TESTIMONY

For Release on Delivery
expected at
10:00 a.m. EST
Thursday
February 12, 1998
Report Number FE-1998-080

Statement of
The Honorable Kenneth M. Mead
Inspector General
U.S. Department of Transportation

Before the Subcommittee on Transportation,
Committee on Appropriations

U.S. House of Representatives

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to be here today to discuss the operations of the Office of Inspector General, the results of our work and our funding request for Fiscal Year 1999. We are working with Congress and the Department of Transportation to make America's transportation systems operate safely and efficiently and to detect and prevent fraud, waste and abuse.

Before I begin, I want to express my appreciation to the Congress, the Secretary and Deputy Secretary of Transportation, the Operating Administrators and the Assistant Secretaries for their support of the work performed by our office. We very much appreciate their respect and their responsiveness to our findings, recommendations and views. The Secretary, the Deputy Secretary and the Administrators have made a special effort to draw on the results of our work and include the Office of Inspector General in the formulation of the Department's strategic plan, which is rated the best plan in government. We will work hard to continue to maintain a relationship of trust and mutual respect.

My testimony this morning will cover four areas:

- OIG's philosophy concerning our work and our relationships with the Department of Transportation, and Congress;
- highlights of our budget request for Fiscal Year 1999;
- results of our recent work; and

- the focus of our ongoing and future audit and investigative work.

I. THE OIG PHILOSOPHY

Since this is my first time before this committee to present the OIG budget request, I want to briefly elaborate on the principles under which I believe the Office of Inspector General can operate most skillfully, professionally -- and effectively.

Perhaps more than any organization in the Department, the OIG is uniquely situated to be a proactive force that can effect constructive change. Which is to say that we at the OIG don't want to solely react to allegations of fraud, waste, and abuse, and sometimes, unfortunately, true tragedy. Although we are committed to our statutory mandate to detect and prevent fraud, waste and abuse and promote effective and efficient government, we want to catch and correct problems early, whenever it is practical to do so.

The product of our office is the in-depth analysis of data, processes and systems which culminate in audit and investigative reports -- a powerful commodity. If we are to succeed in being proactive -- in being out front on issues of concern to the vast and diverse transportation community -- we must reach out to Members of Congress, department officials, industry, associations, interest groups, and the public.

The critical fact is this: we will only make solid gains in safety, efficiency, and performance by working with the people who administer the programs, the lawmakers who write the programs and the people who have to live with the programs and for whose benefit and protection the programs exist. We recognize our obligation under the Inspector General Act to report to both Congress and the Secretary and take this obligation very seriously.

In the past year we have made major changes in the way the OIG is organized and in how we operate. We designed an organization that concentrates the talents of our senior executives on the OIG's core statutory responsibilities, which are to perform audits and investigations. Moreover, we have assigned our most senior auditors and evaluators to key subject areas. These assignments recognize that some subjects are mode-specific, while others are cross-modal in nature. Our organizational structure will allow us to develop and maintain a high level of expertise to deal with complex transportation issues and programs. Along with the excellent staff already part of the OIG, that structure will help DOT's Office of Inspector General become widely recognized as the world's premier transportation audit and investigation organization.

II. THE OIG BUDGET REQUEST

Our Fiscal Year 1999 budget request is for $1.2 million and 2 staff members more than our enacted 1998 appropriation. Our budget has two components. We requested $42.491 million and 433 full-time equivalents as a direct appropriation to the OIG and $665,000 in reimbursements from the Highway Trust Fund to cover the costs associated with 9 FTEs used to audit the financial statements of that fund. This reimbursement is in keeping with the proposed “NEXTEA” legislation (National Economic Crossroads Transportation Efficiency Act of 1997). The total staffing level, 442, requested for the OIG in Fiscal Year 1999 is in compliance with the National Performance Review staffing goal for our office.

Our requested total funding level of $43.156 million, which includes the $665,000 from the Highway Trust Fund, is an increase of $1.215 million over our Fiscal Year 1998 budget of $41.941 million. This request will fund personnel, cost-of-living pay raises, and career promotions for our staff. It also will provide operating funds of $6.972 million. The President’s budget provides details of our request.

Over the years, we have worked closely with the Appropriations Subcommittee and its staff. The Subcommittee is very familiar with our work and we deeply appreciate your support and interest in what we do.

III. OIG ACCOMPLISHMENTS

At OIG, we feel -- and think you will agree -- that our work has helped strengthen the Department by promoting safety, efficiency and integrity in the administration of its programs. We are working closely and constructively with the operating administrations that comprise the Department of Transportation to get the best results in the shortest possible time while maintaining our statutorily required independence. We are also working closely with Congress to provide timely information that will be helpful in the legislative and oversight process.

The professional work of our auditors and evaluators produced 144 audit reports in the past fiscal year. Those reports questioned or redirected $138 million in funds, prompted management decisions to seek recoveries worth $196 million and resulted in adjustments of $32 billion to the Department's accounting records. We also made numerous recommendations to improve transportation safety and other departmental functions, the tangible value of which cannot be quantified in dollars.

Our investigative staff has maintained a high level of productivity, resulting in 133 indictments and 103 convictions in the past year. Their work has also led to fines, restitution, judgments and recoveries totaling more than $12 million.

The details of our work and accomplishments are presented in our Semiannual reports to the Congress, copies of which are attached to our budget request. Furthermore, as required by law, we routinely send the Subcommittee copies of our reports immediately upon issuance.

During the first four months of Fiscal Year 1998, we issued 65 audit reports, identified $525 million that could be put to better use, and $7 million in questionable costs. In this same period, OIG investigations resulted in 27 indictments, 26 convictions, and $1.4 million in fines, court-ordered restitutions, civil judgments or settlements, and Federal and State recoveries.

Most of our endeavors have a direct bearing on the Secretary's three major goals: to improve transportation safety, to enhance strategic investments in transportation infrastructure, and to achieve common-sense government.

IV. FOCUS OF OIG's AUDIT AND INVESTIGATIVE WORK

We are developing the first-ever strategic plan for the OIG and will provide the Committee with that plan when it is finalized in May. Our strategic plan and our work in FY 1998 and FY 1999 will concentrate on the significant issues facing DOT and the Congress and our goal to help improve America's transportation systems. Our focus will continue to be on helping the Department achieve success in its five strategic goals, which are related to *safety, mobility, economic growth and trade, the human and natural environment, and national security*. The Department's Fiscal Year 1999 budget request is anchored to these goals.

Recently, we developed an outline of the top 10 priority management issues within the Department. This outline, requested by House Majority Leader Dick Armey, reinforced the focus of our ongoing and future work. The major issues, as we see them, follow:

1. Aviation Safety -- The Department needs to improve the safety of air transportation to reduce the number of accidents, fatalities, and associated economic costs.

> * A task force established by FAA as a result of deficiencies found at ValuJet in 1996 made 31 recommendations to improve the effectiveness of FAA oversight of air carriers and repair stations. Action is completed on 8 of these recommendations. Completed actions include implementation of the new air carrier certification process, increases in the information on maintenance contractors, and increases in the number of FAA aviation safety inspectors and support personnel.
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> Much work remains on more deep-seated, systemic problems identified by the task force and addressed in its recommendations. These include recommendations that are in process to (1) create a national certification team to assist in new air carrier certifications; (2) improve the air carrier surveillance process; (3) develop air carrier partnership programs; (4) heighten the level of surveillance for new entrant air carriers; (5) develop new staffing standards for assignment of Flight Standards personnel; and (6) design a new Flight Standards pay system. FAA is working to ensure all recommendations are successfully implemented; we will continue to oversee FAA's implementation.
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> * The 1996 ValuJet accident prompted a critical review of FAA's surveillance practices over air cargo shipments. This led Congress and the Department to conclude air cargo safety could only be achieved through a comprehensive Federal inspection program that encompasses all links in the chain of air cargo shipments. FAA has since implemented a program directly addressing dangerous goods and cargo security. Recent dangerous goods/cargo security assessments and tests of air carrier and indirect air carrier operations (couriers) disclosed a substantial rate of noncompliance

with requirements. FAA needs to ensure compliance with existing rules and regulations.

* Near- collisions on runways (runway incursions) increased 54 percent from 186 in 1993 to 287 in 1996. FAA's current goal is to reduce the rate of occurrences to 41 by 2001, an 80-percent reduction from the 1994 level. We reviewed FAA's Runway Incursion Program which is designed to address these problems. We testified in November 1997 before the House Subcommittee on Aviation, that FAA's 1995 Runway Incursion Action Plan, designed to coordinate runway incursion prevention and reduction initiatives, was not working as intended. For example, the team intended to implement 22 projects identified in the Plan was never formed. Regional offices we visited were not familiar with the Runway Incursion Action Plan or FAA's goal to reduce runway incursions 80 percent. FAA needs to improve the program's focus in solving systemwide and airport specific problems to reverse the upward trend in runway incursions. FAA has agreed to do so.

* FAA airworthiness (maintenance and avionics) inspectors were not routinely provided basic technical training for the aircraft systems they were assigned to inspect. We reviewed the credentials and training of 39 FAA inspectors. Fifteen of the 39 had not attended an aircraft systems course since starting their employment with the FAA. Seven of the 15 had no prior system training on the primary aircraft they were assigned to inspect.

FAA also has a cadre of inspectors responsible for inspecting airports' compliance with airport safety programs. We found FAA scheduled and performed inspections without placing sufficient emphasis on the volume of traffic at each airport or the results of prior inspections. To achieve the maximum benefit from its limited inspection resources, FAA must provide necessary training to its inspectors and do a better job prioritizing their activities.

2. <u>Surface Transportation Safety</u> -- The Department must marshal its resources to improve the safety of surface transportation, where 42,000 lives annually are lost to automobile and truck accidents.

* Improvements are needed in the Federal Highway Administration's (FHWA) motor carrier compliance review program to expand its coverage of the motor carrier population, more accurately target carriers for review,

induce prompt and sustained compliance with safety regulations, and ensure the quality of reviews.

* Unscrupulous motor carriers that put the public at risk by falsifying commercial driver's licenses and requiring drivers to falsify logs must be removed from the nation's highways. The Office of Inspector General has made this a top priority. We currently have 29 criminal cases under investigation. In Fiscal Year 1997, OIG investigations of Motor Carrier violations resulted in 5 indictments, 6 convictions, and more than $100,000 in monetary recoveries.

We have teamed with FHWA to conduct training programs for Federal and State motor carrier inspectors. Our objective is to give the inspectors better tools to identify fraud as they do their work and to give them an understanding of the criminal aspect of the issues they identify. Carriers identified by FHWA as having possibly falsified records are referred to OIG for investigation.

* Early last year we issued an audit report critical of FRA's rail safety program. During that audit, FRA redesigned its approach to rail safety by changing from a traditional safety inspection program to a program that draws in the railroads and their unions to work constructively with FRA to enhance railroad safety. That program, called the Safety Assurance Compliance Program, is the focal point of FRA's rail-safety activities. We are currently reviewing the effectiveness of that program.

* In the coming months, we will also be reviewing the Department's program for reducing accidents and fatalities at grade-level rail crossings. Fatalities at grade-level crossings decreased between 1994-1996, but they still account for the substantial majority of train-related deaths.

3. Year 2000 Computer Issues -- The Department got a very late start fixing Year-2000 computer problems and is behind schedule. This is particularly true for FAA. The good news is that it is not too late. Strong central management and a continuing sense of urgency are the keys to success.

* Assessments of DOT's 617 mission-critical systems, 70 percent of which are in FAA, are nearly complete. The most difficult challenges lie ahead -- fixing the problems, testing systems to make sure fixes work, and

putting Year-2000 compliant systems on line. For the past six months, there has been a sense of urgency. Nevertheless, FAA's scheduled November 1999 date for having the Year-2000 fixes in place is too late. This date simply does not allow enough time to correct last-minute problems. A week ago, at a hearing before two House subcommittees, we made specific recommendations to help get the job done. One of our recommendations was for FAA to expedite its actions to implement Year 2000-compliant systems by June 1999 or sooner.

4. Air Traffic Modernization -- The new FAA Administrator recognized the need to take control of FAA's multibillion-dollar air traffic control modernization program, which had experienced cost overruns and schedule delays. The Administrator established a task force, comprised of senior departmental officials as well as executives and experts from the aviation community to assess FAA's modernization needs. As a result of the Administrator's actions, you should expect to see in this year's appropriations cycle a more complete description of risks associated with acquisitions, better program definition, greater realism in project schedules, and clarity in the benefits to be derived by the user community.

* The Standard Terminal Automation Replacement System (STARS) will replace controller and maintenance workstations with color displays, as well as computer software and processors. Human-factors issues associated with STARS equipment must be resolved, and resolved soon in order to maximize controller effectiveness and efficiency, and eliminate operating features identified as troublesome by controllers.

Since the October 30, 1997 hearing before this Subcommittee, FAA has established a Human Factors Steering committee to follow up on the STARS human-factors issues. The Steering Committee put together a Human Factors working group which identified 98 air traffic controller issues with STARS. To date, solutions for 33 of those issues have been identified.

* FAA has experienced schedule slippage and cost growth in its Wide Area Augmentation System (WAAS) Program. The agency now plans to have initial WAAS operational capability available in 1999 and to use WAAS for navigation in 2001. Life-cycle costs identified by FAA for WAAS have grown from $1.4 billion in 1994 to more than $3.0 billion as of the end of January 1998.

There are still unresolved issues such as (1) exactly what will WAAS Phase 1 provide to potential users? (2) will there be a backup system for WAAS, what that backup system will be and what will it cost? (3) how many satellites are needed and at what cost? and (4) what will be the costs for aircraft avionics needed to fly in a WAAS environment? There also are technical and program risks associated with WAAS that require resolution such as ionospheric related error corrections, second signal frequency availability, interference, and jamming.

* The Host computer enables air traffic controllers to direct high altitude air traffic from the en-route centers. There are two issues concerning continued service of the Host computer beyond Year 2000: Can FAA make it Year-2000 compliant and can FAA find replacement parts, which are already scarce? International Business Machines (IBM), the manufacturer of the current system, recommended FAA replace the existing hardware because replacement parts are getting harder to find and because IBM lacks the talents and tools to assess the Year 2000 problems in the Host computer.

However, FAA maintains that the Host computer can be fixed and is considering a parallel effort to both repair the existing computer and replace it with an interim Host before Year 2000. FAA estimates it will cost about $2 million for the repair job and about $160 million for an interim replacement. FAA's track record for solving hardware and software problems does not instill a high confidence level that Host replacements could be in place, operating, and certified in all 20 centers in less than 24 months time. A prompt decision on how to fix the problem and a contingency plan using the Direct Access Radar Channel are needed.

5. <u>FAA Funding and Cost-Management Systems</u> -- The Federal Aviation Reauthorization Act of 1996 directed FAA to develop a cost-accounting system that reflects its investments, costs and revenues. Data from this system are needed for everyday decision-making. Such data would also be essential in the fee-for-service

environment envisioned by the Office of Management and Budget (OMB) and the National Civil Aviation Review Commission recommendations.

> * A cost-based user-fee system, as envisioned by the Commission and necessary for an effective performance-based organization, will require a sophisticated cost-accounting system. For example, to fully implement the Commission's proposals, the cost-accounting system will have to differentiate costs based on (1) type of user and service provided; (2) time of day; (3) geographic location; and (4) airport and airspace congestion of the locations used. In our opinion, given the amount of work that remains to be done and the discussions that need to take place within the user community, it is extremely doubtful that the FAA will have its cost-accounting system operational by October 1, 1998.

6. Infrastructure Needs -- After several generations of hard use -- and, all too frequently, neglect -- replacement of transportation infrastructure and construction projects triggered by new needs is crucial to the U.S. economy and our quality of life.

> * In order to minimize cost overruns in major infrastructure projects and/or the need to scale back the scope of projects due to funding constraints, a requirement for a financial plan, similar to those required by the Appropriations Committees for the Boston Central Artery/Ted Williams Tunnel project and the Los Angeles Metro Rail project, should be routine. We believe that these financial plans, together with FHWA and FTA oversight, represent clear value-added, worthy of replicating on other large construction projects.

> * Faced with near-term funding shortages, the State of Massachusetts decided to use grant anticipation notes (GANS) as part of its financing of the Central Artery/Ted Williams Tunnel. During peak construction, between FY 1998 and FY 2001, the project will incur more costs than the Federal and State funds it expects to receive. The state's financing plan calls for interim borrowing against future federal grants by issuing $1.5 billion in GANS. The state intends to commit a significant portion of its future federal highway funding from FY 2003 through FY 2009, and potentially for a longer period, to the repayment of these GANS.

* The Los Angeles County Metropolitan Transportation Authority (MTA), faced with substantial funding shortfalls for constructing its “Red Line” metro rail project as well as other capital projects, decided to stop construction of some sections until funding issues are resolved and focus on completing the North Hollywood segment. Even with the suspensions, MTA still has a capital shortfall of more than $500 million and an “operating” budget shortfall that could go as high as $200 million by the year 2005. Further, MTA must still comply with the bus consent decree for added bus service which will require about $1 billion during the next 15 years. Once the MTA submits its financial plan, we will review it to determine whether funding sources for that plan are adequate to put the planned MTA projects back on track.

* OIG’s work during the past 7 years has been instrumental in bringing about changes in legislation affecting revenue retention by airports. Since August 1991, OIG has issued more than 50 reports related to airport revenue. These reports identified more than $200 million in prohibited revenue diversions. Airports have been reimbursed more than $100 million in funds that had been inappropriately diverted. A direct outcome our reports and of increased FAA vigilance over this issue has been a reduction in landing fees and other economies. In FY 1996, Congress strengthened the Federal Aviation Reauthorization Act provisions concerning such diversions. Although there remain some instances of revenue diversion, much has been accomplished to protect airport funds from inappropriate use.

In order to ensure that airport revenues are not inappropriately diverted, FAA must insist on compliance with financial reporting requirements established by Congress in the 1996 Reauthorization. To date, 93 airports have not filed the required reports.

* Congress and the Department should expect to see additional projects that seek to improve connections in our system of transportation -- among highways, transit systems, ports and airports. Financing proposals for these projects may deviate from the traditional financing patterns. For example, in addition to using Federal grants and State-, local-, and airport- generated revenue for airports and airport facilities, airports may establish a Passenger Facility Charge (PFC).

We recently reviewed a proposed PFC to construct a light-rail system link to JFK International Airport in New York. We concluded that the FAA does not have a well-defined policy concerning the use of PFCs for landside projects such as transit systems that facilitate access to airports. The legislative history related to the act creating PFCs provides limited help in determining when such landside projects should be funded by PFCs.

With regard to the JFK-requested PFC, we recommended the FAA (1) validate ridership projections and the likelihood the project will result in additional air transport passengers using the airport; (2) get a firm commitment that currently planned airside projects, particularly those associated with airport safety and capacity, will not be deferred due to insufficient funds and; (3) consider funding at least part of this intermodal project with surface transportation funds or explain why this should not be necessary. A well-articulated policy is needed for such airport ground access projects.

7. Transportation Security -- The U.S. transportation system produces over 4 trillion passenger-miles of travel and 3.7 trillion ton-miles of domestic freight movement every year -- generated by more than 260 million people and 6 million businesses. Ensuring the security of the traveling public is one of DOT's toughest tasks.

* Most of the OIG's past focus on transportation security has been on aviation security. Working with FAA, we have addressed weaknesses in access controls and passenger screening. Conformance with security provisions in these areas has significantly improved in the past several years. The FAA has also directed the implementation of additional security procedures, such as passenger profiling and baggage-matching. Furthermore, FAA has ongoing research and development efforts to further enhance aviation security. OIG is currently reviewing FAA's acquisition and deployment of new, sophisticated explosive detection systems.

* OIG has recently begun an audit of the Coast Guard's oversight of passenger screening requirements in the cruise industry. OIG intends to focus on transportation security in the other operating administrations in the coming months.

8. Financial Accounting with regard to the Chief Financial Officers Act -- Since passage of the CFO Act, the Department has made steady progress correcting

weaknesses in its financial accounting and reporting systems. Nevertheless, it will be a real challenge for DOT to get an unqualified opinion by Fiscal Year 1999.

* For Fiscal Year 1996, we were unable to express an opinion on either the Consolidated or the FAA Statements of Financial position because of 11 material internal control weaknesses. DOT and FAA have identified specific actions to correct these weaknesses, but some actions will not be complete until FY 1999.

FAA recently completed its first inventory of property and equipment at the Logistics Center in 30 years. This inventory allowed FAA to make appropriate adjustments to its books and establish and document a baseline for future financial statements. Even more important, an accurate inventory of property and equipment will provide managers the ability to make better decisions on future purchases.

* The Coast Guard and FAA have a significant challenge in establishing costs and current value of their real property. Both organizations have long held property for which historical records of acquisition costs, enhancements, or alterations, don't exist. MARAD also has a fleet of aging vessels that lacks such records. All these organizations recognize they must establish values for their property in order to comply with requirements for financial statements. OIG is working with all three, and GAO, to establish an approach to "valuing" these assets and then reflecting those values on their respective financial statements.

* The Highway Trust Fund received an unqualified opinion in Fiscal Year 1996. While DOT's Operating Administrations continued to maintain good records on the fund, a similar favorable opinion is unlikely in 1997. The problem is external to DOT and relates to the Internal Revenue Service (IRS) collection of excise taxes. For FY 1997, IRS reported it collected $23.8 billion for the Highway Trust Fund.

Last year, the OIG relied on written confirmation from the Treasury Department that the balance used in the Highway Trust Fund financial statement was correct. This year, GAO initiated an audit of excise tax collections and found IRS records did not support the recorded amount. We are working with GAO and DOT to resolve this issue. If resolution cannot be reached, the OIG will be unable to render an unqualified opinion on the 1997 Highway Trust Fund financial statements.

9. <u>Amtrak Financial Viability/Modernization</u> -- Amtrak and Congress have the goal of making the railroad financially self-sustaining. In the past, however, Amtrak has required substantial Federal funding, a situation expected to continue at least in the near-term. It is unclear how much longer that funding will be available.

* The Amtrak Reform and Accountability Act of 1997, P.L. 105-134, requires an analysis of Amtrak's financial requirements through Fiscal Year 2002. The OIG developed the statement of work and expects a contract to be awarded by March 13, 1998. The review will include Amtrak's cost-allocation procedures and its operating expenses, its bidding practices, its updated strategic plan, and its capital investment requirements. The act requires the OIG to oversee the contract and to maintain an annual oversight presence. Mr. Chairman, we certainly intend to do so. Our goals are to help maximize the utility of the significant investment of Federal funds and help the Department assist Amtrak in achieving self-sufficiency.

* Amtrak must attract and retain new passengers and customers for its nonpassenger services in order to achieve financial self-sufficiency. To do so, Amtrak must improve its service and facilities. The type of improvements necessary are "capital improvements" such as the ongoing Northeast Corridor modernization program which will result in high speed service. We are near completion of a review of Amtrak's modernization of train service in the Northeast Corridor. Preliminarily, we have concluded construction is at about 4 months behind schedule and delivery of "train sets" about 3 months behind schedule. Amtrak and the FRA are of the opinion the delays can be remedied and the project will be complete on time.

Also, the Taxpayer Relief Act (TRA) of 1997 provided Amtrak about $2.3 billion. Amtrak's long-term capital needs substantially exceed the $2.3 billion. Amtrak wants to use the funds it gets from the TRA for high-rate-of-return capital projects. A major issue the committee will be asked to address is Amtrak's need for direct appropriations for FY 1999. DOT's FY 1999 budget request reflects a total of $621 million in direct appropriations for capital. We understand Amtrak's Board of Directors seeks the flexibility typically given to other modes of transportation, such as transit agencies, that defines "capital expenditures" to include maintenance of equipment and facilities. The board believes that with this flexibility, it could use a substantial part of the FY 1999 requested $621 million for maintenance, while preserving and leveraging all available TRA funds for high-rate-of-return capital investments.

10. DOT Compliance with the Government Performance and Results Act --

A challenge facing the Department is implementation of its Strategic Plan and its corollary -- the development and use of performance measures by which progress toward meeting the plan's goals can be measured.

Agreeing upon the measures is likely to require considerable discussion and will not be free from controversy. Many of DOT's outcomes such as improved safety -- reduction in fatalities and injuries -- and well-maintained highways depend in large part on actions taken by third parties including states and various components of the transportation industry. As such, the performance measures will gauge the success of DOT as well as reflect upon the performance of organizations outside the Department. We encourage the appropriations and authorizing committees to closely examine these performance measures. Your input is needed on the usefulness of the established measures.

"Results," "performance," and "outcome" as envisioned by GPRA are inextricably related to the goal of achieving a common-sense, businesslike government. We have addressed, and will continue to address, improvements that contribute to the Department's ability to achieve those goals. Two recent examples follow.

* The Coast Guard's practices for recovering the cost of oil spill cleanup from responsible parties were not adequate. In 1997 we reported the Coast Guard had not recovered more than $16 million in cleanup costs, and had not billed about $8 million in related accounts receivable. As a result of our audit, the Coast Guard established necessary procedures and is aggressively pursuing collection of recovery costs. As of the end of January 1998, the Coast Guard had billed $7 million of its $8 million of accounts receivable.

* FAA had no system for prioritizing or tracking official time granted to employees for union activities. Managers' decisions granting time for union activities generally did not take into consideration costs, such as overtime, that were required to cover the absence of controllers who were working on

union activities. They also did not consider the staffing level required for the facility when granting time for union activities.

While granting time for union activities is necessary to assure the closest possible relationship between management and staff, yielding a supportive and ambitious workforce, FAA must manage this time to equally assure an effective and efficient organization. *FAA must also recognize that controller time spent in support of new system development such as STARS significantly benefits the FAA.* FAA has initiated action to address our concerns.

The list above highlights -- but does not completely cover -- the major areas OIG plans for audit and investigative work.

I want to emphasize once again that our work will in many instances fall within the Secretary of Transportation's three overarching goals: safety, sound infrastructure investment and common-sense, results-oriented government and the Department's five strategic goals. By addressing these issues, not only are we assisting the Secretary in reaching Departmental goals, we are helping to eliminate problems that arise in a transportation system as vast and complex as that of the United States.

Finally, we at the OIG understand that transportation safety, wise investment, and honest government are all central to our nation's competitiveness and our way of life. Making sure both people and goods can be moved safely and efficiently helps keep the nation strong.

I welcome your questions.