing suspect unapproved aircraft parts used in civilian and military aircraft. He was free on \$1 million bail after being jailed by a U.S. District Court judge in Santa Ana, CA, on charges involving the alleged falsification of aircraft parts certifications. A third-party defense contractor subsequently notified OIG special agents that Kahn sold them unapproved lenses for a weapon system on U.S. Air Force F-15 fighter aircraft. Kahn is on home confinement. His trial date is scheduled for February 3, 2003.



*A suspect unapproved aircraft part taken as evidence during the investigation of defendant Aman Kahn.*

*Photo courtesy of OIG  
Criminal Investigative Region 9*

## Trucking Broker Sentenced for Illegal Transportation of Hazmat

**May 22**

Jack Weaver, owner of Weaver Enterprises, a trucking brokerage firm in Chatsworth, GA, was sentenced in U.S. District Court in Biloxi, MS, for conspiracy to transport undeclared hazardous materials and chemicals. Weaver previously pleaded guilty to charges of creating and faxing a bill of lading that falsely identified the truck shipment as nonhazardous. He was fined \$1,000 and given 2 years' probation. FMCSA could revoke Weaver's authority to transport hazardous materials in the future. OIG investigated this case with the FBI and EPA's Criminal Investigations Division.

## Taxi Operator Given 33-Month Jail Term for Defrauding FTA

**May 22**

Rick Clark, a Yellow Cab driver in Chicago, IL, was ordered by a U.S. District Court judge in Chicago, to spend 33 months in jail and pay \$41,100 in restitution to the Chicago Transit Authority for making fraudulent voucher purchases. Clark conspired with seven disabled individuals to purchase hundreds of FTA-subsidized transit vouchers from disabled people and then claim the subsidy from each voucher without performing required taxi services. Through subsidies, the FTA funds taxi rides for disabled individuals unable to use public transportation. OIG special agents identified more than \$80,000 in fraudulent voucher purchases. OIG investigated this case with the assistance of the Chicago Transit Authority.

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# A C T I V I T I E S

## DOT Compliance with Rural Development Act Site Location Requirements

**May 28**

We provided correspondence to the Senate and House Appropriations Committees regarding DOT's compliance with the Rural Development Act of 1972. Our review disclosed that although DOT has instituted a policy and procedures, the Operating Administrations are not complying with them. We recommended that DOT: (1) enforce the existing policy and (2) include criteria to be used when an Operating Administration evaluates the feasibility of locating new offices in rural areas and giving such areas first-priority consideration as referenced in the law.

## Former Coast Guard Security Guard Fined for Stealing Government Credit Cards

**May 29**

Ronald V. Bowman of Forestville, MD, a former contract security guard at the Coast Guard headquarters building in Washington, DC, was sentenced in U.S. District Court in Washington, DC, to restitution of \$4,340, 25 hours of community service, and 3 years of probation for theft of public monies. Bowman stole 13 Government credit cards from the building and used them to charge personal items. OIG investigated the case with the Coast Guard Investigative Service.

## Aviation Company Fined \$5,000 for Using FAA Seal

**May 29**

Aviation Safety Technologies, Inc. (ASTI) of Sarasota, FL, a firm that designs and installs aviation safety systems, was fined \$5,000 by a U.S. District Court judge in Tampa, FL, after pleading guilty to illegally using an FAA seal. While negotiating a contract with a Korean firm in 1996, ASTI representatives electronically scanned FAA letterhead containing a seal. The fraudulent document attested to ASTI's experience and qualifications and bore the signature





of an FAA official who had not signed the document. OIG investigated this case with FAA's assistance.

## Motor Carrier Fined \$12,500 for Falsifying Drivers' Logs

**May 30**

Bisson Moving and Storage Company, a freight and household goods carrier business based in Bath, ME, pleaded guilty in West Bath, ME, state district court to 25 counts of keeping falsified drivers' logs and was fined \$12,500. In May 2000, the Maine State Police, in conducting a review of records subpoenaed from Bisson, requested OIG's assistance. The ensuing joint investigation, also involving FMCSA, revealed instances where drivers' logs had been falsified to conceal hours-of-service violations. Bisson has taken remedial measures, including firing certain drivers and retaining former state police supervisors to improve company practices.

## Follow-Up Memo Issued to FAA on STARS Acquisition

**June 3**

We issued a memorandum to FAA regarding its acquisition of the Standard Terminal Automation Replacement System (STARS), a modernization effort estimated to cost \$1.33 billion that will replace air traffic control systems at 74 facilities. We expressed concerns about FAA's plans to deploy STARS in Philadelphia in November 2002 and suggested the agency clarify what its expectations are for STARS given the following factors:

- System deficiencies — called “trouble reports” — continue to surface during STARS testing. As of May 2, 2002, there were 221 open critical trouble reports. Our concern stems from FAA plans to leave an unspecified number of these reports unresolved and unfixed.
- FAA has deferred independent testing — which ensures the product is suitable for controlling air traffic — until after initial operations have begun in Philadelphia. FAA had planned to complete independent testing in August 2002, before the new system became operational in Philadelphia.
- Problems persist with a smaller, less capable version of STARS that FAA began testing at El Paso, TX, on April 30, 2002. Controllers reported a number of “emergency” and “high priority” issues that needed to be fixed, such as inaccurate information being displayed on controllers' radar screens. We are concerned that if FAA cannot correct these problems at a site with a low volume of air traffic like El Paso, the system may not be safe for high-volume operations such as Philadelphia.



*Bisson Moving and Storage pleaded guilty to 25 counts of keeping falsified drivers' logs.*

### **F.A.A. Faulted On Installation Of New System**

By MATTHEW L. WALD

WASHINGTON, June 4 — A new air traffic system that is intended to power the radar screens of most of the nation's controllers has serious flaws and is not ready for use, according to the inspector general of the Transportation Department and the union that would maintain it.

But the Federal Aviation Administration is moving ahead with the system's deployment anyway. The agency put it into service in Syracuse on Monday evening and is preparing to install it in Philadelphia.

The inspector general, Kenneth Mead, wrote in a letter to the F.A.A. on Monday that the system, called the Standard Terminal Automation Replacement System, or Stars, had not undergone the independent testing customarily done before it is installed as operational. Mr. Mead said he had “serious reservations” about whether the system was ready for “real world use.”

He estimated the cost of the system at \$1.7 billion, 80 percent more than its initial budget and almost four years behind schedule.

The union, the Professional Airways System Specialists, also wants to halt the installations.

An F.A.A. official said that the system could not be tested before being placed into service and that other new air traffic control equipment had been similarly deployed without independent testing.

The system is intended for control towers and air traffic offices that generally handle lower-altitude traffic. It accepts data from many radars, decides which is most accurate and displays that on the controller's screen. The current system runs off a single radar at any given time.

Faced with the union's opposition, the F.A.A. invoked a clause in federal law giving it the right to “take whatever actions may be necessary to carry out the agency mission during emergencies.”

Michael D. Fanfalone, the union president, said the problem was that lower-level officials at the agency had been telling the administrator, Jane Garvey, for months that the project was on budget and in compliance with a revised schedule.

Scott Brenner, an agency spokesman, said the union might just be worried about losing work. An out-

*New York Times*

# A C T I V I T I E S

## Former FAA Employee Pleads Guilty to Embezzling \$138,000

**June 4**

Lola A. Palmer, Oxon Hill, MD, a former FAA administrative contracting officer, pleaded guilty in U.S. District Court in Washington, DC, to receiving more than \$138,250 in funds stolen from the FAA in a conspiracy-kickback scheme. Palmer conspired with Sharon E. Alston and Alston's company, Alston Enterprises, which was awarded a \$138,000 contract for computer equipment based on false documentation. False invoices authorized FAA's payment to Alston's company, even though Alston never ordered the equipment or delivered it. After depositing the check, Alston kicked back \$64,650 to Palmer. Palmer could receive up to 5 years in jail and a \$250,000 fine. OIG investigated the case with the FBI.

## Former Uncertified Airline Mechanic Convicted

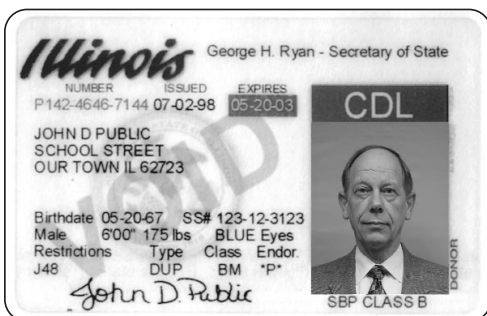
**June 5**

Michael S. Durgini, Everett, WA, pleaded guilty in U.S. District Court in Seattle, WA, to making false statements to the FAA. He was charged with presenting a fraudulent FAA airframe and power plant certificate when he applied for employment with Continental Airlines. He was also charged with inspecting and repairing aircraft during his employment with the carrier from 1992 to 2000 and signing maintenance logs even though he was not certified. He was scheduled to be sentenced in October.

## Florida Truck-Driving School Tester Jailed in CDL Bribery Probe

**June 6**

Hilary M. Winniczek, a former employee of REACT, Inc., a Tampa truck-driving school, was sentenced in U.S. District Court in Chicago, IL, for helping unqualified truck drivers obtain Florida commercial driver's licenses (CDLs) in return for bribes. Working with her partner Tony Puleo, Winniczek was charged with helping more than 1,000 unqualified Eastern European and Russian applicants obtain CDLs in return for \$800 to \$1,300 in cash bribes. Winniczek gave the applicants answers to the written CDL test and signed that



*A fake commercial driver's license.*

*Photo courtesy of OIG  
Criminal Investigative Region 5*

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the applicants had passed the practical driving test when no test was given. Two of the truckers were later involved in two separate accidents with a total of nine fatalities. Typically, the applicants used the Florida CDLs to obtain commercial licenses in Illinois and at least 19 other states. Winniczek was sentenced to 22 months in jail and fined \$7,500. Puleo is waiting to be sentenced. The investigation was part of Operation Safe Road, an investigation by a task force involving OIG, the FBI, the IRS Criminal Investigative Division, Postal Inspection Service, and Illinois State Police.

## IG Testifies on Amtrak's Financial Condition

**June 20**

The Inspector General testified regarding Amtrak's financial situation before the Senate Transportation Appropriations Subcommittee. The IG discussed Amtrak's unexpected loss of access to its short-term credit facility; its loan-guarantee application through the Railroad Rehabilitation and Improvement Financing Program; and its need for long-term capital investment to sustain a national, intercity passenger rail system. FRA Administrator Rutter and Assistant Secretary for Budget and Programs McLean also testified.



*Amtrak unexpectedly lost access to its short-term credit facility, the Inspector General testified.*

## Airline Employee Jailed for Stealing Aircraft Parts

**June 20**

Alvin Randolph, an American Eagle airline employee at the Port Columbus (OH) International Airport was sentenced by a U.S. District Court judge in Columbus to spend 7 months in jail and pay \$36,392 in restitution for falsifying certification for aircraft parts and violating Federal firearms charges. He was arrested by special agents of OIG and the Bureau of Alcohol, Tobacco, and Firearms after selling numerous stolen aircraft parts to an undercover agent in exchange for cash and machine guns. Randolph claimed to an undercover agent that he could obtain a variety of stolen aircraft parts along with documents falsely certifying the parts met the highest quality standards. One of the items was an American Airlines cockpit/cargo key, which Randolph sold after the 9–11 terrorist attacks. False statements regarding the origin of aircraft parts are a longstanding problem in the aviation industry and a significant threat to aviation safety.

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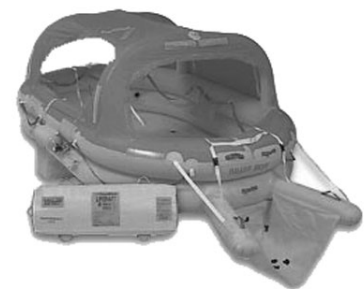
*Defendant Lochhead falsely certified that aircraft life rafts such as this one had been repaired and were safe for use.*

*Photo courtesy of OIG  
Criminal Investigative Region 2*

## Texas Man Fined for Faking Aircraft Life Raft Repairs

**June 21**

Steve H. Lochhead of McKinney, TX, was ordered by a U.S. District Court judge in Sherman, TX, to pay \$2,000 in fines and restitution of \$3,413 for falsely certifying to the FAA that repairs had been made to life rafts used as sur-



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# A C T I V I T I E S

vival gear on aircraft. Lochhead is part owner, chief inspector, and shop supervisor of C&M Marine, Inc. of Addison, TX, an FAA-certified repair station specializing in repairs to life rafts, life vests, and other life-saving equipment used on aircraft. FAA was alerted that life rafts and other equipment were returned to customers by C&M with certificates indicating they were safe for use when they had not been repaired. Lochhead pleaded guilty in March 2002. OIG and the FBI conducted the investigation with assistance from the FAA.

## Former Pilot Jailed 18 Months for Forged Medical Certificate

**June 26**

Jarod K. Reynolds of St. Petersburg, FL, was sentenced in U.S. District Court in Tampa, FL, to 18 months in jail for using a forged airman's medical certificate. Reynolds forged the signature of an FAA-certified medical examiner who failed him on his medical examination and used the fraudulent document in attempting to rent a private aircraft in January 2000. Reynolds was an airline transport pilot and flight instructor whose license was revoked by the FAA in 1993 for lying on his medical application. He pleaded guilty in April. OIG conducted the investigation with assistance from the FAA.

## Letter Response to President of National Air Traffic Controllers Association on FAA's Cru-X System

**July 1**

At the request of the National Air Traffic Controllers Association (NATCA), we conducted a limited review of the computer security and operational stability of FAA's Cru-X system. Cru-X is designed to collect information on payroll, personnel, training, and quality assurance at about 400 air traffic control facilities. We found no major vulnerabilities. FAA already was taking steps to address NATCA concerns with computer security and securing personnel and payroll information within the Cru-X system by placing it on dedicated computers with enhanced security. FAA's planned conversion to an Oracle database also should give Cru-X better operational stability.

# Stewardship of Surface Transportation Funds

As part of the ramp up for congressional reauthorization hearings regarding the Transportation Equity Act for the 21st Century (TEA-21), the Inspector General testified September 19 on transportation-project delivery under the act at a hearing of the Senate Committee on Environment and Public Works. TEA-21 provided record levels of funding for highways and transit — almost \$40 billion this year. With that amount of money, oversight becomes more significant, as do fraud prevention and detection.

In his testimony, the Inspector General recommended specific steps to improve management and oversight and facilitate project delivery on budget, on time, and free from fraud. The steps include: (1) refocusing FHWA's oversight to ensure that state programs operate effectively and projects of national significance are well managed; (2) fortifying state programs by ensuring adequate resources for oversight and fraud prevention; (3) promoting the use of proven project-management tools; and (4) improving efforts to prevent fraud, waste, and abuse.

In an earlier hearing before the House Transportation Subcommittee on Highways and Transit on May 1, the Inspector General testified that FTA needs to improve its spot-checking of cost and schedule estimates, and FHWA needs better data to refocus its oversight efforts, and it requires staff with project- and financial-management skills.

A key component of OIG's initiative involving the stewardship of surface funds is the detection and prevention of fraud, such as collusion, bid rigging, and kickbacks. More than 300 participants gathered from 46 states to attend our second joint National Conference on Highway Construction and Public

## Federal official warns here of fraud in road projects

Conference examines problem

BY JIM GETZ  
Of the Post-Dispatch

How much is the public being ripped off by fraud in highway and public transit projects?

Enough that there have been 1,028 indictments, 725 convictions and \$217 million in financial recovery by the federal government in the past five years.

Enough that Kenneth Mead, inspector general for the U.S. Department of Transportation, said fraud should be in the top 10 concerns of the federal agency and its state counterparts.

And enough that more than 300 transportation officials from 46 states are meeting for three days this week at a national conference on fraud in St. Louis. The conference is at the Millennium Hotel downtown (part of the old Regal Riverfront Hotel.)

"I am greatly concerned by the size of some of these cases," said Mead in an interview after delivering an address at the conference Tuesday. "You're talking cases where you have \$30 million in recovery. \$45 million in recovery.

St. Louis Post-Dispatch

Transportation Fraud Prevention, May 14-16 in St. Louis, MO. Featured speakers included Secretary Mineta, the IG, FHWA Administrator Mary Peters, and FTA Administrator Jenna Dorn.

In his keynote address, Secretary Mineta stressed the need for vigilance in oversight and inspection efforts. "When any program increases significantly in funding as the Federal-aid program did under TEA-21 — up 40 percent nationally — the risk of waste and mismanagement increases," he said. "We have a responsibility to accurately and completely estimate, and disclose, costs at the onset of all projects, as well as to monitor progress and expenditures during the life of those projects."

Mineta called for improved coordination between state and Federal partners. The Federal Government must rely on its state and local partners who let the contracts, and "together we must be the guardians at the gate to eliminate the potential for fraud," he said.

The Inspector General said we have been working closely with state DOTs, Inspectors General, and auditors, as well as FTA and FHWA to increase awareness of fraud prevention and detection. Since the first conference in 2000, over 10,500 Federal, state, and local officials have received fraud awareness briefings.

We co-sponsored the conference with the American Association of State Highway and Transportation Officials, the American Public Transportation Association, FHWA, FTA, and the Missouri Department of Transportation.

## Flight School Owner in NY Pleads Guilty to Defrauding FAA

July 9

In charges brought by OIG and FBI special agents in a post-9-11 investigation, Ahmed Abdulla Elashmouny, owner and president of S&A Aviation, Inc., doing business as Delta Aviation Flight Academy in Farmingdale, NY, pleaded

# ACTIVITIES

Newsday

## Flight-School Owner in Custody

No link to attacks, but case seen as troubling

By Robert E. Kessler

STAFF WRITER

A Lindenhurst man, one of more than 1,100 detained nationwide during the aftermath of the attack on the World Trade Center, operated a flying school in Farmingdale, bought two airplanes and obtained a commercial pilots' license despite having been ordered deported back to his native country of Egypt, authorities say.

Authorities say there is no evidence that Ahmed Abdulla Elashmouny, 39, of 138 Santa Barbara St., was involved in any terrorist activities or violated

in charging him until after the Sept. 11 attacks made all investigations involving Arab nationals a priority, sources familiar with the case said. Before Sept. 11, the case was considered too insignificant to prosecute, the sources said.

Elashmouny is one of more than 1,100 people who have been detained and questioned by the FBI since the attacks. He is now in an undisclosed federal detention facility awaiting hearings on charges of fraudulently attempting to collect \$40,000 in insurance on a damaged airplane, illegally using the credit card numbers of students at his now-closed Delta Aviation Flight Academy at Republic Airport to purchase airplane fuel and lying to the FAA about his background. In 1999, he said he was a U.S. citizen when he applied for a flight instructor's license.

Elashmouny pleaded not guilty in U.S. District Court in Central Islip on Oct. 23, according to court records.

East Farmingdale and Lindenhurst, said the government's laxity in the Elashmouny case represents "a complete lack of common sense and a gaping hole in our system of national security."

Israel, who is a member of the Democratic Caucus Homeland Security Task Force, said he will use the case to illustrate the need for legislation to have people involved in the aviation industry undergo background checks, including matching their names with criminal and immigration databases.

Sen. Charles Schumer (D-N.Y.) said of the Elashmouny case, "One of the lessons of September 11 is that you can't be too careful. Even if requiring people seeking pilot's licenses to have a clean record somehow seemed unreasonable before September 11, it certainly isn't now."

Elashmouny entered the United States in 1991, saying he had a law degree from the University of Alexandria. He met a wife, Homayra, in 1992.

guilty in U.S. District Court in Central Islip, NY, to multiple fraud charges. Elashmouny, an Egyptian citizen, pleaded guilty to charges of misrepresenting himself as a U.S. citizen and as a certified instrument flight instructor on forms submitted to the FAA. He also pleaded guilty to filing an insurance claim on a plane that

had crashed before it was insured, to fraudulently using a stolen credit card account number to obtain aviation fuel, and to using false credit card authorization codes to obtain aircraft equipment and computer products. Elashmouny remains in custody pending sentencing in November. FAA assisted in the investigation.

## FAA Orders Emergency Revocation of Mechanic's Certificate

July 12

FAA ordered the emergency revocation of the mechanic's certificate of Jim Hays, a mechanic for the Flying Machine Factory, Hayward, CA, after finding that Hays was conducting unauthorized annual inspections on general aviation aircraft. Hays also had forged the names of two inspection authorization mechanics on airframe and engine maintenance records. Hays is not an authorized inspection mechanic and is not permitted to sign engine maintenance records.

## Garrison Protective Services Fined \$50,000 for Airport-Security Violations

July 12

Garrison Protective Services of Florida, Inc., was fined \$50,000 by a U.S. District Court judge in Miami, FL, for falsely certifying to the FAA that it had completed required background checks on more than 100 airport-security screeners and cargo handlers holding security positions at Miami International Airport. Garrison must submit to a financial and security-program audit by a

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court-approved auditor and follow any recommendations. The investigation was conducted jointly by OIG and the Miami-Dade Aviation Department with assistance from the FAA.

## USCG Contractor Debarred for Improperly Inspecting Helicopter Parts

**July 19**

High Quality Machine Shop and owners Theresa Gabriel and Carlos Chavez of San Antonio, TX, were debarred from Federal contract work for 3 years for supplying the Coast Guard with critical helicopter parts that were not properly inspected. The company was ordered to pay a \$5,000 fine and \$1,476 in restitution by a U.S. District Court judge in Raleigh, NC, after pleading guilty with the owners to violating the Aircraft Safety Act.

## MARAD Employee Fined \$4,000 for Accepting Bribe

**July 19**

John A. Harris, a MARAD marine surveyor, was fined \$4,000 by a U.S. District Court judge in Jacksonville, FL, for accepting a bribe in exchange for confidential bid information on a DOT contract. In return for NASCAR tickets valued at approximately \$1,000, Harris provided confidential information related to repair work on a MARAD vessel to an undercover Federal agent posing as a U.S. Government contractor. Harris pleaded guilty in April. DOT is responsible for repairs on the vessel, with financial assistance provided by the Department of Defense. The investigation was conducted by OIG, DCIS, and the FBI.

## Report Issued on FHWA Actions to Recover Excess Reserves from Central Artery Owner-Controlled Insurance Program

**July 22**

We issued our report evaluating FHWA actions to correct deficiencies in the Owner-Controlled Insurance Program (OCIP) of the Central Artery/Tunnel Project, Boston, MA, identified in our May 1999 report. We found that the project reduced the OCIP trust by \$203 million but continued to maintain a higher-than-needed balance. We also found that FHWA did not issue a policy to control OCIP as directed by Congress. As a result of our audit, the project removed an additional \$133 million in excess Federal funds from the OCIP trust for use in other transportation projects in Massachusetts. The project is currently working to complete an independent audit of its insurance trust to confirm account balances. FHWA issued its final OCIP policy in October.

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# A C T I V I T I E S



*L&M Trucking lost its DOT certificate to operate for accepting fraudulent hours-of-service records from its drivers.*

## Trucking Firm and President Sentenced in Hours-of-Service Violations

**July 24**

L&M Trucking Corp., Inc. and its president, John Michaud of St. Agatha, ME, were sentenced in U.S. District Court in Bangor, ME, for their role in accepting fraudulent hours-of-service records from their drivers. Now bankrupt, L&M was ordered to relinquish its DOT certificate of operating authority for knowingly accepting falsified hours-of-service records. Michaud was fined \$2,000 for defacing toll receipts and other trip documents that would have contradicted the false records. The company and Michaud pleaded guilty in April.

## Coast Guard Employee to Pay \$80,000 for Stealing Federal Funds

**July 24**

Yolanda Davis, a former civilian employee with the U.S. Coast Guard (USCG), was ordered by a U.S. District Court judge in New York, NY, to pay \$80,000 in restitution and spend 10 months confined at home for stealing Government money. Davis, who was fired, served since 1993 as a legal instrument examiner at the USCG's Regional Examination Center in New York City, where from 1997 through 2000 she stole between \$70,000 and \$120,000 in fees she collected from people seeking merchant mariner licenses. The case was investigated by the OIG and the Coast Guard Investigative Service.

## Former DOT Security Guard Pleads Guilty to Misusing ID

**July 29**

Koshin Abdullahi of Everett, MA, formerly a contract security guard at RSPA's Volpe National Transportation Systems Center in Cambridge, MA, pleaded guilty in U.S. District Court in Concord, NH, to misusing official identification. Abdullahi failed to surrender his DOT identification card when he resigned in 1999. In May 2002, he displayed the identification card and a constable's badge to police, claiming that he was a DOT law enforcement offi-



## Border Preparations for Mexican Long-Haul Carriers

At a joint hearing of the Senate Commerce Subcommittee on Surface Transportation and the Senate Transportation Appropriations Subcommittee on June 27, the Inspector General testified regarding the Federal Motor Carrier Safety Administration's (FMCSA) progress in readying our southern border to open to Mexican long-haul carriers. He said that FMCSA had made headway in hiring and training inspectors, establishing inspection facilities, and developing safety processes and procedures to ensure the safety of Mexican long-haul carriers. This testimony coincided with the Inspector General's audit report, released 2 days earlier, which was mandated by the FY 2002 DOT Appropriations Act. Prompted by our 2001 audit report on motor carrier safety at our border with Mexico, Congress requested in the act that we check FMCSA's progress in establishing basic safeguards before opening the U.S.-Mexico border to long-haul commercial traffic.

During the reporting period, we visited each of 27 border crossings twice, checking to ensure that new inspector positions were filled, inspectors were adequately trained, each crossing had adequate space to inspect and place vehicles out of service, and a database was developed to enable safety monitoring of carriers and drivers.

The Inspector General testified that two factors will likely determine the ultimate effectiveness of the safeguards: (1) The number of carriers that apply for

### Ban on Mexican trucks may end

By Carter Dougherty  
THE WASHINGTON TIMES

Transportation Secretary Norman Y. Mineta this summer is expected to recommend that President Bush lift a 20-year-old ban on allowing Mexican trucks to travel U.S. highways now that new safety measures are in place, according to a new federal report.

The Department of Transportation has made "substantial progress" toward beefing up safety inspections along the vast U.S.-Mexican border, the report by the agency's inspector general states. The result will be a "robust enforcement regime for Mexican carriers that will operate in the United States."

"While the department still has some work to do, [Mr. Mineta] fully expects to be in a position this summer to certify to the President that the border can be opened," according to the Jan. 25 report.

Mr. Mineta will testify about plans to open the border to Mexican trucks today to the Senate committees on transportation and appropriations.

Even when the border officially opens, neither federal officials nor the trucking industry expects a flood of Mexican vehicles in the United States. Only 20 companies have applied for permission so far.

Public Citizen, the Ralph Nader-founded group that has lobbied against permitting Mexican big rigs access to U.S. highways, as required under the North American Free Trade Agreement, still plans to fight against any border opening. It be-

The Washington Times

long-haul operating authority will determine the size of the workforce and facilities needed to provide sufficient coverage, and (2) according to our work, the more likely the chance of inspection, the better the condition of the Mexican vehicles entering the U.S.

Our audit report recommended that FMCSA



prepare weekly status reports on the completion of outstanding safety requirements and periodic reports reevaluating inspection staff and facility requirements at each border crossing.

Our efforts so far have focused on verifying that FMCSA has staff, facilities, equipment, and procedures in place. The key to success once the border opens, the Inspector General testified, will be how effectively these resources are used and procedures are implemented. We will be monitoring this during congressionally mandated follow-on audits.

cer. Sentencing is scheduled for October. Measures are being implemented at the Volpe Center to prevent similar incidents in future. The case was investigated by OIG, with assistance of local police.

## Three Moving Company Owners Banned from the Industry for Defrauding Customers; Moving Company Owner Admits Guilt

### July 31

Three owners of five unlicensed household goods moving companies in the New York City metropolitan area, pleaded guilty in New York City Criminal Court in Queens to state charges of defrauding more than 100 customers. As a condition of the plea agreement, the defendants agreed to dissolve their busi-

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# A C T I V I T I E S

nesses, not have any future involvement in the moving industry, and pay \$119,500 in civil penalties assessed by FMCSA. The defendants, who owned All State Moving, On Budget Van Lines, Eilid Moving and Storage, Online Moving and Storage, and In & Out Moving and Storage, gave customers artificially low estimates for household goods moving services and then threatened to withhold their possessions unless they paid bills 300–500 percent higher than the estimates.

Ronit Mantoza of Queens, NYC, was sentenced to 3 months in jail; her husband Daniel Mantoza, received a 2-month sentence. The third defendant, Morad Alfar, received 3 months in jail. They were ordered to return all customer property still in their possession and forfeit seized assets for restitution. The case was investigated by a task force comprising the New York Police Department, OIG, New York State DOT, and the Queens County District Attorney's Office, with assistance from FMCSA.

In an unrelated case, Barry Minsky, New York City, owner of four household goods moving companies, pleaded guilty on July 31 in U.S. District Court in Brooklyn to conspiracy charges for repeatedly luring customers with low-ball estimates only to later threaten to hold their goods hostage unless large additional payments were made. Minsky's companies included Official Moving and Storage, based in Brooklyn. The charges arose from an investigation by OIG and the FBI, assisted by FMCSA. Sentencing is scheduled for November 2002.

## Norwegian Cruise Lines Fined \$1.5 Million for Discharging Wastes into Sea

**July 31**

Norwegian Cruise Lines was fined \$1.5 million by a U.S. District Court judge in Miami, FL, after pleading guilty to discharging oily bilge wastes into international waters and repeatedly lying to the Coast Guard about the practice over a period of years. The discharges were made from the *SS Norway*. The cruise line was also ordered to make community service payments for specific environmental service projects in south Florida and to take part in a 3-



*Photo by Stockyard*

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year supervised probation, which included remedial steps to prevent or reduce the likelihood of future illegal acts. The investigation was conducted by OIG, USCG, EPA's Criminal Investigations Division, the FBI, Miami-Dade Police Department, and Florida's Department of Environmental Protection.

## Former FAA Employee Pleads Guilty to Misusing Government Travel Card

### August 15

Joyce A. Harris of Arlington, VA, a former FAA employee, pleaded guilty in U.S. District Court in Alexandria, VA, to felony charges of using a Government travel card for personal purchases and using another person's social security number. Harris was arrested March 11, after making \$33,565 worth of personal charges on her Government travel card and writing more than \$57,000 in fraudulent checks to pay the card's balance. She was also arrested on charges of using another person's social security number to obtain credit in order to purchase a new car. She faces up to 10 years in prison and a fine when she is sentenced in November. OIG investigated this case with the FBI.

## FAA's Airport Lease Data

### August 15

We issued our audit report concerning FAA's system for maintaining data on its operating leases with airports. Our analysis showed that the FAA data were incomplete and inaccurate. For example, 36 percent of FAA's operating leases were terminated or had expired, while updated and new leases were not in the databases. Although operating leases are not "material" to FAA's financial statements, reliable information is still important in order to manage the leases and ensure accurate budgeting. We recommended that FAA improve its oversight of the data by establishing internal controls over entering, updating, approving, and validating lease data. Oversight would also include periodically reconciling lease data with official contract documents to ensure accuracy and completeness. FAA officials agreed to correct the deficiencies.

## Freight Forwarder Pleads Guilty to Hazardous-Waste Violations

### August 15

Universal Freightways, Inc. (UFI), a Miami, FL, freight forwarder, pleaded guilty in U.S. District Court in Miami to illegally storing hazardous wastes, including dangerous corrosives and flammables such as hydrochloric acid, sulfuric acid, and toluene. UFI admitted that it failed to follow Federal regulations regarding the proper transportation or disposal of hazardous waste and stored

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# A C T I V I T I E S

the waste at a facility that did not have the required permit. The investigation was conducted by OIG, EPA's Criminal Investigations Division, and the Dade County Environmental Task Force.

## Three of Four Defendants Plead Guilty in SUPs Case

### August 19

Thomas, Naomi, and Bradley Coffee (father, mother, and son, respectively) pleaded guilty in U.S. District Court in Dayton, OH, in connection with the attempted sale of suspected unapproved aviation parts (SUPs) to undercover Federal agents. The three defendants, along with Jeremy Coffee (another son) and The Centerville Marketing Group, of Centerville, OH, were indicted in Philadelphia, PA, in July 1999 for conspiracy, mail and wire fraud, and trafficking in counterfeit goods or services. The Coffees were selling substandard, untested, or counterfeit aircraft parts, primarily avionics antennas, that have military and civilian applications. Bradley and Thomas Coffee subsequently pleaded guilty to conspiracy to commit mail and wire fraud, and Naomi Coffee pleaded guilty for failing to report a felony. Sentencing is anticipated in January 2003. Prosecution of Jeremy Coffee remains pending. This case was investigated by the "Operation Hangar Bay" Task Force, comprising OIG, Naval Criminal Investigative Service, Air Force Office of Special Investigations, DCIS, and the FBI.

## Subcontractor Agrees to \$135,000 Settlement in False-Claims Case

### August 22

William Sperbeck of Wellesley, MA, during the third week of his trial for civil fraud in U.S. District Court in Boston, agreed to pay the U.S. Government \$135,000 for fraudulent claims he made against a contract administered by RSPA's Volpe Center. Sperbeck was the sole proprietor of Logistics Information Systems (LIS) in Wellesley, a now-defunct software-development company that was a subcontractor on a Volpe Center prime contract. LIS billed the prime contractor for work performed by employees who

# TSA's Progress in Meeting Management Challenges

As the Transportation Security Administration (TSA) continued to build from the ground up, we cited areas of concern in testimonies before Congress and in advisory memos to TSA and the Department. The areas were budget, cost control issues, and TSA's progress toward the mandated deadlines for federalizing the screener workforce and screening 100 percent of checked baggage.

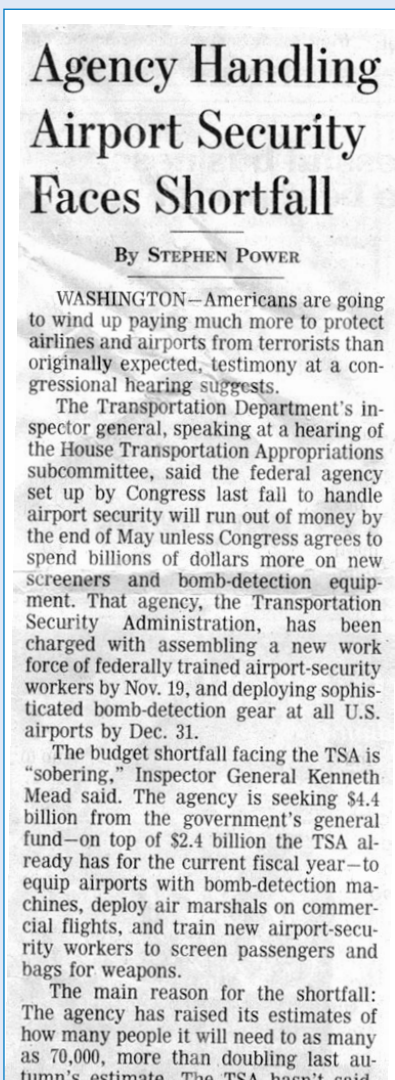
## APRIL

Testifying before the House Transportation Appropriations Subcommittee on April 17, the Inspector General advised that to implement the Aviation and Transportation Security Act, TSA estimated it would need a \$4.4 billion supplement in addition to the \$2.4 billion already funded for FY 2002. TSA's estimates of the workforce it would need, he said, had grown from 30,000 to 40,000 to 60,000 and could exceed 70,000. The IG said that TSA needs to clarify its budgetary requirements for FY 2002 and build in cost efficiencies, such as using part-time screeners, controlling premium pay, and effecting contract oversight. He also cited a lack of controls over third-party screener contracts.

We identified opportunities to control costs, and TSA responded by clarifying how part-time employees will be used in the screener workforce, ensuring salaries are commensurate with position responsibilities and reducing the costs of a screener background check from \$2,500 to \$200.

## MAY

During our audit of TSA's efforts to hire,



The Wall Street Journal

train, and deploy a passenger-screening workforce, we suggested ways to improve screener training. As a result, TSA assigned its own instructors to back up contract instructors; added ethics and conflict resolution to basic screener training; and incorporated hands-on training in the curriculum for all airports.

## JUNE

In a hearing before the House

Transportation Appropriations Subcommittee, the IG testified that TSA would need to hire 7,000–8,000 passenger screeners each month from July through October to meet the November 19 deadline for a federalized screening system. By December 31, TSA and its contractor must install and have operational at least 900 explosives detection systems and about 5,800 trace machines. He also said that TSA needs to do more to build in cost control mechanisms.

## JULY, AUGUST

Principal Assistant Inspector General for Auditing and Evaluation Alexis M. Stefani testified that TSA is working diligently to meet its deadlines, at hearings before the House Transportation Aviation Subcommittee on July 23 and the House Committee on Government Reform on August 7.

In both testimonies, Ms. Stefani said TSA is having problems hiring screeners in major cities. Delays are due to the large number of people who failed to show up for interviews or failed English proficiency and aptitude during assessment.

Ms. Stefani said TSA faces significant challenges in overseeing the large number and dollar volume of new contracts. Contracts for deploying a Federal screener workforce and screening all checked baggage total over \$2 billion; contracts with current screening companies are expected to cost about \$1.6 billion. Because TSA is just coming into existence, it does not yet have an established infrastructure that provides controls for monitoring contractor costs and performance.

did not have the education or experience the contract specified. Employees were also paid significantly less than figures that LIS submitted during contract negotiations.

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# A C T I V I T I E S

## Texas Trucking Companies Ordered to Repay \$5.5 Million to State; Owners Jailed in Motor-Fuel Tax Scheme

**August 23**

Bruce N. Nicholson and Bryan L. Nicholson, owners of several trucking companies and convenience stores located in the Lubbock, TX, area, were sentenced in U.S. District Court in Lubbock for their involvement in a scheme to avoid paying state motor-fuel excise taxes on several million gallons of fuel that they purchased and resold in Texas. Bruce Nicholson was sentenced to 42 months in prison and Bryan Nicholson was sentenced to 18 months after they pleaded guilty to mail fraud and wire fraud. Their sentences will be followed by 36 months of supervised release. The Nicholsons' associated companies — Allstar Trading, Inc., J&R Mercantile, Ltd., Rodgers Oil Co., and SunWest C-Stores Corp. — also pleaded guilty to wire and mail fraud and were ordered to pay \$5,553,176 in restitution to the State of Texas.

The scheme involved the purchase of motor fuel falsely stated to be for export resale to the Navajo Indian Reservation, which is exempt from state motor-fuel taxes. The Nicholsons then utilized their trucking companies to create false driver's logs and transport manifests, making it appear as though the fuel was being transported for export. Instead, the fuel was being used by their trucking companies and sold in their convenience stores without payment of the required state motor-fuel taxes. This case was investigated jointly by OIG, the Texas State Comptroller's Office, and the FBI.

## Officials of Two Ohio Highway-Construction Companies Sentenced for Fraud

**August 27**

James R. Sabatine, owner of Hardrives Paving & Construction, Inc., Youngstown, OH, was sentenced in U.S. District Court in Cleveland, OH, to 5 months in jail, 2 years' supervised release, \$18,832 in restitution, and a



*Photo by Stockyard*

\$7,700 fine for racketeering charges, including bribery and mail fraud. Sabatine pleaded guilty in August 2001 to bribing Mahoning County, OH, officials in order to maintain favored status in winning paving contracts. He also admitted to submitting fraudulent invoices for asphalt that was never applied. Together with Hardrives foreman Christ Miner, Sabatine conspired with Renee Smith, owner of Tone Crack Seal & Supply, of Youngstown, in a scheme where Tone Crack served as the minority front company through which Hardrives won contracts to do work.

On August 12, Smith was sentenced in U.S. District Court in Cleveland for fraudulently obtaining four highway paving contracts worth more than \$515,000 that had been set aside for minority businesses. She was sentenced to 5 months in jail, 2 years' supervised release, and a \$400 fine.

Hardrives foreman Christ Miner previously admitted that he took part in the conspiracy with Smith. He was ordered in April by a U.S. District Court judge in Cleveland to pay \$8,750 in restitution and spend 1 year on probation for taking part in a scheme to submit fraudulent invoices to Mahoning County for asphalt that was never produced or used. OIG investigated the case with the FBI and the Department of Labor OIG.



*A bribery scheme to win paving contracts resulted in jail time and fines for two Ohio construction company owners.*

*Photo by Trans Pixs*

Our special agents participated in security sweeps at 17 airports during the 6-month reporting period, resulting in the arrests of 385 employees who had illegally obtained badges giving them access to secure areas of the airport. The largest operations took place at the three Washington, DC, metropolitan area airports, where 96 were arrested; the three Los Angeles area airports, 88 arrested; Houston Bush Intercontinental Airport, 70 arrested; and Denver International Airport, 46 arrested. Most of the employees were charged with falsifying their security badge applications and using fraudulent immigration documents and social security numbers. Some

had previous felony convictions for such crimes as assaults, threats, and weapon violations. Special agents from the Immigration and Naturalization Service, Social Security Administration OIG, and the FBI, as well as local law enforcement agencies, also took part in the sweeps.



*Photo by Trans Pixs*

## Airport Workers Accused Of Lying

*The Washington Post*

140 in D.C. Area Indicted; National's Flight Path to Alter

By KATHERINE SHAVER and ALLAN LENGEL  
Washington Post Staff Writers

More than 140 employees at the Washington area's three major airports have been indicted on charges of lying about their identities or criminal pasts on applications to work near airplanes, runways and cargo, federal officials announced yesterday.

U.S. Attorney General John D. Ashcroft said the charges demonstrated that the nation's system of airport worker background checks needs tightening. He said the reviews—done piecemeal by airlines, contractors, airports and private security companies—too often let illegal immigrants, felons and others slip through.

Meanwhile, the U.S. Department of Transportation announced that the Bush administration is comfortable enough with heightened security on airplanes using Reagan National Airport to lift

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# A C T I V I T I E S

## SabreTech Fined \$500,000 in ValuJet Crash Resentencing

**August 27**

SabreTech, Inc., a now-decertified FAA repair station in Miami, FL, was ordered by a U.S. District Court judge in Miami to pay a \$500,000 fine and serve 3 years on probation for its role in the 1996 crash of ValuJet Flight 592 in the Everglades, which killed 110 people. SabreTech was previously convicted on 9 counts of hazardous-materials violations, fined \$2 million, ordered to pay \$9 million in restitution, and put on 3 years' probation. The violations involved SabreTech employees who illegally placed uncapped oxygen generators on the aircraft, which according to the National Traffic Safety Board, set the plane on fire, causing the crash. In January 2002, the 11th Circuit Court of Appeals overturned eight of the counts but affirmed the conviction on one count of failing to train employees how to handle hazardous materials. The sentence is the maximum allowed under Federal guidelines. This investigation was conducted jointly by OIG, the FBI, and EPA's Criminal Investigations Division.

*Two southern construction firms pleaded guilty to rigging bids to win federally funded work on the Blue Ridge Parkway.*

## Construction Companies Fined \$200,000 and \$100,000 After Pleading Guilty to Bid Rigging

**September 10**

Two construction companies, Taylor & Murphy Construction Co., Inc. of Asheville, NC, and Maymead, Inc. of Mountain City, TN, pleaded guilty in U.S. District Court in Asheville to making false statements in connection with \$5.09 million worth of federally funded construction projects on the Blue Ridge Parkway. Both companies falsely certified to FHWA that they did not disclose prices to potential bidders on two highway projects before competitive bidding began. Investigation revealed they had, in fact, shared pricing information with another firm. Taylor & Murphy were fined \$200,000 and Maymead was fined \$100,000. FHWA is considering debaring the companies from future Federal contracts.





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## DOT's Use of U.S. Treasury's Miscellaneous Receipts Accounts

### September 12

Our audit report showed that DOT obtained about \$49 million without authorization from U.S. Treasury “miscellaneous receipts” accounts between FY 1998 and 2001. We found that DOT spent about \$37 million to finance four projects to renovate office space and develop financial-management systems. No DOT employee gained personally from spending the Treasury’s money. The DOT Assistant Secretary for Budget and Programs and Chief Financial Officer concurred with our recommendations, agreeing that the \$49 million should be returned to the Treasury. DOT has already returned about \$12.3 million and is working on recording the remaining \$37 million against DOT fiscal year appropriations.

## Owners of FAA Repair Station to Pay \$6,000 in Restitution for Lying to FAA

### September 12

Mohammad Alishahi and Masoud Alishahi, co-owners of Brothers Aero Services Company (BASCO), Opalocka, FL, were sentenced in U.S. District Court in Miami, FL, after pleading guilty to making false statements to the FAA. BASCO is a FAA-certified repair station authorized to overhaul and make repairs to aircraft propellers commonly used on small aircraft such as Pipers and Cessnas. The charges, filed in April 2002, alleged the Alishahis failed to perform a critical propeller blade-strengthening procedure in 1998 and, in order to conceal the faulty work, falsified FAA-required documents to indicate repairs were completed. Each was sentenced to restitution, 6 months' home detention, and 5 years' probation. FAA revoked BASCO's repair-station certificate. OIG investigated this case with assistance from the FAA.

## TSA's Cargo Security Program

### September 17

The Principal Assistant Inspector General for Auditing and Evaluation testified regarding aviation cargo security in a closed hearing before the Senate Committee on Commerce, Science, and Transportation. She said that TSA concurred with the 14 recommendations included in our audit of FAA’s Cargo Security Program and is taking action to improve the program. The audit report was subsequently issued on September 19. Because the report contains sensitive security information, it will be up to TSA to determine what, if any, information will be released publicly.

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# A C T I V I T I E S

## Review of NHTSA's Progress in Implementing Strategies to Increase the Use of Seat Belts

**September 18**

We publicly released our review of NHTSA's progress in implementing strategies to increase the use of seat belts. Over the last 8 years, the national rate of seat belt use has increased only 1 percent a year, after increasing from 14 percent in 1984 to 66 percent in 1993. Mandatory-use laws are in effect in 49 states and the U.S. territories. Unless additional states enact and enforce primary enforcement laws, we see no basis for increases above the recent trend. Maintaining even the modest gains of the last 8 years will depend on how aggressively and consistently NHTSA and the states implement high-profile enforcement activities such as "Click It or Ticket." We recommended that NHTSA: (1) direct its regional offices to develop a detailed, time-phased plan encouraging each state to implement successful strategies for increasing seat belt use and (2) continue to emphasize high-profile law enforcement activities. NHTSA concurred and has begun to take action.



**May 2002 SEAT BELT Mobilization**  
12 State Initiative  
**WEEKLY UPDATE**

## Coast Guard's User Fees for Vessel Documentation

**September 18**

Our audit regarding the user fees that the U.S. Coast Guard charges the public for vessel-documentation services found that the Coast Guard's revenue from these fees exceeded the cost of providing vessel documentation for fiscal years 1999, 2000, and 2001. By law, the Coast Guard is required to charge user fees to recover the cost of providing vessel documentation, which is a form of national registration of ships and other vessels. However, the Coast Guard is not authorized to keep revenue above the cost to provide vessel-documentation services. The Coast Guard could not support the basis it used to set the initial fees in 1994, nor had it updated the fees even though operations had been streamlined. Coast Guard estimated that revenues exceeded budgeted costs by \$1.5 million and returned the excess to the U.S. Treasury.



Coast Guard agreed to develop procedures for providing actual costs and adjust vessel-documentation fees as necessary. It also hired a consultant to update its cost-accounting system. The audit was performed at the request of Representative Corrine Brown, Ranking Minority Member of the House Transportation Subcommittee on Coast Guard and Maritime Transportation.

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## Parts Broker Convicted in Kickback Case

### September 20

Roger Sickler, owner of RTS Services, Inc., an aircraft parts broker located in Hurst, TX, was found guilty of money laundering by a jury in U.S. District Court in Ft. Worth, TX. Sickler's company was found guilty of money laundering, conspiracy, and mail fraud. Sickler used his company and a subsidiary company, RTS Rework, an FAA-certified repair station, to defraud customers on aircraft repair work. The scheme involved paying kickbacks to an employee of an avionics company, Kollman, Inc., of Merrimack, NH, to refer work to RTS. RTS did not work on the parts, instead farming the work out to other repair stations and then charging highly inflated prices for the repairs, which the Kollman employee authorized as necessary. Some of these bills were for repairs to FAA and USCG aircraft. Sentencing has been set for November 2002. FAA has revoked the repair station license for RTS Rework, Inc. This case was investigated jointly by OIG, DCIS, and the FBI.

## Illinois Construction Company Agrees to Pay \$750,000 to Settle Highway Contract-Fraud Case

### September 20

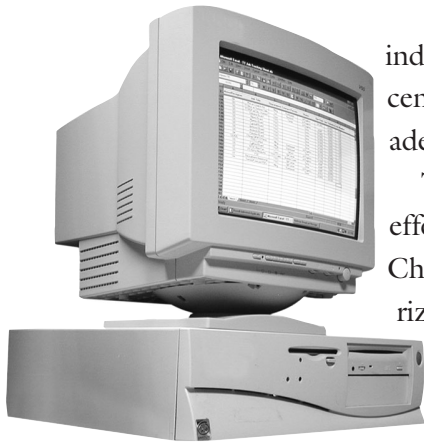
Curran Contracting Co., of Crystal Lake, IL, paid \$637,500 to the State of Illinois and agreed to a 9-month suspension from state contracting to settle a Federal civil action related to overcharges for work on Federally funded highway-construction projects. The company also paid \$112,500 to a whistleblower, as provided for in the False Claims Act. A former Curran employee, the whistleblower provided information indicating that Curran had overbilled the state for asphalt that was never provided. OIG's subsequent investigation found the information to be accurate. A criminal investigation was initiated and is continuing by OIG and the FBI.

## Annual Review of DOT Information-Security Program

### September 27

Our annual review of the Department's information-security program found the Department made a strong commitment to improve information security in FY 2002 and enhanced its network defense against intrusions from the Internet. However, the Department needs to make more progress to secure

# A C T I V I T I E S



*Only 22 percent of DOT's mission-critical information-security programs received a security certification by September 2002.*

individual systems operating on DOT's private networks. Only 22 percent of DOT mission-critical systems were reviewed and certified for adequate security by September 2002.

The Department's Operating Administrations (OAs) have not effectively implemented computer-security guidance issued by the Chief Information Officer. For example, OAs still maintain unauthorized computer connections to DOT's private networks, and background checks on contract employees are still lacking. Until it is clear that there are management and budget consequences, the OAs are likely to continue in this manner.

Our report also raised concerns about FAA's lack of progress in protecting infrastructure-critical systems and facilities that support air traffic control operations. We concluded that the DOT information-security program should remain categorized as a "material weakness" and requires concerted attention by senior management. The Department concurred and is taking action in response to our report.

## Security of DOT Web Systems

### September 30

*We examined 175 DOT public websites and found that 21 vulnerabilities were among the FBI's "20 most critical Internet security vulnerabilities."*

Our annual report on the security of the Department's web systems found DOT made progress in FY 2002 to better protect the public's privacy, corrected web vulnerabilities identified last year, and reported cyber incidents to OMB. Web security and privacy protection are essential for implementing E-government services, a Government-wide initiative on the President's Management Agenda. We examined 175 DOT public websites and identified 453 vulnerabilities — 79 rated high, 283 medium, and 91 low. Of the high vulnerabilities, 21 are among the FBI's list of the "20 most critical Internet security vulnerabilities." We also found that DOT websites operating on third-party computers had no security assurance. One of these sites was defaced in FY 2002. While the events of 9–11 have increased agencies' awareness of the need to limit access to sensitive information, we found sensitive information labeled "For Official Use Only" on DOT public websites. The Department has corrected most of the vulnerabilities, removed sensitive information from websites, and agreed to act to prevent recurrences of these problems. ■

U.S. Department of Transportation  
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**Spotlight**

- Significant Rulemakings Report
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- Citizen Services at DOT
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- TranStats New Intermodal database
- Other questions?

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Correspondence to the Department may be sent to:  
U.S. Department of Transportation  
400 7th Street, S.W.

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# OTHER ACCOMPLISHMENTS

Our *Semiannual Report to the Congress*, like those of other Inspectors General, has included information and data that satisfy the legal reporting requirements published by the Inspector General Act. These requirements have traditionally included describing our formal audit report recommendations and management's follow-up on them, and reporting convictions and other legal settlements resulting from our investigative work. However, there are other accomplishments and contributions by our staff that we have not traditionally reported.

As a result, we developed this section on Other Accomplishments. It covers the impact OIG has made in carrying out our statutory responsibilities to: (1) review existing and proposed legislation and regulations; (2) respond to congressional and DOT requests for information; and (3) review policies for activities designed to provide economy, effectiveness, and efficiency or detect and prevent fraud, waste, and abuse in DOT programs and operations.

## Aviation

■ FAA modifies its Aviation System Performance Metrics. Based on our review, FAA modified its Aviation System Performance Metrics so it can automatically generate comparative charts and supporting data on eight different metrics for the major airlines. The metrics include arrivals, cancellations, arrival delays, percentage of late-arriving flights, average length of arrival delays, departure delays, percentage of late-departing flights, and length of departure delays. (April)

■ Senate Appropriations Committee lowers funding for the WAAS program. We examined FAA's FY 2003 budget request for the Wide Area Augmentation System (WAAS) program, a new satellite navigation system. We suggested the agency defer its request to acquire an additional geostationary satellite since FAA has encountered problems with the planned acquisition and a delay in awarding the competitive contract. As a result, the Senate Appropriations Committee lowered funding for the WAAS program to \$98.9 million, a reduction of \$11.6 million from the budget request. (May)

■ FAA acts to improve operations at air traffic control tower. We reviewed concerns about repeated operational errors at Eppley Airfield, Omaha, NE, noting the need for FAA to evaluate the facility and expedite replacement of an air traffic control supervisor who had left. FAA hired a new supervisor. The agency's subsequent evaluation showed the need for stronger oversight in the air traffic control tower. (June)

■ FAA temporarily suspends issuance of U.S. private pilot certificates to foreign nationals. As a result of our review, FAA temporarily suspended issuance of U.S. private pilot certificates to foreign nationals based on foreign pilot licenses. On July 26, 2002, FAA resumed issuing private pilot certificates to foreign individuals, using an improved process that verifies the authenticity of the foreign license used as a basis for issuing U.S. pilot licenses. FAA also extended its new procedures to issuance of all airman certificates, such as to flight engineers and navigators. Our review was conducted at the request of Senator Ben Nighthorse Campbell. (July)

## Highway Infrastructure and Safety Programs

■ FHWA revises Woodrow Wilson Bridge finance report and project finance plan to include an additional \$15 million. Based on our review, we informed FHWA that the original finance plan of the Woodrow Wilson Bridge Corridor Reconstruction Project in the Washington, DC, metropolitan area inadvertently omitted information on the portion located in the District of Columbia. FHWA subsequently ensured that information on an estimated \$15 million in work was included in the quarterly project finance report and project finance plan. (April)

■ FHWA advises state agency to begin documenting support for financial reports. Based on a complaint we received concerning reports used to determine state financial appropriations, we noted concerns with the statistical reporting practices of the Massachusetts Highway Department (MHD). FHWA found that local highway finance and state capital outlay and expenditure reports were generally prepared in a manner meeting FHWA guidance. However, MHD was not adequately documenting its methods for preparing the reports, a deficiency introducing some continuity risk to its statistical operations. FHWA subsequently recommended that MHD document the methods, procedures, and processes used in developing the reports. (April)

■ FHWA agrees to correct formula used to calculate the cost-benefit of potential projects. Our review of an FHWA formula used to calculate the cost-benefit of potential projects found the parameter was too low that represented the average number of bridges per mile of road system. Since bridgework is generally more expensive than regular roadwork, underestimating could result



*Woodrow Wilson Bridge construction.*

*Photo by Central Communications Group*

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in miscalculation of a project's total cost. FHWA agreed the parameter needed to be corrected. (July)

■ New York State decides not to award construction contract to bidder based on OIG investigation. As a result of an investigation in which we are a participant, New York State decided not to award a contract to a particular construction firm after determining it was not a responsible bidder. The firm was the low bidder for a \$260,000 construction contract. The firm is the subject of a criminal investigation being conducted by the Long Island Construction Fraud Task Force, whose members include DOT OIG, the FBI, IRS Criminal Investigations, the Department of Labor OIG, the Postal Inspection Service, and the New York City Department of Investigation. (August)

■ Kentucky State Department of Transportation agrees to credit future highway bills by \$3.5 million. Our audit of the FY 2002 Highway Trust Fund Financial Statements found the Kentucky State Department of Transportation (KDOT) had been using a faulty formula for charging its overhead costs to Federal programs. KDOT officials agreed to correct the formula and will credit future highway bills by about \$3.5 million. (August)

## Transportation Security and Hazardous Materials

■ TSA revises FY 2002 supplemental funding request to include cost controls. We pointed out cost-control opportunities to TSA, which the agency used in revising its FY 2002 request for supplemental funding. For example, to ensure that salaries are commensurate with position responsibilities, TSA no longer plans to provide special law enforcement availability pay for all law enforcement positions, thus reducing the annual salaries for TSA police officers from nearly \$90,000 to \$60,000. TSA also modified its plans for background checks, reducing the cost of each check from \$2,500 to \$200. These reductions will result in savings of nearly \$138 million. (April)

■ TSA and airlines develop pilot program to test positive passenger-bag matching for connecting flights. At a January 23, 2002 hearing before the House Transportation and Infrastructure Aviation Subcommittee, the IG noted that TSA and the airlines would benefit from developing a pilot program for a specific hub airport to investigate use of positive passenger-bag matching for connecting flights and any associated problems. American and United Airlines participated in the pilot program at Chicago's O'Hare International Airport between April 24 and May 8. About 4 percent of the 934 flights were delayed because of the matching. The average delay was about 9 minutes. (April)

■ TSA improves basic security screener training. Based on concerns we identified while observing screener training, TSA improved its basic security screen-



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er training, as follows: (1) TSA instructors now oversee training classes and provide technical support and quality control to contract instructors; (2) TSA developed an 8-page handout on “The Code of Conduct, Standards of Performance, and Sensitive Security Information Restrictions”; (3) TSA included 2 days of training on conflict resolution and stress management in the prototype supervisory screener course; (4) contractors responsible for hiring screeners provide student rosters to TSA instructors to ensure that those approved for training have first passed preliminary requirements; and (5) TSA ensured that the contractor incorporated the use of screening equipment into training sessions. (May)

■ Volpe Center issues letters authorizing staff to transport “nonroutine” equipment through screening areas. Based on our suggestions, RSPA’s Volpe National Transportation System Center began issuing special letters of authorization for its staff who must transport “nonroutine” technical equipment through transportation or government facility screening areas. Examples of such equipment include cameras with remote switches and other surveillance-type items that security personnel may perceive as a threat. We became involved when state police detained a RSPA employee at an airport and impounded his equipment, pending verification of his official status and need to transport the gear. (June)

■ Whistleblower Protection Act extended to TSA screener employees. The Undersecretary of Transportation for Security, the Special Counsel, and the Inspector General developed a memorandum of understanding (MOU) that provides whistleblower protection to airport security screeners. OIG enhanced the agreement in several ways: (1) clarified that the standard protections and procedures available under the Whistleblower Protection Act will also apply to all TSA nonscreener employees; (2) the Secretary will review cases involving alleged retaliation by senior TSA employees if the Under Secretary disagrees with the Office of Special Counsel's findings and chooses not to accept its recommendations for corrective action; and (3) OIG will be consulted as TSA develops its directive implementing this MOU. (June)

■ Volpe Center tightens security procedures for IDs. An investigation prompted us to hold discussions with RSPA's Volpe Center about gaps in the center's oversight of its security guard contractors. The center was not reviewing the contractors' background checks on their guards, and it lacked a good system for retrieving DOT IDs when employees left. We investigated a former contract security guard who resigned in 1999, managed to retain the ID issued by the center, and in 2002 used it to misrepresent himself as a DOT law enforcement officer. Our involvement led the center to tighten its security procedures for issuing IDs and its control of guards and other contract workers. (July)



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■ Commercial driver's licenses recalled. We participated in two criminal investigations that resulted in the recall of 101 commercial driver's licenses (CDLs) by North Carolina and 248 CDLs by Ohio. Ohio mailed notices in July ordering retesting of 248 CDL holders tested by a third-party examiner who pleaded guilty to fraud for claiming he had conducted proper testing when he had not. We investigated this case with the Ohio State Police.

In North Carolina, the State instructed truck drivers who were tested by a third-party tester under investigation to get retested or have their CDL suspended. Of the 101 candidates, 55 showed up for retesting; 13 failed the exam and another 13 had their licenses downgraded so they could not drive a truck. Of the 46 drivers who did not report for retesting, 25 had their CDLs suspended and 21 have been rescheduled for retesting. Eight drivers have been involved in commercial motor vehicle accidents following their test by the suspected third party. This is an ongoing case being investigated jointly by OIG, the North Carolina Division of Motor Vehicles, and the FBI, with assistance from FMCSA. (September)

## Financial and Information Technology

■ Revised “Drug Control Accounting” circular includes OIG language. We provided comments on the President's Office of National Drug Control Policy revised circular “Drug Control Accounting,” a publication of the policies and procedures that Inspectors General use in conducting the annual accounting of drug-control funds. DOT and other Federal agencies use funds to meet drug-control objectives consistent with their missions, such as the Coast Guard's drug-interdiction activities. Our comments resulted in clarifying language explaining how agencies are to handle reimbursements to avoid double-counting. (June)

■ DOT removes sensitive documents from public web sites. As part of our audit of web security, we identified four sensitive documents labeled “For Official Use Only” that were inappropriately posted on DOT public web sites. The documents were removed immediately. (July)

## Competition and Economic Analysis

■ DOT improves rules and procedures for determining compensable losses under the Air Transportation Safety and System Stabilization Act. We commented on the Department's rules and procedures for air carriers seeking compensation under the Air Transportation Safety and System Stabilization Act. The rules and procedures require air carriers to prepare schedules supporting their forecasted and actual revenues and expenses for the period September 11–December 31, 2001, and the direct and incremental losses resulting from

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the September 11 terrorist attacks. We noted incorrect calculations for determining the maximum amount of compensable losses that airlines could claim under the act. The quality of data and reports were subsequently improved to help ensure carriers would be paid accurately. (May)

■ Air carriers that overstated losses receive reduced compensation. Our review of the submissions of four air carriers seeking compensation under the Air Transportation Safety and System Stabilization Act found that two carriers overstated their operating data and two overstated their incremental losses. They received a total of about \$150,000 less in compensation payments as a result of our work. (May)

■ Air carrier agrees to reimburse the Department for overstated losses. An air carrier agreed to reimburse the Department \$250,000 in compensation program funds, as a result of our review of the operating and financial data submitted by air carriers that received compensation under the Air Transportation Safety and System Stabilization Act. (September)

■ Snapshot of key financial and operating statistics provides needed information. Working with the Federal Railroad Administration, we developed a financial template that captures Amtrak's monthly statistical highlights. The information is used to give the Deputy Secretary and Amtrak's Board of Directors a snapshot of key financial and operating statistics, as well as timely explanations for variances from its established plans. (September)

## Maritime

■ Senate Appropriations Committee cites OIG analyses of the Coast Guard's mission hours in FY 2003 budget. Following up on our February 2002 testimony, we provided analyses of the Coast Guard's mission hours to the Senate Appropriations Committee, illustrating the change in Coast Guard operations and resource requirements after September 11, 2001. The committee used the information in the Committee Report on the Coast Guard's FY 2003 budget. In the discussion of this data, the committee expressed concerns about “the Coast Guard's ability to achieve mission balance and adequately address its other critical missions, including search and rescue, drug and migrant interdiction, maintenance of aids to navigation, and ensuring the safety and integrity of our domestic fishing grounds.” (August)

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

## Summary of Performance

*April 1–September 30, 2002*

Reports issued	30
Recommendations issued	100
Congressional testimonies	10
Total financial recommendations	\$330,245,085
— that funds be better used	\$328,456,436
— that questioned costs	\$1,788,649
Cases referred for prosecution	618
Cases accepted for prosecution	612
Indictments	616*
Fines, restitutions, civil judgments, and recoveries	\$33,234,143
Convictions	299
Debarments and suspensions	20
Actions affecting DOT employees	15

*\*Includes indictments from airport security sweeps.*

## INVESTIGATIONS

### Judicial and Administrative Actions

April 1–September 30, 2002

Indictments	616 *
Administrative actions	
Employee	
terminations	3
suspensions	5
reassignments	2
reprimands	3
resignations and retirements	2
Debarments and suspensions	20
Federal participation terminated	1
Licenses revoked or terminated	150
Convictions	299
Years sentenced	67
Years' probation	227
Years' supervised release	149
Hours of community service	2,200
Fines	\$22,217,940
Restitutions/civil judgments	\$7,703,033
Federal recoveries†	\$2,287,540
State recoveries†	\$1,025,630
<b>Total</b>	<b>\$33,234,143</b>

\*Includes indictments from airport security sweeps.

†"Recoveries" include fines, restitution, civil judgments or settlements, and Federal and state recoveries. Federal recoveries go to the U.S. Treasury; state recoveries are retained by the states.

During the 6-month reporting period, 135 cases were opened and 93 were closed, leaving a pending caseload of 622. In addition, cases involving 618 institutions and people were referred for prosecution. Cases involving 612 people and institutions referred during this or prior reporting periods were accepted for prosecution. The cases of 17 people and firms were declined.

## Profile of Pending Investigations

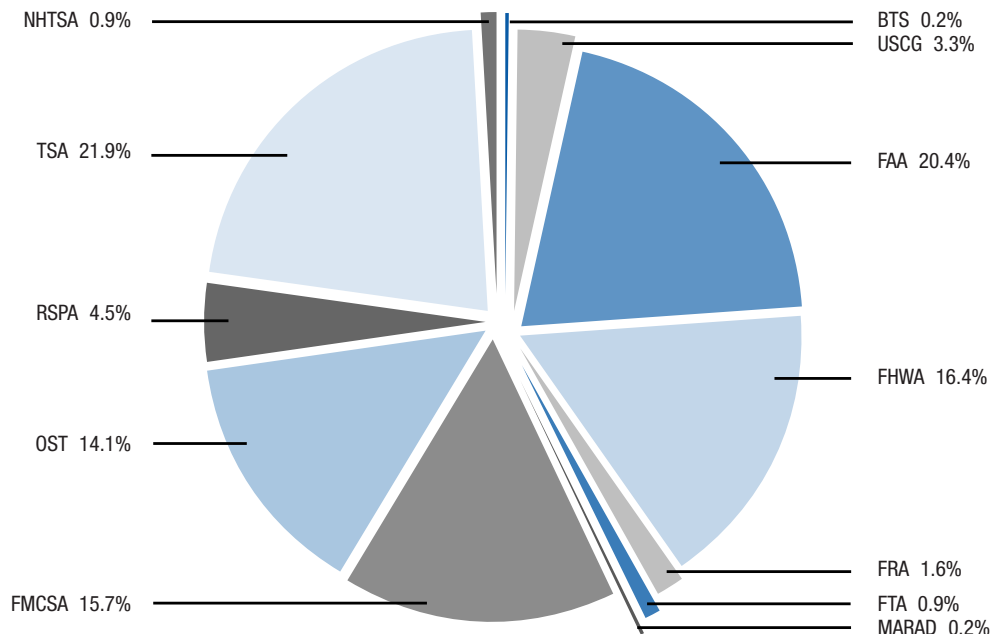
April 1–September 30, 2002

### Types of Cases

	Number of Cases	Contract & Grant Fraud	Employee Integrity	Aviation Safety & Security	Motor Carrier Safety	HazMat	Other
<b>Operating Administration</b>							
Bureau of Transportation Statistics	2	0	2	0	0	0	0
U.S. Coast Guard	55	12	18	5	0	15	5
Federal Aviation Administration	200	31	34	108	0	16	11
Federal Highway Administration	97	90	0	0	0	0	7
Federal Railroad Administration	10	3	0	0	0	6	1
Federal Transit Administration	16	15	0	0	0	0	1
Maritime Administration	7	—	4	3	0	0	0
Federal Motor Carrier Safety Administration	106	0	0	0	82	16	8
Office of the Secretary	7	2	2	0	0	0	3
Research and Special Programs Administration	33	2	4	0	0	27	0
Transportation Security Administration	77	2	1	74	0	0	0
National Highway Traffic Safety Administration	12	1	6	0	0	0	5
<b>Total</b>	<b>622</b>	<b>158</b>	<b>71</b>	<b>190</b>	<b>82</b>	<b>80</b>	<b>41</b>
<b>Percent of Total</b>	<b>100%</b>	<b>26%</b>	<b>11%</b>	<b>30%</b>	<b>13%</b>	<b>13%</b>	<b>7%</b>

## Application of Investigative Resources by Operating Administration\*

April 1–September 30, 2002

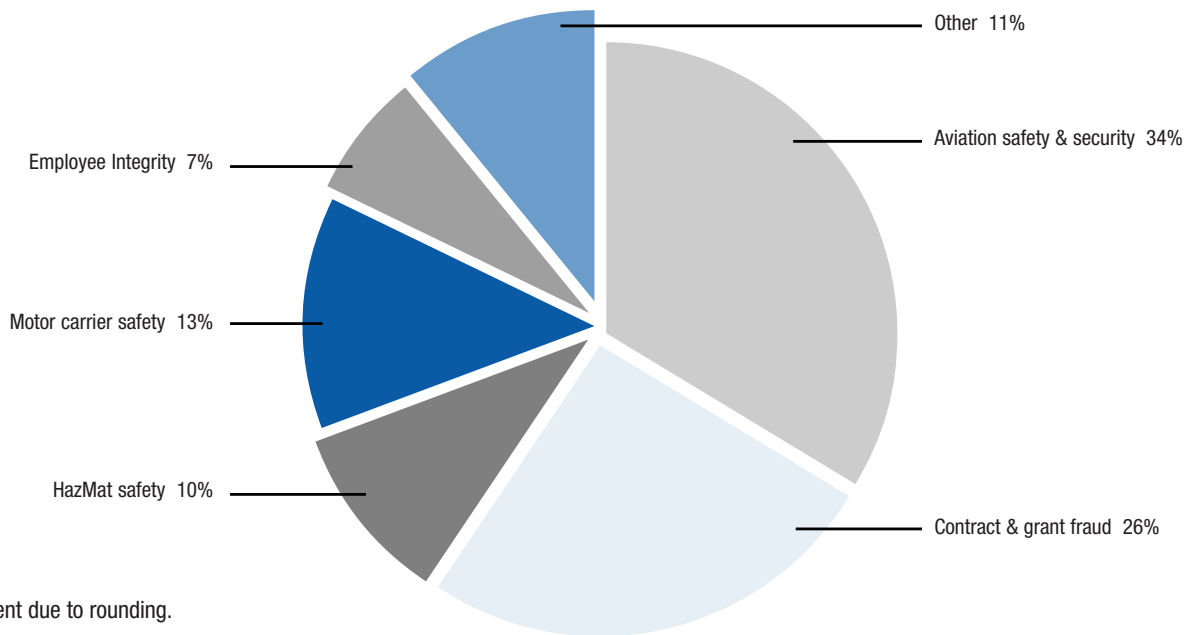


\*These figures include direct labor charges applied to investigations.

Note: May not equal 100 percent due to rounding.

## Application of Investigative Resources by Priority Area

April 1–September 30, 2002



Note: May not equal 100 percent due to rounding.

## AUDITS

### Completed OIG Reports

April 1–September 30, 2002

(Estimated Amounts\*, Dollars in Thousands)

Type of Review	Number of Reports	Number of Recommendations	Questioned and Unsupported Costs†	Funds to Be Put to Better Use
<i>Internal Audits</i>				
— Program/Functional	14	94	\$1,700	\$328,456
— Chief Financial Officer financial statements	0	0	0	0
<i>Other OIG Internal Reports</i>				
	0	0	0	0
<b>Total Internal Audits and Reports</b>	<b>14</b>	<b>94</b>	<b>\$1,700</b>	<b>\$328,456</b>
<i>Grant Audits</i>				
— Audits of grantee under Single Audit Act	<b>16</b>	<b>6</b>	<b>\$89</b>	<b>0</b>
<b>Total</b>	<b>30</b>	<b>100</b>	<b>\$1,789</b>	<b>\$328,456</b>

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

† There were no recommendations with unsupported costs.

Note: Department of Transportation programs and operations are primarily carried out by the Department's personnel and recipients of Federal grants. As a result, audits by DOT's Office of Inspector General 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 for the 6 months covered by this report.

## OIG Reports with Recommendations That Questioned Costs

April 1–September 30, 2002

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs*
<b>Reports</b>			
<b>A</b> For which no management decision was made by the start of the reporting period	10	12	\$8,287
<b>B</b> Which were issued during the reporting period	2	2	\$1,789
<b>Total A+B</b>	<b>12</b>	<b>14</b>	<b>\$10,076</b>
<b>C</b> For which a management decision was made during the reporting period	6	6	\$3,037
— dollar value of disallowed costs	4†	4‡	\$2,837
— dollar value of costs not disallowed	3†	3‡	\$1,095
<b>D</b> For which no management decision was made by the end of the reporting period	6	8	\$7,039

\* There were no recommendations with unsupported costs.

† Includes reports where costs were both allowed and disallowed.

‡ Includes recommendations where costs were both allowed and disallowed.

## OIG Reports Recommending That Funds Be Put to Better Use

April 1–September 30, 2002

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Dollar Value
<b>Reports</b>			
<b>A</b> For which no management decision was made by the start of the reporting period	3	3	\$544,202
<b>B</b> Which were issued during the reporting period	5	5	\$328,456
<b>Total A+B</b>	<b>8</b>	<b>8</b>	<b>\$872,658</b>
<b>C</b> For which a management decision was made during the reporting period	5	5	\$328,558
— dollar value of recommendations to which management agreed	3*	3†	\$314,256
— dollar value of recommendations to which management did not agree	2*	2†	\$14,302
<b>D</b> For which no management decision was made by the end of the reporting period	3	3	\$544,100

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

† Includes recommendations where costs were both allowed and disallowed.

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

April 1–September 30, 2002

	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	49	113
<b>B</b> Which were issued during the reporting period	16	93
<b>Total A+B</b>	<b>65</b>	<b>206</b>
<b>C</b> For which a management decision was made during the reporting period	43*	125
<b>D</b> For which no management decision was made by the end of the reporting period	30*	81

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

## Management Decisions Regarding OIG Recommendations

April 1–September 30, 2002

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned and Unsupported Costs*	Funds to Be Put to Better Use
Unresolved as of April 1, 2002	53	128	\$8,287	\$544,202
Audits with findings during current period	17	100	\$1,789	\$328,456
<b>Total to Be Resolved</b>	<b>70</b>	<b>228</b>	<b>\$10,076</b>	<b>\$872,658</b>
<i>Management Decisions:</i>				
— Prior Period*	33	66	\$1,337	\$1,702
— Current Period*	13	70	\$1,700	\$326,856
<b>Total Resolved</b>	<b>46</b>	<b>136</b>	<b>\$3,037</b>	<b>\$328,558</b>
<i>Unresolved:</i>				
— Less than 6 mos. old	9	30	\$89	\$1,600
— 6 mos.–1 year	14	34	\$2,654	\$494,500
— 1 year–18 mos.	5	16	\$3,911	\$0
— 18 mos.–2 years	3	9	\$386	\$48,000
— Over 2 years old	2	3	\$0	\$0
<b>Total Unresolved as of September 30, 2002†</b>	<b>33</b>	<b>92</b>	<b>\$7,039‡</b>	<b>\$544,100</b>

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

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

‡ Rounding of dollars may affect total.



## Office of Inspector General Published Reports

April 1–September 30, 2002

### Operating

Administration/ Type of Report	Report Number	Date Issued	Title	Focus of Report/ Recommendations
<b>United States Coast Guard</b>				
<i>Internal Audits: Program/Functional — 2 reports</i>				
	MH-2002-091	05-07-2002	Inventory Management of Spare and Repair Parts for Cutters and Small Boats	Put \$12,600,000 to better use
	FI-2002-110	09-18-2002	Vessel Documentation User Fees	\$1,700,000 questioned
<b>Federal Aviation Administration</b>				
<i>Internal Audits: Program/Functional — 3 reports</i>				
	AV-2002-088	04-08-2002	Air Transportation Oversight System	Significant challenges to full implementation still exist
	FI-2002-092	05-08-2002	Oversight of Cost-Reimbursable Contracts	Put \$132,000,000 to better use
	IN-2002-099	08-15-2002	Airport Lease Data	Establish internal controls to improve oversight of airport lease data
<i>Grant Audits: Audits of Grantee Under Single Audit Act — 2 reports</i>				
	QC-2002-101	08-16-2002	City of Des Moines, IA	Improve grantee oversight
	QC-2002-112	09-17-2002	Minneapolis-St. Paul, MN, Metropolitan Airports Commission	Improve grantee oversight
<b>Federal Highway Administration</b>				
<i>Internal Audits: Program/Functional — 1 report</i>				
	IN-2002-095	07-22-2002	Actions Taken to Recover Excess Reserves from the Central Artery/Tunnel Project's Owner-Controlled Insurance Program	Put \$133,000,000 to better use
<i>Grant Audits: Audits of Grantee Under Single Audit Act — 1 report</i>				
	QC-2002-106	08-22-2002	South Carolina Department of Transportation	Improve grantee oversight
<b>Federal Transit Administration</b>				
<i>Grant Audits: Audits of Grantee Under Single Audit Act — 13 reports</i>				
	QC-2002-090	04-29-2002	Massachusetts Bay Transportation Authority, Boston, MA	Improve grantee oversight
	QC-2002-096	07-24-2002	Northern New England Passenger Rail Authority, Portland, ME	Improve grantee oversight
	QC-2002-097	07-24-2002	Santa Clara Valley Transportation Authority, Santa Clara, CA	Improve grantee oversight
	QC-2002-098	07-24-2002	Peninsula Corridor Joint Powers Board, San Carlos, CA	Improve grantee oversight
	QC-2002-100	08-16-2002	Brazos Transit District, TX	Improve grantee oversight
	QC-2002-102	08-16-2002	Hillsborough Area Regional Transit Authority, FL	Improve grantee oversight
	QC-2002-103	08-16-2002	Broward County, FL	Improve grantee oversight
	QC-2002-104	08-16-2002	Access Services Incorporated, Los Angeles, CA	Improve grantee oversight
	QC-2002-105	08-22-2002	County of Volusia, FL	Improve grantee oversight
	QC-2002-107	08-22-2002	Metropolitan Council, St. Paul, MN	Improve grantee oversight
	QC-2002-111	09-16-2002	Southeastern Pennsylvania Transportation Authority	\$88,649 questioned
	QC-2002-114	09-16-2002	Niagara Frontier Transportation Authority, NY	Improve grantee oversight
	QC-2002-116	09-27-2002	Transportation District Commission of Hampton Roads, VA	Improve grantee oversight

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

Operating Administration/ Type of Report	Report Number	Date Issued	Title	Focus of Report/ Recommendations
<b>Federal Motor Carrier Safety Administration</b>				
<i>Internal Audits: Program/Functional — 2 reports</i>				
	MH-2002-093	05-08-2002	Improving Testing and Licensing of Commercial Drivers	Broader oversight reviews of state CDL programs needed to ensure licensing problems are corrected
	MH-2002-094	06-25-2002	Implementation of Commercial Vehicle Safety Requirements at the U.S.-Mexico Border	Substantial progress made toward hiring and training inspectors, establishing inspection facilities, and developing safety processes and procedures
<b>National Highway Traffic Safety Administration</b>				
<i>Internal Audits: Program/Functional — 1 report</i>				
	MH-2002-109	09-18-2002	Progress in Implementing Strategies to Increase the Use of Seat Belts	Maintaining modest gains of the past 8 years depends on aggressive and consistent enforcement of state laws
<b>Office of the Secretary Of Transportation</b>				
<i>Internal Audits: Program/Functional — 4 reports</i>				
	FI-2002-089	04-15-2002	Information Technology Omnibus Procurement Program	Put \$1,600,000 to better use
	FI-2002-108	09-12-2002	Spending Money from Treasury Miscellaneous Receipts Accounts	Put \$49,256,436 to better use
	FI-2002-115	09-27-2002	Information Security Program	Implementing security guidance requires increased management attention
	FI-2002-118	09-30-2002	Web Systems Security	Previously identified vulnerabilities corrected but more remains to be done to secure DOT websites
<b>Transportation Security Administration</b>				
<i>Internal Audits: Program/Functional — 1 report</i>				
	SC-2002-113	09-19-2002	Cargo Security Program	New principles and controls needed to strengthen cargo security program

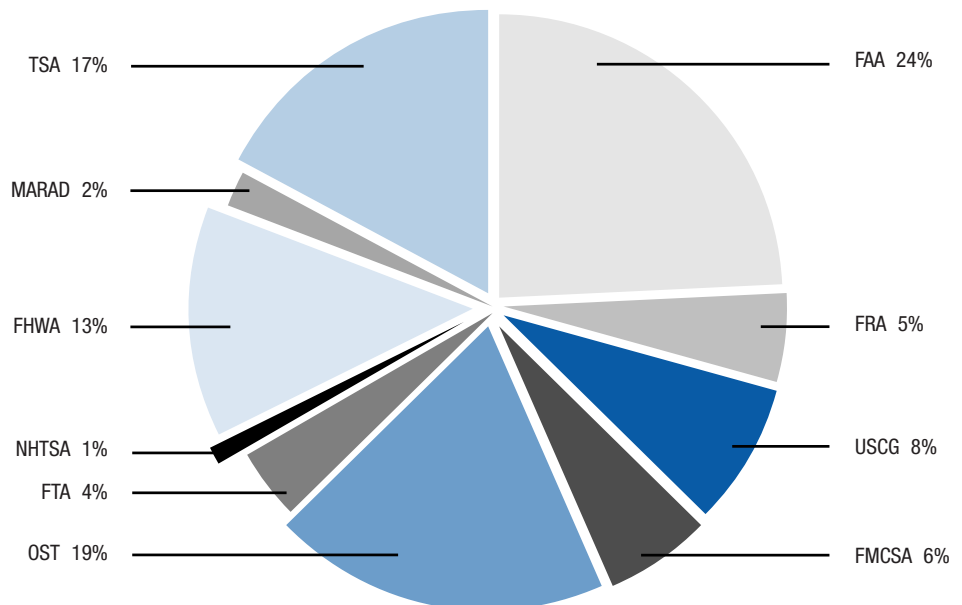
## Application of Audit Resources by Operating Administration

*April 1–September 30, 2002*

Note: Resources shown for OST include time spent performing audits of the DOT Consolidated Financial Statement (which includes all Operating Administrations) and Air Transportation Safety and System Stabilization Act activities, including air carrier compensation payments and loan guarantees for the airline industry.

Time spent on the Research and Special Programs Administration, the St. Lawrence Seaway Development Corporation, the National Transportation Safety Board, and the Surface Transportation Board was less than 1 percent each.

Note: May not equal 100 percent due to rounding.



## Office of Inspector General Congressional Testimonies

*April 1–September 30, 2002*

<b>Control No.</b>	<b>Testimony Date</b>	<b>Subject</b>	<b>Congressional Body</b>
CC-2002-146	04-11-2002	FAA Oversight of Passenger Aircraft Maintenance	Committee on Transportation and Infrastructure, Subcommittee on Aviation, U.S. House of Representatives
CC-2002-124	04-17-2002	Key Budget Issues Facing the Transportation Security Administration	Committee on Appropriations, Subcommittee on Transportation, U.S. House of Representatives
CC-2002-155	05-01-2002	Management of Large Highway and Transit Projects	Committee on Transportation and Infrastructure, Subcommittee on Highways and Transit, U.S. House of Representatives
CC-2002-180	06-20-2002	Key Challenges Facing the Transportation Security Administration	Committee on Appropriations, Subcommittee on Transportation, U.S. House of Representatives
CC-2002-181	06-20-2002	Amtrak's Financial Condition	Committee on Appropriations, Subcommittee on Transportation and Related Agencies, U.S. Senate
CC-2002-179	06-27-2002	Implementation of Commercial Motor Carrier Safety Requirements at the U.S.-Mexico Border	Joint Hearing Before the Committee on Appropriations, Subcommittee on Transportation, and the Committee on Commerce, Science, and Transportation, Subcommittee on Surface Transportation and Merchant Marine, U.S. Senate
CC-2002-197	07-23-2002	Progress in Implementing Provisions of the Aviation and Transportation Security Act	Committee on Transportation and Infrastructure, Subcommittee on Aviation, U.S. House of Representatives
CC-2002-203	08-07-2002	Progress in Implementing Provisions of the Aviation and Transportation Security Act	Committee on Government Reform, U.S. House of Representatives
CC-2002-236	09-17-2002	Aviation Cargo Security	Committee on Commerce, Science, and Transportation, U.S. Senate
CC-2002-233	09-19-2002	Reauthorization of Highway and Transit Programs: Improving the Delivery of Transportation Projects	Committee on Environment and Public Works, U.S. Senate

## Status of Unresolved Recommendations Over 6 Months Old

Cited in Semiannual Report for Reporting Period —	Report No.	Date Issued	Status
<i>October 1, 1999–March 31, 2000</i>			
Airport Access Control	AV-2000-017	11-18-99	Working with TSA to resolve open issues
<i>April 1, 2000–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	QC-2001-022	02-14-01	Working with grantee to resolve issues
Gary Public Transportation Corporation	QC-2001-027	02-16-01	Working with grantee to resolve issues
<i>April 1, 2001–September 30, 2001</i>			
State of Louisiana	QC-2001-049	04-02-01	Working with grantee to resolve issues
State of Indiana	QC-2001-052	04-11-01	Working with grantee to resolve issues
Government of the United States Virgin Islands	QC-2001-053	04-17-01	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
Despite Significant Management Focus, Further Actions Are Needed to Reduce Runway Incursions	AV-2001-066	06-26-01	Working with FAA to resolve open issues
<i>October 1, 2001–March 31, 2002</i>			
Association of State Highway and Transportation Officials, Washington, DC	QC-2002-003	10-18-01	Working with grantee to resolve open issues
City of Delaware, Ohio	QC-2002-010	10-24-01	Working with grantee to resolve open issues
Milford Transit District, Connecticut	QC-2002-021	10-30-01	Working with grantee to resolve open issues
State of Florida	QC-2002-026	10-31-01	Working with grantee to resolve open issues
Downtown Waycross Development Authority, Georgia	QC-2002-027	10-31-01	Working with grantee to resolve open issues
State of Illinois	QC-2002-029	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
State of Iowa	QC-2002-036	11-01-01	Working with grantee to resolve open issues
Metropolitan Transit Authority of Black Hawk County, Iowa	QC-2002-041	11-02-01	Working with grantee to resolve open issues
Government of the United States Virgin Islands	QC-2002-051	11-06-01	Working with grantee to resolve open issues
Operational and Supportability Implementation System (OASIS)	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

### Required Statements:

The Inspector General Act requires explanations of reasons for significant revisions to management decisions made during the reporting period. OIG follows up on audits reported in earlier semiannual reports. During this reporting period, there were no significant revisions of departmental management decisions reported to OIG.

The Inspector General Act requires this report to describe any significant management decisions with which the OIG disagrees. At the close of this reporting period, there were no significant management decisions with which OIG disagreed.

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# A W A R D S

## Secretarial Awards

### *Award for Meritorious Achievement*

#### **Lou E. Dixon**

For outstanding leadership and significant contributions in evaluating the Department's effort to improve aviation safety.

#### **Douglas Shoemaker**

For outstanding investigative accomplishments that enhance and preserve the integrity of the Department's programs and operations.

### *Award for Excellence*

#### **Larretha A. Blackmon**

For dedication and exemplary performance in providing administrative support for the Office of Inspector General in Atlanta.

#### **Charmaine E. Newman**

For exemplary service in providing outstanding administrative and technical support to the Washington, D.C., Investigative Regional Field Office, the Headquarter-based Complaint Center, and the Integrity Investigative Unit.

### *Award for Volunteer Service*

#### **Kirk A. Gillett**

For long-standing exemplary volunteer service to improve the lives of individuals affected by Down Syndrome in the Seattle area.

### *Partnering for Excellence Award*

#### **Air Transportation Safety and System Stabilization Act Team**

For outstanding accomplishments and contributions to the Department's implementation of the Air Transportation Safety and System Stabilization Act. **Mark R. Dayton, Raymond J. DeCarli, Michael E. Goldstein, Stuart A. Metzger, George Lavanco, Timothy G. Keane, Bernard Fishman, Patricia Hagerty, Tesha M. Lynch, Johanna L. Nathanson, Suzanne B. Shaps**

### *Team Award*

#### **U.S. -Mexico Border Safety Audit Team**

For exceptional efforts in ensuring that the robust safety and enforcement regime for Mexican trucks required by the Fiscal Year 2002 Transportation Appropriations Act is in place before the U.S.-Mexico border is opened to long-haul traffic.

**Barbara M. Cobble, Madeline M. Chulumovich, Leila D. Kahn, Shirley H. Murphy, Larry K. Herdzina, William M. Obinger, William E. Savage, John H. Weiss, Gary L. Alvino, Sara J. Ancona, Sharleda A. Davis, Katya M. Mischenko, Calvin L. Moore II, Christopher R. Smith, Jeffrey S. Wilson**

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## Inspector General Awards

Through the talent and dedication of the employees cited below, OIG was able to provide valuable congressional testimony, uncover criminal activity, and make important recommendations to improve program effectiveness affecting the safety of the public and integrity of the Department.

### *Award for Superior Achievement*

#### **Barbara M. Cobble**

For superior performance in improving highway safety by ensuring safety at the U.S.-Mexico border and improving the process for testing and licensing commercial drivers.

#### **Marlies T. Gonzalez**

For outstanding performance in conducting criminal investigations having a significant impact on public safety.

### *Exceptional Civilian Service Award*

#### **Tristan Linkert**

For outstanding investigative work and dedication to duty demonstrated in a 15-year career with the OIG.

#### **Robin K. Hunt**

For consistent outstanding management of high-profile nationwide audits.

#### **Petra Swartzlander**

For developing an innovative and technically expert statistical program that has supported many of the OIG's most important audits over the last 10 years.

### *Marguerite Christensen Award for Excellence in Administration*

#### **Leslie A. McBroom**

For exemplary performance, initiative, and commitment to excellence in providing the Office of Inspector General with outstanding human resources services.

### *Manager of the Year*

#### **Matthew E. Hampton**

For outstanding performance, leadership, and significant contributions in evaluating and strengthening FAA's modernization efforts.

#### **Scott K. Macey**

For exceptional leadership in managing Transportation Security Administration audits and preparing testimony for the Inspector General.

#### **Mary Ann Taylor**

For exemplary service in managing and continually enhancing the efficiency and effectiveness of OIG's Hotline Complaint Center.

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# A W A R D S

## *Supervisor of the Year*

### **Peter F. Babachicos**

For continuing outstanding efforts in leadership and management of the staff and work of the Cambridge suboffice.

### **Ricky L. Bostian**

For outstanding supervision and leadership of the investigative staff in Region Nine.

### **Joseph W. Comè**

For outstanding leadership and dedication, and the ability to plan and produce exceptional audit work that improved highway safety.

### **George Lavanco**

For outstanding accomplishments and contributions to the Department's implementation of the Air Transportation Safety and System Stabilization Act.

### **Michael L. Marshlick**

For outstanding performance in reviewing information technology procurements and systems operations.

### **Leonard F. Meade**

For outstanding leadership to improve financial management practices throughout DOT.

### **William L. Owens**

For distinguished and dedicated service as Assistant Special Agent-in-Charge of the New York Regional Office, facilitating many outstanding accomplishments for the OIG.

### **Robert F. Prinzbach**

For exemplary contributions to the Office of Inspector General in supervising audits of Federal Aviation Administration programs and operations.

## *Employee of the Year*

### **David J. Barnes**

For developing an effective communications program and fostering relationships with the media to ensure that OIG work products are timely and accurately reported.

### **Kari E. Beitel**

For outstanding performance as Analyst-in-Charge of the congressionally requested review of Proposed Aviation Security Technologies.

### **Sam N. Bellino**

For outstanding leadership in completing the audit of Coast Guard's Inventory Management of Spare and Repair Parts for Cutters and Small Boats.

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**Ruth A. Blevins**

For outstanding leadership in completing the audit of Coast Guard's National Distress System.

**Bernard Fishman**

For exceptional contributions to the Department's review of Air Carrier Compensation Payments and Loan Guarantee Applications.

**Mike J. Leibrecht**

For dedication, commitment, and high-quality performance in conducting reviews of safety-related programs of the Federal Aviation Administration.

**Ramon Sanchez, Jr.**

For outstanding courage and commitment to public safety.

**Loretta F. Swanson**

For outstanding efforts to complete a review of cost growth on the Springfield Interchange Project.

**Sharon R. Trodden**

For outstanding dedication and contributions to the President, Secretary, and Inspector General's initiatives for improving aviation security post-September 11, 2001.

**R. Curt Vaughan**

For exemplary service in conducting priority investigations of great significance to the OIG, the Department, and Congress, and for superior contributions to OIG's Complaint Center operations.

**Sydney H. Verinder**

For contributions to effective audit management by leading efforts to develop more accurate and timely reports on audit activities and audit staffing.

**Michael J. Veverka**

For outstanding work on cost accounting issues within the U.S. Department of Transportation.

**John M. Zuniga**

For outstanding performance in conducting investigations for the U.S. DOT Inspector General.

### *Administrative Professional of the Year*

**Fannie C. Robinson**

For dedication and outstanding performance in supporting the administrative and investigative function of the office, especially in the area of aviation safety.

**Chris Satterfield**

For steady dedication to duty maintained over many years and constant excellence in administrative support.

**Patricia K. Stevens**

For outstanding administrative support to the Assistant Inspector General and employees of the Office of Financial and Information Technology Audits.



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# A W A R D S

## *New Employee Award*

### **Krystal L. Patrick**

For dedication and exemplary performance on the Free Flight Phase 1 audit and the National Airspace Redesign Choke Point initiatives.

### **Dale M. Potts**

For creating a model for a comprehensive management-information system to enable FTA to track the progress and better manage projects in the New Starts Program from the initial planning stages through construction.

### **Keri L. Spencer**

For superior efforts in evaluating and reporting on financial issues concerning the Transportation Security Administration.

### **Mark A. Stiglitz**

For a positive attitude and outstanding interpersonal and data analysis skills, which serve as a model for all OIG employees.

## *Team Awards*

### **The '938' Audit Team**

For outstanding audit work on proper use of money from U.S. Treasury accounts.

**Terrence J. Letko, Leonard F. Meade, Sharon J. Ayers, Thomas E. Wise, Jr.**

### **Aviation Security Program Investigation Team**

For exemplary service in conducting a priority, high-sensitivity investigation of alleged improprieties in the management of key FAA aviation security programs.

**Richard C. Beitel, Jr., Brian A. Dettelbach, James L. Muhlenkamp, Steven N. Albino, Richard C. Appleton, Efferem I. Poynter, Michael J. Purcell, Barbara E. Schor, Kevin C. Shirley, Edwin J. Wynn, Todd Damiani**

### **Central Artery Project Team**

For outstanding efforts in the oversight of the Central Artery Project.

**Peter F. Babachicos, William R. Lovett, Laurence G. Burke, John M. Hannon**

### **Commercial Driver's License Audit Team**

For contributions in identifying the need to tighten Federal standards and state controls for the National Commercial Driver's License Program in order to defend against the alarming threat posed by individuals who seek to fraudulently obtain licenses.

**Barbara M. Cobble, Joseph W. Comè, Shirley H. Murphy, Larry K. Herdzina, William M. Obinger, Kimberley A. Bolding, Paul W. Kimbrough, Christopher R. Smith**

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**Coordination Team: 2002 National Fraud Conference on Highway and Public Transportation Programs**

For invaluable contributions to the 2002 National Fraud Conference on Highway and Public Transportation Programs.

LaVan Griffith, Michael D. Gullede, Gary E. Lewis, Rodolfo E. Perez, David J. Barnes, John W. Long, Michelle T. McVicker, Joseph M. Zschesche, Normalyn Anderson, Kevin L. McBride, Mark E. Peters, Douglas Shoemaker, Bradley D. Wheeler

**Federal Motor Carrier Safety Administration Bribery Investigation Team**

For superior teamwork resulting in the arrest of an individual who had bribed an FMCSA safety inspector.

Craig S. Singleton, David J. Hoefler, Kevin C. Shirley, Jacquie M. Wente, Henry Rivas

**Information Technology Omnibus Procurement Audit Team**

For outstanding performance in reviewing a Government-wide procurement program managed by the Department of Transportation.

Rebecca C. Leng, Michael L. Marshlick, Thomas K. Lehrich, Gary M. Klauber, Linda L. Toms, Cynthia F. Tims

**Occupational Safety and Health Standards for Flight Attendants Team**

For producing audit results that provided the impetus needed to ensure the Government protects flight attendants from workplace hazards.

David A. Dobbs, Richard A. Kaplan, Robert F. Prinzbach, Coletta A. Treakle

**Recruiting Video and Trade Show Development Team**

For outstanding work creating the DOT OIG recruiting video and trade show display.

Michelle Ward McGee, Lisa A. Glazzy, Efferem I. Poynter, Steven M. Schleyer, Barbara E. Schor, Paul Nagulko, Joyce K. Mayeda

**Standard Terminal Automation Replacement System Review Team**

For dedication and exemplary performance on reviews of the Federal Aviation Administration's Standard Terminal Automation Replacement System.

Robert F. DeAntonio, Charles A. Ward, Victoria J. Smith

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# A W A R D S

## PCIE Awards

The President's Council on Integrity and Efficiency (PCIE) addresses issues of integrity, economy, and effectiveness that transcend individual Government agencies; increase the professionalism and effectiveness of IG personnel throughout the Government; and coordinate IG responses to congressional requests. The body comprises all Presidentially appointed Inspectors General and officials from the Office of Management and Budget, Federal Bureau of Investigation, Office of Personnel Management, Office of Government Ethics, and Office of Special Counsel.

### *Award for Excellence — Audit*

#### **Aviation Safety Team**

For providing the impetus for important changes in FAA and air carrier oversight processes and improving aviation safety.

David A. Dobbs, Lou E. Dixon, Robin P. Koch, Tina B. Nysted, Jurandia L. Brown, Thomas D. Jefferson, Ronnie G. Jones, Mike J. Leibrecht, Curt L. Boettcher, Curtis S. Gelber, Kevin F. George

#### **Transportation Security Team**

For outstanding dedication and contributions to improving transportation security following September 11, 2001.

David A. Dobbs, Robin K. Hunt, Scott K. Macey, Daniel R. Raville, Petra Swartzlander, A. Robert Lund, Robert F. Meisenhelder, Shirley H. Murphy, James H. Yeager, Terri A. Ahuruonye, Kari E. Beitel, John T. Crowson, Lester D. Girdlestone, Monica J. Hayden, Stephen L. Jones, Gary W. Kirk, Judy W. Nadel, Steven J. Schamberger, Sharon R. Trodden, Cecilia M. Barela, Gerald L. Blumenthal, Curt L. Boettcher, Francis E. Danielski, Randolpho E. De Leon, Gary B. Fishbein, Rita L. Fox, John C. Hudson, Robert Y. Lee, Paul Nagulko, Louis J. Ochoa, Tiffany N. Smith, Keri L. Spencer, Kim P. Tieu, Isabel M. Tumblin, Philip B. Windust, Katherine A. Yutzey

### *Award for Excellence — Investigation*

#### **Marlies T. Gonzalez**

For outstanding investigation of Carnival Corporation for environmental crimes impacting our national and international waterways.

#### **Ramon Sanchez, Jr.**

For outstanding performance in conducting criminal investigations impacting highway safety.

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### *Award for Excellence — Evaluation*

#### **Amtrak Assessment Team**

For outstanding contributions in monitoring Amtrak and reporting to the Administration and Congress on Amtrak's financial status, strategic plans, and capital needs.

Mark R. Dayton, Stuart A. Metzger, Leila D. Kahn, Christopher T. McKay, Christena Nielsen, Lauralyn J. Remo, Michael W. Rodgers, Joshua L. Schank, Vera W. Tam, William H. Wuehler

#### **Transportation Recall Enhancement, Accountability, and Documentation Act Team**

For timely identification of deficiencies that needed to be addressed by the National Highway Traffic Safety Administration to implement the Transportation Recall Enhancement, Accountability, and Documentation Act and improve its ability to timely identify potential defects in vehicles or parts.

Ronald H. Hoogenboom, Madeline M. Chulumovich, Sara J. Ancona, Wendy M. Harris, Mark A. Stiglitz

### *Award for Excellence — Management*

#### **Delphi Accounting System Team**

For outstanding work supporting development of DOT's new financial management system.

John L. Meche, Earl C. Hedges, Leonard F. Meade, Michael S. Ralph, LaKarla M. Lindsay, Keyanna L. Frazier

### *Award for Excellence — Multiple Disciplines*

#### **Undercover Tests of Aviation Security Team**

For outstanding dedication and contribution to the President's and Secretary's initiatives for improving aviation security.

James H. Diecker, Theodore L. Doherty III, Normalyn Anderson, Richard C. Appleton, David W. Brown, John T. Crowson, Donald E. Emery, Kevin R. Gaul, Lester D. Girdlestone, Stephen Gruner, Stephen L. Jones, Gary W. Kirk, Tristan Linkert, Kevin L. McBride, Joseph B. McGovern, M. Jeffrey Mortensen, Mark E. Peters, Efferem I. Poynter, Steven J. Schamberger, Sharon R. Trodden, Bradley D. Wheeler, Cecilia M. Barela, Josephine E. Bates, Stephen A. Bitter, Gerald L. Blumenthal, Todd A. Damiani, Gloria J. Echols, Steven E. Erb, Kirk A. Gillett, Carlton H. Hamilton, John M. Hannon, Doral D. Hill, Leigh R. Hinson, Brian J. Huckaby, John C. Hudson, Jeanette M. McDonald, Paul Nagulko, James M. Nelson, Shonnel R. Norris, Richard H. Payne, Santos Ramirez, Henry Rivas, Rosa L. Scalice, Joshua L. Schank, Joseph Tschurilow, Isabel M. Tumblin, Jennifer A. Walker, Philip B. Windust

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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>ATOS</b>	<b>Air Transportation Oversight System</b>
<b>CDL</b>	<b>Commercial Driver's License</b>
<b>DCIS</b>	<b>Defense Criminal Investigative Service</b>
<b>DHS</b>	<b>Department of Homeland Security</b>
<b>DoD</b>	<b>Department of Defense</b>
<b>DOT</b>	<b>Department of Transportation</b>
<b>EPA</b>	<b>Environmental Protection Agency</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>IG</b>	<b>Inspector General</b>
<b>IRS</b>	<b>Internal Revenue Service</b>
<b>ITOP</b>	<b>Information Technology Omnibus Procurement Program</b>
<b>LAAS</b>	<b>Local Area Augmentation System</b>
<b>MARAD</b>	<b>Maritime Administration</b>
<b>NAFTA</b>	<b>North American Free Trade Act</b>
<b>NASA</b>	<b>National Aeronautic and Space Administration</b>
<b>NHTSA</b>	<b>National Highway Transportation Safety Administration</b>
<b>OEP</b>	<b>Operational Evolution Plan</b>
<b>OIG</b>	<b>Office of Inspector General</b>
<b>OSHA</b>	<b>Occupational Safety and Health Administration</b>
<b>PCIE</b>	<b>President's Council on Integrity and Efficiency</b>
<b>RSPA</b>	<b>Research and Special Programs Administration</b>
<b>STARS</b>	<b>Standard Terminal Automation Replacement System</b>
<b>TASC</b>	<b>Transportation Administrative Service Center</b>
<b>TEA-21</b>	<b>Transportation Equity Act for the 21st Century</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>USCG</b>	<b>United States Coast Guard</b>







**U.S. Department of Transportation**

**Office of Inspector General**

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