



**U.S. Department of
Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2012

**OFFICE OF
INSPECTOR GENERAL**

**SUBMITTED FOR THE USE OF
THE COMMITTEES ON APPROPRIATIONS**

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
FISCAL YEAR 2012 BUDGET ESTIMATES

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**DEPARTMENT OF TRANSPORTATION,
OFFICE OF THE INSPECTOR GENERAL
FY 2012 BUDGET SUBMISSION: ADMINISTRATOR'S OVERVIEW**

The Office of Inspector General (OIG) is committed to fulfilling its statutory responsibilities under The Inspector General Act of 1978, as amended (IG Act), while supporting the Secretary, senior Department of Transportation (DOT) officials, members of Congress, and the American public in achieving a safe, efficient, and effective transportation system. The accompanying budget request for FY 2012 has been developed to provide the OIG the resources it needs to build on its long-standing record as a highly respected contributor to the Department's mission.

It is from our unique and challenging role as the Department's sole internal source for independent examination of its programs and their integrity that we respectfully submit the OIG's Fiscal Year 2012 budget request. Our FY 2012 budget request is for **\$89.385 million in total budgetary resources in support of 471 full-time equivalents (FTE)**, including 35 FTEs funded by the American Recovery and Reinvestment Act (ARRA) carryover funds. Of the \$89.385 million, we request \$89.185 million in direct appropriations and \$200,000 in reimbursable funding from NTSB in order to acquire contract services to perform an audit of NTSB's financial statements.

The measurable value of OIG's expertise comes in our independent and objective audits, reviews, and investigations of specific programs and activities that support the Department's strategic plans. As such, our budget request belongs entirely under the departmental strategic goal of Organizational Excellence. However, our work assists each of the Operating Administrations and ultimately the Department in meeting performance targets in all departmental strategic and organizational goals. In addition, to assess the outcome and effectiveness of OIG performance in terms of meeting our statutory responsibilities, we have adopted performance measures developed by the Council of Inspectors General on Integrity and Efficiency (CIGIE) based on the reporting requirements in the IG Act.

During FY 2010, the monetary impact of our findings and recommendations represent a return of approximately ***\$19 for each budget dollar spent***. As a return on investment, OIG audits, reviews and investigations produce significant, tangible benefits in the form of savings, recoveries and efficiency gains that support the DOT mission. In FY 2010, OIG issued 126 audit reports; testified 9 times before Congress; and conducted investigations resulting in 92 indictments, 72 convictions, and 59 administrative actions. Court-ordered fines, restitutions, and recoveries from OIG investigations totaled \$66.2 million with an additional \$7.8 million in costs avoided. Also during this period, we recommended that DOT put over \$1.2 billion to better use and identified \$189 million in questioned costs.

In addition to maintaining oversight of traditional transportation programs, OIG received additional multi-year resources in FY 2009 to oversee DOT's implementation of the ARRA. Our work overseeing ARRA has thus far yielded 6 audit reports, 5 testimonies,

and 4 ARRA advisories. We've cited positive actions the Department needs to take now and in the future to prevent and stop waste, fraud and abuse. We also developed a robust investigative strategy for ARRA related projects. To date, we conducted over 200 fraud briefings to about 16,000 participants from all levels of government and industry groups. We currently have 51 open ARRA criminal investigations with 80 percent of these accepted for prosecution.

The work of OIG consistently produces significant savings and recoveries for DOT programs and directly enhances the safety, efficiency and effectiveness of the nation's transportation infrastructure to the ultimate benefit of the American public. While our future results cannot be reliably predicted in terms of the Department's strategic initiatives, there are many examples of our recent work that will demonstrate the benefits that derive from the critical work of the OIG.

Strategic Goal: Safety

- Investigation into Fraudulent Aircraft Parts Manufacturing Scheme Nets approximately \$3.4 million in Recoveries. This is part of an ongoing investigation into the fraudulent manufacture, distribution, and sale of military and civilian aircraft parts by brokers, manufacturers, and repair station owners.
- Three Sentenced to Imprisonment for Fraud Related to Fatal Truck Accident. This is a case of vehicle inspection fraud that resulted in a fatal accident of a commercial tractor-trailer. The three men sentenced included the driver of the commercial tractor-trailer vehicle involved, the owner of the same vehicle, and the owner of an automotive service establishment that had issued inspection stickers to the vehicle owner without having inspected the vehicle.

Strategic Goal: State of Good Repair

- Engineering President Sentenced to 12 Months Imprisonment and Ordered to Pay \$1.6 Million in Restitution for Mail Fraud Involving Federal Highways Administration (FHWA) Funded Contracts. This investigation revolved around mail fraud related to falsified information submitted to state entities for payment on state transportation contracts, many of which were Federally-funded by FHWA.
- FHWA Oversight of the Highway Bridge Program (HBP) and National Bridge Inspection Program (NBIP.) Based on a body of past and on-going work we testified in July 2010 before a Congressional subcommittee regarding FHWA's oversight of the HBP and the NBIP. We recognized FHWA's progress in implementing a data-driven, risk-based approach to bridge oversight and its efforts to address OIG's related recommendations from prior reports. However, we noted that FHWA needed to fully implement planned improvement in the inspection oversight program and strengthen its oversight of states' use of Federal bridge funding.

Strategic Goal: Economic Competitiveness

- Former Owners of Pennsylvania Bridge Beam Manufacturer Indicted In \$136 Million Disadvantaged Business Enterprise (DBE) Fraud. This investigation

revolved around the former owner and his co-conspirators' use of a small highway construction firm as a front to obtain lucrative government contracts reserved for small and disadvantaged businesses. The former owner pled guilty to conspiracy to defraud DOT and commit wire and mail fraud in connection with a \$136 million DBE fraud scheme--the largest in DOT history.

- *New Jersey Construction Firm Agrees to Pay \$20 Million to Settle Allegations of Fraud.* This was a scheme to defraud DBEs and minority and women-owned business enterprises (MWBES) on various federally funded public works contracts.

Strategic Goal: Livable Communities

- *Progress and Remaining Challenges in Reducing Flight Delays and Improving Airline Customer Service* The Inspector General testified before Congress on DOT's and FAA's progress and remaining challenges in reducing flight delays and improving airline customer service.
- *Federal Railroad Administration (FRA) Faces Challenges in Carrying Out Expanded Role.* In Congressional testimony, we analyzed how the Passenger Rail Investment and Improvement Act (PRIIA) and the Rail Safety Improvement Act (RSIA) dramatically realign FRA's role and expanded its responsibilities. Together, these two pieces of legislation called for the implementation of a high-speed rail program, improvements in intercity passenger rail services, and safety enhancement initiatives. Each new mandate carries a unique set of challenges for FRA, especially as they relate to implementing the high-speed rail program.

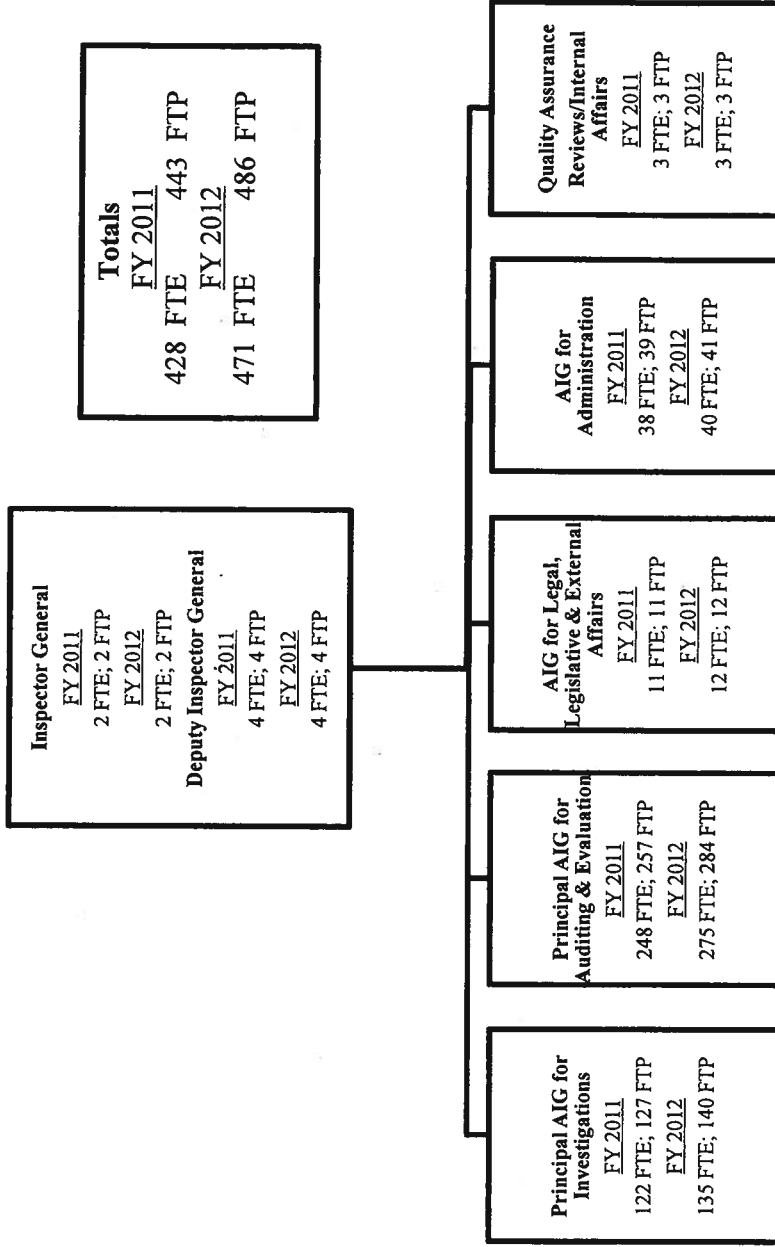
Strategic Goal: Environmental Sustainability

- *Consumer Assistance to Recycle and Save Program (CARS): Most Transactions Met Program Requirements, But Program Completion Activities Continue.* We issued our final report on the CARS program. We found that controls were adequate to verify program eligibility requirements, however controls related to trade-in vehicle disposal are less effective and we recommended a comprehensive close-out plan be implemented.

Summary

The OIG's mission is unique within DOT and demands on our limited resources have never been greater and continue to rise. Major and complex DOT investments such as FAA's Next Generation Air Traffic System (NextGen), sustainability concerns over the Highway Trust Fund, Presidential directives to review acquisition practices to avoid wasteful spending, and Congressional requests on matters of intense public safety interest are all examples of the sources for these increased demands on our expertise. OIG's work products provide the only internal independent source of recommendations that lead to recoveries of large amounts of improper payments, cost reductions, funds to be put to better use, and both financial and program improvements, including increased operational efficiencies and improved safety. More detailed information about our FY 2012 request is provided in the accompanying schedules and narrative. Thank you for considering our request.

**EXHIBIT I
ORGANIZATIONAL CHART
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL**



Reflects estimated ARRA FTE and FTP levels of 35 in FY 2011 and FY 2012.

EXHIBIT II-1

FY 2012 NEW BUDGET AUTHORITY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
(\$000)

<u>ACCOUNT NAME</u>	<u>FY 2010 ACTUAL</u>	<u>FY 2011 CR (ANNUALIZED)</u>	<u>FY 2012 REQUEST</u>
Salaries & Expenses	77,114	77,114	89,185
Salaries & Expenses, Recovery Act	0	0	0
TOTALS: Budget Authority	77,114	77,114	89,185
<u>REIMBURSABLES</u>			
FHWA	3,655	3,809	0
FTA	33	75	0
FAA	135	650	0
NTSB	70	100	200
MARAD	18	0	0
FMCSA	2	0	0
TOTALS: Reimbursables	3,913	4,634	200
TOTALS: OIG	81,027	81,748	89,385

EXHIBIT II-2

**FY 2012 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
Approps., Ob. Lims., and Exempt Obs.
(\$000)**

ACCOUNT NAME	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST
Salaries & Expenses	77,114	77,114	89,185
Salaries & Expenses, Recovery Act	0	0	0
TOTALS: Approp., Ob. Lims., & Exempt Obs.	77,114	77,114	89,185
<u>REIMBURSABLES</u>			
FHWA	3,655	3,809	0
FTA	33	75	0
FAA	135	650	0
NTSB	70	100	200
MARAD	18	0	0
FMCSA	2	0	0
TOTALS: Reimbursables	3,913	4,634	200
TOTALS: OIG	81,027	81,748	89,385

EXHIBIT II-3

FY2012 BUDGET REQUEST BY DOT STRATEGIC AND ORGANIZATIONAL GOALS

DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

(\$000)

	Safety	Environmental Sustainability	State of Good Repair/ Infrastructure	Livable Communities	Economic Competitiveness	Organizational Excellence	Total
ACCOUNT/Program							
Salaries & Expenses						89,185	89,185
TOTAL						89,185	89,185

EXHIBIT II-4

**FY 2012 BUDGET AUTHORITY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
(\$000)**

ACCOUNT NAME	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST
Salaries & Expenses	77,114	77,114	89,185
Salaries & Expenses, Recovery Act	0	0	0
TOTALS: Approp., Ob. Lims., & Exempt Obs.	77,114	77,114	89,185
<u>REIMBURSABLES</u>			
FHWA	3,655	3,809	0
FTA	33	75	0
FAA	135	650	0
NTSB	70	100	200
MARAD	18	0	0
FMCSA	2	0	0
TOTALS: Reimbursables	3,913	4,634	200
TOTALS: OIG	81,027	81,748	89,385

EXHIBIT II-5

**FY 2012 OUTLAYS
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
(\$000)**

ACCOUNT NAME	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST
Salaries & Expenses	76,026	78,837	87,978
Salaries & Expenses, Recovery Act	3,184	5,783	6,000
TOTALS: Outlays	79,210	84,620	93,978

EXHIBIT IL-6
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

	FY 2011 CR (ANNUALIZED)	ANNUALIZATION OF FY 2011 OF WIGS	ONE LESS COMPENSABLE DAY	GSA RENT/ RENTAL SECURITY PAYMENTS TO DHS	WCF	INFLATION	OTHER ADJUSTMENTS	FY 2012 BASELINE ESTIMATE	PROGRAM INCREASES	FY 2012 REQUEST
OPERATIONS										
PERSONNEL RESOURCES:										
Total FTE (not incl. ARRA FTE)	393							393	43	436
FINANCIAL RESOURCES:										
Salaries & Benefits	57,189	500	(233)				3,524	60,980	4,666	65,646
Travel	2,700					40		2,740	338	3,078
Transportation of things	3							3		3
Rental payments to GSA/Rental security payments to DHS	5,470			59				5,529		5,529
Rental payments to others	226							226		226
Comm., utilities, & misc. charges	650							650		650
Printing and reproduction	5							5		5
Advisory and assistance svcs.	515							515	285	800
Other services	4,200						910	5,146	800	5,946
WCF	3,479				585			4,064		4,064
Other svcs. from Gov. accts.	1,757					24		1,781	137	1,918
Supplies and materials	335							335		335
Equipment	475							475	400	875
Insurance claims and indemnities	100							100		100
Unvouchered	10							10		10
Totals: Approps., ObLims., & Exempt Obs.	77,114	500	(233)	59	585	100	4,434	82,559	6,626	89,185
Totals: Reimbursables	4,634	0	0	0	0	0	-4,434	200	0	200
Totals: OIG	81,748	500	(233)	59	585	100	0	82,759	6,626	89,385

EXHIBIT II-7

**WORKING CAPITAL FUND
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
(\$000)**

ACCOUNT NAME	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST	CHANGE FY 2011 CR - 2012
Salaries & Expenses	3,549	3,479	4,064	585
TOTAL	3,549	3,479	4,064	585

EXHIBIT II-8

**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
PERSONNEL RESOURCE - SUMMARY
TOTAL FULL-TIME EQUIVALENTS**

	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST
Salaries & Expenses	381	358	436
Salaries & Expenses, Recovery Act	22	35	35
Sub- Total	403	393	471
Reimbursables	35	35	0
TOTAL FTE	438	428	471

EXHIBIT II-9

**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
RESOURCE SUMMARY - STAFFING
FULL-TIME PERMANENT POSITIONS**

	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST
Salaries & Expenses	398	373	451
Salaries & Expenses, Recovery Act	35	35	35
Sub- Total	433	408	486
Reimbursables	35	35	0
TOTAL FTP	468	443	486

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**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL**

Federal Funds

SALARIES AND EXPENSES

For necessary expenses of the Office of Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended, \$89,185,000: *Provided*, That the Inspector General shall have all necessary authority, in carrying out the duties specified in the Inspector General Act, as amended (5 U.S.C. App. 3), to investigate allegations of fraud, including false statements to the government (18 U.S.C. 1001), by any person or entity that is subject to regulation by the Department: *Provided further*, That the funds made available under this heading [shall] may be used to investigate, pursuant to section 41712 of title 49, United States Code: (1) unfair or deceptive practices and unfair methods of competition by domestic and foreign air carriers and ticket agents; and (2) the compliance of domestic and foreign air carriers with respect to item (1) of this proviso.

Note.-- A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended). The amounts included for 2011 reflect the annualized level provided by the continuing resolution.

EXHIBIT III-1

**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

ACCOUNTS	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST	CHANGE FY 2010-2012
Organizational Excellence	77,114	77,114	89,185	12,071
Organizational Excellence, Recovery Act	0	0	0	0
Total Budget Authority	77,114	77,114	89,185	12,071
Reimbursables	3,913	4,634	200	(3,713)
Total: OIG	81,027	81,748	89,385	8,358
<u>FTE</u>				
Salaries and Expenses	381	358	436	55
Salaries and Expenses, Recovery Act	22	35	35	13
Sub-total	403	393	471	68
Reimbursables	35	35	0	(35)
Total FTE	438	428	471	33

**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSEPECTOR GENERAL**

Program and Performance Statement

This appropriation finances the cost of conducting and supervising audits, inspections 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. The Budget reflects resources that will enable the Office of the Inspector General to perform its oversight responsibilities and assist the Department in achieving its strategic goals for "organizational excellence." Additional funding will be received via a reimbursable agreement from the National Transportation Safety Board (NTSB) to acquire contract services to perform an independent audit of NTSB's financial statements.

EXHIBIT III-1a.

**SUMMARY ANALYSIS OF CHANGE FROM FY 2011 TO FY 2012
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

ITEM	CHANGE FROM FY 2011 ANNUALIZED CR TO FY 2012 REQUEST	TOTAL
FY 2011 Base (Annualized 2010 CR)		
Salaries & Expenses - Appropriations, Ob. Lims., and Exempt Obligations		\$77,114
Adjustments to Base		
Annualization of FY 2011 WIGs	\$500	
One less compensable day	(233)	
Rental payments to GSA/Rental security payments to DHS	59	
Working Capital Fund	585	
Inflation (0.5%)	100	
Direct Funding of Program	<u>4,434</u>	
Subtotal, Adjustments to Base		5,445
New or Expanded Programs		
18 Additional FTEs - Salaries & Benefits	\$2,103	
Recapture Baseline FTE - Salaries & Benefits	2,563	
Travel Costs for additional and recaptured FTE	338	
Advisory & Assistance Services	285	
Information Technology Modernization & Data Center Consolidation Services	700	
Financial Management Business Transformation Services	100	
GSA Space Projects	100	
CIGIE Contribution	37	
Information Technology Modernization & Data Center Consolidation Equipment	300	
Equipment for additional FTE	<u>100</u>	
Subtotal, New or Expanded Programs		<u>6,626</u>
Increases/Decreases		
Total FY 2012 Request		\$89,185

DOT Office of the Inspector General FY 2012 Budget Submission: Executive Summary

What Is The Request And What Will We Get For The Funds?

The Office of Inspector General's (OIG) FY 2012 budget request is for \$89.385 million in total budgetary resources in support of 471 full-time equivalents (FTE), including 35 FTE funded by the American Recovery and Reinvestment Act (ARRA) carryover funds. Of the \$89.385 million, we request \$89.185 million in direct appropriations and \$200,000 in reimbursable funding from NTSB in order to acquire contract services to perform an audit of NTSB's financial statements.

The request includes adjustments to our current services baseline of \$1.011 million for increases in fixed costs from working capital fund and GSA rent, inflation and required adjustments to personnel costs. The request also includes program increases of \$6.6 million for information technology modernization and data center consolidation, funding to recapture base FTEs lost to a full-year CR at the FY10 rate, additional FTEs to better enable us to meet our enhanced oversight responsibilities as expanded on in our detailed justifications, contract support for technical expertise in complex audit and investigative cases, implementation support for the financial management business transformation initiative, and OIG field office space projects. Finally, the request includes a proposal to fully fund OIG through a direct appropriation rather than relying on transfers and offsetting collections from the Department of Transportation (DOT) agencies for which we have oversight responsibilities.

What Is The Program?

The OIG's mission is unique within DOT. Our work products provide the only internal independent source of recommendations to DOT senior executives and managers. The OIG remains focused on maximizing the use of taxpayer dollars through improved efficiencies, as well as enhancing the effectiveness and integrity of the programs that DOT administers. Our audits, reviews and investigations lead to recoveries of large amounts of improper payments, cost reductions, funds put to better use, and both financial and program improvements, including increased operational efficiencies and improved safety.

Why Is This Particular Program Necessary?

The Inspector General Act of 1978, as amended (IG Act), established the OIG as an independent and objective organization within the DOT. The OIG is committed to fulfilling its statutory mission to promote economy, efficiency, and effectiveness and detect fraud, waste, and abuse in Departmental programs and operations.

OIG's statutory responsibilities extend not only from the IG Act, but also from a range of other legislation, including the Chief Financial Officers Act (P.L. 101-576), Federal Information

Security Management Act (FISMA) (P.L. 107-347), the Improper Payments Elimination and Recovery Act (P.L. 111-204) and the ARRA (P.L. 111-5).

In meeting our statutory duties, OIG has a demonstrated ability to produce significant, tangible benefits that support the DOT mission and result in real monetary recoveries and savings as well as measurable improvements in the efficiency and effectiveness of the Department's programs.

How Do You Know The Program Works?

During FY 2010, the monetary impact of our findings and recommendations represent a return of approximately *\$19 for each budget dollar spent*. As a return on investment, OIG audits, reviews and investigations produce significant, tangible benefits in the form of savings, recoveries and efficiency gains that support the DOT mission. In FY 2010, OIG issued 126 audit reports; testified 9 times before Congress; and conducted investigations resulting in 92 indictments, 72 convictions, and 59 administrative actions. Court-ordered fines, restitutions, and recoveries from OIG investigations totaled \$66.2 million with an additional \$7.8 million in costs avoided. Also during this period, we recommended that DOT put over \$1.2 billion to better use and identified \$189 million in questioned costs.

To assess the outcome and effectiveness of OIG performance in terms of meeting our statutory responsibilities, we have adopted performance measures developed by the Council of Inspectors General on Integrity and Efficiency (CIGIE) based on the reporting requirements in the IG Act.

Why Do We Want/Need To Fund The Program At The Requested Level?

The Department's five Strategic Goals and one Organizational Goal emphasize the importance of improving the Nation's transportation system by making it safer, less congested, better connected, and environmentally friendly in all conditions. OIG will continue to work to recommend solutions to complex transportation issues across this strategic framework. We will also focus our work on ensuring that tax dollars expended by DOT are well-spent and that acquisitions, contracts, and grants are well-managed and not vulnerable to fraud, including those under consideration as part of the economic recovery efforts.

The OIG is committed to fulfilling its statutory responsibilities under the IG Act, while supporting the Secretary, senior DOT officials, members of Congress, and the American public in achieving a safe, efficient, and effective transportation system. The accompanying budget request for FY 2012 has been developed with the goal for OIG to build on its long-standing record as a highly respected contributor to the Department's mission.

**DOT Office of Inspector General
 FY 2012 Budget Request: Detailed Justification**

What Do I Need To Know Before Reading This Justification?

- The Inspector General Act of 1978, as amended (IG Act), established the Office of Inspector General (OIG) as an independent and objective organization within the Department of Transportation (DOT). The OIG is committed to fulfilling its statutory mission to promote economy, efficiency, and effectiveness and detect fraud, waste, and abuse in Departmental programs and operations.
- During FY 2010 we issued 126 audit reports; testified 9 times before Congress; and conducted investigations resulting in 92 indictments, 72 convictions, and 59 administrative actions. Court-ordered fines, restitutions, and recoveries from OIG investigations totaled \$66.2 million with an additional \$7.8 million in costs avoided. Also during this period, we recommended that DOT put over \$1.2 billion to better use and identified \$189 million in questioned costs. These monetary accomplishments represent a return of approximately *\$19 for each budget dollar spent*.
- The OIG operates in a dynamic and evolving transportation environment, balancing demands on finite resources between responsiveness to stakeholders' priorities and proactively directing our work to identify opportunities for improvements in operations and programs. In assigning resources and developing specific work plans, the OIG's planning must remain a dynamic process, considering many factors including the strategic goals, programs and priorities of DOT, inquiries and areas of interest to Congress and the OMB, the transportation industry and emerging matters of public interest.

What Is The Request And What Will We Get For The Funds?

FY 2012 DOT Office of Inspector General Budget Request			
(\$000)			
Program Activity	FY 2010 Actual	FY 2012 Request	Change FY 2010-FY 2012
Salaries & Expenses	\$77,114	\$89,185	\$12,071
Reimbursables	3,913	200	-3,713
Total	\$81,027	\$89,385	\$8,358

Our FY 2012 budget request is for \$89.385 million in total budgetary resources in support of 471 full-time equivalents (FTE, including 35 FTEs funded by American Recovery and Reinvestment Act (ARRA) carryover funds). Of the \$89.385 million, we request \$89.185 million in direct appropriations and \$200,000 in reimbursable funding from National Transportation Safety Board (NTSB) in order to acquire contract services to perform an audit of NTSB's financial statements.

The FY 2012 request includes adjustments to current services baseline of \$1.011 million for increases in fixed costs from working capital fund and GSA rent, inflation and required adjustments to personnel costs. Also included in this request is \$6.6 million for program increases composed of the following items:

Recaptured and Additional FTE

We requested and were granted funding in our FY 2011 President's Budget for an additional 8 FTEs in FY 2011 with another 10 FTEs annualized in FY 2012, for a total two-year cost of \$2.3 million for 18 FTEs. In addition, we will be unable to fund an estimated 25 FTEs if operating under a full-year CR in FY 2011 at the FY 2010 rate. The FY 2012 cost for recapturing these baseline FTEs is \$2.8 million, for a combined increase of \$5.1 million for 43 FTEs. Restoring funding for these personnel and providing the requested additional FTEs will enable us to continue to support the Office of the Secretary (OST), the OMB, and Congressional requests. They will also enable us to address key issues and vulnerabilities that, due to other time-sensitive priorities, we otherwise would have to postpone and would allow us enhanced abilities to provide heightened audit and investigative attention to meet the needs of the Secretary and Congress in addressing transit and rail safety matters. The \$5.1 million will fund salaries, benefits, and operating costs associated with these FTEs.

Our requested increase would better enable us to meet our enhanced oversight responsibilities which include:

- Aviation and surface transportation safety audits;
- Surface transportation program stewardship and accountability reviews;
- Safety-related and alleged whistleblower retaliation investigative cases referred to us by the Office of Special Counsel and received through the OIG hotline; and
- Audit and investigative coverage of DOT acquisition programs, including oversight and administration of contracts and grants.

With transit ridership at its highest levels in 5 decades and significant investments planned for new or enhanced high speed and inter-city rail systems, it will be critical to ensure that existing and planned systems provide for the safety of passengers and individuals on or near the right-of-way. While mass transit and heavy rail travel are historically safe, recent high-profile incidents point to the complex challenges associated with the safe operation of these systems. In the coming years, as the United States, under DOT's leadership, invests billions in transit and high speed rail programs, the Department will be called on to ensure that existing and newly constructed systems meet the high safety standards the American public expects.

To oversee the Department's increased safety responsibility, we anticipate the need to reexamine our surface transportation oversight priorities and devote resources beyond our current

capabilities. These resources would support our work on transit and rail safety, particularly with respect to:

- Design standards and specifications;
- Operator qualifications, training, and screening;
- Construction quality and oversight;
- Management of aging transit assets to adequately address safety ramifications; and
- Assessment of current transit safety oversight and the impact of any proposed legislative changes.

Information Technology Modernization and Data Center Consolidation

\$1.0 million is requested for Information Technology Modernization and Data Center Consolidation. The OIG is conducting an IT assessment to prepare for a multi-year IT Modernization and Data Center Consolidation initiative. The IT Modernization encompasses a broad range of IT matters including enhanced system and infrastructure security to protect against external threats, client support services, server architecture, storage architecture and enterprise applications. The Data Center Consolidation encompasses innovative ways to implement Green-IT and cloud computing initiatives using emerging technologies in virtualization and IT disaster recovery. Recommendations from the IT assessment will be implemented to modernize the current environment into a scalable, robust and flexible IT environment to enhance security and improve accessibility and system reliability for OIG's nationwide audit and investigative workforce.

The requested funding will be used on all aspects of the project from design and analysis to implementation and post-implementation. Current projections are summarized in detail as follows:

FY 2012 IT Modernization and Data Center Consolidation	
Legacy System Renovation and Modernization	\$ 485,000
Modernize Server and Storage Architecture	325,000
Update Client Support Services	190,000
Total	\$ 1,000,000

As OIG's current IT environment ages, the risk increases for aggravated security issues, reduced efficiencies, an inability to meet critical mission workforce needs, and inadequate project

oversight resulting in potential security infringements, higher maintenance costs and unmet mission requirements. Delays or restrictions on funding the implementation of these initiatives will hamper the OIG's ongoing ability to continue to provide a high level of oversight and support to the DOT mission and strategic goals.

Investing in IT Modernization and Data Center Consolidation will enhance security and will also result in improved qualitative metrics such as increased effectiveness to meet OIG and DOT mission critical needs, improved customer service and user productivity.

Additional Operating Costs

OIG requests an increase of \$285,000 to fund critical contracting requirements for individuals with specialized expertise to assist in conducting highly technical and complex audits. Contracting is the most efficient way to obtain this expertise and does not involve the hiring of permanent FTEs. Since OIG must maintain its independence and objectivity, we can not always enlist and rely on the expertise of the Operating Administrations, and must use outside experts for highly technical audits and investigations. This increase would return OIG to an appropriate level for advisory and assistance contract services. Expertise would be required in the following areas.

- **Aviation Safety Engineering**

Funding is required to obtain aerospace engineering expertise in support of ongoing and planned aviation safety audits and emerging aviation issues affecting aviation safety. The planned work derives from congressional requests and interest in airline maintenance practices and aircraft manufacturing. This work is extremely complex, thus requiring independent analyses and technical expertise.

For example, an aerospace engineer with expertise in understanding complex design and repair instructions is crucial to properly evaluate the adequacy of the oversight that FAA and air carriers provide of air carrier maintenance practices. Also, engineering expertise in airframe structures and power plants is needed to assess whether FAA's approvals of complex aircraft design and specifications are adequate. In addition, given the scope of our reviews, knowledge is needed in foreign and domestic aircraft systems of varying sizes, i.e. large transport and regional aircraft models.

- **Infrastructure Engineering**

Funding is required to obtain services from the Army Corps of Engineers and consultants who specialize in the analysis of construction scheduling using Primavera software.

Consultants skilled in the use of Primavera software are required to: (1) review and analyze the schedules of large construction projects including data related to specific delays, construction progress, and projections to verify whether a project completion date is feasible or if additional delay costs are justified; (2) prepare professional

documentation that reports on the results of the Primavera reviews and offers recommendations to resolve problems; and (3) provide technical support during discussion of report findings with the project officials and contractors.

Technical issues identified in audits and investigations of large infrastructure projects demand very specialized engineering knowledge. The requested funding will provide OIG with access to the Corps' national pool of engineers, scientists, technicians, and laboratories. This special expertise is not available within the ranks of OIG employees.

Consultant services such as these were critical in our review of FHWA's oversight of the Central Artery/Tunnel Project following the collapse of a tunnel ceiling panel that killed a motorist. This expertise also was used in our audit of FHWA's oversight of structurally deficient bridges on the National Highway System.

- **Competition and Economic Issues**

Funding is required to obtain contractor analytical support in the area of surface transportation competition and economic issues. This will allow OIG to supplement our in-house staff with contractors who have specialized economic modeling capabilities. The types of issues to be addressed with these funds include evaluation and analysis of policy and program considerations by the Department concerning analyses of the financial viability of and benefits to be derived from different specific high speed rail projects, and an analysis of alternative congestion pricing mechanisms.

- **IT Computer Security**

Funding is required to obtain contractor assistance in support of ongoing and planned information technology audits and information technology issues affecting computer security and to perform annual computer security reviews in accordance with the Federal Information Security Management Act of 2002.

- **Defense Contract Audit Agency (DCAA)**

FHWA and FTA award approximately \$50 billion annually in grants--most of which is subsequently used by the grantees to award contracts to accomplish the grants' transportation and safety objectives. OIG requires funding to obtain the services of DCAA technical specialists to assist in providing oversight of those grant-making and contracting activities.

In the past, DCAA expertise has been used to assist our audits of engineering, design, and construction firms that receive contracts from states and transit authorities under grants that FHWA or FTA awarded. For example, DCAA technical specialists' services were needed to help review highly technical cost elements or practices, such as compensation, insurance, labor charging, and employee benefits. DCAA also has provided audit assistance on investigations involving false claims and other contract fraud schemes.

Financial Management Business Transformation

\$100,000 is requested for OIG costs associated with the Department's Financial Management Business Transformation. This long-term departmental project will reach a critical implementation phase beginning in FY 2012. OIG is requesting these additional funds to acquire contractual support to assist in coordinating OIG efforts with the department-wide implementation plan, to provide technical expertise pertaining to modernization of our cost management system, and to provide support for data cleanup and conversion efforts.

GSA Space Projects

OIG requests \$100,000 in FY 2012 funding for the renovation, expansion, and/or relocation of an OIG field office. A full renovation or relocation of a typical size field office of approximately 25-30 people costs at least \$300,000. This includes costs of construction above GSA's tenant improvement allowances, systems furniture, moving expenses, telecommunications including LAN and WAN lines as well as special locked space for office network servers, and special use space for OIG investigative staff such as grand jury rooms, evidence storage, forensic labs - all of which have to be constructed with hard walls from ceiling to floor to maintain the integrity of our investigative activities.

For the past 10 years, OIG has been relocating and renovating office space little by little in order to ensure that the investigative space is kept up to required standards for evidence, grand jury material and forensic labs. Additionally, we have been reducing office space when needed or renovating to allow more personnel in an office through the use of systems furniture and reducing office sizes to be consistent with HQ standards. The cost of this type of necessary activity has grown to the point where OIG cannot continue to maintain its office space without a specific request for increased funding for this line item.

OIG's Direct Funding

We are requesting full funding through direct appropriation rather than relying on transfers and offsetting collections that come from DOT operating administrations for which we have oversight responsibilities. In previous years, we have relied on funding coming through expenditure transfers of \$3.524 million from the Federal Highways Administration (FHWA), \$2 million of nonexpenditure transfers coming from the Federal Transit Administration (FTA), as well as offsetting collections coming from multiple DOT operating administrations and used to acquire contractual support for DOT and Federal Aviation Administration (FAA) financial statement audits and Enterprise Services Center (ESC) SAS-70 audit services. We are requesting that funding from these transfer and offsetting collection sources be replaced and included in our direct appropriation.

Fully funding OIG through a direct appropriation will enhance transparency with regard to the actual funding level of OIG, and it will eliminate the need for OIG to rely on funding received from agencies which we exercise oversight responsibilities. Also, fully funding OIG through direct appropriation will significantly reduce the current administrative process by eliminating

the need to coordinate and execute Inter-Agency Agreements to receive funding allocations through transfers and offsetting collections. Finally, under the transfer and offsetting collection methodology, there have been recurring instances where delays in administrative processing have affected our ability to make timely awards of financial statement and SAS-70 contracts. These constraints become more pronounced-- and affect our ability to fund OIG FTEs-- when we are operating under Continuing Resolutions since three-fourths of OIG's budget is dedicated towards Personnel Compensation and Benefits. Providing this funding in our direct appropriation will allow us to plan and manage our resources in a more efficient and predictable manner.

What Is This Program?

This program represents the whole of OIG's operational needs. The work of OIG provides the only internal independent source of recommendations to DOT senior executives and managers. The OIG remains focused on obtaining maximum use of taxpayer dollars through improved efficiency, as well as enhancing the effectiveness and integrity of the programs that DOT administers. Our audits, investigations and reviews lead to recoveries of large amounts of improper payments, cost reductions, funds put to better use, and both financial and program improvements, including increased operational efficiencies and improved safety.

The following table presents the OIG's FY2010 actual funding and the changes and adjustments leading to the FY 2012 Budget Request:

(\$000's)	
FY 2010 Actual	\$77,114
Adjustments to Baseline	5,445
FY 2012 Baseline Budget	\$82,559
Program Increases and Adjustments:	
FY 2012 Program Increases	6,626
FY 2012 Budget Request	\$89,185

Why Is This Particular Program Necessary?

OIG's statutory responsibilities extend not only from the IG Act, but also from a range of other legislation, including the Chief Financial Officers Act (P.L. 101-576), the Federal Information Security Management Act (FISMA) (P.L. 107-347), the Improper Payments Elimination and Recovery Act (P.L. 111-204) and the American Recovery and Reinvestment Act (ARRA) (P.L. 111-5). The OIG is committed to fulfilling its statutory mission to promote economy, efficiency, and effectiveness and detect fraud, waste, and abuse in Departmental programs and operations.

In meeting our statutory duties, OIG has a demonstrated ability to produce significant, tangible benefits that support the DOT mission and that result not only in real monetary recoveries and savings but measurable improvements in the efficiency and effectiveness of the Department's

programs. During FY 2010, the monetary impact of our findings and recommendations represent a return of approximately *\$19 for each budget dollar spent*. As a return on investment, OIG audits, reviews and investigations produce significant, tangible benefits in the form of savings, recoveries and efficiency gains that support the DOT mission. In FY 2010, OIG issued 126 audit reports; testified 9 times before Congress; and conducted investigations resulting in 92 indictments, 72 convictions, and 59 administrative actions. Court-ordered fines, restitutions, and recoveries from OIG investigations totaled \$66.2 million with an additional \$7.8 million in costs avoided. Also, during this period, we recommended that DOT put \$1.2 billion to better use and identified \$189 million in questioned costs.

How Do You Know The Program Works?

The OIG's mission is unique within DOT. Our work products provide the only internal independent source of recommendations to senior policy-making executives and program managers. The OIG obtains maximum use of taxpayer dollars through improved efficiency, as well as enhancing the effectiveness and integrity of the programs that DOT administers. Our audits, investigations and reviews lead to recoveries of large amounts of improper payments, cost reductions, funds put to better use, and both financial and program improvements, including increased operational efficiencies and improved safety. The OIG has established a long-standing record as a highly respected contributor to the Department's mission.

As is evident by the return on invested budget dollars, OIG has a demonstrated ability to produce significant, tangible benefits that support the DOT mission and that result not only in real monetary recoveries and savings but also produce measurable improvements in the efficiency and effectiveness of the Department's programs.

OIG fulfills statutory responsibilities by completing required audits of DOT's financial statements and information security practices; assessing the adequacy of internal control systems; and ensuring tax dollars expended by DOT are well-spent and that acquisitions, contracts, and grants are well-managed to safeguard against fraud, including those under consideration as part of the economic recovery efforts. In addition, the Secretary and Congress frequently task OIG through requests, report directives, and statutory mandates to review critical ongoing and emerging transportation issues.

We also identify, monitor and report on issues we consider being the Department's top management and performance challenges as a part of annual performance reporting. The challenges we identify are communicated to DOT leadership, and we monitor the Department's progress in addressing the issues. For FY 2011, the key challenges identified for DOT include:

- Ensuring Transparency and Accountability in the Department's Recovery Act Programs
- Maintaining Momentum in the Department's Oversight of Highway, Motor Vehicle, Hazardous Materials, and Transit Safety

- Maintaining Momentum in Addressing Human Factors and Improving Safety Oversight of the Aviation Industry
- Improving the Department's Oversight of Highway, Transit, and Pipeline Infrastructure
- Identifying Sufficient Funding Sources To Support Future Federal Investment in Surface Transportation Infrastructure
- Transforming the Federal Railroad Administration To Address Significantly Expanded Oversight Responsibilities
- Advancing the Next Generation Air Transportation System While Ensuring the Safe and Efficient Operation of the National Airspace System
- Implementing Processes To Improve the Department's Acquisitions and Contract Management
- Improving the Department's Cyber Security

To assess the outcome and effectiveness of OIG performance in terms of meeting our statutory responsibilities, we have adopted performance measures developed by the Council of Inspectors General on Integrity and Efficiency (CIGIE) based on the reporting requirements in the IG Act. Following are examples of some of our recent and on-going work that we believe support the Department's strategic focus.

SAFETY: Improve public health and safety by reducing transportation-related fatalities and injuries.

Investigation into Fraudulent Aircraft Parts Manufacturing Scheme Nets

Approximately \$3.4 Million in Recoveries

Operation Wingspan is an on-going investigation into the fraudulent manufacture, distribution, and sale of military and civilian aircraft parts by brokers, manufacturers, and repair station owners throughout the United States who were not approved to do so by the FAA or the Department of Defense (DoD). These aircraft parts include skins, wings, and control surfaces for various aircraft including the U.S. Military version of the Boeing 707/320 commercial airframe, which are used for the U.S. Air Force's (USAF) E-3 Sentry, Airborne Warning and Control System, and KC-135 Airborne Refueling Aircraft. These manufacturers conspired with various brokers or authorized DoD contractors to sell the substandard aircraft parts to the USAF. In cases where the customer required supporting FAA authorization documents, brokers further conspired with FAA repair stations to falsify FAA forms, giving the illusion that the manufactured parts had been approved by the FAA and were suitable for installation on an aircraft. Thus far this investigation has resulted in the execution of 12 search warrants; indictment of 6 individuals, all of whom have pled guilty; and sentencings culminating in just over 14 years imprisonment; and \$3.4 million in restitution and forfeitures.

Three Sentenced to Imprisonment for Fraud Related to Fatal Truck Accident in Philadelphia, PA

On April 26, 2010, three men were sentenced in Montgomery County Court of Common Pleas Norristown, Pennsylvania, on charges related to an accident on U.S. 76 in Philadelphia, Pennsylvania, in which one person died and five others were seriously injured when a commercial vehicle operated by one of the men drove into stopped traffic. The three men included the driver of the commercial tractor-trailer vehicle involved, the owner of the same vehicle, and the owner of an automotive service establishment that had issued inspection stickers to the vehicle owner without having inspected the vehicle. All three men were sentenced to 23 months incarceration, assessed fines totaling \$3,300, and the owner of the truck was ordered to pay restitution of \$26,000.

The investigation determined that the crash was a result of the fact that the tractor-trailer's brakes were extremely dangerous. Both the driver of the tractor-trailer and its owner admitted they were aware of the dangerous brake condition, that no steps were taken to fix the problem and continued to operate the truck. The investigation further determined that the commercial vehicle displayed a valid inspection sticker despite the condition of the brakes. The sticker was provided by the owner of an automotive service establishment in Philadelphia who admitted that he had not inspected the truck and permitted the vehicle owner to operate the truck with the dangerous brake condition. In addition, the OIG analysis of the driver's regulated driver logbooks revealed that he was driving in excess of Federal Motor Carrier Safety Administration's (FMCSA) maximum hours of operating a commercial vehicle at the time of the accident.

Audit Initiated of NHTSA's Office of Defects Investigation

On February 9, 2010 we initiated an audit of the National Highway Traffic Safety Administration (NHTSA) Office of Defects Investigation (ODI). This audit was initiated based on questions and concerns expressed by a number of Members of Congress and congressional committees regarding Toyota's recent safety recalls. Our work will examine the actions taken by NHTSA in regards to the recent Toyota recalls as well as the overall process for identifying and investigating safety defects. We will coordinate our work with NHTSA's ongoing investigations of Toyota.

Our audit objectives are to: (1) examine NHTSA's efforts to ensure that ODI has the appropriate information systems and processes in place to promptly identify and take action to address potential safety defects as intended by the Transportation Recall Enhancement, Accountability, and Documentation Act (TREAD); (2) assess NHTSA's procedures and processes for ensuring that companies provide timely notification of potential safety defects; and (3) examine the lessons learned from the Toyota recalls to identify any improvement needed in current policies and procedures.

Report of FAA's Call to Action Plan for Runway Safety

On July 21, 2010 we issued our report on the FAA's Call to Action Plan for Runway Safety (the Plan). Reducing the risk of runway incursions is a critical part of FAA's mission to oversee and enhance the margin of safety of the National Airspace System. In 2007, FAA, airline, and airport officials created the Plan after several close calls at some of the Nation's busiest airports. We conducted this audit at the request of the Chairman and Ranking Member of the Senate Commerce, Science, and Transportation Committee, who asked that we review the current state of aviation safety, including a focus on runway safety issues. Our audit objective was to evaluate the effectiveness of actions taken as a result of FAA's Call to Action Plan for improving runway safety.

We found that while the Plan has helped reduce some serious incidents, other factors may have contributed to the decrease as well. For example, there have been fewer airport operations on the Nation's runways and taxiways since 2007, which naturally correspond with fewer runway incursions. We also found that several major airports made key safety improvements before the Plan was established. Finally, FAA's runway incursion severity rating process can be inconsistent and susceptible to bias, making the accuracy of year-to-year comparisons of serious incidents questionable.

To date, FAA and industry stakeholders have implemented several of the Plan's short-term initiatives (e.g., upgrading airport surface markings). However, if FAA is to achieve its goal of reducing runway incursions by 10 percent by FY 2013, it must follow through to set and meet milestones for the Plan's mid- and long-term initiatives. In the past, we found that FAA's efforts diminished as it initially met its overall goal for reducing runway incursions, only to later see a rebound in the number of incidents. We made six recommendations to ensure FAA's Call to Action Plan initiatives are effectively implemented.

Reviews Initiated of PHMSA's Oversight of Pipeline Safety

We plan to conduct multiple reviews of the Pipeline and Hazardous Materials Safety Administration's (PHMSA) oversight of pipeline safety. These reviews were prompted by congressional concerns about the effectiveness of Federal and state oversight of pipeline operator programs after recent pipeline incidents in Michigan and California. Our series of audits will examine PHMSA's oversight of (1) the State Pipeline Safety Program, (2) pipeline operators' federally mandated integrity management plans, and (3) current and planned programs to address human factors and other aspects of control room management where supervisory control and data acquisitions systems are used.

Audit Initiated on FAA Regulations and Airline Policies Regarding Crew Rest Requirements and Fatigue Issues

We have initiated an audit of FAA regulations and airline policies governing crew rest requirements and pilot fatigue. We are conducting this review at the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security. Our audit objectives are to: (1) identify FAA regulations and airline policies on crew rest requirements and fatigue issues, including the role of pilots' domicile and duty locations; (2) determine how FAA and airlines enforce these regulations and policies; and (3) assess how FAA and airlines update those policies and procedures to ensure they address changing conditions within the aviation industry.

New Approaches Needed In Managing PHMSA's Special Permits and Approvals Program

Many hazardous materials are transported under the terms of special permits and approvals, which provide relief from the Hazardous Materials Regulations if certain conditions are met. We evaluated the effectiveness of the PHMSA's (1) policies and processes for reviewing and authorizing special permits and approvals, (2) coordination with the affected Operating Administration before issuing any of these special authorizations, and (3) oversight and enforcement of approved parties' compliance with the terms and conditions of these authorizations.

Our review identified serious deficiencies in each of these areas. Specifically, PHMSA issued special permits and approvals without adequately reviewing applicants' safety histories and proposed level of safety or coordinating with the affected Operating Administrations. PHMSA also does not conduct regular compliance reviews of individuals and companies who have been granted special permit and approvals. PHMSA has developed action plans to address our concerns, and we will be monitoring its actions to ensure that each problem we raised is addressed.

STATE OF GOOD REPAIR: Ensure the U.S. proactively maintains its critical transportation infrastructure in a state of good repair.

Engineering President Sentenced to 12 Months Imprisonment and Ordered to Pay \$1.6 Million in Restitution for Mail Fraud Involving FHWA Funded Contracts

On June 10, 2010, the President and CEO of Kam Engineering Inc. (KEI), was sentenced in U.S. District Court, Chicago, Illinois, to 12 months and 1 day imprisonment, 2 years supervised release, and ordered to pay \$1.6 million in restitution for mail fraud related to falsified information submitted to the Illinois Department of Transportation (IDOT) and other state entities for payment on state transportation contracts. From 1994-2003, the CEO submitted false invoices and financial information regarding overhead expenses and the number of hours worked by KEI employees on contracts for IDOT, Chicago Department of Transportation, Metra, and the Illinois State Tollway Authority, many of which were Federally-funded by the

FHWA. The total amount of fraudulent invoices amounted to over \$1.6 million. The scheme to defraud involved the CEO moving hours among different jobs and contracts by directing the 30 plus employees of KEI to complete time sheets in pencil, which allowed the alterations. Fraudulent invoices were then mailed to IDOT for payment. The CEO has made full restitution to all parties involved. Charges against KEI were dropped after indictment. KEI, now defunct, and the CEO were suspended by FHWA.

FHWA Oversight of the Highway Bridge Program and National Bridge Inspection Program

In July 2010, we testified before House Transportation and Infrastructure Subcommittee on Highways and Transit regarding FHWA's oversight of the Highway Bridge Program (HBP) and the National Bridge Inspection Program (NBIP). Our testimony focused on FHWA's efforts to: (1) implement a data-driven, risk-based approach to overseeing the Nation's bridges; (2) ensure that the states comply with bridge inspection standards; and (3) strengthen its oversight of states' use of Federal bridge funding. We recognized FHWA's progress in implementing a data-driven, risk-based approach to bridge oversight and its efforts to address OIG's related recommendations from prior reports. However, we noted that FHWA needed to fully implement planned improvement in the inspection oversight program and strengthen its oversight of states' use of Federal bridge funding.

The FHWA estimates that about one in four of the more than 600,000 bridges nationwide are deficient and that as much as \$65 billion would be needed to address current bridge deficiencies and other needed improvements. The HBP apportions Federal funds to replace and rehabilitate the Nation's bridges based on need, which is largely determined through inspection criteria in FHWA's NBIP.

Review of the 2009 FAA Telecommunications Infrastructure Outage

In June 2010, we issued our review of an FAA Telecommunications Infrastructure (FTI) outage that occurred on November 19, 2009, delaying thousands of travelers and grounding hundreds of flights nationwide. This review was requested by the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation. The Chairmen requested that we (1) identify the cause of the FTI outage, (2) review FAA's corrective action plan to prevent future critical outages, (3) examine FAA's ability to oversee FTI and the contractor, and (4) identify oversight vulnerabilities or best practices of other critical systems in the National Airspace System owned or operated by the private sector.

We found that network configuration and procedural errors by the contractor caused the FTI outage, which blocked approximately 75 percent of the FTI network traffic and delayed service restoration for 5 hours. While FAA and the contractor have taken corrective actions to prevent a similar critical outage, they acknowledge that the risk of future outages remains as new services are added to FTI's fiber optic network. In addition, we found that FAA's oversight of the

contractor could have been more effective and proactive. Moreover, FAA's internal reports show that FAA and the contractor still need to fully identify FTI vulnerabilities to ensure network reliability. FAA is increasingly shifting more acquisitions and services to the private sector to reduce costs, and we identified a number of best practices FAA should consider for FTI and other privately owned and operated systems.

Challenges in Meeting FAA's Long-Term Goals for NextGen

On April 21, 2010, the Inspector General testified before the House Transportation and Infrastructure Subcommittee on Aviation on the FAA's progress in developing NextGen. The Inspector General noted significant challenges FAA must overcome to achieve its long-term goals for NextGen. Central to this effort is the successful implementation of ongoing modernization projects that will provide platforms for new NextGen capabilities for enhancing capacity. However, key multibillion-dollar programs have experienced problems, and FAA has yet to fully determine their NextGen-specific requirements. These include the \$2.1 billion En Route Automation Modernization (ERAM) program. Delays with this and other projects will have a cascading effect on NextGen plans now and well into the future. One critical step to avoid risks with NextGen's cost, schedule, and capabilities is addressing gaps in partner agencies' research and development efforts and long-term budgets and plans. The Inspector General noted several actions FAA can take now to strengthen the multi-agency approach, better leverage Federal research projects, and prevent duplicative implementation efforts.

ECONOMIC COMPETITIVENESS: Promote transportation policies and investments that bring lasting and equitable economic benefits to the Nation and its citizens.

Former Owner of Schuylkill Products Pleads Guilty to Largest DBE Fraud in DOT History

On August 16, 2010, the former owner of Schuylkill Products, Inc. (SPI), pled guilty to conspiracy to defraud DOT and commit wire and mail fraud in connection with a \$136 million DBE fraud scheme -- the largest in DOT history. This individual admitted to participating in a 15-year conspiracy between 1993 and 2008 to defraud DOT, Pennsylvania Department of Transportation (PennDOT) and Southeastern Pennsylvania Transportation Authority (SEPTA) to divert over 300 PennDOT and SEPTA construction contracts reserved for DBEs to SPI and CDS Engineers, Inc., two non-DBE companies. This individual and his co-conspirators executed the scheme by using a small Connecticut highway construction firm known as Marikina Construction Corporation as a front company to obtain these lucrative government contracts.

New Jersey Construction Firm Agrees to Pay \$20 Million to Settle Allegations of Fraud

On November 29, 2010, a New Jersey construction company, signed a civil settlement agreement in the U.S. Eastern District Court, New York, in which they agreed to pay a \$20 million civil forfeiture related to disadvantage business enterprise (DBE) fraud on various public works contracts. As part of the resolution, the construction company admitted that between 2002 and 2007, former employees fraudulently submitted utilization reports on federally funded public

works contracts that falsely represented work was performed by certified DBEs and minority and women-owned business enterprises (MWBEs) when in fact non-DBE and non-MWBE subcontractors performed the work. The construction company executed two contracts with the NYS Metropolitan Transit Authority (MTA) totaling approximately \$350 million. Both of these contracts received Federal Transit Administration grant funds and required that the construction company comply with the DBE program. They also acknowledged a \$20 million overstatement of actual DBE and MWBE participation. In addition to the \$20 million payment to resolve civil claims, they also entered into a separate administrative agreement with DOT to ensure future compliance with DBE and MWBE requirements.

Report on the Department of Transportation's Suspension and Debarment Program

On January 7, 2010, we issued a report on the DOT's Suspension and Debarment (S&D) Program. Our objectives were to assess: (1) the timeliness of Operating Administrations' (OA) S&D decisions and reporting; and (2) DOT's S&D policies and oversight of OA actions to exclude prohibited parties from obtaining contracts, grants, and cooperative agreements. We found that DOT's S&D Program does not adequately safeguard against awards to improper parties.

Our audit focused on the Federal Highway Administration, the FAA, and the Federal Transit Administration, which represent most of DOT's S&D activity. We found that OAs' S&D decisions and reporting have been significantly delayed, which increases the risk that DOT and other agencies will award contracts and grants to parties that DOT will ultimately suspend or debar. In addition, we found weaknesses in DOT's S&D policies, procedures, and internal controls, which make them inadequate to safeguard DOT's efforts to exclude prohibited parties from obtaining contracts and grants. We made specific recommendations to DOT's Senior Procurement Executive and to FAA to address these areas. The DOT concurred with all of our recommendations. The FAA fully concurred with all but one recommendation — partially concurring with our recommendation on issuing S&D notices in 45 days.

New York Flight Delays Have Three Main Causes, but More Work Is Needed To Understand Their Nationwide Effect

On October 28, 2010, we issued our report on the causes and nationwide effects of flight delays at the principal New York area airports--Kennedy, LaGuardia, and Newark. During the summer of 2007, these airports led the Nation with over 40 percent of arriving flights either delayed or cancelled. We conducted this review at the request of the Chairman of the House Transportation and Infrastructure Subcommittee on Aviation, who requested that we (1) determine the principal causes of flights delays in the New York region and (2) identify the corresponding effect of these delays nationwide.

Flight delays in the New York area have three main causes: (1) crowded airspace due to the close proximity and high volume of flight operations of the three main New York airports; (2) airport capacity constraints; and (3) continued growth in air traffic during the last 10 years, in part due to the phase-out of flight limits (caps) from 2000 to 2007. FAA reestablished the caps in 2008 at Kennedy and imposed them for the first time at Newark, but these have done little to reduce New York area delays. While there is substantial agreement that New York delays have a nationwide "ripple effect," the extent and nature of their impact are largely unknown. FAA's efforts to measure this effect are in the developmental stage and require additional work to provide a full understanding of delay propagation.

We made four recommendations to FAA aimed at reexamining its flight caps, enhancing existing flight data, and developing a viable methodology for understanding delay propagation effects.

California Men Sentenced to a Total of Over 10-Years in Prison and Restitution of \$5.6 Million for Defrauding Trucking Companies

On August 10, 2009, an individual was sentenced in the Central District of California Los Angeles, California to 55 months in prison for computer fraud, mail fraud, and aiding and abetting. This individual and his business partner were involved in a scheme to defraud trucking companies by misrepresenting that they were a trucking company and freight hauling brokers. The business partner was sentenced to 70 months in prison and ordered to pay nearly \$2.9 million in restitution to victims. The first individual was ordered to pay \$2.7 million in restitution. The government has already recovered \$1.4 million from the business partner.

Both parties pled guilty in February 2009 to computer fraud and mail fraud charges, admitting that they defrauded trucking brokers and trucking companies through the use of the Internet. Using bogus corporate and individual identities, they accessed the Safety and Fitness Electronic Records System (SAFER) Internet website of the Federal Motor Carrier Safety Administration (FMCSA) of the U.S. DOT. The government provides the SAFER website to the industry to register brokerages that offer trucking jobs to move goods by truck and to companies that move those goods. The parties accessed the SAFER websites to bid on trucking jobs from legitimate brokerages and then "double brokered" the jobs to legitimate trucking companies. They then collected payment from the legitimate brokerages, but never paid the victim trucking companies for the actual work that was done.

Two Michigan Construction Firms Agree to Pay \$1.4 Million to Resolve Alleged False Claims

On November 19, 2010, a civil settlement was entered in U.S. District Court, Detroit, Michigan, on behalf of the DOT with a prime contractor on a FAA funded runway project and a subcontractor to the prime contractor. The prime contractor and the subcontractor both agreed to pay more than \$1.4 million to resolve alleged false claims related to the reconstruction of a runway and taxiway project at the Detroit Wayne County International Airport.

It is alleged that both the prime contractor and the subcontractor submitted false claims and statements claiming that a DBE performed substantial work on the DOT funded airport runway project contracts when, in fact, the trucking firm did not and was merely a pass-through used to show the appearance of DBE participation. The DBE regulations required that both the prime contractor and the subcontractor commit to subcontracting with DBEs and that the DBEs perform a "Commercially Useful Function".

In addition to the \$1.4 million payment to resolve civil claims, the subcontractor has also entered into a separate administrative agreement with DOT to ensure future compliance with DBE requirements.

Review of DOT's Projections of Highway Trust Fund Solvency

On June 24, 2009 we issued the results of our review related to the solvency of the Highway Trust Fund, conducted at the request of the Ranking Member of the Senate Budget Committee. As requested, our objectives were to evaluate: (1) the basis for the Department's projection of the magnitude and timing of a Highway Account cash shortfall; (2) how that projection would vary under different assumptions; and (3) the triggers the Department uses to decide that the risk of insolvency for the highway account requires action by the Administration and Congress.

We found that the Department used a reasonable methodology to project the magnitude and timing of a cash shortfall. However, some of its assumptions were outdated, as the Department did not use actual year-to-date data to adjust total revenue or outlay estimates. This could yield a margin of error in those projections of up to \$1 billion in magnitude and 2 weeks in timing. We also found that the Department's cash balance forecasts vary largely due to factors outside the Department's control. While the accuracy of the Department's projections could be incrementally improved, the range of defensible values for the factors influencing those projections makes it difficult to estimate precisely either the magnitude or timing of the cash shortfall. Finally, we found that the Department relies on cash balance forecasts to trigger formal notification to Congress and the states of a potential insolvency in the highway account. While the Department greatly increased the amount of data publicly available regarding the balance of the highway account, until recently, it has lacked a consistent and easily understood message regarding the timing and magnitude of a cash shortfall.

Review of Transportation Technology Innovation and Demonstration (TTID) Program

In response to Senator Hatch and Representative Weiner's request to review FHWA's management and oversight of the \$54 million awarded under the TTID program, we assessed whether FHWA (1) achieved statutory goals and optimized TTID benefits for the public partners and (2) complied with 2005 statutory provisions for a competitive private partner selection process. We reported that while TTID addressed statutory goals to deploy traffic data collection systems and share revenues, FHWA did not optimize the program's benefits for public partners. Specifically, because FHWA allowed public partners to control significant aspects of the program, public partners received a lower share of TTID revenue and were restricted from freely communicating certain traffic data to the public.

We recommended that FHWA (1) define and document a more optimal methodology for revenue sharing between the service provider and the metropolitan areas, considering any exclusions or deductions from the service provider's gross revenue, (2) test the service provider's revenue sharing for accuracy according to the documented methodology, (3) develop and implement options to increase integration of traffic information and posting on highway message signs, and (4) develop and implement a data service plan that requires timely communications of test results and prompts remediation of any results below the minimum performance level.

Audit Initiated on Hazardous Materials Emergency Preparedness Grants

On October 1, 2010, we announced our plans to review PHMSA's Hazardous Materials Emergency Preparedness (HMEP) grants program. HMEP grants are used to help states, local governments, and tribal organizations with hazardous materials emergency planning and response resources. We are conducting this review at the request of the Chairman of the House Committee on Transportation and Infrastructure. The Chairman cited concerns with potential program mismanagement and misuse of grant funds, which the Committee identified during its investigation of PHMSA's Hazardous Materials Safety Program. Accordingly, we will evaluate the effectiveness of PHMSA's (1) policies, processes, and resources to execute the program; (2) outreach and coordination with states, local governments, and tribal organizations to enhance their approach to emergency planning and training; and (3) program oversight to ensure Federal funds are used for eligible activities in accordance with Federal law, regulations, and submitted grant applications.

North Carolina Man Sentenced to 22 Months in Jail for Fraudulent Medical Review Officer Scheme

On August 30, 2010, a North Carolina man doing business as Workplace Compliance, Inc. (WCI), a drug and alcohol testing consortium, was sentenced in U.S. District Court, Winston-Salem, North Carolina, to 22 months imprisonment, 3 years supervised release, ordered to perform 100 hours of community service and fined a special assessment. WCI was placed on 3 years probation and fined special assessments. The individual and WCI were held jointly and severably liable to pay \$209,030 in restitution.

The individual was using his company, WCI, to fraudulently perform final reviews on numerous drug test results from laboratories utilized by motor carriers and air carriers when neither the individual nor his company were authorized to do so.

The investigation revealed that between 2005 and 2009 he obtained lab test results and used computer software to generate fraudulent Medical Review Officer (MRO) reports. These reports claimed that an MRO had verified the lab test results and that the report was in compliance with the Department's regulations of transportation workplace drug and alcohol testing programs.

LIVABLE COMMUNITIES: Foster livable communities through place-based policies and investments that increase transportation choices and access to transportation services.

Progress and Remaining Challenges in Reducing Flight Delays and Improving Airline Customer Service

The Inspector General testified before the House Transportation and Infrastructure Subcommittee on Aviation on the DOT's and the FAA's progress and remaining challenges in reducing flight delays and improving airline customer service. In 2008, there were fewer flight delays and customer complaints than in 2007, but this mainly resulted from airlines' flight cutbacks to offset higher fuel prices and the economic downturn. Despite the overall decrease in airline delays, delays continued at some larger, congested airports, which can affect flights throughout the system. The Inspector General noted key actions DOT and FAA can take to prepare for a rebound in air travel: reevaluate the 77 initiatives recommended by DOT's Aviation Rulemaking Committee to reduce delays in the New York area, pursue short-term initiatives that can boost capacity systemwide before FAA implements NextGen in 2018, and finalize a rulemaking to enhance airline passenger protections.

Federal Railroad Administration Faces Challenges in Carrying Out Expanded Role

On April 29, 2010, the Deputy Inspector General (DIG) testified before the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies regarding intercity passenger rail and the challenges the Federal Railroad Administration (FRA) faces in carrying out its expanded role. The DIG's statement focused on: (1) FRA's expanded role and responsibilities under the Passenger Rail Investment and Improvement Act (PRIIA) and the Rail Safety Improvement Act (RSIA); (2) the challenges FRA faces in effectively carrying out its new role; and (3) the progress Amtrak has made in improving its operating and capital financial management. PRIIA and RSIA dramatically realigned FRA's role and expanded its responsibilities. The DIG indicated that together these two pieces of legislation called for the implementation of a high-speed rail program, improvements in intercity passenger rail services, and safety enhancement initiatives. She stated that each new mandate carries a unique set of challenges for FRA, especially as they relate to implementing the high-speed rail program; and that ARRA exacerbated these challenges by accelerating timelines in

addition to providing FRA an additional \$8 billion. At the same time, FRA must continue to carry out its prior responsibilities, including its oversight of Amtrak. Finally, the DIG noted that while our work has found that Amtrak has improved its financial management of operating and capital planning activities, new PRIIA mandates and ARRA funding could require Amtrak to heighten its improvement efforts.

Owner of New Jersey Public Airport Ordered to Pay \$372,000 Restitution for Theft of FAA AIP Grant Program

The owner of a local public use airport in Sussex County, New Jersey (Sussex Airport, Inc.) was sentenced to 2 years probation on January 21, 2010, in U.S. District Court, Newark, New Jersey, based on his guilty plea to one count of theft in connection with embezzling more than \$378,000 in FAA Airport Improvement Program (AIP) grant funds. As owner of Sussex Airport, Inc. (SAI), he applied for and received approximately 6 FAA AIP grants totaling more than \$3.1 million to perform improvements at the Sussex airport. He failed to forward funds provided by the FAA to contractors who had completed improvements to the airport. As part of his sentencing, he was also ordered to make restitution in the amount of \$372, 233 to the contractors who were never paid for their work. Both he and SAI have been debarred from government contracting by the FAA for a period of 3 years.

ENVIRONMENTAL SUSTAINABILITY: Advance environmentally sustainable policies and investments that reduce carbon and other harmful emissions from transportation sources.

Consumer Assistance to Recycle and Save Program (CARS): Most Transactions Met Program Requirements, But Program Completion Activities Continue

On April 29, 2010 we issued our final report on the Consumer Assistance to Recycle and Save (CARS) program. The law that provided a supplemental appropriation for the program directed us to review the Department's administration of CARS. In addition, Senator Charles Grassley requested that we, in fulfilling the statutory mandate, pay particular attention to the Department's ability to assure program integrity. For the report, we: (1) examined the effectiveness of NHTSA's controls to ensure that CARS transactions met Federal requirements; (2) identified challenges NHTSA faced in implementing the program; and (3) assessed NHTSA's progress in closing out the program, including evaluating compliance and accounting for total program costs. We found that while NHTSA's controls ensured that most CARS transactions met basic program eligibility requirements—such as fuel efficiency, ownership, and insurance—controls related to trade-in vehicle disposal are less effective. In addition, we found that immediate consumer response and the infusion of additional program dollars presented significant challenges to NHTSA's implementation of the CARS program; and that NHTSA has begun to take action to evaluate program compliance and to determine total program costs—two major activities remaining to close out the CARS program. Implementing a comprehensive plan would help NHTSA more efficiently carry out these remaining close-out activities and better inform the Secretary of Transportation and Congress of its progress and overall program performance.

Man Sentenced for Illegal Transportation of Hazardous Materials

On July 14, 2010, in U.S. District Court, Puerto Rico, an individual was sentenced to six months incarceration, followed by five months and 29 days supervised release and ordered to pay \$25,000 restitution for illegally transporting hazardous materials.

The investigation was initiated as a result of a referral from FAA following the individual's attempt to fly to the Dominican Republic with a checked bag containing approximately 20 pounds of mercury. A Transportation Security Administration screener discovered a discharge of mercury from his checked bag, which prompted the evacuation of several passenger terminals for 8 hours and the diversion of numerous commercial airline flights. The individual did not inform airport security personnel that he was transporting mercury prior to it having been discovered. DOT regulations classify mercury as a hazardous material.

ORGANIZATIONAL EXCELLENCE: Develop a diverse and collaborative workforce that will enable the Department to advance a transportation system that serves the Nation's long-term social, economic, security, and environmental needs.

Report on Improper Payments in FAA's Airport Improvement Program

On December 1, 2010, we issued our report on improper payments in FAA's AIP. The Department has determined that AIP is susceptible to improper payments. Our audit objectives were to determine the extent to which improper payments were made during the period reviewed and assess FAA's oversight approach to preventing and detecting improper payments. We found that FAA's risk-based approach to AIP grant oversight is inadequate and does not effectively prevent or detect improper payments. Over \$13 million (more than 5 percent) in AIP payments made to 17 of the 26 grantees we reviewed were improper. We made seven recommendations to improve FAA's oversight of its AIP payments. Using statistical sampling techniques, we estimated that overall a total of approximately \$161 million of FY 2008 payments to AIP grantees nationwide were improper.

Federal Motor Carrier Safety Administration Lacks Core Elements for a Successful Acquisition Function

On August 24, 2010, we issued our report on FMCSA's Acquisition Functions. The audit was requested by FMCSA's former Administrator, and our objectives were to determine whether FMCSA's contract award and administration practices comply with applicable laws and regulations. We found that FMCSA did not have adequate contract pre-award processes in place, leaving it vulnerable to using ineffective business arrangements and ultimately hindering its ability to maximize competition. We also found that FMCSA lacked effective administration and oversight of its contracts to ensure the Agency's needs were met in the most efficient and economical manner. FMCSA's acquisition framework lacked organizational alignment and leadership, policies and processes, acquisition data, and human capital—all of which are critical

components required to operate effectively. Throughout our audit, FMCSA officials cited actions they undertook to improve their procurement practices and stated that additional enhancements are underway. We made a number of recommendations to improve FMCSA's acquisition practices, which should enable FMCSA to better position itself to fulfill the Agency's mission.

FAA's Air Traffic Controller Optimum Training Solution Program: Sound Contract Management Practices are Needed to Achieve Program Outcomes

On September 30, 2010, we issued our report on the FAA's Air Traffic Controller Optimum Training Solution Program (ATCOTS). ATCOTS is a critical component of FAA's plans to hire and train 15,000 new controllers by 2018. In 2008, FAA awarded a contract to Raytheon to provide training support for new and existing controllers and to help modernize the training program. We conducted this audit at the request of the Chairman of the House Transportation and Infrastructure Subcommittee on Aviation, who stated that while ATCOTS could bring positive changes, a better understanding of the financial and contractual aspects is needed. Accordingly, our audit objectives were to determine (1) whether effective management and contract controls are in place to ensure program goals are achieved and (2) if the program has improved training methods currently provided to the controller workforce.

In designing and executing the ATCOTS program, FAA did not fully (1) mitigate staffing and cost issues identified during acquisition planning, (2) adequately define how many controllers would need training, or (3) initially implement adequate controls to oversee contractor services or ensure that fees paid for performance were justified. As a result, FAA now faces significant challenges in achieving the program's goals. To date, the ATCOTS contract costs and fees have far exceeded baseline estimates. Moreover, those funds have only been sufficient to support existing training methods and procedures; innovations to reduce training time and cost have not been implemented.

We made nine recommendations to improve oversight of the ATCOTS contract. FAA has begun actions to address many of the issues identified during our audit. However, unless there is a significant decrease in its current training requirements, it will be difficult for FAA to achieve the original ATCOTS program goals or any training innovations without significantly modifying the existing contract.

Review of Screening, Placement, and Initial Training of Newly Hired Air Traffic Controllers

On April 1, 2010, we issued our report on the FAA's policies and procedures for screening, placing, and initially training newly hired air traffic controllers. We conducted this review at the request of the Chairman of the House Transportation and Infrastructure Subcommittee on Aviation. Our audit objectives were to (1) evaluate how FAA determines whether candidates have the requisite abilities to become successful controllers, (2) determine what procedures FAA uses to place controllers at air traffic facilities, and (3) assess whether the initial training provided by the FAA Academy adequately prepares new controllers for facility on-the-job training.

We found that FAA's process for selecting and placing new controllers does not sufficiently evaluate candidates' aptitudes because FAA does not effectively use screening test results or consider candidates' Academy performance to help determine facility placement. As a result, new controller candidates—many of which have no prior air traffic control experience—are being assigned to some of the busiest air traffic control facilities with little consideration of whether they have the knowledge, skills, and abilities necessary to become certified controllers at those locations. In addition, facility managers we spoke with stated that candidates arrive after passing Academy training unprepared to begin facility training, indicating the need to restructure FAA's testing and training procedures. We recommended that FAA evaluate and redesign its current screening test to consider candidates' skill sets, assign candidates to a facility based on their Academy performance, and improve its Academy training program by implementing the recommendations of FAA's 2007 Controller Training and Development Group.

Information Security and Privacy Controls Over the Airmen Medical Support Systems

On June 18, 2010 we issued our final report on the Information Security and Privacy Controls over the Airmen Medical Support Systems. For the report we determined if airmen's personally identifiable information (PII) is properly secured from unauthorized use or access and assessed FAA's progress in establishing mechanisms to identify airmen holding current medical certificates while receiving disability pay.

We found that the PII of airmen were not properly secured to prevent unauthorized access due to serious security lapses in FAA's management of user access to the system, and that only limited progress has been made in identifying airmen who receive disability benefits while holding medical certificates. FAA has begun to take action to fix the weaknesses identified in this report in order to provide greater assurance that sensitive information is protected from misuse and airmen holding medical certificates are fit to fly.

Audit Initiated on FAA's Award of Systems Engineering 2020 Contracts

In April 2010, at the request of the Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation, the OIG initiated an audit to assess whether

the FAA's proposed Systems Engineering 2020 (SE-2020) contractual arrangements--valued at up to \$7.1 billion--are being structured and implemented to meet NextGen program objectives.

Timely Actions Needed to Improve DOT's Cybersecurity

On November 15, 2010, we issued our report presenting the results of our annual audit of the Department's information security program and practices, as required by FISMA. Consistent with FISMA and OMB requirements, our overall audit objective was to determine the effectiveness of DOT's information security program and practices. We found that, overall, the Department's information security program does not meet Federal requirements and is still not as effective as it should be. During fiscal year 2010, the Department succeeded in providing security awareness training to over 90 percent of its employees; five OAs provided this training to 100 percent of their employees. Despite these accomplishments, however, the Department has not made the needed progress in addressing information security policy and procedures, enterprise-level controls, management, of information security weaknesses, and system-level controls. We are making 27 new recommendations to address urgent vulnerabilities in these areas.

Why Do We Want/Need To Fund The Program At The Requested Level?

The Department's five Strategic Goals and one Organizational Goal emphasize the importance of improving the Nation's transportation system by making it safer, less congested, better connected, environmentally friendly, and fully operational in all conditions. OIG will continue to work to find solutions to complex transportation issues across this strategic framework. We also will focus our work on ensuring that tax dollars expended by DOT are well-spent and that acquisitions, contracts, and grants are well-managed and protected against fraud, including those under consideration as part of the economic recovery efforts.

The OIG is committed to fulfilling its statutory responsibilities under the IG Act while supporting the Secretary, senior DOT officials, members of Congress, and the American public in achieving a safe, efficient, and effective transportation system. OIG has a demonstrated record of efficient and effective oversight and consistently produces a significant return on investment of budget resources. This FY 2012 budget request has been developed with the goal for OIG to build on its long-standing record as a highly respected contributor to the Department's mission.

The OIG operates in a dynamic and evolving transportation environment, balancing the demands on finite resources between responsiveness to stakeholders' priorities and time sensitive requests while proactively directing our work to identify emerging issues and opportunities for improvements in operations and programs. The OIG's planning is by necessity flexible in approach, emphasizing a quick turnaround of focused reviews, reflecting the interests of all stakeholders and seeking maximum benefit to taxpayers. This planning process focuses not only on our statutory requirements, but also on DOT's strategic goals and major programs, issues of

interest to OMB and Members of Congress as well as the transportation community and the travelling public, giving us the ability for quick redirection - to be available whenever called upon - to be timely, relevant, and effective.

The measurable value of OIG's expertise comes in our independent and objective reviews and investigations of specific programs and activities that support the Department's strategic plans. As such, our budget request belongs entirely under the departmental strategic goal of Organization Excellence. However, our work assists each of the Operating Administrations and ultimately the Department in meeting performance targets in all departmental strategic and organizational goals.

Although we cannot anticipate the requests that we may receive, the following are examples of actions currently in progress and planned for FY 2011.

Department of Transportation and FAA Oversight of Domestic Code-Share Relationships

At the request of the Chairmen of the House Transportation and Infrastructure Subcommittee on Aviation, we recently initiated an audit of the DOT and FAA's oversight of code-share agreements between domestic air carrier partners. Our audit objectives are to (1) examine DOT and FAA legal authority to review agreements between mainline air carriers and their regional partners, (2) assess policies and procedures between mainline air carriers and their regional partners to ensure one level of safety, and (3) determine whether passengers have adequate information to make informed decisions when purchasing an airline ticket.

FAA's En Route Automation Modernization Implementation

At the request of the Chairman and Ranking Member of the House Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, the OIG recently began a review of FAA's implementation of the En Route Automation Modernization (ERAM) system. ERAM is a \$2.1 billion program to replace the existing computer hardware and software at FAA's 20 facilities that manage high-altitude traffic. ERAM is a key enabling platform for many of FAA's envisioned NextGen capabilities. Our audit objectives are to determine (1) FAA's progress in implementing ERAM and addressing persistent software problems and (2) the potential risks to FAA's plans to implement critical NextGen systems.

FAA's Implementation of Radio Technical Commission for Aeronautics' (RTCA) NextGen Task Force Recommendations

On December 21, 2010 we issued a letter to the Chairmen and Ranking Members of the House Transportation and Infrastructure Committee and Aviation Subcommittee regarding FAA's efforts to implement the Next Generation Air Transportation System (NextGen). Last September, a RTCA task force recommended mid-term actions for advancing NextGen. The task force findings and recommendations are consistent with our work, covering areas such as maximizing

the use of equipment already on aircraft and new procedures, enhancing information sharing among FAA and airspace users, and reducing delays. We are reporting our results thus far with respect to (1) FAA's progress in responding to the task force report, (2) potential barriers to implementing the task force recommendations and realizing benefits, and (3) ongoing problems with a key modernization effort that could materially affect the pace of NextGen. In summary, FAA is incorporating RTCA's recommendations in its NextGen plans but has not specified how it will execute key initiatives for addressing delays in major metropolitan areas. For example, FAA is still working to establish definitive milestones to integrate new airspace designs and procedures at metroplex locations. FAA also has yet to establish a mechanism for integrating metroplex initiatives with programs to better manage airport surface operations. At the same time, FAA faces several organizational, policy, logistical, and training challenges that could impede NextGen implementation in the midterm; these include working across diverse agency lines of business and establishing policies on data sharing. FAA must also resolve implementation problems with critical modernization projects, such as En Route Automation Modernization (ERAM)--a \$2.1 billion NextGen tool for processing flight data--which has experienced software problems and delays at key sites.

Oversight of High-Speed Rail and Intercity Passenger Rail Programs

We have initiated a series of audits to evaluate the FRA's implementation of the High-Speed Rail (HSR) and Intercity Passenger Rail (IPR) programs, including:

HSR and IPR Infrastructure Access Agreements

We recently initiated a review the infrastructure access agreements submitted by the states whose applications to the FRA's multi-billion dollar High-Speed Intercity Passenger Rail (HSIPR) grant program were selected for funding. The HSIPR grant program was developed pursuant to the mandate set forth in the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) and the American Recovery and Reinvestment Act of 2009. Our audit objectives are to determine (1) whether the access agreements comply with the requirements set forth in PRIIA and the FRA Interim Guidance, and (2) whether the access agreements adequately address cost, schedule, and performance goals, and thus ensure that HSIPR benefits are achieved.

State-Railroad Operating Agreements

OIG plans to examine what has and has not worked in terms of enforceable agreements between states and host railroads that ensure public benefits are derived from the public investment in HSR. Our goal would be to develop best practices in this area.

State Capacity to Meet HSR Demands

OIG plans to review and evaluate (1) the range of capabilities in the states to plan, design, and manage HSR projects; (2) what constitutes a strong state passenger rail department and how those developed; and (3) examples of how state capacity was created to manage other state-led Federally-funded programs, such as Federal-aid highways.

Evaluation of HSR Forecasting Best Practices

We will evaluate HSR and IPR forecasting practices. The objectives of this evaluation are to: (1) assess the strengths and weaknesses of various methodologies used to develop HSR and IPR ridership and revenue forecasts, cost estimates and public benefits valuations; and (2) identify best practices in the preparation of these forecasts.

Pilot Training and Regional Airlines

We initiated a review of FAA's oversight of airline pilot training issues. We are conducting this review at the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security; the Chairman of the House Transportation and Infrastructure's Subcommittee on Aviation; and other individual Members of Congress. These Members expressed concern that FAA's safety regulations and oversight governing these issues may not be effective. Accordingly, our audit objectives will be to assess (1) FAA oversight for air carrier pilot training and proficiency programs and (2) the process and data FAA and air carriers use to evaluate the competence and qualifications of pilots when they are hired.

Review of FTA's Charter Tour Rules

The OIG initiated an audit to review the effect of charter tour regulations on quality and price of transit services in response to a provision in the conference report accompanying the FY 2010 Departments of Transportation, Housing and Urban Development and Related Agencies appropriations bill. This regulation generally prohibits a transit agency that receives Federal transit grant funds from providing charter service, such as shuttle buses to sporting events, when a private charter operation is interested in providing the same service. This audit will assess: (1) the impact of the charter bus regulation on charter services related to specific events and markets; and (2) evaluate FTA's oversight of the charter service regulation.

FHWA Improper Payment Controls

We plan to conduct an audit of Improper Payment Reporting under Executive Order (EO) 13520. The EO incorporates new reporting requirements for agencies and new oversight requirements for Inspector Generals for programs with the highest occurrence of improper payments. OIG's audit objectives will be to determine whether the improper payments amounts presented were accurate and whether the agency complied with requirements for high priority programs.

FTA's Oversight of Major Transit Projects in New York City

The Office of Inspector General plans to conduct a series of audits of the Federal Transit Administration's oversight of the following major transit projects in New York City: the Metropolitan Transportation Authority's Fulton Street Transit Center, Second Avenue Subway, East Side Access projects, and the Port Authority of New York & New Jersey's Trans-Hudson Terminal project. Vigilant oversight of these transit projects is critical to maximizing the return on the significant Federal investment and completing them in a timely manner. Further, American Recovery and Reinvestment Act-funded projects require unprecedented levels of accountability and transparency to minimize the potential for fraud, waste, and mismanagement. For each selected project, our audit objectives will be to: (1) evaluate the effectiveness of FTA's oversight of the project, including cost, schedule, funding, and grantee management issues; and (2) assess whether ARRA goals and requirements are being met, if applicable. Our approach will be to conduct an audit of each project, starting with the Fulton Street Transit Center, the project receiving the largest amount of ARRA funding from FTA.

Protecting Program Integrity by Strengthening Fraud Prevention and Detection

The OIG will continue to conduct investigations that are designed to ensure that tax dollars dispersed by DOT are well-spent and that acquisitions, contracts, and grants, including those under consideration as part of the economic recovery efforts, are well-managed and free from fraud. Our priority focus areas include:

Allegations of Fraud in Safety Priority Areas

The OIG will continue to conduct investigations into allegations of fraud involving the following transportation safety priority areas: (1) HAZMAT transportation via air, rail, pipelines, and highways; (2) motor carrier commercial driver's licenses and hours of service; and (3) aviation safety involving unapproved aircraft parts and airmen/aircraft certificates.

Investigations of Alleged or Suspected Fraud

The OIG will continue to conduct investigations of alleged or suspected fraud involving major airport, highway, and transit infrastructure construction projects, including joint investigations with Federal and local law enforcement. We will continue OIG's National Grant and Procurement Fraud Prevention and Awareness Initiative to promote fraud detection and prevention among DOT recipients for oversight of DOT-funded infrastructure construction projects.

Allegations of Fraud Involving DOT-funded Programs

The OIG will continue to conduct investigations into allegations of fraud involving DOT-funded programs in the areas of transit; airport improvements; road construction,

expansion, and repair; and transportation research projects, all of whose objectives are to expand transportation choices and alternatives.

Fraud Awareness and Prevention Training

The OIG will continue to deliver fraud awareness and prevention training and briefings with Federal, state, and local stakeholders, especially those responsible for oversight and utilization of ARRA funds.

Fraud Involving the Disadvantaged Business Enterprise Program

The OIG will continue to conduct investigations of alleged fraud involving the Disadvantaged Business Enterprise Program.

Suspension and Debarment Referrals

The OIG will continue to make suspension and debarment referrals to the Department and its OAs to safeguard against awards of DOT funded grants and contracts to irresponsible parties.

Short-Term Solvency of the Highway Trust Fund

The OIG will work jointly with the Internal Revenue Service, as appropriate, on investigations of Federal motor fuel excise tax evasion.

Review of Cyber Incidents

Our computer crimes unit will continue to review the Department's cyber incidents, its cyber incidents monitoring, detection, and correction capabilities and, where appropriate, initiate investigations of cyber intrusions.

IG Reform Act Requirements

The Inspector General Reform Act (Pub. L. No. 110-409) was signed by the President on October 14, 2008. Section 6(f) (1) of the Inspector General Act of 1978, 5 U.S.C. app. 3, was amended to require certain specifications concerning OIG budget submissions each fiscal year.

Each Inspector General is required to transmit a budget request to the head of the establishment or designated Federal entity to which the Inspector General reports, specifying:

- the aggregate amount of funds requested for the operations of the OIG;
- the portion of this amount requested for OIG training, including a certification from the Inspector General that the amount requested satisfies all OIG training requirements for that fiscal year; and
- the portion of this amount necessary to support the CIGIE.

In addition, the head of each establishment or designated Federal entity, in transmitting a proposed budget to the President for approval, shall include:

- an aggregate request for the OIG,
- the portion of this aggregate request for OIG training,
- the portion of this aggregate request for support of the CIGIE, and
- any comments of the affected Inspector General with respect to the proposal.

The President shall include in each budget of the U.S. Government submitted to Congress:

- a separate statement of the budget estimate submitted by each Inspector General,
- the amount requested by the President for each OIG,
- the amount requested by the President for training of OIGs,
- the amount requested by the President for support of the CIGIE, and
- any comments of the affected Inspector General with respect to the proposal, if the Inspector General concludes that the budget submitted by the President would substantially inhibit the Inspector General from performing the duties of the OIG.

Following the requirements as specified above, the OIG of the Department of Transportation submits the following information relating to the OIG's requested budget for fiscal year 2012.

- The aggregate budget request for the operations of the OIG is \$89.385 million in support of 471 FTEs (including 35 FTEs funded by ARRA carryover funds).
- The portion of this amount needed for OIG training is \$725,000.
- The portion of this amount needed to support the CIGIE is \$455,000.

Summary

The OIG's mission is unique within DOT and demands on our limited resources have never been greater and continue to rise. Our request for **\$89.385 million in total budgetary resources in support of 471 FTEs (including 35 FTEs funded by ARRA carryover funds)** has been shaped with careful consideration for fiscal constraint and balanced with a sense for the greater scrutiny from both Congress and the taxpaying public on how the Federal government invests taxpayer funds. Granting our full request for budgetary resources will help to ensure that the OIG continues to complete our mission at the highest level.

**PROGRAM AND FINANCING
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE INSPECTOR GENERAL
(\$000)**

OMB ACCOUNT ID: 021-56-0130-0	FY 2010 ACTUAL	FY 2011 CR ANNUALIZED	FY 2012 REQUEST
Obligations by program activity:			
0.01 General Administration	76,978	77,114	89,185
0.02 ARRA oversight administration	3,544	6,000	6,000
0.91 Direct program activities, subtotal	80,521	83,114	95,185
8.01 Reimbursable program	3,911	4,634	200
9.00 Total new obligations	84,432	87,748	95,385
Budgetary Resources:			
Unobligated balance:			
10.00 Unobligated balance brought forward, Oct 1	19,620	16,084	10,084
10.21 Recoveries of prior year unpaid obligations	0	0	0
10.29 Unobligated balance withdrawn	0	0	0
10.50 Unobligated balance (total)	19,620	16,084	10,084
Budget Authority:			
Appropriations, discretionary:			
11.00 Appropriation	75,114	75,114	89,185
11.21 Appropriations, Transferred From Other Accounts	2,000	2,000	0
11.60 Appropriations, discretionary (Total)	77,114	77,114	89,185
Spending authority from offsetting collections, discretionary:			
17.00 Collected	3,921	4,634	200
17.01 Change in uncollected payments, Federal sources	0	0	0
17.50 Total Spending authority	3,921	4,634	200
19.00 Budget Authority (total)	81,035	81,748	89,385
19.30 Total Budgetary Resources Available	100,655	97,832	99,469
Memorandum (non-add) entries:			
19.40 Unobligated Balance Expiring	(139)	0	0
19.41 Unexpired unobligated balance, end of year	16,084	10,084	4,084
Change in obligated balance:			
30.00 Unpaid obligations, brought forward, Oct 1 (gross)	8,482	9,255	7,749
30.10 Uncollected pymts, Fed sources, brought forward, Oct 1	(42)	(38)	0
30.20 Obligated balance, start of year (net)	8,440	9,217	7,749
30.30 Obligations incurred, unexpired accounts	84,432	87,748	95,385
30.31 Obligations incurred, expired accounts	96	0	0
30.40 Outlays (gross)	83,149	89,254	94,178
30.50 Change in uncollected pymts, Fed sources, unexpired	0	0	0
30.51 Change in uncollected pymts, Fed sources, expired	4	38	0
30.80 Recoveries of prior year unpaid obligations, unexpired	0	0	0
30.81 Recoveries of prior year unpaid obligations, expired	(605)	0	0
30.90 Unpaid obligations, end of year (gross)	9,255	7,749	8,956
30.91 Uncollected pymts, Fed sources, end of year	(38)	0	0
31.00 Obligated balance, end of year (net)	9,217	7,749	8,956
Budget Authority and outlays, net:			
40.00 Budget authority, gross	81,035	81,748	89,385
Outlays, gross:			
40.10 Outlays from new discretionary authority	73,049	74,037	80,467
40.11 Outlays from discretionary balances	10,100	15,217	13,711
40.20 Outlays, gross (total)	83,149	89,254	94,178
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
40.30 Federal sources	(3,921)	(4,634)	(200)
40.33 Non-Federal sources	0	0	0
40.40 Total offsetting collection (cash)	(3,921)	(4,634)	(200)
Additional offsets against gross budget authority only:			
40.50 Chg in Uncollected cust orders fm Fed Sources (unexpired)	0	0	0
40.51 Offsetting collections credited to expired accounts	(18)	0	0
40.60 Additional offsets against gross budget authority only (total)	(18)	0	0
41.80 Budget authority, net (total)	77,114	77,114	89,185
41.90 Outlays, net (total)	79,210	84,620	93,978

**OBJECT CLASSIFICATION
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
SALARIES AND EXPENSES
(\$000)**

	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST
Personnel Compensation:			
11.1	40,750	42,916	48,996
11.3	1,684	2,200	2,250
11.5	3,237	3,300	3,700
11.9	45,671	48,416	54,946
12.1	13,241	14,613	16,540
21.0	2,950	2,860	3,238
22.0	3	3	3
23.1	5,274	5,470	5,529
23.2	224	226	226
23.3	637	650	650
24.0	1	5	5
25.1	634	515	800
25.2	5,077	4,200	5,946
25.3	5,221	5,236	5,982
26.0	290	335	335
31.0	1,245	475	875
42.0	53	100	100
91.0	0	10	10
99.0	80,521	83,114	95,185
99.0	3,911	4,634	200
99.9	84,432	87,748	95,385

**EMPLOYMENT SUMMARY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL**

	FY 2010 ACTUAL	FY 2011 CR (ANNUALIZED)	FY 2012 REQUEST
10.01 Direct civilian full-time equivalent employment	403	393	471
20.01 Reimbursable civilian full-time equivalent employment	35	35	0

**FY 2002 – FY 2012 FUNDING HISTORY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
SALARIES AND EXPENSES**

Request	Appropriation
2002.....\$50,614,000	2002.....\$50,374,000 ¹
2002 Suppl.....\$1,300,000	2002 Suppl.....\$1,300,000
2003.....\$57,421,000	2003.....\$54,697,764 ²
2004.....\$55,000,000	2004.....\$55,243,018 ³
2005.....\$59,000,000	2005.....\$58,132,000 ⁴
2006.....\$62,499,000	2006.....\$61,874,010 ⁵
2007.....\$64,143,000	2007.....\$64,043,000
2008.....\$66,400,000	2008.....\$66,400,000
2009.....\$70,468,000	2009.....\$71,400,000
2009 ARRA.....N/A	2009 ARRA\$20,000,000
2010.....\$74,839,000	2010.....\$75,114,000 ⁶
2011.....\$79,772,000 ⁷	2011.....\$
2012.....\$89,185,000	

¹ Reflects reductions for TASC of \$108,000 (sec. 349), \$93,000 from P.L. 107-117 (sec. 1106), and \$39,000 from P.L. 107-206 (sec. 1403(a)).

² Reflects reductions for WCF of \$200,000 (G.P. 362), \$373,236 from P.L. 108-7 (sec. 601, Title VI), and transfer of \$2,150,000 from P.L. 107-296 (sec. 1516) to DHS/OIG.

³ Reflects WCF reduction of \$426,582 (P.L. 108-199, Div. F, Title V, sec. 517) and .59% across-the-board reduction of \$330,400 (P.L. 108-199, Div. H, sec. 168 (b)).

⁴ Reflects WCF reduction of \$396,000 (P.L. 108-447, Div. H, Title I, sec. 197) and .8% across-the-board reduction of \$472,000 (P.L. 108-447, Div. J, Title I, sec. 122 (a)).

⁵ Reflects 1% across-the-board reduction of \$624,990 (P.L. 109-148, Div. B, Title III, Chapter 8, sec. 3801 (a)).

⁶ Two million direct transfer from FTA not included.

⁷ Reflects President's Budget Request. Two million direct transfer from FTA not included.