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**Inspector General
Semiannual Report
to the Congress**

October 1, 1996 - March 31, 1997



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

The Inspector General

Office of Inspector General
Washington, D.C. 20590

April 15, 1997

The Honorable Rodney E. Slater
Secretary of Transportation
Washington, DC 20590

Dear Mr. Secretary:

It is my pleasure to submit the Office of Inspector General's (OIG) Semiannual Report to the Congress for the 6-month period ended March 31, 1997. The accomplishments presented in the report were made possible by the diligent and professional efforts of OIG's career staff. These men and women have demonstrated exceptional character and the highest levels of integrity and quality in performing tasks to increase economy, efficiency, and quality of the Department's programs and operations.

During my 7 months as Acting Inspector General, I have seen many extraordinary examples of hard work and commitment from OIG employees at all grade levels. Through their efforts, OIG has continued to improve productive, professional working relations with executives, managers, and employees of the Department and the Congress.

Mr. Secretary, be assured that the new Inspector General will inherit a thoroughly professional staff dedicated to improving the efficiency and effectiveness of DOT's programs and operations. It has truly been my privilege and pleasure to serve you as Acting Inspector General.

Sincerely,

Joyce N. Fleischman

A handwritten signature in cursive script that reads "Joyce N. Fleischman".

Acting Inspector General

Enclosure

TABLE OF CONTENTS

October 1, 1996 — March 31, 1997

| | |
|---|----|
| LETTER TO THE SECRETARY | i |
| EXECUTIVE SUMMARY | v |
| SECTION I-AUDIT ACTIVITY | |
| A. Introduction..... | 1 |
| B. Audit Accomplishments | 1 |
| C. Requested Reviews | 1 |
| D. Selected Significant Findings and Recommendations..... | 3 |
| E. Management Decisions | 13 |
| 1. Background | 13 |
| 2. Status of Management Decisions..... | 13 |
| 3. Summary of Departmental Efforts | 16 |
| 4. Status of Unresolved Audit Recommendations Over 6 Months Old | 17 |
| 5. Required Reports..... | 19 |
| F. Application of Audit Resources | 19 |
| SECTION II-EVALUATIONS ACTIVITY | |
| A. Introduction..... | 21 |
| B. Evaluations Accomplishments | 21 |
| C. Selected Significant Findings and Recommendations..... | 21 |
| D. Application of Evaluations Resources | 25 |
| SECTION III- INVESTIGATIONS ACTIVITY | |
| A. Introduction..... | 27 |
| B. Investigative Accomplishments..... | 27 |
| 1. Investigation Activity | 27 |
| 2. Prosecutive Referrals..... | 27 |
| 3. Judicial and Administrative Actions | 28 |
| C. Selected Investigations | 29 |
| D. Application of Investigative Resources | 34 |
| SECTION IV-OIG HOTLINE | |
| A. OIG's Hotline Complaint Center Activities | 37 |
| B. Selected Hotline Complaints | 37 |

SECTION V-ORGANIZATION AND MANAGEMENT

A. Organization and Staffing 41
B. OIG Restructuring..... 43
C. Internet 43
D. Reviews of Legislation and Regulations 44
E. Freedom of Information Act (FOIA) 44
F. OIG Budget for FY 1997 44

APPENDICES

Glossary of Acronyms and Terms Used in This Report..... A-1
Listing of Reports Issued During This Reporting Period B-1
Reporting Requirements..... C-1

NOTE: There have been no instances during this reporting period where information requested by OIG was refused by Department officials. Accordingly, we have nothing to report pursuant to Section 5(a)(5) of the Inspector General Act of 1978, as amended.

EXECUTIVE SUMMARY

This report, required by the Inspector General (IG) Act of 1978, as amended, summarizes the activities and accomplishments of the Department of Transportation's (DOT) Office of Inspector General (OIG) during the period October 1, 1996, to March 31, 1997. The report has been prepared in accordance with Public Law (P.L.) 100-504, IG Act Amendments of 1988, which changed reporting definitions for OIG and requires the reporting of management decisions on OIG audit recommendations. Because the role of OIG is to identify problems and weaknesses and prevent fraud, waste, and abuse, our emphasis has been placed in the areas most susceptible or vulnerable to these problems. The reader should not assume from this report that the significance of findings and recommendations described are representative of

the overall condition of DOT's programs and operations.

The table below presents a summary of the OIG's statistical results for the last 6 months. During the reporting period, much of the OIG's audit work addressed transportation safety issues and the Department's financial statements. Since these types of audits do not result in significant dollar savings, the results in the table below--in terms of dollars--are below prior semiannual levels. Furthermore, the number of audit reports issued, compared to prior semiannual figures, is lower because contract audit reports prepared by the Defense Contract Audit Agency (DCAA) and most single audit reports issued by grantee organizations and processed by OIG are now excluded from OIG's Semiannual Report.

OIG STATISTICAL RESULTS (Dollars in Thousands)

AUDIT RESULTS

| | |
|---|----------|
| Number of Reports Issued | 70 |
| Number of Recommendations | 144 |
| Costs Questioned | \$4,146 |
| Costs Unsupported | \$36 |
| Funds to Be Put to Better Use | \$4,219 |
| Management Decisions to Seek Recoveries | \$54,054 |

EVALUATION RESULTS

| | |
|------------------------------|----|
| Number of Reports Issued | 7 |
| Number of Projects Completed | 7 |
| Number of Recommendations | 10 |

INVESTIGATIVE RESULTS

| | |
|--|---------|
| Indictments | 61 |
| Convictions | 27 |
| Fines, Restitutions/Civil Judgments, and Federal and State Recoveries | \$7,474 |

OIG ACCOMPLISHMENTS

The Office of Assistant Inspector General (AIG) for Auditing, in three notable accomplishments during the reporting period: (i) enhanced highway safety by making recommendations to the Federal Highway Administration (FHWA) to strengthen its Motor Carrier Safety Program, (ii) enhanced transportation safety by recommending that the Advanced Technology Transit Bus (ATTB) Project comply with all applicable Federal safety standards before they are placed in revenue service, and (iii) reduced Federal costs by recommending that the Federal Aviation Administration (FAA) consolidate Automated Flight Service Stations (AFSS) in connection with modernizing its flight service system.

OIG's audit of FHWA's Motor Carrier Safety Program identified improvements that are needed in FHWA's compliance review program; e.g., expand review coverage of the motor carrier population, more accurately target carriers for review, induce prompt and sustained motor carrier compliance with safety regulations, and ensure the quality of reviews. In its report, OIG made 14 recommendations. FHWA concurred or concurred-in-part with 10 of the 14 recommendations.

OIG found the Federal Transit Administration (FTA) had sufficient data to support its conclusion that the ATTB Project will result in environmentally cleaner transit buses. However, OIG also found that FTA's data was not sufficient to conclude the project will result in a safer bus and that FTA planned to field-test four prototype buses in revenue service beginning in September 1997, before all safety testing was completed. In its report, OIG recommended that the FTA Administrator ensure the ATTB proto-

type buses comply with all applicable Federal safety standards before the buses are put in service. FTA concurred with OIG's recommendation.

In another review, OIG found FAA has been modernizing the flight service system since 1978 by providing pilots (primarily general aviation) with improved flight planning and filing, weather briefings, communications, and emergency services essential for safe and efficient flight. Flight service system modernization continues with FAA's planned procurement of the Operational and Supportability Implementation System (OASIS). This \$128 million program will replace the existing flight service automation system. FAA's operations costs for the continental United States (CONUS) AFSS for Fiscal Years (FY) 1994 and 1995 were \$421 million and \$401 million, respectively. In OIG's opinion, FAA has an opportunity to substantially reduce flight service operating and acquisition costs by consolidating AFSSs and evaluating additional alternatives to satisfy its mission. OIG did not estimate the savings but made recommendations which would require FAA to identify the most economic approach to providing this service. In its report, OIG recommended that before making an OASIS contract award, FAA should: (i) perform comprehensive cost and efficiency analyses of the CONUS AFSSs, and fully consider further consolidation and/or co-location; and (ii) complete an evaluation of using the private sector to provide the full range of flight services. Actions taken and planned meet the intent of OIG's recommendations.

During this reporting period, OIG focused its financial efforts on auditing the financial statements of FAA, the Highway Trust Fund (HTF) and DOT's first consolidated finan-

cial statement. Reports on FAA and the HTF were issued as of March 27, 1997. The report on the consolidated statement will be issued in April 1997.

FAA's Statement of Financial Position as of September 30, 1996, received a disclaimer of opinion due to, among other things, six material internal control weaknesses. For example, FAA did not have adequate controls in place to: (i) ensure consistency between financial statements and budgetary reports in reporting budget execution results and (ii) prevent recording of invalid liabilities. In addition, there were inadequacies in supporting documentation and unrecconciled discrepancies between the general ledger and subsidiary records. OIG made 35 recommendations to FAA to strengthen internal controls and establish the correctness of FAA financial statement balances. Corrective actions taken or planned by FAA were responsive to 34 recommendations. During the course of our audit, we identified the need for, and FAA made, over \$12.4 billion of accounting adjustments and modifications.

The Combined Statement of Financial Position and Combined Statement of Operations for the HTF as of September 30, 1996, involving the trust fund-related activities of FHWA, FTA, and National Highway Traffic Safety Administration (NHTSA), received an unqualified opinion. Internal controls affecting accounting and administrative processes for FHWA, FTA, and NHTSA provided reasonable assurance that information reported in the HTF financial statements was reliable. However, internal controls needed strengthening over: (i) FHWA's and FTA's computer security programs for the automated systems used to administer grants and make disbursements

to grantees; (ii) FHWA's and FTA's payment systems to detect multiple payments; and (iii) FHWA's procedures to record procurement contracts as liabilities after receipt of the goods and services. FHWA, FTA, and NHTSA accounting personnel agreed with and implemented OIG's recommended audit adjustments. During the course of our audit, we identified the need for, and the respective agencies made, over \$15.4 billion of accounting adjustments and modifications.

The Office of AIG for Evaluations issued an important report on FAA's Deicing Program.

Following the March 1992 crash of USAir Flight 405 at LaGuardia Airport in New York, New York, FAA amended the Federal Aviation Regulations (FAR) and developed the "Aircraft Ground Deicing and Anti-Icing Program" to prevent future icing-related accidents. OIG conducted a review of the Deicing Program to determine how these changes improved air safety during icing conditions. OIG concluded the amended regulation would not eliminate icing-related accidents and made corresponding recommendations. FAA concurred with the following recommendations: (i) that FAA take steps to ensure inspectors analyze inspection results, plan future inspections, and seek necessary air carrier deicing program changes; and (ii) that FAA aid airport operators in resolving environmental issues. FAA did not agree with our recommendation to revise its regulation to address the responsibilities of airport operators in icing conditions, including developing and providing deicing plans to FAA. OIG has requested FAA reconsider its position on this matter. OIG has not received FAA's reply.

The Office of AIG for Investigations concluded several notable investigations during the reporting period. As a result of a July 1994 fatal motor carrier accident in New York, OIG conducted a joint investigation with FHWA's Office of Motor Carriers and the Federal Bureau of Investigation (FBI). A company was charged with making approximately 90 false entries in its drivers' daily logs, which is in violation of Federal motor carrier safety regulations applicable to carriers of hazardous materials (HAZMAT). In the fatal accident, a number of false logs were prepared by the driver who was killed when his propane transport trailer struck a guard rail and exploded. The investigation revealed that, at that time of his death, the driver had been on duty approximately 35 hours without the required 8 consecutive hours off duty. The company was sentenced to 5 years probation, 2,500 hours of community service (focusing on the effects of driver fatigue), and a \$1 million fine.

As a result of joint investigative work between OIG, FHWA's Office of Motor Carriers, and FBI, a Federal grand jury in the Northern District of Texas returned a 12-count indictment against a nationwide trucking company, headquartered in Texas, and three corporate officials for conspiring to defraud the Federal government and submitting false statements. The defendants were charged with falsifying drivers' logs. In February 1997, the company and the owner pled guilty to charges of conspiracy to defraud by making false statements regarding the drivers' logs, including instructing drivers to violate DOT highway safety regulations by using non-existent names in the drivers' logs. Sentencing has not been scheduled.

In a joint investigation involving OIG, FBI, and FAA, two former vice presidents of a major New York FAA-certified repair station were sentenced following their May 1996 guilty verdicts. A Federal jury found one defendant guilty of mail fraud, wire fraud, false statements, and obstruction of justice and found the other officer guilty of wire fraud. The two were sentenced for their respective roles in conducting improper repairs on jet engine parts. The first former vice president was sentenced to 3 years in prison, 2 years probation, fined \$500,000, and barred from involvement in the aviation industry for 5 years. The other vice president received 6 months home confinement, 3 years probation, and a \$30,000 fine. The sentencings culminated a 5-year long investigation which also resulted in the company making a \$5 million remedial payment to FAA and placing an additional \$5 million in escrow for testing aviation parts in support of the investigation.

SIGNIFICANT LONG-TERM PROJECTS

OIG has been involved in projects that have been ongoing over a number of years and that recently resulted in major improvements. For example, we have continued to be active and to emphasize investigations of suspected unapproved parts (SUPs) and audits of airport revenue diversions.

As a result of our recommendations, FAA established a SUPs Program Office in November 1995. Since that time, the office has: (i) issued clear guidance on procedures for parts suppliers; (ii) ruled on the disposition of scrap and salvageable parts; (iii) ruled on the eligibility of military parts for use in civil aviation; and (iv) developed a comprehensive training program for all inspectors who handle SUPs reports.

Furthermore, coordination between FAA and OIG has continued to improve. Joint FAA/OIG initiatives are being planned to enhance the SUPs program. In addition, OIG is working with FAA and FBI to strengthen SUPs enforcement and to develop a national strategy to combat the SUPs problem.

OIG's work over the past 6 years has been instrumental in bringing about changes in legislation affecting revenue retention by airports. Since August 1991, OIG has issued 48 reports related to airport revenue. These reports identified \$173.7 million in prohibited revenue diversions. As a result of OIG's work, Congress included strengthened provisions concerning diversion of airport revenues in FAA's reauthorization legislation. Although there remain several significant instances of revenue diversion, much has been accomplished to protect airport funds from inappropriate use.

DOT PROGRAMS AND OPERATIONS THAT ARE WORKING WELL

While OIG's work typically focuses on suspected problems, it has also identified programs and activities that have worked well. Several examples bear mentioning:

- The United States Coast Guard's (USCG) oversight of the construction of seagoing and coastal buoy tenders by Marinette Marine Corporation was well-managed and highly effective in ensuring materials and work performance complied with contractual requirements, and appropriate remedies were instituted when contractual requirements were not met. (Report No. R5-CG-7-002)
- FAA implemented effective procedures and controls for monitoring commuter

and air taxi pilots' compliance with certification, training, and proficiency testing requirements. (Report No. R5-FA-7-001)

- FY 1995 Federal-aid highway fund apportionments were in compliance with statutory formulas, related appropriations acts, and applicable laws. (Report No. AS-FH-7-001)
- FAA has effective procedures and controls over training and designating pilot examiners. (Report No. R2-FA-7-001)
- The New York City Transit Authority (NYCTA) had appropriate source documentation to support operating force account charges billed to FTA grants. OIG also found NYCTA had adequate policies and procedures for documenting operating force account costs. (Report No. R2-FT-7-008)
- FAA's eligibility criteria and payment of administratively uncontrollable overtime complied with Federal statutory and regulatory requirements. (Report No. R9-OS-7-004)
- Three FAA field offices provided sufficient oversight of pilot training programs. (Report No. R0-FA-7-004)

CONCLUSION

OIG oversight activity yielded substantial results not only in terms of increased efficiency and economy throughout DOT and its operating administrations (OA), but also in terms of indictments, convictions, and fines. We look forward to continuing our work and our service to DOT, the Federal government, and the American people.

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SECTION I - AUDIT ACTIVITY

A. INTRODUCTION

This section summarizes OIG audit activities for the 6-month period ending March 31, 1997.

The Office of AIG for Auditing is responsible for conducting audits of programs and operations of DOT. The audits are intended to help managers improve and enhance the effectiveness of DOT programs and operations. Audits are also designed to provide reasonable assurance of detecting abuse or illegal acts and generally fall within the following two audit categories:

- Financial audits — include financial statement and financial-related audits.
- Performance audits — include economy and efficiency and program audits.

OIG's audit activities during this period were responsive to management's needs while at the same time fulfilling the mandates of the IG Act and the Chief Financial Officers (CFO) Act. DOT programs and operations selected for audit were based on the magnitude of Federal funds involved, past audit activity, and the susceptibility of the activity to abuse and illegal acts. Additionally, Secretarial, OA, congressional, and President's Council on Integrity and Efficiency concerns were considered in the application of OIG audit resources.

B. AUDIT ACCOMPLISHMENTS

DOT's programs and operations are primarily carried out by departmental personnel and recipients of Federal-aid (grantees). Accordingly, audits are conducted from three distinct perspectives: (i) internal audits of

DOT programs and operations; (ii) grantee audits; and (iii) contractor reviews. A statistical summary of audits completed in these categories is shown in Table 1.

C. REQUESTED REVIEWS

Providing requested services to departmental, congressional, and other officials is an important function of OIG. These services are intended to provide management officials with timely and meaningful advice and assistance on departmental and governmentwide operations and activities. Examples of some of the requested services provided by the audit organization in this reporting period are discussed below.

1. In response to a request from FAA's Eastern Region, OIG audited costs claimed for FY 1995 by the Port Authority of New York and New Jersey. The costs were incurred under a service agreement by which the Port Authority furnished utilities and performed maintenance in FAA-occupied space at the new air traffic control tower at John F. Kennedy International Airport in Jamaica, New York.

The audit disclosed that the costs claimed did not reflect the actual costs of providing services to FAA per the terms of the agreement. Of the \$746,134 claimed by the Port Authority, OIG determined \$221,818 to be questionable. The Port Authority improperly allocated costs related to FAA space, claimed non-tower costs and utility costs in excess of actual allowable costs, and incorrectly applied overhead factors to material and outside vendor services. In addition, the amount claimed included costs for duplicate janitorial services and services outside the requirements of the agreement.

Table 1
Completed Audits October 1, 1996 to March 31, 1997
(Dollars in Thousands)

| Type of Review | Number of Reports | Number of Recommendations | Estimated Amounts* | | | |
|---|-------------------|---------------------------|--------------------|-------------------|-------------------------------|--------------------------------------|
| | | | Costs Questioned | Costs Unsupported | Funds To Be Put To Better Use | Adjustments and Reclassifications ** |
| <i>Internal Audits:</i> | | | | | | |
| Program/Functional Chief Financial Officer Financial Statements: | 25 | 67 | \$999 | \$36 | \$4,219 | \$0 |
| Highway Trust Fund | 1 | 8 | \$0 | \$0 | \$0 | \$15,400,000 |
| FAA | 1 | 35 | \$0 | \$0 | \$0 | \$12,400,000 |
| Total Internal Audits | 27 | 110 | \$999 | \$36 | \$4,219 | \$27,800,000 |
| <i>Grant Audits:</i> | | | | | | |
| Audits of Grantees under Single Audit Act | 29 | 20 | \$2,413 | \$0 | \$0 | \$0 |
| Other Grant Audits | 8 | 4 | \$1 | 0 | 0 | \$0 |
| Total Grant Audits | 37 | 24 | \$2,414 | \$0 | \$0 | \$0 |
| <i>Contract Audits:***</i> | | | | | | |
| Contracts | 6 | 10 | \$733 | \$0 | \$0 | \$0 |
| Total Contract Audits | 6 | 10 | \$733 | \$0 | \$0 | \$0 |
| TOTALS | 70 | 144 | \$4,146 | \$36 | \$4,219 | \$27,800,000 |
| * The dollars shown are the amounts reported to management. The actual amounts may change during final resolution. | | | | | | |
| ** An adjustment occurs when an amount in an account should be moved to another account in another section of the financial statement. An example of an adjustment was identified in the Highway Trust Fund (HTF) when the accounts "Liabilities Not Covered By Budgetary Resources" and "Future Funding Requirements" were reduced by \$11.5 billion because unfunded contract authority, which does not represent obligations to the HTF, were included in these accounts. A reclassification occurs where the balance in an account includes amounts that should be in another account. An example of a reclassification was identified for the HTF when \$3.0 billion of unrequisioned cash was reclassified as investments instead of accounts receivable. | | | | | | |
| *** Prior to this report, audits performed by the Defense Contract Audit Agency (DCAA), funded by OIG, were included in this table. In FY 1997, responsibility for funding DCAA audits was transferred to the OAs, and OIG was directed by the Appropriations Committee Conference Report to exclude these from future Semiannual Reports to Congress. | | | | | | |

OIG recommended FAA accept the determined costs, request future actual cost statements be submitted in accordance with the allocation methods identified in the agreement, and negotiate future agreement costs based on the findings of OIG's audit. FAA accepted the OIG's cost determinations and initiated a credit to future billings by the Port Authority. FAA also intends to negotiate all future service agreement costs in accordance with OIG recommendations.

2. In response to a request from the Federal Transit Administrator, OIG performed a limited-scope audit of the City of Los Angeles' Department of Airports revenue retention. OIG identified three areas where prohibited airport revenue diversions to the city occurred after the enactment of the FY 1997 DOT Appropriations Act. In addition, several prohibited revenue diversions identified in OIG's previous audit (Monitoring of Accountability and Use of Airport Revenues by City of Los

Angeles, Department of Airports, Report No. R9-FA-6-001, dated October 30, 1995), occurring prior to the Act, continue to be unresolved.

Prohibited revenue diversions since September 30, 1996, totalled \$1,052,100, which included: (i) excessive sponsor support service charges totalling \$454,300; (ii) airport parking citation revenue retained by the city, totalling \$445,000; and (iii) rent-free use of airport property by the city, with a rental value of \$152,800, from October 1, 1996, to January 31, 1997.

OIG recommended the Acting FAA Administrator: (i) expedite FAA's reply to Report No. R9-FA-6-001 so the issues can be resolved and the Department can provide the city and airports a unified position; and (ii) advise the city of the Department's position on legitimate capital and operating costs chargeable to airports.

In a March 26, 1997 letter from the Mayor of the City of Los Angeles to the Secretary of

Transportation, the Mayor advised that the city would refund the \$1,052,100 and the interest on that amount by means of a "credit" to an outstanding bill for city services provided to the airport. As of March 31, 1997, the "credit" had not been given and the outstanding bill, exceeding \$26 million, had not been paid.

D. SELECTED SIGNIFICANT FINDINGS AND RECOMMENDATIONS

The following examples are illustrative of the types of findings and recommendations made to departmental officials during the past 6 months. These audits are presented by category of audit — Departmentwide and Administrationwide, Financial Statement, and Facility/Regional. Due to the recent issuance of some reports, final disposition or resolution may not be complete. OIG will evaluate the responses to final reports and, if disagreements occur, will seek resolution through the Department's formal resolution process.

DEPARTMENTWIDE AND ADMINISTRATIONWIDE AUDITS

AUDITS ADDRESSING A CONDITION OR PROBLEM THROUGHOUT THE DEPARTMENT OR A PARTICULAR OPERATING ADMINISTRATION

FHWA SHOULD STRENGTHEN THE MOTOR CARRIER SAFETY PROGRAM. (Report No. AS-FH-7-006)

OIG Findings

Improvements are needed in the compliance review program to expand review coverage of the motor carrier population, more accurately target carriers for review, induce prompt and sustained motor carrier compliance with safety regulations, and ensure the quality of reviews. During FY 1995, only 8,666 of

345,500 (2.5 percent) interstate motor carriers received compliance reviews, and 64 percent of the Nation's carriers remain unrated. Because of limited resources, FHWA should better target carriers by emphasizing on-the-road performance data in their system to prioritize and select carriers for review. Furthermore, FHWA's enforcement efforts were not effective in inducing prompt and sus-

tained compliance with regulations and safe on-the-road performance. Seventy-five percent of carriers sampled did not sustain a satisfactory rating and, after a series of compliance reviews, 54 percent of the carriers had vehicle out-of-service rates from roadside inspections higher than the FY 1995 national average. In addition, FHWA did not ensure compliance review procedures were followed or that critical review steps were thoroughly performed.

OIG Recommendations

OIG made 14 recommendations designed to: (i) increase safety fitness determinations of the motor carrier population; (ii) improve the system to identify and review problem carriers; (iii) enhance the effectiveness of the enforcement program by taking stronger

enforcement actions; and (iv) ensure the quality of compliance reviews.

Corrective Actions

FHWA concurred or concurred-in-part with 10 of the 14 recommendations. For the four recommendations which FHWA non-concurred and for all other recommendations, FHWA provided either implementing actions or proposed alternative corrective actions. FHWA agreed to: (i) increase contacts with motor carriers and improve the effectiveness of compliance reviews; (ii) use a system which emphasizes on-the-road performance data to identify high-risk carriers for review; (iii) use a new system for assessing increased penalties for continued noncompliance; and (iv) develop and implement controls to ensure the quality of compliance reviews.

FAA DID NOT PROVIDE CONSUMERS WITH COMPARATIVE DATA ON INDIVIDUAL AIRLINE SAFETY.

(Report No. AS-FA-7-002)

OIG Findings

While DOT issues a wide variety of data on aviation statistics, no reports were issued that gave consumers comparative information on individual airline safety. Each month, DOT publishes the Air Travel Consumer Report to assist consumers with information on the quality of services provided by the largest U.S. airlines. The report contains data on flight delays, mishandled baggage, and oversales. In addition, the report summarizes consumer complaints received by DOT. Although data is available on the quality of airline service, consumers were not provided reports on the safety of individual airlines.

As part of its efforts to improve and enhance aviation safety by sharing data, FAA established the National Aviation Safety Data Analysis Center (NASDAC). NASDAC is an

extensive data warehouse containing aviation safety information. Information in NASDAC includes accident and incident data, aircraft-specific information, safety recommendations, and safety-trend analysis. NASDAC's primary mission is to provide FAA and the world aviation community with a comprehensive source of aviation safety data. Information available to consumers is limited and includes tips on what types of clothing to wear when flying. NASDAC has the capability to prepare comparative data on airline safety as demonstrated by a May 1996 internal report entitled "Low-Cost Air Carrier Safety Record." The report addressed the issue of comparative safety and analyzed overall accident rates, serious accident rates, and runway incursions caused by pilot deviations. Despite its capability, FAA had been reluctant to publish airline safety data for fear

of misinterpretation of the statistics by the public. However, FAA can compile information on airline safety and furnish it to the public in a readily understandable form in order to facilitate comparison among airlines. OIG concluded that critical safety data on individual airlines should be made available to consumers. Providing this data to consumers would improve overall aviation safety by providing a strong market-based incentive for airlines to maintain the highest level of safety in their operations. Furthermore, it would assist FAA's Office of System Safety to meet its goal of developing, marketing, and promoting safety information.

OIG Recommendation

OIG recommended FAA compile and furnish to the public, on a recurrent basis, information on airline safety in a readily understandable form in order to allow consumers to make comparisons among airlines.

Corrective Actions

The intent of OIG's recommendation was met by FAA's commitment to work with the aviation community to recommend the best

means to educate the public and to make available to them information about commercial aviation safety. FAA assembled a task force to develop recommendations on educating and supplying safety information to consumers and published a draft report entitled "A Review of Issues Related to Availability and Accessibility of Aviation Safety Data." The document was developed to stimulate discussion and to obtain feedback on the types of aviation safety data that FAA might make available to the public and issues relating to the distribution of aviation safety data.

On January 22, 1997, FAA announced it would substantially increase public access to aviation safety data and information through the Internet. In the first full week following this announcement, 1.4 million Internet users accessed the FAA home page. This figure more than doubled FAA's previous weekly average for Internet activity. In addition, FAA expects to add information on the U.S. aviation safety record, safety system, and safety data over the next few months.

FHWA DID NOT ENSURE STATES FOLLOWED FEDERAL GUIDELINES WHEN ACQUIRING CONTAMINATED PROPERTY.

(Report No. R6-FH-7-002)

OIG Findings

States acquired right-of-way property without: (i) adequately investigating for contamination; (ii) considering contamination in assessing property value; or (iii) holding property owners responsible for cleanup costs as required by Federal regulations. Of the 20 acquisitions reviewed, OIG found 16 properties were not adequately investigated for contamination; 14 appraisal reports contained no adjustments for contamination; 3 property

appraisals estimated cleanup costs, but states made no adjustments; and 4 properties were cleaned up with \$390,000 of Federal-aid funds, but states did not initiate recovery action against responsible parties. OIG also found cleanup costs were sometimes hidden among construction costs. In one state, four contracts included \$10 million of cleanup costs. Although FHWA was usually aware of noncompliance by states, FHWA did not limit Federal financial participation.

OIG Recommendations

OIG recommended FHWA: (i) incorporate specific provisions in project agreements addressing the identified deficiencies; and (ii) deny Federal financial participation in cleanup costs when states do not comply with Federal guidelines for acquiring contaminated property.

Corrective Actions

FHWA agreed to incorporate the spirit and intent of OIG recommendations as part of its current effort to revise and streamline the right-of-way regulations. In the interim, FHWA plans to issue a policy directive to all field offices informing them of OIG findings, and directing the field offices to work with state highway agencies to ensure best practices are used when contaminated properties are encountered.

FTA DATA IS NOT SUFFICIENT TO CONCLUDE THE ATTB PROJECT WILL RESULT IN A SAFER AND MORE COST-EFFECTIVE BUS.

(Report No. R3-FT-7-001)

OIG Findings

OIG found that FTA had sufficient data to support its conclusion that the ATTB Project will result in environmentally cleaner transit buses. However, data was not sufficient at this stage of the project to conclude the ATTB Project will result in a safer and more cost-effective bus. A significant portion of the safety data will not be available until six ATTB prototypes are built and tested for compliance with Federal safety requirements, including Federal Motor Vehicle Safety standards. Beginning September 1997, FTA planned to field-test four prototypes in revenue service in six urban cities for approximately 1 year. OIG was concerned that FTA ensure ATTB prototypes comply with Federal safety requirements prior to the prototypes being placed in revenue service. OIG also reported a comprehensive life-cycle cost analysis had not been performed to determine if it would be cost-effective to procure and operate the ATTB. OIG emphasized that FTA must ensure comprehensive life-cycle cost analyses are completed in order to make

informed decisions to fund grantee purchases of ATTB.

OIG Recommendation

OIG recommended FTA ensure that the ATTB prototype buses comply with all applicable Federal safety standards before the buses are put in service.

Corrective Actions

FTA concurred with the recommendation. FTA instructed the grantee (Los Angeles County Metropolitan Transportation Authority) to require the ATTB Project prime contractor ensure prototype buses will be in compliance with all applicable Federal safety requirements, prior to initiation of field testing in revenue service. During the survey the FTA grantee requested the ATTB contractor to submit a proposal for the management and support of a life-cycle cost analysis program. This analysis will be completed by the end of the project.

CONTROLS OVER THE APPORTIONMENT OF FEDERAL-AID HIGHWAY FUNDS CAN BE STRENGTHENED.

(Report No. AS-FH-7-001)

OIG Findings

FHWA's FY 1995 Federal-aid highway fund apportionments were in compliance with statutory formulas, related appropriations acts, and applicable laws. However, OIG identified an internal control weakness resulting from the lack of written systems documentation for the apportionment process. OIG also identified a weakness concerning access to the computer system used in the apportionment process. These weaknesses did not affect the 1995 apportionment calculations. During the audit, FHWA implemented adequate additional controls to improve computer system security.

OIG Recommendation

OIG recommended FHWA establish written systems documentation on the apportion-

ment process which would establish responsibilities and define methodology for accomplishing program objectives.

Corrective Actions

FHWA concurred with the recommendation. FHWA anticipates substantial changes to the formulas used to apportion Federal-aid highway funds during the upcoming congressional deliberations over the reauthorization of the program. Congressional action is not likely to be completed until late 1997, with the first distribution of funds under a revised program structure using new formulas occurring in FY 1998. FHWA expects to complete development of the documentation following these apportionments in FY 1998.

FAA CAN REDUCE FLIGHT SERVICE OPERATING AND ACQUISITION COSTS. (Report No. AS-FA-7-003)

OIG Findings

FAA has been modernizing the flight service system since 1978 by providing pilots (primarily general aviation) with improved flight planning and filing, weather briefings, communications, and emergency services essential for safe and efficient flight. These improvements were accomplished through consolidation and automation. Flight service system modernization continues with FAA's planned procurement of the Operational and Supportability Implementation System (OASIS). This \$128 million program will replace the existing flight service automation system. FAA's operations costs for the continental United States (CONUS) Automated Flight Service Stations (AFSS) for FYs 1994 and 1995 were \$421 million and \$401 million, respectively, amounting to approximately 9 percent of FAA's operations budget. In OIG's opinion, FAA has an opportunity to substantially reduce flight service operating and acquisition costs by consolidating AFSSs and evaluating additional alternatives to satisfy its mission need. Current technology provides FAA the ability to provide the same or increased level of flight services from fewer numbers of facilities without compromising safety. OIG found wide variations in operating and cost efficiencies among FAA regions. OIG also found FAA's cost per flight service varied significantly among regions. OIG concluded FAA needs to perform comprehensive analyses to determine the optimum number and location of AFSSs as well as the most cost-effective manner to provide flight services. These analyses should be completed before an OASIS contract award.

OIG Recommendations

OIG recommended that before making an OASIS contract award, FAA: (i) perform comprehensive cost and efficiency analyses of the CONUS AFSSs, and fully consider further consolidation and/or colocation; and (ii) complete an evaluation of using the private sector to provide the full range of flight services from the pre-flight function to the entire flight service function. The evaluation should also include a transition plan for the transfer of flight service functions from government to the private sector in order to realize benefits as early as possible.

Corrective Actions

FAA partially concurred with the recommendations. FAA agreed to perform comprehensive cost and efficiency analyses of the CONUS AFSSs to determine the implementation of future consolidations and/or colocations of AFSS facilities. FAA estimates the analyses will be completed within 6 months. FAA also agreed to complete an extensive evaluation of a full range of alternatives for providing flight services. FAA did not, however, agree that the CONUS AFSS cost and efficiency analyses or extensive alternatives evaluation should be completed before contract award because the acquisition strategy for OASIS includes options that specify incremental numbers of systems for acquisition and deployment. In addition, this strategy gives FAA the flexibility to stop production of OASIS based on the results of these analyses. Actions taken and planned meet the intent of OIG's recommendations.

FAA'S RESOURCE REQUIREMENT PLANNING SYSTEM FOR OPERATING AND MAINTAINING THE NATIONAL AIRSPACE SYSTEM (NAS) ESTIMATES FUNDING REQUIREMENTS BUT DOES NOT TRACK ACTUAL COSTS.

(Report No. AS-FA-7-004)

OIG Findings

FAA has identified the resource requirements needed to transition projects from Facilities and Equipment funding to Operations funding. However, because the Logistics Funding Requirements Document (LFRD) system to track actual costs was still under development, OIG was unable to verify the accuracy of these requirements. OIG also found that, until FY 1996, FAA had experienced significant funding constraints, staffing reductions, and cost increases in overtime and contract maintenance. During OIG's review, changes occurred which directly affected resource requirement planning within Airway Facilities. In FYs 1996 and 1997, Congress provided increased funding for the maintenance of the NAS and gave FAA the authority to hire additional field maintenance

technicians. Further, FAA completed two internal studies on maintenance of the NAS and is implementing numerous initiatives affecting resource requirement planning. In addition, the Air Traffic Management System Performance Improvement Act of 1996, P.L. 104-264, required FAA to contract with an independent entity to conduct a complete assessment of the financial requirements of FAA through the year 2002.

OIG Recommendations

OIG determined that development of the LFRD, recent internal studies and initiatives, and the requirement to contract for the assessment of its financial needs should assist FAA in its resource requirement planning. Therefore, OIG did not make any recommendations.

FINANCIAL STATEMENT AUDITS PERFORMED UNDER THE CHIEF FINANCIAL OFFICERS ACT OF 1990

The CFO Act of 1990 was passed to: (i) bring more effective general and financial management practices to the Federal government; (ii) improve systems of accounting, financial management, and internal controls; and (iii) provide for the production of complete, reliable, timely, and consistent financial information and reports. During this reporting period, OIG focused its CFO efforts on auditing the significant internal accounting and administrative control systems and conducting necessary and appropriate audit tests and verifications associated with DOT's first consolidated Departmentwide financial statement, as well as the individual financial statements of FAA and FHWA's Highway Trust Fund.

FAA's FY 1996 FINANCIAL STATEMENT. (Report No. R3-FA-7-004)

FAA's Statement of Financial Position as of September 30, 1996, encompassing all FAA activities and operations, received a disclaimer of opinion because of six material internal control weaknesses and two reportable conditions. For Operating Materials and Supplies and Property and Equipment reported on the Statement of Financial Position at a total of \$9.3 billion (representing 51 percent of FAA's total assets), there were inadequacies in supporting documentation and unreconciled discrepancies between general ledger balances maintained in the Departmental Accounting and Financial Information System and FAA's subsidiary records. In addition, equipment purchase transactions were inappropriately expensed and should have been capitalized. Furthermore, FAA did not have adequate controls in place to: (i) ensure consistency between financial statements and budgetary reports in reporting budget execution results and (ii) prevent recording of invalid liabilities.

As a result of these documentation and capitalization problems, the scope of OIG's work was not sufficient to enable the OIG to express an opinion on the Statement of Financial

Position as of September 30, 1996. This in turn, prevented the OIG from determining whether the information and manner of presentation in the Overview and Supplemental Financial and Management Information sections of the financial statement package were consistent with the information in the Statement of Financial Position. Except for compliance issues discussed in the internal control deficiencies and the absence of performance measures, FAA complied in all material respects with laws and regulations directly affecting the Statement of Financial Position.

The OIG made recommendations to FAA to strengthen internal controls and establish the correctness of FAA financial statement balances for Operating Materials and Supplies, Capitalization of Equipment Purchase Costs, Property and Equipment, the Work-in-Process Account, Budget and Financial Statement Report Reconciliations, Accounts Payable Liabilities, Yearend Accrued Liabilities, and Capital Leases and Leasehold Improvements. FAA concurred with 34 of 35 recommendations and has initiated or plans corrective actions. Corrective actions taken or planned by FAA were responsive to the 34 recommen-

dations. The OIG asked FAA to reconsider its position on the nonconcurrency with the OIG recommendation to review prior transactions

to identify equipment purchases that were improperly expensed.

HIGHWAY TRUST FUND (HTF) FY 1996 FINANCIAL STATEMENTS.
(Report No. AS-FH-7-007)

The Combined Statement of Financial Position and Combined Statement of Operations for the HTF as of September 30, 1996, involving the trust fund-related activities of FHWA, FTA, and National Highway Traffic Safety Administration (NHTSA), received an unqualified opinion. Internal controls affecting accounting and administrative processes for FHWA, FTA, and NHTSA provided reasonable assurance that information reported in the HTF financial statements was reliable. Internal controls over performance information reported in the financial statements for FTA and NHTSA were reliable in terms of meeting the existence and completeness requirements for performance measures. However, internal controls needed strengthening over: (i) FHWA's and FTA's computer security programs for the automated systems used to administer grants and make disbursements to grantees; (ii) FHWA's and FTA's payment systems to detect duplicate payments and FHWA's payment system to preclude project payments in excess of obligated project funds; (iii) FHWA's procedures to record procurement contracts as liabilities after receipt of the goods and services; (iv) FHWA's,

FTA's, and NHTSA's procedures to reconcile general ledger account balances with reported budget information; and (v) FHWA's performance measures to ensure compliance with Office of Management and Budget requirements. FHWA, FTA, and NHTSA complied in all material respects with the laws and regulations directly affecting the Combined Statement of Financial Position and Combined Statement of Operations for the HTF. In addition, the Supplemental Information (which included the Management Overview) was materially consistent with information in the Combined Statement of Financial Position and Combined Statement of Operations. FHWA, FTA, and NHTSA accounting personnel agreed with and implemented OIG's recommended audit adjustments. The resulting modifications incorporated into the final version of the FY 1996 HTF Financial Statements included \$12 billion in line item adjustments and \$3.4 billion in line item reclassifications. The line item modifications incorporated in the audited HTF Financial Statements were not caused by systemic weaknesses in the internal control structures of FHWA, FTA, and NHTSA.

FACILITY/REGIONAL AUDITS

AUDITS ADDRESSING A PROBLEM OR CONDITION AT A SPECIFIC LOCALITY OR FACILITY

INADEQUATE QUALITY CONTROL TESTING JEOPARDIZES BRIDGE SEISMIC RETROFIT PROGRAM IN CALIFORNIA.

(Report No. R9-FH-7-002)

OIG Findings

California Department of Transportation (Caltrans) did not apply uniform quality control specifications and testing procedures when using shotcrete (pneumatically placed concrete) for bridge seismic retrofit construction. This occurred because Caltrans approved change orders to substitute shotcrete for cast-in-place concrete in retrofit projects, before establishing uniform quality control specifications and testing procedures for shotcrete. FHWA was not aware Caltrans was using shotcrete without uniform quality control specifications and testing procedures. As a result, Caltrans and FHWA did not have adequate assurance bridges retrofitted with shotcrete will withstand the seismic forces of

major earthquakes for which they were designed.

OIG Recommendations

OIG recommended the FHWA Regional Administrator require Caltrans to: (i) develop uniform quality control specifications and testing procedures for shotcrete used in retrofit projects; (ii) conduct laboratory and field testing of shotcrete retrofit components; and (iii) repair or replace any shotcrete components which do not meet standards.

Corrective Actions

FHWA agreed with the findings and is implementing OIG's recommendations.

FHWA OVERSIGHT OF TESTING PROCEDURES ON THE CENTRAL ARTERY/THIRD HARBOR TUNNEL (CA/THT) PROJECT.

(Report No. R2-FH-7-007)

OIG Findings

OIG identified weaknesses in FHWA's oversight of the quality of construction on Boston's CA/THT Project. OIG also identified weaknesses in the project's quality of workmanship, disposition of failed materials, implementation of the Massachusetts Highway Department's (State) Materials Manual, and completion of material documents and reports. The State and Project consultant did not comply with testing procedures, contractual requirements, and Federal regulations. As a result, the Project incurred \$1,784,000 in additional expenses for

repairs and delays due to inferior workmanship, and FHWA did not have reasonable assurance that construction and materials used in the Project were in accordance with applicable specifications.

OIG Recommendations

OIG recommended FHWA: (i) strengthen FHWA oversight of project testing procedures to ensure construction and materials comply with specifications; (ii) not participate in Project costs caused by inferior workmanship or overriding contract provisions; (iii) require

timely and effective responses to reports of materials failing to meet specifications; (iv) ensure FHWA review and approve changes to the Materials Manual prior to implementation; and (v) require material closeout reports to be properly documented and reviewed for compliance with contract specifications.

Corrective Actions

FHWA concurred with OIG recommendations and identified corrective actions to address the weaknesses cited. FHWA will also include follow-on review activities as part of the Massachusetts Division's work plan, hold periodic materials monitoring meetings with the State and consultant, and not participate in costs associated with inferior or substandard quality of workmanship.

E. MANAGEMENT DECISIONS

1. Background

Section 5 of the IG Act of 1978 requires an identification of each significant recommendation described in previous semiannual reports on which corrective actions have not been completed. The IG Act Amendments of 1988, P.L. 100-504, established new requirements to report recommendations. The term "management decision" means the evaluation by management of the finding and recommendation, including actions concluded to be necessary. Section 5 of the Act was amended to require statistical tables on the status of management decisions; a summary of audit reports over 6 months old for which no management decision was made; a description of, and reasons for, any significant revised management decisions; and information on any significant management decision with which the IG is in disagreement.

2. Status of Management Decisions

Tables 2 and 3 are required by P.L. 100-504 (Section 5(a)(9) of the IG Act) and provide

statistical summaries of the management decisions on OIG reports. Included in these tables are the number of reports, recommendations, and dollar value of recommendations reported for which:

- no management decision had been made by the commencement of the reporting period;
- a management decision was made during the period, including: (i) the dollar value of agreed to or disallowed costs and (ii) the dollar value of costs not agreed to or disallowed; and
- no management decision had been made by the end of the reporting period.

In addition, although not required by the Act, Table 4 is included to show management decisions for reports that recommended procedural improvements.

| Table 2 Inspector General Issued Reports With Recommendations That Questioned Costs (Dollars in Thousands) | | | | |
|---|----------------------|------------------------------|---------------------|-----------------------|
| | Number of Reports | Number of Recommendations | Questioned Costs | Unsupported* Costs |
| A. For which no management decision had been made by the commencement of the reporting period | 82 | 87 | \$139,235 | (\$31,754) |
| B. Which were issued during the reporting period | <u>12</u> | <u>14</u> | <u>\$4,182</u> | <u>(\$36)</u> |
| TOTALS (A+B) | 94 | 101 | \$143,417 | (\$31,790) |
| C. For which a management decision was made during the reporting period | 82 | 86 | \$107,483 | (\$27,090) |
| (i) dollar value of disallowed costs | 9** | 10*** | \$1,666 | (\$331) |
| (ii) dollar value of costs not disallowed**** | 76** | 79*** | \$105,817 | (\$26,759) |
| D. For which no management decision has been made by the end of the reporting period | 12 | 15 | \$35,934 | (\$4,700) |
| * Unsupported costs are also included in the figures shown as questioned costs. ** Includes reports where costs were both allowed and disallowed. *** Includes recommendations where costs were both allowed and disallowed. **** Defense Contract Audit Agency audit activity in support of DOT procurements reported in prior semiannual reports is no longer being tracked by OIG. The data shown represents the writedown of 71 reports with 74 recommendations totaling \$81.4 million. | | | | |

Table 3
Inspector General Issued Reports With Recommendations That Funds Be Put To Better Use

| | Number of Reports | Number of Recommendations | Dollar Value (in Thousands) |
|---|----------------------|------------------------------|--------------------------------|
| A. For which no management decision had been made by the commencement of the reporting period | 8 | 17 | \$149,491 |
| B. Which were issued during the reporting period | <u>3</u> | <u>5</u> | <u>\$4,219</u> |
| TOTALS (A+B) | 11 | 22 | \$153,710 |
| C. For which a management decision was made during the reporting period | 4 | 6 | \$65,155 |
| (i) dollar value of recommendations that were agreed to by management | | | |
| – based on proposed management action | 4* | 6* | \$52,388 |
| – based on proposed legislative action | 0 | 0 | 0 |
| (ii) dollar value of recommendations that were not agreed to by management | 2* | 3* | \$12,767 |
| D. For which no management decision has been made by the end of the reporting period | 7 | 16 | \$88,555 |
| * Includes reports and recommendations where some costs were allowed and other costs were disallowed. | | | |

| Table 4 | | |
|---|----------------------|------------------------------|
| Inspector General Issued Reports With Procedural Recommendations | | |
| | Number of Reports | Number of Recommendations |
| A. For which no management decision had been made by the commencement of the reporting period | 63 | 104 |
| B. Which were issued during the reporting period | <u>33</u> | <u>125</u> |
| TOTALS (A+B) | 96 | 229 |
| C. For which a management decision was made during the reporting period | 70 | 160 |
| By Type of Audit | | |
| – Internal Audits | 19 | 103 |
| – Grant Audits | 2 | 6 |
| – Contract Audits | 49 | 51 |
| D. For which no management decision has been made by the end of the reporting period | 26 | 69 |
| By Type of Audit | | |
| – Internal Audits | 17 | 56 |
| – Grant Audits | 8 | 12 |
| – Contract Audits | 1 | 1 |

3. Summary of Departmental Efforts

Departmental Order 8000.1C prescribes uniform definitions, requirements, and procedures for processing and resolving audit findings and recommendations. It includes specific procedures for referring unresolved

issues to the next higher organizational level and to the Secretary, when necessary.

Table 5 summarizes management decisions made during the past 6 months to resolve audit reports.

Table 5
Summary of Inspector General Issued Audit Reports With Recommendations
(Dollars in Thousands)

| Description | Number of Reports | Number of Recommendations | Questioned Costs | Unsupported Costs* | Funds To Be Put To Better Use |
|--|-------------------|---------------------------|------------------|--------------------|-------------------------------|
| Unresolved as of 9/30/96 | 130 | 208 | \$139,235 | (\$31,754) | \$149,491 |
| Audits with Findings During Current Period | <u>38</u> | <u>144</u> | <u>\$4,182</u> | <u>(\$36)</u> | <u>\$4,219</u> |
| Total to be Resolved | 168 | 352 | \$143,417 | (\$31,790) | \$153,710 |
| Management Decisions During Current Period | | | | | |
| Audits Prior Period | 117 | 147 | \$105,714 | (\$27,054) | \$65,155 |
| Audits Current Period | <u>21</u> | <u>105</u> | <u>\$1,769</u> | <u>(\$36)</u> | <u>0</u> |
| Total Resolved Reports/Recommendations | 138 | 252 | \$107,483 | (\$27,090) | \$65,155 |
| Unresolved as of 3/31/97** | 30 | 100 | \$35,934 | (\$4,700) | \$88,555 |
| Aging of Unresolved Audits | | | | | |
| Less Than 6 Months Old | 17 | 39 | \$2,413 | (0) | \$4,219 |
| Between 6 Months and 1 Year | 2 | 9 | \$3,000 | (0) | \$36,400 |
| Between 1 Year and 18 Months | 6 | 26 | \$5,125 | (\$4,700) | \$30,908 |
| Between 18 Months and 2 Years | 3 | 6 | \$25,396 | (0) | \$6,500 |
| Over 2 Years Old | <u>2</u> | <u>20</u> | <u>0</u> | <u>(0)</u> | <u>\$10,528</u> |
| TOTALS | 30 | 100 | \$35,934 | (\$4,700) | \$88,555 |

* Unsupported costs are also included with the figure shown as questioned costs.

** A report is considered unresolved if management decisions have not been made on all the report recommendations.

4. Status of Unresolved Audit Recommendations Over 6 Months Old

a. Background

Section 5(a)(10) of the IG Act, as amended, requires a summary of each audit report issued before the start of this semiannual reporting period for which no management decision had been made by the end of the period, including the date and title of each report and an explanation of the reasons the management decisions were not made.

b. Internal and Grantee Audit Reports

Identified in the following schedule are audits from previous semiannual reports containing findings and recommendations that required further action as of the end of this reporting period. To facilitate referencing these "open" items to the previous reports, the schedule identifies the applicable semiannual reports. In accordance with P.L. 100-504, IG Act Amendments of 1988, the current status of management action regarding resolution of these reports is also shown.

**STATUS OF UNRESOLVED AUDIT
RECOMMENDATIONS OVER 6 MONTHS OLD**

| Report Title | Report Number | Report Date | Resolution Status |
|--|----------------------|--------------------|--|
| SEMIANNUAL OCTOBER 1, 1993-MARCH 31, 1994 | | | |
| FAA-Certification and Surveillance of Domestic and Foreign Repair Stations | R4-FA-4-009 | 03/07/94 | This report was referred to the Departmental Resolution Official in February 1995. |
| FAA-Monitoring of Airport Revenues at the Phoenix Sky Harbor International Airport | R9-FA-4-001 | 10/18/93 | This report was referred to the Departmental Resolution Official in June 1994. |
| SEMIANNUAL APRIL 1, 1995-SEPTEMBER 30, 1995 | | | |
| FTA-Useful Life of RailCars Washington Metropolitan Area Transit Authority. | R4-FT-5-091 | 06/27/95 | This report was referred to the Departmental Resolution Official in August 1996. |
| FTA-Administration of Capital Grants Metro Atlanta Rapid Transit Authority | R4-FT-5-106 | 07/11/95 | This report was referred to the Departmental Resolution Official in January 1996. |
| FAA-Limited Review of the State of Hawaii Department of Transportation Use of Airport Revenues | R9-FA-5-007 | 04/28/95 | This report was referred to the Departmental Resolution Official in October 1995. |
| SEMIANNUAL OCTOBER 1, 1995-MARCH 31, 1996 | | | |
| FAA-Controls over Access to Aircraft for Free Transportation | AS-FA-6-004 | 02/20/96 | This report was referred to the Departmental Resolution Official in August 1996. |
| FTA-Useful Life of Railcars Summary Report | R4-FT-6-027 | 03/19/96 | This report was referred to the Departmental Resolution Official in August 1996. |
| FAA-Use of Airport Revenues Stapleton International Airport | R6-FT-6-006 | 02/08/96 | This report was referred to the Departmental Resolution Official in August 1996. |
| FAA-Voluntary Separation Incentive Payments | R6-FA-6-009 | 02/09/96 | Awaiting FAA's investigation and U.S. Attorney action. |
| FAA-Monitoring Accountability and Use of Airport Revenues Los Angeles | R9-FA-6-001 | 10/30/95 | This report was referred to the Departmental Resolution Official in August 1996. |
| FAA-Advisory Memorandum on Santa Ynez Valley Airport Hotline | R9-FA-6-003 | 12/06/95 | This report was referred to the Departmental Resolution Official in August 1996. |
| SEMIANNUAL APRIL 1, 1996-SEPTEMBER 30, 1996 | | | |
| FAA-Airport Improvement Program Grants Provided To Hawaii DOT | R9-FA-6-015 | 09/20/96 | This report was referred to the Departmental Resolution Official in February 1997. |
| FHWA-State of Oklahoma | Y4-FH-6-066 | 08/13/96 | This report should be resolved during the third quarter of FY 1997. |

5. Required Reports

Section 5(a)(11) of the IG Act, as amended, requires a description and explanation of the reasons for any significant revised management decisions made during the reporting period. OIG performs secondary followup on significant audit reports issued in prior periods to determine the status of management actions to implement recommendations. During this followup, any instances where management had significantly revised a decision would be identified and reported to OIG. During this reporting period, there were no significant revisions of departmental management decisions reported to OIG.

Section 5(a)(12) requires information concerning any significant management decision

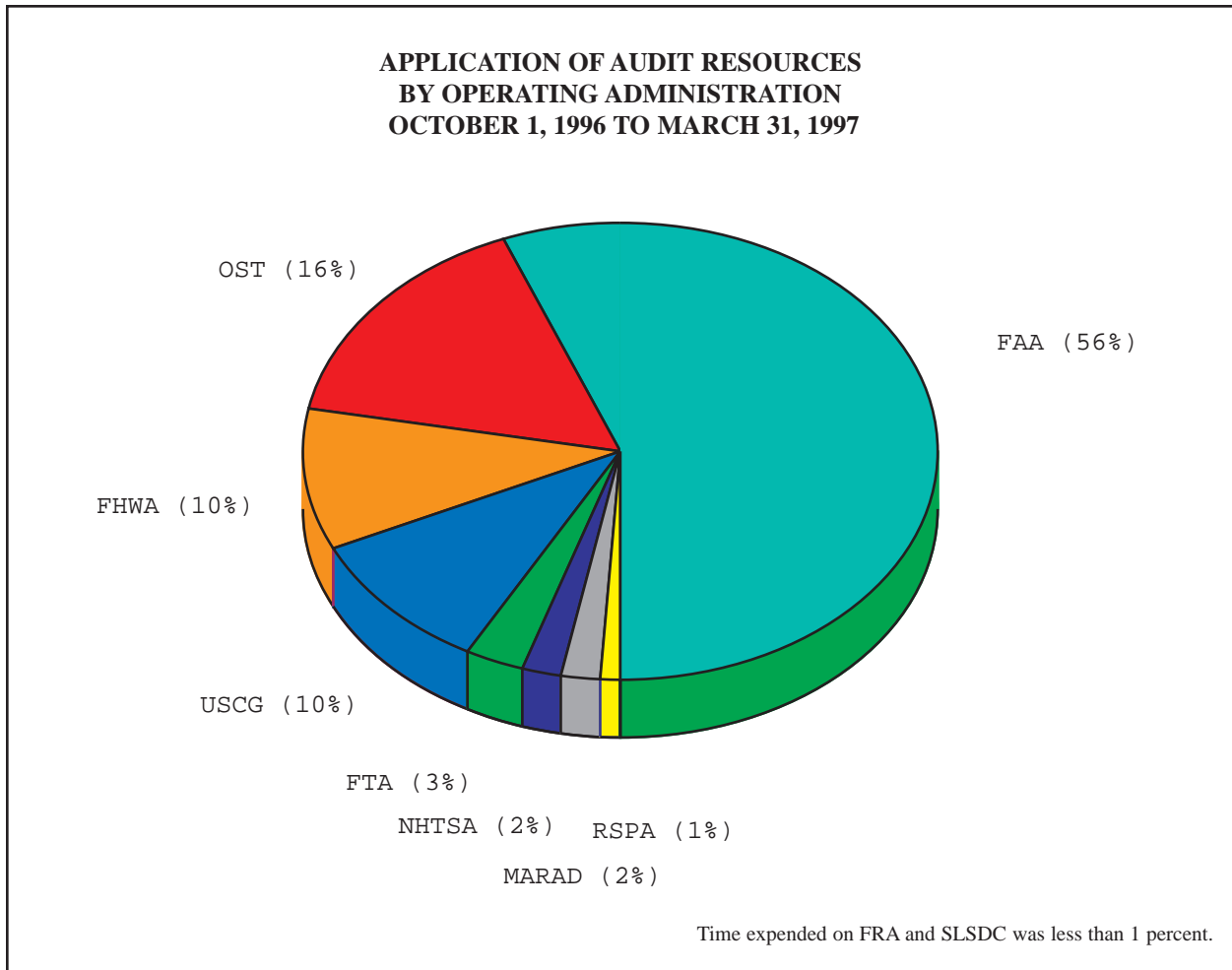
with which OIG is in disagreement. At the end of this reporting period, there were no significant management decisions with which OIG was in disagreement.

F. APPLICATION OF AUDIT RESOURCES

At the end of the reporting period, OIG had an authorized staffing level of 281 full-time positions involved in audit operations, of which 107 positions (38 percent) were located in Washington, DC, and the remaining 174 (62 percent) were distributed among seven OIG regional offices. The organizational structure and the distribution of OIG audit staffing authorizations are shown in Table 6.

| Office | Total Personnel |
|---|-----------------|
| Assistant Inspector General (AIG) for Auditing | 2 |
| Deputy AIG for Auditing | 9 |
| Office of Transportation Program Audits | 50 |
| Office of Information Technology, Financial, and Secretarial Audits | 46 |
| Region II (New York) | 27 |
| Region III (Baltimore) | 22 |
| Region IV (Atlanta) | 28 |
| Region V (Chicago) | 28 |
| Region VI (Ft. Worth) | 26 |
| Region IX (San Francisco) | 27 |
| Region X (Seattle) | 16 |
| TOTAL | 281 |

The application of OIG audit resources by OA during this reporting period is shown in the following graph.



SECTION II - EVALUATIONS ACTIVITY

A. INTRODUCTION

This section summarizes OIG evaluations activities for the 6-month period ended March 31, 1997.

The Office of AIG for Evaluations provides independent and objective evaluations of DOT programs and operations. The office's evaluative reviews cover an assortment of areas ranging from organizational, programmatic, and performance-based evaluations to systematic meta-analyses of major transportation issues.

While supporting the overall OIG mission to detect fraud, waste, abuse, and mismanagement, evaluations are used to address issues where an audit is unnecessary and a criminal investigation is inappropriate.

B. EVALUATIONS ACCOMPLISHMENTS

The evaluations staff completed a total of 7 projects (2 evaluations, 1 congressional request, and 4 other referrals) resulting in 7 reports and 10 recommendations. In addition, a total of 7 projects are currently underway, including 5 evaluations, and 2 referrals.

C. SELECTED SIGNIFICANT FINDINGS AND RECOMMENDATIONS

FAA'S DEICING PROGRAM CHANGES WILL NOT ELIMINATE ICING-RELATED ACCIDENTS AND INCIDENTS.

(Report Nos. E5-FA-7-001 and E5-FA-7-002)

OIG Findings

OIG reviewed FAA's Deicing Program to determine if changes to the FAR Part 121, "Aircraft Ground Deicing and Anti-Icing Program," improved air safety during icing conditions. OIG found FAA: (i) has not systematically analyzed air carrier deicing programs to ensure "best practices" are widely implemented; (ii) does not adequately analyze results of its deicing inspections to improve the safety of air carrier deicing operations; (iii) has shortfalls in its airport operator regulations and in its method of identifying which airports need special deicing programs; (iv) has little impact on facilitating the construction of deicing facilities; and (v) lacks technical, in-house icing expertise.

In a followup review of deicing operations during the 1995-1996 winter season, OIG observed aircraft activity during snow events at the LaGuardia Airport in New York, New York, and at the O'Hare International Airport in Chicago, Illinois. OIG found: (i) air carriers canceled or delayed flights because of the weather; (ii) aircraft appeared to be free of snow and ice at takeoff; (iii) air carriers at O'Hare were using new, longer lasting, anti-icing fluids that increase holdover times (i.e., the elapsed time before an aircraft must repeat deicing fluid applications); and (iv) FAA, airport operators, and air carriers were working together to avoid expiring holdover times on deiced aircraft.



Deicing an Aircraft.

OIG Recommendations

OIG recommended FAA: (i) review air carrier deicing programs to ensure "best practices" are adopted within air carrier deicing programs; (ii) take steps to ensure FAA inspectors analyze inspection results, plan future inspections, and seek necessary air carrier Deicing Program changes; (iii) develop and apply criteria to identify airports needing "special emphasis" under the Deicing Program and require these airports to develop deicing plans; (iv) revise the regulation (FAR Part 139) to include airport operator responsibilities in icing conditions, including developing and providing deicing plans to FAA; (v) aid airport operators in resolving environmental issues; and (vi) establish an icing expert oversight position.

Corrective Actions

FAA concurred with recommendations (ii) and (v), partially concurred with recommendations (i) and (vi), and did not concur

with recommendations (iii) and (iv). In its response to the nonconcurring recommendations, FAA saw no reason to develop and publish criteria to define airports given "special emphasis" under the FAA Deicing Program, because the selection of airports has since been expanded to include all airports which might be subject to icing conditions. In addition, FAA did not agree to revise FAR Part 139 because deicing plans are outside the control and jurisdiction of the airport operator.

OIG agreed there was no reason to define "special emphasis" airports if the selection of airports has been expanded to include all airports which might be subject to icing conditions. However, OIG did not agree with the other FAA responses and subsequently requested that FAA: (i) require selected airports to develop local deicing plans and provide a listing of these airports to OIG; (ii) reconsider revising the regulation to address the responsibilities of airport opera-

tors; (iii) provide air carriers and aviation safety inspectors with "best practice" information on deicing procedures; (iv) provide instructions to inspectors on using surveillance data to perform followup inspections or to change air carriers' deicing programs; and (v) provide a listing of enforcement actions

taken in the 1993-1994 and 1994-1995 winter seasons. In response to request (v), FAA has provided a listing of enforcement actions; but OIG is still seeking backup information on specific air carrier violations and FAA sanctions. OIG is awaiting FAA's response to the other five requests for further action.

FAA DIVISIONS ALLEGEDLY COORDINATED UNSATISFACTORILY ON OCCUPATIONAL SAFETY AND HEALTH PROGRAMS.

(Report No. E5-FA-7-006)

OIG Findings

OIG reviewed allegations of unsatisfactory program coordination and improper budget control activities between two FAA divisions responsible for overseeing and implementing FAA's occupational safety and health programs. While finding coordination efforts between the two divisions were unsatisfactory, OIG did not substantiate a second allegation that program funds of one division were being used on functions of another division.

OIG Recommendations

OIG recommended: (i) FAA revise the Office of Environment and Energy, Facility Environment and Safety Division (AEE) and the National Airspace System Transition and Implementation Office, Engineering and Environmental Safety Division (ANS) mission and function (M&F) statements to elimi-

nate any overlap and/or duplication of functions; and (ii) AEE and ANS issue supplemental guidance, such as Memoranda of Understanding (MOU) or Standard Operating Procedures, to clarify any remaining issues not addressed in the AEE and ANS revised M&F statements.

Corrective Actions

FAA concurred with the recommendations. In a meeting between AEE and ANS managers on February 26, 1997, they agreed on revisions to M&F statements to clarify responsibilities and eliminate overlap. The managers also indicated their commitment to develop a MOU by May 31, 1997, on policy and implementation guidance development, oversight and evaluation, and budget development. OIG has requested that FAA provide OIG with a copies of the final M&F statements and MOU.

FAA ALLEGEDLY PROCURED RAISED ACCESS FLOORING IMPROPERLY IN ITS SOUTHWEST REGION.

(Report No. E5-FA-7-007)

OIG Findings

OIG reviewed an allegation that FAA's Southwest Region unnecessarily restricted procurement of aluminum raised access flooring at two Texas air traffic facilities, potentially wasting more than \$150,000. OIG found that aluminum flooring was specified in only 3 of 12 bid solicitations for FAA's air traffic facilities constructed since January 1993. In addition, OIG found that FAA's Southwest Region engineers overstated the benefits and understated the extra cost of aluminum flooring versus concrete/steel panels.

OIG Recommendation

OIG recommended FAA require that future procurements of raised access flooring for air traffic facilities in the Southwest Region do not include unnecessary, restrictive specifications.

Corrective Actions

FAA partially concurred with the recommendation. In response to OIG's draft report, FAA had begun to collect information from its engineers on the cost and value of aluminum flooring panels. FAA engineers will further discuss this issue at a national meeting. In the meantime, FAA will advise its nine regions to ensure that restrictive specifications for raised access flooring are used only when necessary.

FAA ALLEGEDLY MISMANAGED A PROJECT TO UPGRADE ELECTRICAL POWER AT AIR TRAFFIC FACILITIES.

(Report No. E5-FA-7-003)

OIG Findings

In response to a congressional inquiry on behalf of a constituent, OIG reviewed allegations of waste and mismanagement in FAA's Air Route Traffic Control Centers Critical and Essential Power Systems (ACEPS) Project. Specifically, the constituent alleged FAA failed to provide adequate oversight of design specifications, test procedures, and overtime and warehouse costs, resulting in unnecessary delays and costs. OIG found FAA: (i) failed in its review of technical specifications to identify both a power system wiring deficiency and a floor density problem, resulting in schedule delays and extra costs; (ii) approved deficient equipment testing and failed to spec-

ify requirements for detailed test procedure documentation, causing unnecessary delays; and (iii) paid for equipment rewiring and retesting work that resulted from deficient FAA oversight.

OIG Recommendation

Because the ACEPS installation work was largely complete at the time of OIG's review, no recommendations were made corresponding to the above findings.

Corrective Actions

The issues identified in this review will be considered on any future ACEPS installation work.

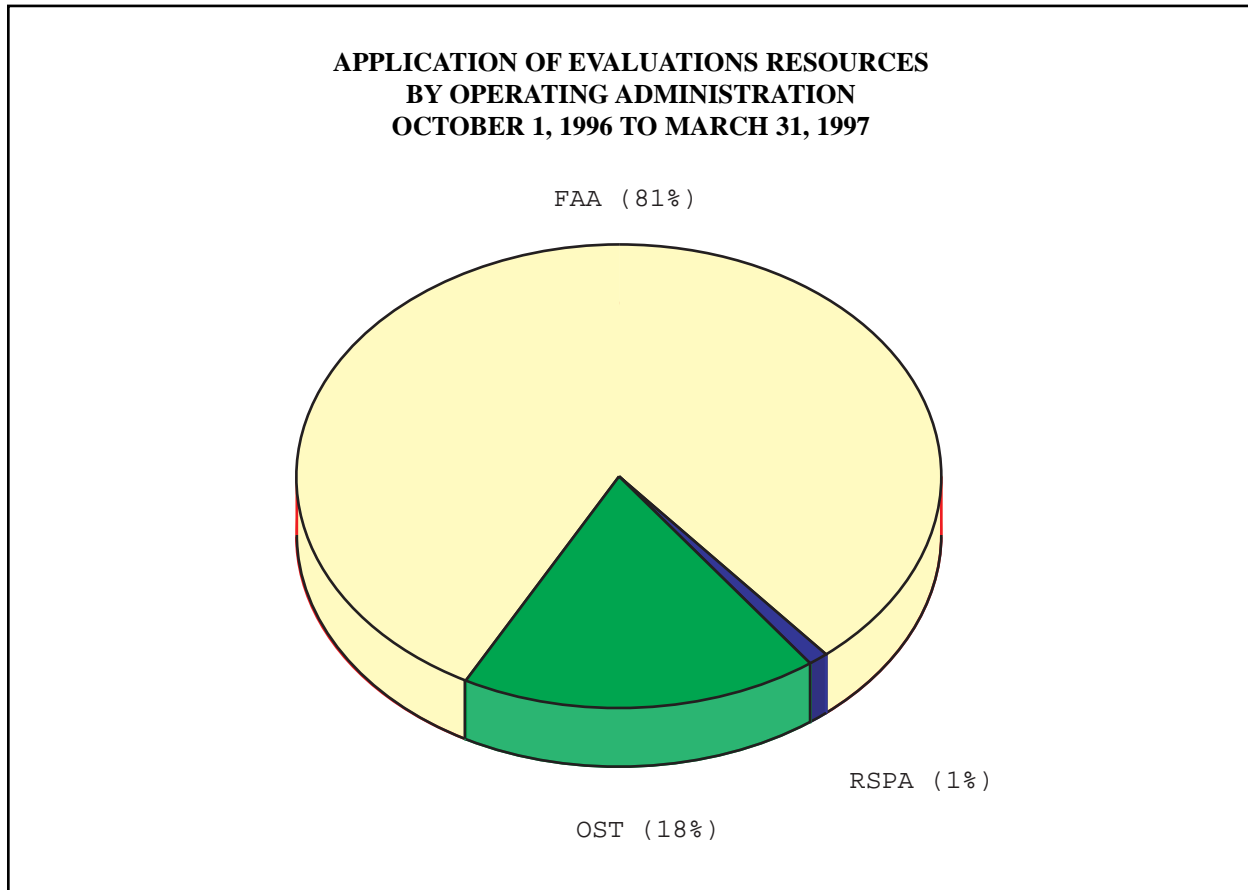
D. APPLICATION OF EVALUATIONS RESOURCES

At the end of the reporting period, OIG had an authorized staffing level of 22 full-time positions involved in evaluations operations, of which 3 (14 percent) were located in

Headquarters, Washington, DC, and the remaining 19 (86 percent) were located at two regional offices. The organizational structure and the distribution of OIG evaluations staffing authorizations are shown in Table 7.

| Office | Total Personnel |
|---|-----------------|
| Assistant Inspector General (AIG) for Evaluations | 2 |
| Deputy AIG for Evaluations | 1 |
| Region I (Washington) | 14 |
| Region V (Chicago) | 5 |
| TOTAL | 22 |

The application of OIG evaluations resources by OA during this reporting period is shown in the following graph:



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— SECTION III - INVESTIGATIONS ACTIVITY —

A. INTRODUCTION

This section summarizes OIG's investigative activities for the 6-month period ended March 31, 1997.

The Office of AIG for Investigations conducts four types of investigations: reactive; proactive; preliminary inquiries; and hotlines. Reactive investigations focus primarily on individuals or companies identified as subjects at the outset of the investigation. Proactive investigations are OIG-initiated efforts which focus on DOT operations or activities vulnerable to fraud, waste, and abuse. Preliminary inquiries are limited reviews where factual bases for full investigations do not yet exist. Hotlines consist of the receipt, evaluation, and referral of complaints provided through various sources and offer anonymity to the complainant. Hotline activity is outlined in Section IV. During this 6-month period, 77 percent of direct investigative staff hours was devoted to reactive investigations, 21 percent to proactive investigations, and 2 percent to hotline activities.

B. INVESTIGATIVE ACCOMPLISHMENTS

OIG investigations during this reporting period resulted in \$7,473,642 in monetary

recoveries which included fines, court-ordered restitutions, civil judgments/settlements, and Federal and state recoveries. Monetary recoveries are collected by the Federal treasury and, in some instances, are returned to the Department. State monetary recoveries are retained by the states.

OIG investigations were directed toward specific individuals or companies based on alleged or suspected violations of law. Statistical summaries of investigations and synopses of selected significant investigations are presented as follows:

1. Investigation Activity

The pending inventory of investigations as of October 1, 1996, was 454. Seventy-five cases were opened and 73 cases were closed during the reporting period, resulting in a pending caseload of 456 as of March 31, 1997. Table 8 shows the types of cases pending and the affected OAs.

2. Prosecutive Referrals

During this 6-month period, 149 cases were accepted and 16 were declined for prosecution. The number of cases pending before prosecutive authorities as of March 31, 1997, was 88.

| Table 8 Profile of Pending Investigations | | | | | |
|--|-----------------|----------------|------------|-----------|------------|
| DOT Operating Administrations | Number of Cases | Types of Cases | | | |
| | | Contracts | Employees | Grants | Other* |
| FAA | 209 | 21 | 65 | 8 | 115 |
| FHWA | 121 | 8 | 8 | 24 | 81 |
| FRA | 5 | 0 | 5 | 0 | 0 |
| FTA | 29 | 5 | 3 | 16 | 5 |
| MARAD | 14 | 4 | 7 | 1 | 2 |
| NHTSA | 6 | 1 | 2 | 0 | 3 |
| OST | 16 | 1 | 11 | 1 | 3 |
| RSPA | 14 | 2 | 3 | 0 | 9 |
| SLSDC | 1 | 0 | 1 | 0 | 0 |
| USCG | <u>41</u> | <u>9</u> | <u>18</u> | <u>1</u> | <u>13</u> |
| TOTALS | 456 | 51 | 123 | 51 | 231 |
| Percent of Total | 100% | 11% | 27% | 11% | 51% |

* Includes companies and individuals making false statements to departmental program elements.

3. Judicial and Administrative Actions

Table 9 shows judicial actions during the reporting period ended March 31, 1997.

| Table 9 Judicial Actions October 1, 1996 to March 31, 1997 | |
|---|--------------------|
| Judicial Action | Number |
| Indictments | 61 |
| Convictions | 27 |
| Years Sentenced | 18 |
| Years Probation | 80 |
| Fines | \$1,900,030 |
| Court-ordered Restitutions/Civil Judgments | \$681,434 |
| Federal Recoveries | \$4,892,178 |
| State Recoveries | <u>0</u> |
| TOTAL | \$7,473,642 |

During this reporting period, OIG was advised of 35 administrative actions taken by the various DOT elements as a result of inves-

tigative activity. Shown in Table 10 are administrative actions, including debarments, taken during this reporting period.

Table 10
Administrative Actions
October 1, 1996 to March 31, 1997

| Administrative Actions | Number |
|--|-----------|
| Employee Suspensions | 1 |
| Employee Reprimands | 2 |
| Employee Resignations/Retirements | 0 |
| Employee Restitutions | 2 |
| Employee Terminations | 0 |
| Counseling/Other Employee Actions | 1 |
| Debarment/Suspension of Individuals | 12 |
| Debarment/Suspension of Corporations/Companies | 7 |
| Not Substantiated | 0 |
| Other Remedial Actions | 7 |
| Investigations Initiated | <u>3</u> |
| TOTAL | 35 |

C. SELECTED INVESTIGATIONS

The investigations described below reflect the wide range of investigative efforts during this reporting period.

HAZARDOUS MATERIALS (HAZMAT) TRANSPORT COMPANY FINED \$1 MILLION IN CONNECTION WITH FATAL ACCIDENT.

In a previously reported case, a fatal motor carrier accident occurring in the State of New York resulted in an investigation being conducted jointly with FHWA's Office of Motor Carriers and the FBI. As a result of the ensuing investigation, a felony Information was filed in Federal court against a corporation engaged in the business of transporting and selling propane gas.

The Information charged the company with making approximately 93 false driver daily logs in violation of Federal motor carrier safe-

ty regulations applicable to carriers of HAZMAT. A number of those false logs were prepared by the driver who was killed in July 1994 when the propane transport trailer he was driving struck a guard rail and exploded. The Information charged that, at that time of his death, the driver had been on duty approximately 35 hours without the required 8 consecutive hours off duty. On March 12, 1997, the company was sentenced to 5 years probation, 2,500 hours of community service focused on drivers educating the public on the effects of driver fatigue, and a \$1 million fine.

NATIONWIDE TEXAS TRUCKING FIRM AND OWNER PLEAD GUILTY TO FALSIFYING DRIVER LOGS.

As a result of joint investigative work between OIG, the FBI, and FHWA's Office of Motor Carriers, a Federal grand jury in the Northern District of Texas returned a 12-count indictment against a nationwide trucking company, headquartered in Texas, and three corporate officials for conspiring to defraud the Federal government and submitting false statements. The defendants were charged with falsifying drivers' logs, used by FHWA to monitor the activities of interstate truck drivers and to prevent accidents caused by fatigued truck drivers. The indictment alleged the defendants encouraged its drivers to drive in excess of the number of hours allowed by Federal law and, in an effort to conceal this from FHWA officials, falsified the driver logs with names of "ghost" drivers who either did not exist or who had left the company.

This motor carrier operator had a history of compliance problems with FHWA, and its drivers had been involved in a number of incidents over the past year. One of those incidents involved an April 1996 crash with a school bus in Terrell, Texas, where the driver was cited by the police for fatigue and/or falling asleep at the wheel as a contributing factor to the crash. The school bus driver, who was seriously injured, was driving an empty bus enroute to his first stop. His route entailed the transportation of 50 school children.

On February 6, 1997, the company and the owner pled guilty to charges of conspiracy to defraud FHWA by making false statements regarding the drivers' logs, to include instructing drivers to violate DOT highway safety regulations by using non-existent names in drivers' logs. Sentencing is pending.



This accident, involving a truck owned by the convicted company, highlights the safety threat created when DOT safety regulations and programs are defrauded. The convicted company had an accident rate three times worse than the average carrier of its size.

FORMER REPAIR STATION VICE PRESIDENTS' JAILING AND FINES CULMINATE 5-YEAR SUBSTANDARD AVIATION PARTS INVESTIGATION.

In a joint investigation involving OIG, the FBI, and FAA, two former vice presidents of a major New York FAA-certified repair station were sentenced following their May 1996 guilty verdicts by a Federal jury which found one defendant guilty of mail fraud, wire fraud, false statements and obstruction of justice, and found the other officer guilty of wire fraud. The two were sentenced for their respective roles in conducting improper repairs on jet engine parts. The first former

vice president was sentenced to 3 years in prison, 2 years probation, fined \$500,000, and barred from involvement in the aviation industry for 5 years. The other vice president received 6 months home confinement, 3 years probation, and a \$30,000 fine. The sentencings culminated a 5-year long investigation which also resulted in the company making a \$5 million remedial payment to FAA and placing an additional \$5 million in escrow for testing aviation parts in support of the investigation.

MICHIGAN CORPORATION PAYS OVER \$330,000 FOR SELLING SUBSTANDARD AEROSPACE FASTENERS.

A joint undercover investigation in the Eastern District of Pennsylvania involving OIG, the FBI, Defense Criminal Investigative Service (DCIS), Air Force Office of Special Investigations and Naval Criminal Investigative Service resulted in a Michigan corporation pleading guilty to one count of wire fraud and being sentenced to a \$100,000 criminal fine. The company was

sentenced for its part in selling substandard aerospace fasteners to the Federal government and falsely certifying that the fasteners met all required specifications.

In addition, as a result of a civil settlement reached with the U.S. Attorney's Office, the company was ordered to make restitution of \$234,000 to the Federal government.

\$4.7 MILLION CIVIL SETTLEMENT REACHED WITH CONTRACTOR RELATED TO THEFT OF AIRCRAFT PARTS.

This joint criminal investigation with DCIS and the FBI was based on allegations the company's employees were stealing defective military aircraft parts and reselling the parts into the civilian aviation parts market. The company was a large corporation involved in the repair of General Electric J85, J69, and J57 jet engine parts. Criminal charges were filed against one company official and one former company employee. Both pled guilty to the

charges and were sentenced. During the criminal investigation, a former employee filed a qui tam suit against the company, and the government joined in that suit. The company recently settled the civil suit by agreeing to reimburse the government for jet engine parts stolen by its employees over a 4-year period. The company agreed to pay \$4.7 million to the government, of which \$831,250 was to be paid to the former employee in the qui tam suit.

CERTIFIED AVIATION REPAIR STATION OWNER IS SENTENCED FOR MAIL FRAUD.

This joint investigation with DCIS was based on information from FAA that the repair station owner had directed employees to: (i) repair and certify instruments for which the company had no test equipment; (ii) forge former employees' names on documents to certify instruments were repaired; (iii) switch and falsify instrument data plates; (iv) complete work for which the company was not qualified; and (v) return unrepaired (strip and dip) instru-

ments to customers. In the past, the owner hid records from FAA to frustrate its regulatory oversight of the company's operation.

The owner was charged with mail fraud in an indictment returned by a special Federal grand jury. He admitted to the charges and pled guilty. He was sentenced to 1 month incarceration, 3 years probation, and a fine of \$15,050.

SOUTHEAST TRUCKING FIRM AND OWNER TO PLEAD GUILTY FOR FALSIFYING DRIVER'S LOGS.

As a result of a referral and assistance from FHWA, a Southeast trucking firm and its owner have agreed to plead guilty in United States District Court to submitting false statements to FHWA. A Federal search warrant was executed at the company. Evidence of an elaborate scheme to falsify drivers' logs was uncovered. This scheme involved the owner

and several office personnel who received additional compensation for falsifying the logs. The owner subsequently admitted to falsifying numerous logs that were subject to inspection by FHWA. The owner misrepresented the number of hours driven each day and used fictitious names, or "ghost" drivers, to conceal excessive hours of driving.

TWO UTILITY COMPANY OFFICIALS SENTENCED FOR FALSIFYING GAS PIPELINE REPAIR RECORDS.

This investigation was initiated in 1992, when the Office of Pipeline Safety, Research and Special Programs Administration, requested OIG assist a state agency in investigating a local utility. The utility falsified maintenance records of the natural gas distribution system in the state capital to mislead the state commerce commission, the agency charged with the public safety oversight mandated by the Natural Gas Pipeline Safety Act. The utility kept two sets of maintenance records, the second set "sanitized" for the state inspectors. After discovery of the falsi-

fications, the state identified 125 locations in the city sewer system with explosive concentrations of natural gas. The utility previously signed a civil settlement and paid a fine. During this reporting period, two company officials were sentenced for conspiracy to violate the Natural Gas Pipeline Safety Act. One was sentenced to 2 months home confinement, 24 months probation, and a fine of \$6,000. The other was sentenced to 1 month home confinement, 24 months probation, and a fine of \$5,000.

OIL COMPANY OWNER JAILED AND RESTITUTION ORDERED IN DIESEL FUEL SCAM.

The owner of an oil company operating in Louisiana and Mississippi was sentenced in United States District Court, New Orleans, Louisiana, to 27 months in prison, to be followed by 36 months probation, and was ordered to make restitution of \$30,000 for failing to report the sale of 500,000 gallons of diesel fuel on his Federal excise tax return. The defendant admitted that he knowingly and willfully evaded more than \$86,000 in

excise taxes by failing to report these sales. The defendant evaded these taxes by buying the fuel at the refinery "tax free", and selling the diesel to retailers, representing that the tax had been paid. The invoices and bills of lading falsely represented that he sold the fuel to another entity, for other than highway use, when, in fact, he sold it to retailers and should have paid excise taxes on the purchases.

EVASION SCHEME BROKEN BY JOINT UNDERCOVER OPERATION.

This undercover operation was initiated in 1994 as a joint effort by OIG, FBI, Internal Revenue Service (IRS), and Michigan State Police to identify entities in the Midwest who were evading motor fuel excise taxes. The undercover operation purchased and sold motor fuel to individuals suspected of evading the excise taxes. Various schemes were used

to avoid Federal and state motor fuel taxes. The undercover operation was terminated with the execution of fourteen simultaneous search warrants. During this reporting period, two brothers were sentenced in state court for evading state motor fuel taxes. The combined sentence was 72 months probation and a fine of \$21,030.

FAA EMPLOYEE FIRED AND IMPRISONED FOR \$90,000 IMPREST FUND THEFT.

This joint OIG, FBI, and FAA investigation resulted in a former principal imprest fund cashier for FAA's Eastern Region being sentenced for embezzling in excess of \$90,000 from the region's imprest fund during the period January 1994 through April 1996.

The employee, who was fired by FAA following discovery of the theft, had utilized a

number of wide-ranging schemes to accomplish and conceal the embezzlement from FAA officials charged with overseeing the imprest funds. The former employee was sentenced to 1 year in prison and 3 years probation and was ordered to make restitution to FAA in the amount of \$90,832.57.

\$500,000 FALSE BILLING SCHEME TO NORTHWEST TRANSIT AUTHORITY RESULTS IN CONVICTIONS.

As the result of a joint OIG and FBI investigation, a company and its manager were federally indicted on March 27, 1996, on 16 counts each of mail fraud. On December 23, 1996, as a result of a jury trial, they were found guilty of five counts each of mail fraud. Their scheme consisted of falsely billing in excess of \$500,000 for repairs of bus transmissions to an FTA grantee located in the State of Washington. The company and

its manager were convicted for fraudulently charging for parts that were not installed and falsely billing for the price of new parts when, in fact, low-priced rebuilt parts were installed. The company also inflated labor costs by billing the authority for work not actually performed. The company faces a \$500,000 fine and restitution, while the manager faces 5 years imprisonment, a \$500,000 fine, and restitution.

WEST COAST TRANSIT AGENCY CONSULTANT CONVICTED OF PAYING OVER \$100,000 IN BRIBES.

As a result of a joint investigation involving OIG, FBI, IRS, and the Los Angeles County Metropolitan Transit Agency (LAMTA), a former LAMTA consultant was found guilty on December 23, 1996, by a jury verdict on 23 counts of bribery in United States District Court, Los Angeles, California. The Federal government proved in its case

that the consultant made bribes totaling more than \$100,000 to a former LAMTA official and others on his behalf from 1992 to 1994 in exchange for extending contracts which otherwise required competitive bidding. The LAMTA official had previously pled guilty to accepting bribes and gratuities from the consultant. Sentencing has not yet been scheduled.

FORMER SECURITY DIRECTOR IS SEVENTH PENNSYLVANIA TRANSIT AUTHORITY EMPLOYEE CHARGED WITH THEFT OF MORE THAN \$200,000.

In a joint investigation which involved OIG, FBI, and Pennsylvania State Police, resulted in the simultaneous execution of 17 search and seizure warrants. The former security director of a local transit authority was indicted by a Federal grand jury for one count of embezzling at least \$5,000 from the transit authority.

The defendant is the seventh employee to be charged with embezzling funds from the same transit authority. The six other defendants have pled guilty and have been sentenced for their part in a scheme that resulted in thefts totaling more than \$200,000 in cash. The victimized transit authority is funded, in part, by FTA. A trial date has not been scheduled.

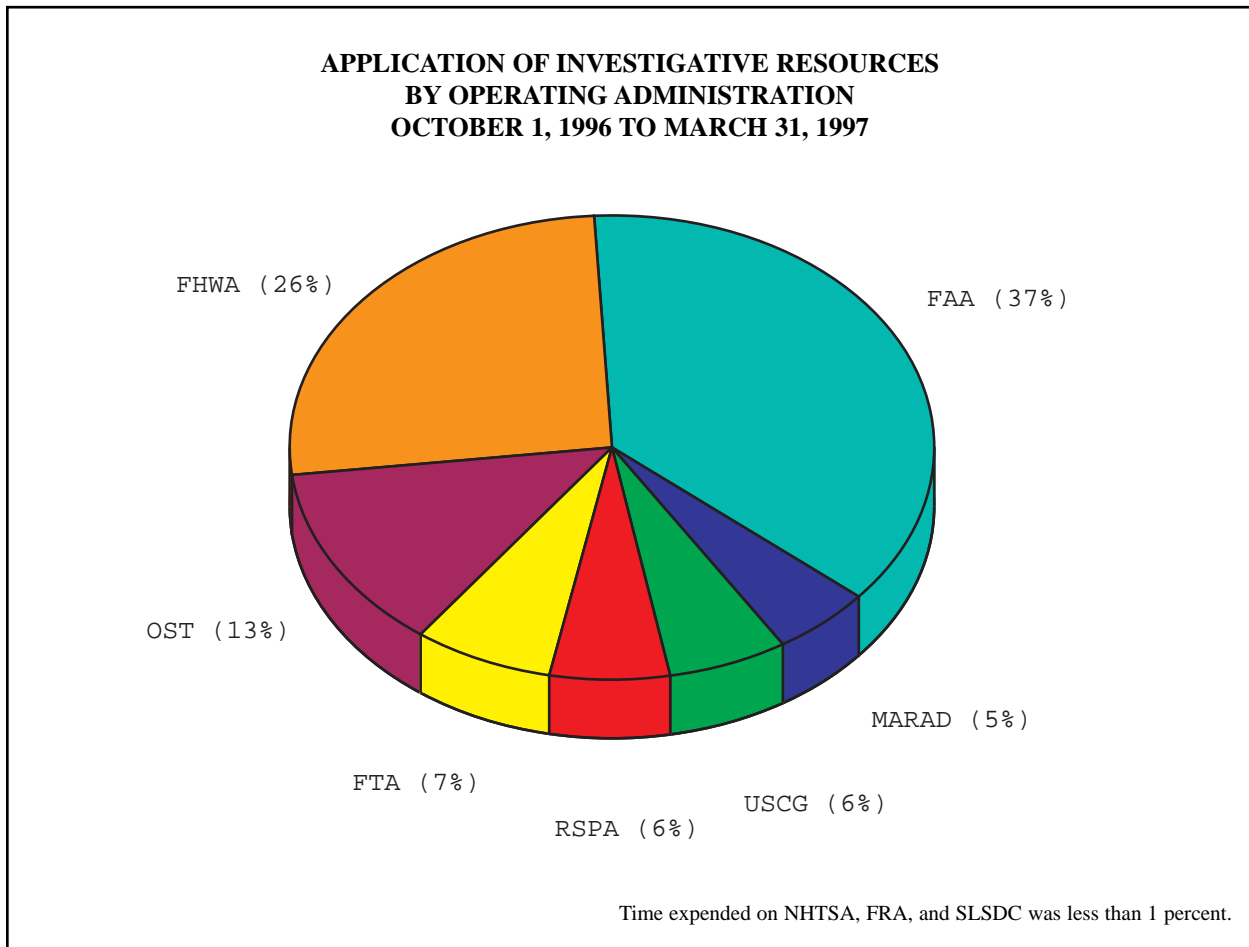
D. APPLICATION OF INVESTIGATIVE RESOURCES

At the end of the reporting period, OIG had an authorized staffing level of 100 full-time positions involved in investigative operations, of which 13 positions (13 percent) were located in Headquarters, Washington, DC, and the remaining 87 (87 percent) were distributed among five regional offices. The organizational structure and the distribution of OIG investigative staffing authorizations are shown in Table 11.

Table 11
Investigative Staffing Authorizations as of March 31, 1997

| Office | Total Personnel |
|--|-----------------|
| Assistant Inspector General (AIG) for Investigations | 2 |
| Deputy AIG for Investigations | 11 |
| Region II (New York) | 26 |
| Region IV (Atlanta) | 13 |
| Region V (Chicago) | 16 |
| Region VI (Fort Worth) | 7 |
| Region IX (San Francisco) | <u>25</u> |
| TOTAL | 100 |

The application of OIG investigative resources by OA during this reporting period is shown in the following graph:



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SECTION IV - OIG HOTLINE

A. OIG'S HOTLINE COMPLAINT CENTER ACTIVITIES

During this reporting period, OIG's Hotline Complaint Center processed 232 telephone, letter, and/or walk-in complaints. Of these complaints, 174 were entered into the hotline

control system. The remaining 58 complaints required no action because they were either misdirected or lacked specificity or applicability. A statistical summary of the hotline complaints and their disposition is shown in the following table:

| Table 12 Hotline Complaints Processed | |
|--|------------|
| Disposition of Complaint | Number |
| No Action Required | 58 |
| Referred for Audit Inquiry | 3 |
| Referred for Evaluations Inquiry | 0 |
| Referred for Investigative Inquiry | 6 |
| Referred to Program Management | 143 |
| Referred to Other Agencies | 3 |
| Preliminary Investigative Review | <u>19</u> |
| TOTAL | 232 |

B. SELECTED HOTLINE COMPLAINTS

ENFORCEMENT ACTION TAKEN BY FHWA AGAINST FOUR CORPORATIONS FOR HAZMAT VIOLATIONS.

Hotline Complaint

The Hotline Complaint Center received allegations of potential regulatory violations involving HAZMAT transportation activities in Anchorage, Alaska, near the International Airport, posing a potential safety hazard to the public. The allegations included the transportation of flammable liquids in unauthorized cargo tanks and the maintenance of vehicles that traveled on public roads by several shippers and/or carriers.

OIG Results

The hotline complaint was referred to the FHWA for action. An investigation into the complaint resulted in substantiation of the allegations, with enforcement action taken against four of the five companies reviewed.

STATE TROOPER DISCIPLINED FOR TRUCKING COMPANY FAVORITISM.**Hotline Complaint**

A complaint received concerning a motor carrier operation in the midwest included an allegation that a state trooper was informing a certain favored trucking company of upcoming roadblocks and spot checks and was lenient on inspections of the trucking company's equipment.

OIG Results

The hotline complaint was referred to the State Police Department Internal Affairs to conduct an inquiry regarding the allegations against the trooper. Although the investigation did not substantiate that the trooper warned the truck drivers of pending state police and state DOT inspections checks, it was determined that the trooper gave preferential treatment to the trucking company while conducting their safety inspections. The trooper received administrative discipline for this infraction.

TWO SUPERVISORS SUSPENDED FOR IMPROPER FAVORITISM.**Hotline Complaint**

A complaint was received alleging that an FAA manager showed partiality and favoritism to an FAA employee involving the employee's resignation and subsequent reinstatement.

OIG Results

The hotline complaint was referred to FAA for investigation. It was substantiated that an FAA manager manipulated the employee's

separation documents and time and attendance records to improperly reverse the employee's resignation. The manager allowed the employee's official resignation to be withdrawn after the effective date of the resignation. The employee's time and attendance records were changed from "non-duty status" to "leave without pay," to create the appearance that the employee never separated from the government. The manager and his supervisor, who approved the actions, received 14-day suspensions.

EMPLOYEE RESIGNS AND MAKES RESTITUTION AFTER BEING CONFRONTED WITH MISUSE OF GOVERNMENT TELEPHONE LINES.**Hotline Complaint**

A complaint was received alleging an FAA employee was misusing government telephone lines to make personal long-distance calls.

OIG Results

FAA conducted an investigation and disclosed that the employee made approximately

1,219 unauthorized domestic and overseas long-distance telephone calls from government phone lines during the period January 1993 through December 1995. The employee received a letter of proposed suspension; however, the employee went on extended sick leave for an indefinite period of time before the effective date of the proposed suspension. The employee subsequently submitted a letter of resignation and made restitution to FAA.

EMPLOYEE PLEADS GUILTY TO FRAUDULENT USE OF COURT LEAVE.**Hotline Complaint**

A complaint was received alleging a FHWA employee falsely claimed to be on jury duty, which resulted in the employee being excused from work with pay.

OIG Results

OIG conducted an investigation which disclosed that the employee fraudulently claimed and received 156 hours of court leave, worth \$2,247.96. The facts concerning the

theft were reviewed by the U.S. Attorney's Office for a prosecutorial determination. Based on the U.S. Attorney's review, an application was made for an arrest warrant. The court issued a warrant, and the employee was arrested by OIG agents. The employee subsequently pled guilty to misdemeanor attempted theft. The employee was sentenced to 12 months probation and 40 hours of community service. The matter was recently referred by OIG to FHWA, and administrative action is pending.

GOVERNMENT PROPERTY RETRIEVED FROM RETIRED EMPLOYEE.**Hotline Complaint**

A complaint was received alleging a former FHWA employee, who retired over 2 years ago, still had a government computer and printer in his home and also had access to the FHWA computer network.

OIG Results

The hotline complaint was forwarded to FHWA for action. An investigation into the complaint substantiated the allegations. Corrective action was taken to remove the computer and printer from the former employee's residence and to remove his name from the FHWA computer network.

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SECTION V - ORGANIZATION AND MANAGEMENT

A. ORGANIZATION AND STAFFING

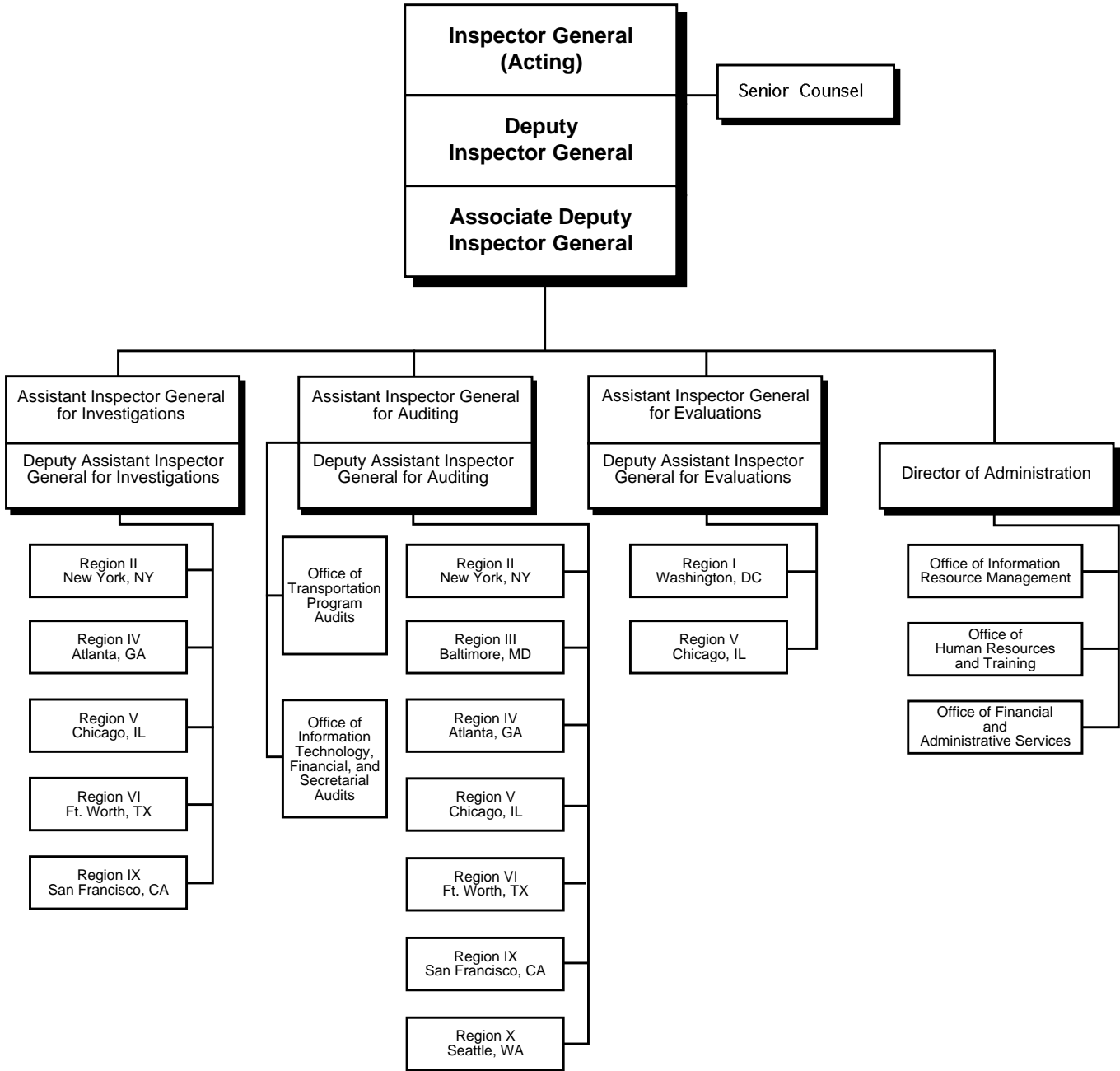
The DOT OIG was created by the IG Act of 1978 (P.L. 95-452). The IG Act established audit and investigative units to:

- conduct and supervise independent and objective audits and investigations relating to DOT programs and operations;
- promote economy, effectiveness, and efficiency within DOT;
- prevent and detect fraud, waste, and abuse in DOT programs and operations;
- review and make recommendations regarding existing and proposed legislation and regulations relating to DOT programs and operations; and
- keep the Secretary and the Congress fully and currently informed of problems in DOT programs and operations.

The IG Act Amendments of 1988 (P.L. 100-504) provided certain technical amendments designed to strengthen the independence and effectiveness of OIGs and required the reporting of management decisions on OIG audit reports regarding final action by management officials for those reports.

OIG is divided into three major functional units: Office of AIG for Auditing, Office of AIG for Evaluations, and Office of AIG for Investigations; and two support units: Office of Legal Counsel and Directorate of Administration. Nationwide, the AIG for Auditing, AIG for Evaluations, and AIG for Investigations are supported by Headquarters and regional staffs.

The organization of OIG follows:



To perform its mission, OIG is authorized 440 full-time equivalents (FTE) for FY 1997.

| | Headquarters | Field | Total |
|----------------------------------|--------------|------------|------------|
| IG Immediate Office | 7 | 0 | 7 |
| Office of AIG for Auditing | 107 | 174 | 281 |
| Office of AIG for Evaluations | 3 | 19 | 22 |
| Office of AIG for Investigations | 13 | 87 | 100 |
| Office of Legal Counsel | 4 | 0 | 4 |
| Directorate of Administration | 26 | 0 | 26 |
| TOTALS | 160 | 280 | 440 |

B. OIG RESTRUCTURING

During the reporting period, the Directorate of Administration was restructured to consist of three offices:

- Office of Information Resource Management;
- Office of Human Resources and Training; and
- Office of Financial and Administrative Services.

Restructuring was effective March 3, 1997.

Additional organization changes are in process and will be completed and in effect by June 30, 1997. The Office of AIG for Auditing will convert a regional office to a sub-office and eliminate two sub-offices. The Office of AIG for Evaluations mission will be revised to include evaluations of DOT organizations, programs, and performance, and systemic analytical reviews of significant transportation issues. It will also eliminate two regional offices and streamline its structure to operate out of one Headquarters office. The Office of AIG for Investigations will convert a regional office to a sub-office and eliminate one sub-office.

These actions are intended to improve the efficiency and effectiveness of operations and continue implementation of the National Performance Review initiatives.

C. INTERNET

OIG has established a home page on the Internet's World Wide Web. The home page provides instant electronic access to many OIG documents formerly available in printed form only: semiannual reports to Congress, audit reports, evaluations reports, a directory of OIG officials, and the location of OIG offices and sub-offices. Documents may be viewed or downloaded from anywhere in the world, at any time. The home page also provides access to an electronic version of the IG Act of 1978 and other general information.

HOW TO REACH US ON THE INTERNET:

DOT OIG's home page:
<http://www.dot.gov/oig/>

D. REVIEWS OF LEGISLATION AND REGULATIONS

Section 4(a)(2) of the IG Act provides that the IG shall ". . . review existing and proposed legislation and regulations relating to programs and operations . . ." of DOT, and make recommendations in the semiannual report regarding: (i) the impact on the economy and efficiency in the administration of programs and operations administered or financed by DOT; or (ii) the prevention and detection of fraud, waste, and abuse in such programs and operations. During the reporting period, OIG reviewed 32 legislative proposals and 56 proposed regulations.

Below is an example of a proposed regulation reviewed by OIG during the reporting period.

In an Advance Notice of Proposed Rulemaking taken pursuant to the Interstate Commerce Commission Termination Act of 1995, FHWA requested comments on the sufficiency of the existing requirements for self-insurance authorizations, 49 Code of Federal Regulations (C.F.R.) § 387.309, as well as the need for additional fees to cover costs related to compliance responsibilities. OIG commented that it has concerns on the ability of FHWA to provide safety fitness ratings to the motor carrier population since only about 2.5 percent receive compliance reviews in a given year. Therefore, OIG recommended FHWA consider the use of independent or third-party contractors to determine the safety fitness of carriers, since safety fitness is an eligibility requirement for self-insurance. As an option, OIG recommended FHWA consider imposing a user fee on motor carriers to recover the costs of compliance reviews.

E. FREEDOM OF INFORMATION ACT (FOIA)

The pending inventory of FOIA requests as of October 1, 1996, was 112. During this reporting period, OIG received 91 new FOIA requests. As of March 31, 1997, 101 requests are still awaiting processing. In addition, OIG received 6 administrative appeals of FOIA determinations. As of March 31, 1997, one appeal is awaiting processing.

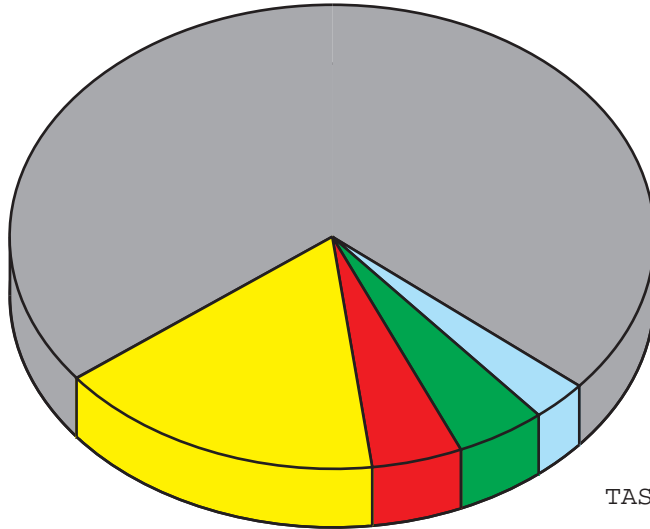
F. OIG BUDGET FOR FY 1997

OIG appropriations for FY 1997 provide funding for the necessary expenses to carry out the provisions of the IG Act of 1978, as amended. Appropriations finance the cost of conducting and supervising audits, evaluations, and investigations relating to the programs and operations of the Department to promote economy, efficiency, and effectiveness and to prevent and detect fraud, waste, and abuse in such programs and operations. Appropriations cover Headquarters and field operations, general management, and administration. The OIG's FY 1997 budget authority is \$37.805 million.

The following graph displays a breakdown of the OIG's FY 1997 budget authority. Because of the labor-intensive nature of the OIG function, a large percentage of resources is provided for salaries and benefits. Travel and transportation funds allow for travel by OIG personnel in accomplishing the audit, evaluations, and investigative functions. The Transportation Administrative Services Center (TASC) provides services to OIG including printing, building management, departmental libraries, and both local and Headquarters telephone services.

FISCAL YEAR 1997 BUDGET
(Dollars In Thousands)

Personnel Compensation -- \$27,038



Benefits -- \$6,266

Other -- \$1,717

TASC -- \$1,070

Travel -- \$1,714

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GLOSSARY OF ACRONYMS AND TERMS USED IN THIS REPORT

ACRONYMS

| | |
|----------------|---|
| ACEPS | Air Route Traffic Control Centers Critical and Essential Power Systems |
| AEE | Office of Environment and Energy |
| AFSS | Automated Flight Service Stations |
| AIG | Assistant Inspector General |
| ANS | National Airspace System Transition and Implementation Office |
| ATTB | Advanced Technology Transit Bus |
| C.F.R. | Code of Federal Regulations |
| CA/THT | Central Artery/Third Harbor Tunnel |
| Caltrans | California Department of Transportation |
| CFO | Chief Financial Officer |
| CONUS | Continental United States |
| DCAA | Defense Contract Audit Agency |
| DCIS | Defense Criminal Investigative Service |
| DOT | Department of Transportation |
| FAA | Federal Aviation Administration |
| FAR | Federal Aviation Regulation |
| FBI | Federal Bureau of Investigation |
| FHWA | Federal Highway Administration |
| FOIA | Freedom Of Information Act |
| FRA | Federal Railroad Administration |
| FTA | Federal Transit Administration |
| FTE | Full-Time Equivalent |
| FY | Fiscal Year |
| HAZMAT | Hazardous Material |
| HTF | Highway Trust Fund |

IGInspector General
 IRSInternal Revenue Service
 LAMTA.....Los Angeles County Metropolitan Transit Agency
 LFRDLogistics Funding Requirements Document
 M&F.....Mission and Function
 MARAD.....Maritime Administration
 MOUMemorandum of Understanding
 NAS.....National Airspace System
 NASDACNational Aviation Safety Data Analysis Center
 NHTSANational Highway Traffic Safety Administration
 NYCTANew York City Transit Authority
 OA.....Operating Administration
 OASISOperational and Supportability Implementation System
 OIGOffice of Inspector General
 OSTOffice of the Secretary of Transportation
 P.L.Public Law
 RSPA.....Research and Special Programs Administration
 SLSDCSaint Lawrence Seaway Development Corporation
 SUPs.....Suspected Unapproved Parts
 TASC.....Transportation Administrative Services Center
 USCG.....United States Coast Guard

TERMS

COSTS QUESTIONED - Costs that are questioned by OIG because of: (i) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (ii) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (iii) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

COSTS UNSUPPORTED - Costs that are questioned by OIG because it found, at the time of the audit, such costs were not supported by adequate documentation.

DISALLOWED COSTS - Questioned costs that management, in managerial decisions, has sustained or agreed should not be charged to the Government.

ECONOMY AND EFFICIENCY AUDITS - These audits include determining: (i) whether the entity is acquiring, protecting, and using its resources economically and efficiently; (ii) the causes of inefficiencies or uneconomical practices; and (iii) whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

FINAL ACTION - The completion of all actions management has concluded, in its decision, are necessary with respect to the findings and recommendations included in an audit report; and in the event management concludes no action is necessary, final action occurs when a management decision has been made.

FINANCIAL STATEMENT AUDITS - These audits determine: (i) whether the financial statements of an audited entity present fairly, in all material respects, the financial position, results of operations and changes in net position, cash flows, and budget and actual expenses in accordance with generally accepted accounting principles; (ii) whether the associated internal controls are adequate to ensure the integrity of financial transaction processing; and (iii) whether the entity has complied with laws and regulations for those transactions and events that may have a direct and material effect on the principal financial statements.

FINANCIAL-RELATED AUDITS - These audits include reviews of accounting records and other financial information for purposes of assisting DOT management in determining if amounts claimed or billed as indirect rates are reasonable and allowable, and, if appropriate, financial regulations were followed.

INVESTIGATIVE RECOVERIES - The recoveries of money or property of the Federal government as a result of OIG investigations. The amounts shown represent: (i) recoveries which management has committed to achieve as the result of investigations during the reporting period; (ii) recoveries where a contractor, during the reporting period, agrees to return funds as a result of investigations; and (iii) actual recoveries during the reporting period not previously reported in this category. These recoveries are the direct result of investigative efforts of OIG.

INVESTIGATIVE REFERRALS - These cases require additional investigative work, civil or criminal prosecution, or disciplinary action. These cases are also referred by OIG to investigative and prosecutive agencies at the Federal, state, or local level, or to agencies for management or administrative action. An individual case may be referred for disposition in one or more of these categories.

MANAGEMENT DECISIONS DURING THE PERIOD - The evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

OIG HOTLINE COMPLAINT CENTER - Activities consist of the receipt, evaluation, and referral of complaints for additional investigation, audit, inspection and evaluation, or administrative action.

PROACTIVE INVESTIGATIONS - OIG-initiated efforts which focus on DOT operations or activities that are vulnerable to fraud, waste, and abuse. They may be narrow in scope and test a specific activity or broader-based, systemic reviews with an emphasis on the development and refinement of preventive measures. Proactive investigations can be initiated upon prior indications or, as in most cases, based on analysis showing a particular vulnerability. Quite often, during the course of the assignments, specific targets (companies and/or individuals) are identified and reactive cases are initiated. Most of these cases are complex, sensitive, and of a protracted nature which require a substantial amount of investigative resources.

PROGRAM AUDITS - These audits include determining: (i) the extent to which the desired results or benefits established by Congress or other authorizing body are being achieved; (ii) the effectiveness of organizations, programs, activities, or functions; and (iii) whether the entity has complied with laws and regulations applicable to the program.

QUESTIONED COSTS FOR WHICH NO MANAGEMENT DECISION HAS BEEN MADE - Costs questioned by OIG on which management has not made a determination of eligibility for reimbursement, or on which there remains disagreement between OIG and management. The Department has formally established procedures for determining the ineligibility of costs questioned. Because this process takes considerable time, this category may include costs that were questioned in both this and prior reporting periods.

REACTIVE INVESTIGATIONS - These investigations primarily focus on specific individuals or companies that are usually targets at the outset of an investigation based on some alleged or suspected violation of the law. Reactive investigations continue to be the area of greatest emphasis and dedication of staff effort.

RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE - Recommendations by OIG that funds could be more efficiently used if management took actions to implement and complete the recommendations, including: (i) reductions in outlays; (ii) deobligations of funds from programs or operations; (iii) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (iv) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (v) avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or (vi) any other savings which are specifically identified. (Note: Dollar amounts identified in this category may not always allow for direct budgetary actions, but generally allow the Department to use the amounts more effectively in accomplishment of program objectives.)

**OFFICE OF INSPECTOR GENERAL
LISTING OF REPORTS
OCTOBER 1, 1996 THROUGH MARCH 31, 1997**

FEDERAL AVIATION ADMINISTRATION

INTERNAL AUDITS - 8 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|---|-----------------|--------------------------------------|
| R0FA7004 | 97/01/14 | Advisory Memorandum on FAA Oversight of Pilot Training Program | Washington, DC | No Recommendations |
| R0FA7005 | 97/01/15 | Monitoring of Airport Revenues at Arlington Municipal Airport | Arlington, VA | \$777,300 Questioned Procedural |
| R2FA7001 | 96/10/22 | FAA Pilot Examiner Program | Washington, DC | Procedural |
| R2FA7011 | 97/02/12 | Management Advisory Memorandum on FAA Service Agreement JFK Control Tower | Jamaica, NY | \$221,818 Questioned Procedural |
| R3FA7002 | 97/01/30 | Accountability and Use of Airport Revenue Queen City Municipal Airport | Allentown, PA | \$2,777,407 Better Use Procedural |
| R3FA7004 | 97/03/27 | Federal Aviation Administration FY 1996 Financial Statements | Washington, DC | Procedural |
| R5FA7001 | 96/10/21 | Training and Proficiency Testing for Commuter and Air Taxi Pilots | Chicago, IL | No Recommendations |
| R9FA7005 | 97/03/07 | City of Los Angeles' Department of Airports Revenue Retention | Los Angeles, CA | 1,052,100 Better Use Procedural |

GRANT AUDITS - 10 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|---------------------------------|--------------------|-----------------------------|
| Y4FA7009 | 97/01/16 | City of Wichita | Wichita, KS | No Recommendations |
| Z4FA7012 | 97/01/21 | Salt Lake City Corporation | Salt Lake City, UT | No Recommendations |
| Z4FA7018 | 97/01/29 | City of San Antonio, Texas | San Antonio, TX | \$1,710,464 Questioned |
| Y4FA7022 | 97/02/19 | City of Dubuque, Iowa | Dubuque, IA | No Recommendations |
| Y4FA7023 | 97/02/19 | City of Springfield, Missouri | Springfield, MO | No Recommendations |
| Y4FA7024 | 97/02/20 | St. Mary's County | Leonardtown, MD | No Recommendations |
| Z4FA7027 | 97/03/12 | Fulton County, Georgia | Atlanta, GA | No Recommendations |
| Y4FA7029 | 97/03/12 | City of Albuquerque, New Mexico | Albuquerque, NM | No Recommendations |
| Y4FA7030 | 97/03/13 | City of Phoenix, Arizona | Phoenix, AZ | No Recommendations |
| R7FA7001 | 96/10/01 | City of Springfield, Missouri | Springfield, MO | No Recommendations |

OTHER - 4 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|--|-----------------|-----------------------------|
| ASFA7002 | 96/10/28 | Management Advisory Memorandum on Airline Safety Data for Consumers | Washington, DC | Procedural |
| ASFA7003 | 96/12/16 | Management Advisory Memorandum on Acquisitions for Automated Flight Services | Washington, DC | Procedural |
| ASFA7004 | 97/01/13 | Management Advisory Memorandum on Resource Requirement Planning for Operating and Maintaining the National Airspace System | Washington, DC | No Recommendations |
| ASFA7005 | 97/03/07 | Management Advisory Memorandum on National Airspace System Infrastructure System Prototype | Washington, DC | Procedural |

**OFFICE OF INSPECTOR GENERAL
LISTING OF REPORTS
OCTOBER 1, 1996 THROUGH MARCH 31, 1997**

FEDERAL HIGHWAY ADMINISTRATION

INTERNAL AUDITS - 6 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|--|-----------------|-----------------------------|
| ASFH7001 | 96/10/16 | Apportionment of Federal-Aid Highway Funds | Washington, DC | Procedural |
| ASFH7006 | 97/03/26 | Motor Carrier Safety Program | Washington, DC | Procedural |
| ASFH7007 | 97/03/27 | Highway Trust Fund Financial Statements for FY 1996 | Washington, DC | Procedural |
| R2FH7007 | 96/12/19 | Quality of Construction Central Artery Third Harbor Tunnel | Boston, MA | Procedural |
| R6FH7002 | 96/10/21 | Acquisition of Contaminated Property | Washington, DC | \$390,000 Better Use |
| R9FH7002 | 96/11/07 | California Bridge Seismic Retrofit Program | Sacramento, CA | Procedural |

GRANT AUDITS - 10 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|--|-----------------|------------------------------------|
| Y4FH7003 | 96/12/24 | State of Alabama | Montgomery, AL | No Recommendations |
| Y4FH7004 | 97/01/06 | State of Rhode Island and Providence | Providence, RI | Procedural |
| Z4FH7008 | 97/01/08 | State of California | Sacramento, CA | No Recommendations |
| Z4FH7011 | 97/01/16 | State of Texas | Austin, TX | \$104,670 Questioned Procedural |
| Y4FH7013 | 97/01/21 | South Carolina Department of Transportation | Columbia, SC | No Recommendations |
| Z4FH7014 | 97/01/22 | State of Georgia | Atlanta, GA | Procedural |
| Y4FH7016 | 97/01/29 | New Mexico State Highway and Transportation Department | Santa Fe, NM | \$53,897 Questioned |
| Y4FH7019 | 97/02/19 | Commonwealth of Massachusetts | Boston, MA | \$81,302 Questioned Procedural |
| Y4FH7025 | 97/03/06 | State of Kentucky | Frankfort, KY | No Recommendations |
| Z4FH7026 | 97/03/10 | State of Minnesota | St. Paul, MN | \$418,500 Questioned Procedural |

**OFFICE OF INSPECTOR GENERAL
LISTING OF REPORTS
OCTOBER 1, 1996 THROUGH MARCH 31, 1997**

FEDERAL RAILROAD ADMINISTRATION

INTERNAL AUDITS - 1 Report

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|---|-----------------|-----------------------------|
| R9FR7003 | 96/12/19 | Federal Railroad Administration Railroad Safety Program | Sacramento, CA | Procedural |

OTHER - 1 Report

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|---|-----------------|-----------------------------|
| R2FR7002 | 96/11/05 | Management Advisory Memorandum on Buy American Act Requirements for Amtrak High Speed Trainsets | Washington, DC | No Recommendations |

**OFFICE OF INSPECTOR GENERAL
LISTING OF REPORTS
OCTOBER 1, 1996 THROUGH MARCH 31, 1997**

MARITIME ADMINISTRATION

GRANT AUDITS - 3 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|---|------------------|-----------------------------|
| R2MA7003 | 96/12/02 | Vulcan Carriers, Ltd., Maintenance and Repair Costs | New York, NY | \$733 Questioned |
| R2MA7005 | 96/12/10 | Brokville Shipping, Inc., Subsidizable Costs | New York, NY | Procedural |
| R2MA7010 | 97/01/27 | Lachmar Subsidizable Costs | Lake Charles, LA | Procedural |

CONTRACT AUDITS - 6 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|--|-----------------|----------------------------------|
| R0MA7003 | 96/11/04 | Crowley Maritime Corporation, NSA Contract MA-11722 and DTMA91-94-A-00025 | Seattle, WA | Procedural |
| R2MA7006 | 96/12/10 | The Sheridan Companies Bulk Preference | New York, NY | Procedural |
| R2MA7009 | 97/01/10 | Mormac Marine Transport, Inc. Bulk Preference Cargo Rates | Stamford, CT | Procedural |
| R6MA7001 | 96/10/15 | Bankruptcy of Universal American Barge Corporation | New Orleans, LA | Procedural |
| R6MA7003 | 96/12/23 | Operating Subsidy Claims Ocean Chemical Carriers/Transport | Houston, TX | \$727,426 Questioned |
| R9MA7001 | 96/10/31 | American President Lines, Ltd., General Agency Agreement DTMA91-91-A-10019 | Oakland, CA | \$5,476 Questioned Procedural |

**OFFICE OF INSPECTOR GENERAL
LISTING OF REPORTS
OCTOBER 1, 1996 THROUGH MARCH 31, 1997**

OFFICE OF THE SECRETARY OF TRANSPORTATION

INTERNAL AUDITS - 2 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|--|-----------------|-----------------------------|
| ADOT7001 | 97/01/24 | Supplementary Report of Audit of Internal Control Systems-FY94/95 Office of Secretary of Transportation Financial Statements | Washington, DC | Procedural |
| R9OT7004 | 96/12/31 | Administratively Uncontrollable Overtime | Washington, DC | No Recommendations |

GRANT AUDITS - 2 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|-----------------------|-----------------|-----------------------------|
| Y4OT7017 | 97/01/29 | Caroline County | Denton, MD | No Recommendations |
| Y4OT7021 | 97/02/19 | City of Salem, Oregon | Salem, OR | No Recommendations |

OFFICE OF INSPECTOR GENERAL
LISTING OF REPORTS
OCTOBER 1, 1996 THROUGH MARCH 31, 1997

SAINT LAWRENCE SEAWAY DEVELOPMENT

INTERNAL AUDITS - 1 Report

| <u>REPORT</u> | <u>DATE</u> | <u>SUBJECT</u> | <u>LOCATION</u> | <u>RECOMMENDATIONS MADE</u> |
|---------------|-------------|--|-----------------|-----------------------------|
| ADSL7002 | 97/03/25 | St. Lawrence Seaway Development Corp. Audited Financial Statement - FY 1996 | Washington, DC | No Recommendations |

**OFFICE OF INSPECTOR GENERAL
LISTING OF REPORTS
OCTOBER 1, 1996 THROUGH MARCH 31, 1997**

UNITED STATES COAST GUARD

INTERNAL AUDITS - 2 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|--|-----------------|-----------------------------|
| R3CG7003 | 97/02/19 | Superfund Activities for FYs 1993 and 1994, U.S. Coast Guard | Washington, DC | \$36,849 Unsupported |
| R5CG7002 | 97/01/24 | Monitoring Seagoing and Coastal Buoy Tender Construction | Washington, DC | No Recommendations |

**OFFICE OF INSPECTOR GENERAL
LISTING OF REPORTS
OCTOBER 1, 1996 THROUGH MARCH 31, 1997**

FEDERAL TRANSIT ADMINISTRATION

GRANT AUDITS - 12 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|---|--------------------|-----------------------------|
| R2FT7004 | 97/02/26 | Greater Portland Transit District Quality Control Review | Portland, ME | Procedural |
| Y4FT7001 | 96/10/15 | City of Pueblo, Colorado | Pueblo, CO | No Recommendations |
| R4FT7002 | 96/11/18 | Metropolitan Dade County | Miami, FL | No Recommendations |
| Y4FT7005 | 97/01/08 | Sunline Transit Agency | Thousand Palms, CA | No Recommendations |
| Y4FT7006 | 97/01/08 | Municipality of Anchorage | Anchorage, AK | No Recommendations |
| Y4FT7007 | 97/01/08 | City of Madison, Wisconsin | Madison, WI | Procedural |
| Y4FT7010 | 97/01/16 | Metro Dade County | Miami, FL | No Recommendations |
| Y4FT7015 | 97/01/28 | Des Moines Transit Authority | Des Moines, IA | No Recommendations |
| Y4FT7020 | 97/02/19 | Via Metropolitan Transit | San Antonio, TX | No Recommendations |
| Y4FT7028 | 97/03/12 | Golden Gate Bridge, Highway and Transit District | San Francisco, CA | No Recommendations |
| Y4FT7031 | 97/03/19 | Fort Worth Transportation Authority | Fort Worth, TX | \$44,471 Questioned |
| R7FT7002 | 96/10/08 | City of Lincoln, Nebraska | Lincoln, NE | No Recommendations |

OTHER - 2 Reports

| REPORT | DATE | SUBJECT | LOCATION | RECOMMENDATIONS MADE |
|---------------|-------------|--|-----------------|-----------------------------|
| R2FT7008 | 96/12/03 | Management Advisory Memorandum on New York City Transit Authority Operating Force Account Charges | New York, NY | No Recommendations |
| R3FT7001 | 96/12/18 | Management Advisory Memorandum on Advanced Technology Transit Bus Project Federal Transit Administration | Washington, DC | Procedural |

REPORTING REQUIREMENTS

To facilitate the reader's understanding of OIG's compliance with the specific statutory reporting requirements prescribed in the IG Act of 1978, as amended, the following list is provided.

| REQUIREMENTS | <i>Page</i> |
|--|--------------------|
| Section 4(a)(2) - Review of Existing and Proposed Legislation and Regulations | 44 |
| Section 5(a)(1) - Significant Problems, Abuses, and Deficiencies | 3 |
| Section 5(a)(2) - Recommendations for Corrective Actions with Respect to Significant Problems, Abuses, and Deficiencies | 4 |
| Section 5(a)(3) - Prior Recommendations Not Yet Implemented | 17 |
| Section 5(a)(4) - Matters Referred to Prosecutive Authorities | 28 |
| Section 5(a)(5) - Summary of Instances Where Information Was Unreasonably Refused | iv |
| Section 5(a)(6) - List of Audit Reports | B-1 |
| Section 5(a)(7) - Summary of Particularly Significant Reports | 3 |
| Section 5(a)(8) - Statistical Table of Management Decisions on Questioned Costs | 14 |
| Section 5(a)(9) - Statistical Table on Management Decisions on Recommendations That Funds Be Put To Better Use | 15 |
| Section 5(a)(10) - Summary of Each Audit Report Over 6 Months Old for Which No Management Decision Has Been Made | 18 |
| Section 5(a)(11) - Description and Explanation for Any Significant Revised Management Decisions | 19 |
| Section 5(a)(12) - Information on Any Significant Management Decisions with Which the IG Disagrees | 19 |

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WANT TO KNOW MORE ?

To meet the needs of readers who wish to know more about a particular audit, inspection, or evaluation discussed in this report, OIG has provided a tear-out card at the bottom of this page that folds into a self-mailer (postage required). Please identify those reports (by report number) you would like to receive and include your name and mailing address. The reports will be sent to you as soon as possible.

Thank you for your interest in the work of OIG. OIG will continue to explore ways to make these reports responsive to the readers' needs within the parameters of OIG's statutory requirements. Please address any questions or comments to OIG, U.S. Department of Transportation, Room 7422, 400 Seventh Street, S.W., Washington, DC 20590.

Please send me the following report(s):

- | | | |
|--------------------------------------|--------------------------------------|--------------------------------------|
| <input type="checkbox"/> AS-FA-7-002 | <input type="checkbox"/> E5-FA-7-003 | <input type="checkbox"/> R3-FT-7-001 |
| <input type="checkbox"/> AS-FA-7-003 | <input type="checkbox"/> E5-FA-7-006 | <input type="checkbox"/> R5-CG-7-002 |
| <input type="checkbox"/> AS-FA-7-004 | <input type="checkbox"/> E5-FA-7-007 | <input type="checkbox"/> R5-FA-7-001 |
| <input type="checkbox"/> AS-FH-7-001 | <input type="checkbox"/> R0-FA-7-004 | <input type="checkbox"/> R6-FH-7-002 |
| <input type="checkbox"/> AS-FH-7-006 | <input type="checkbox"/> R2-FA-7-001 | <input type="checkbox"/> R9-FA-6-001 |
| <input type="checkbox"/> AS-FH-7-007 | <input type="checkbox"/> R2-FH-7-007 | <input type="checkbox"/> R9-FH-7-002 |
| <input type="checkbox"/> E5-FA-7-001 | <input type="checkbox"/> R2-FT-7-008 | <input type="checkbox"/> R9-OS-7-004 |
| <input type="checkbox"/> E5-FA-7-002 | <input type="checkbox"/> R3-FA-7-004 | |

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U.S. Department of Transportation
Room 7422
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Washington, DC 20590

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