



**U.S. Department of
Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2015

**OFFICE OF
INSPECTOR GENERAL**

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

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
FISCAL YEAR 2015 BUDGET ESTIMATES

TABLE OF CONTENTS

	<u>Page</u>
Section 1: Overview	
Inspector General's Administrator's Overview	1
FY 2014 Organizational Chart (Exhibit I-A)	3
FY 2015 Organizational Chart (Exhibit I-B)	4
Section 2: Budget Summary Tables	
FY 2015 New Budget Authority (Exhibit II-1)	5
FY 2015 Total Budgetary Resources by Appropriation Account – Approps., ObLims, & Exempt Obs. (Exhibit II-2)	6
FY 2015 Budget Request by DOT Strategic and Organizational Goals (Exhibit II-3a)	7
FY 2015 Budget Authority (Exhibit II-4)	8
FY 2015 Outlays (Exhibit II-5)	9
Summary of Requested Funding Changes from Base (Exhibit II-6)	10
Working Capital Fund (Exhibit II-7)	11
Full-time Equivalents Employment (Exhibit II-8)	12
Full-time Permanent Positions (Exhibit II-9)	13
Section 3: Budget Request by Appropriation Account	
Appropriations Language	15
Summary by Program Activity (Exhibit III-1)	17
Program and Performance Statement	18
Summary Analysis of Change From FY 2014 to FY 2015 (Exhibit III-1a)	19
FY 2015 Budget Submission: Detailed Justification	20
Program and Financing Schedule	60
Object Classification Schedule	61
Employment Summary	62
FY 2005 – FY 2015 Funding History	63

OVERVIEW

Department of Transportation, Office of the Inspector General Fiscal Year 2015 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, the Office of Management and Budget (OMB), members of Congress, and the American public in achieving a safe, efficient, and effective transportation system. The accompanying budget request for fiscal year (FY) 2015 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.

We respectfully submit the OIG FY 2015 budget request for \$86.223 million in support of 407 base-level full-time equivalents (FTEs)¹. OIG has determined that this is the funding level needed to execute our mission, focusing on safety across all transportation modes, while continuing to identify cost-savings opportunities and making recommendations to improve DOT program efficiency and effectiveness.

OIG provides the only internal independent source of recommendations to DOT senior executives and managers and the accompanying budget request has been developed with the goal to build on our commitment to ensuring the greatest return on taxpayer investments.

Of the \$86.223 million requested, \$63.729 million would support personnel compensation and benefits costs—which comprise about 75 percent of our budget—and \$22.494 million would support operating costs over which we exercise minimal control. This request is \$618,000 more than our FY 2014 enacted amount with all increases covering anticipated inflation and mandated pay adjustments. In the execution of our mission, we will continue to closely manage our operations to minimize costs as we seek to continue to provide the highest level of service in the most cost-efficient manner.

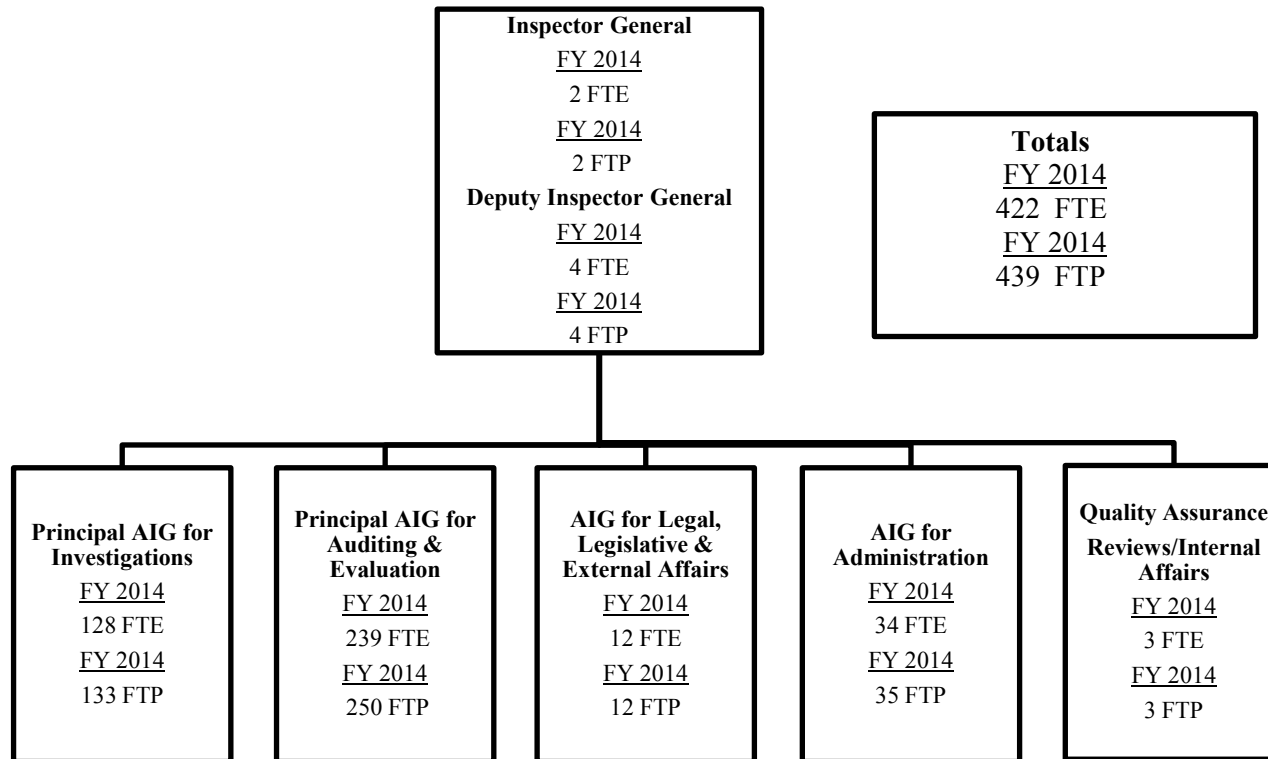
In FY 2013, our work produced over \$3 billion in financial recommendations and more than \$98 million in fines, restitutions and recoveries, resulting in a **return on investment (ROI)² of \$41 for every appropriated dollar spent**. Also during FY 2013, we issued 143 audit reports, provided testimony 8 times before Congress; and conducted investigations resulting in 82 indictments and 73 convictions.

¹ An estimated 15 additional FTEs are also supported via carryover funding from the Disaster Relief Appropriations Act of 2013 (DRAA), a temporary funding source. These funds support OIG oversight activities of the Federal Transit Administration's Public Transportation Emergency Relief Program.

² ROI compares the total dollar value of OIG findings to budgetary resources expended during the year. Findings are comprised of court-ordered fines, restitutions, recoveries of improper payments, recommended cost savings and recommendations for funds put to better use.

In addition, as of February 6, 2014, we had 63 audits and 420 investigations under way and, based on our 24-month tactical plan, we have identified an additional 100 potential audits in critical areas across DOT's Operating Administrations. We appreciate the continuing support of Congress to ensure that we have the resources necessary to carry out our important mission.

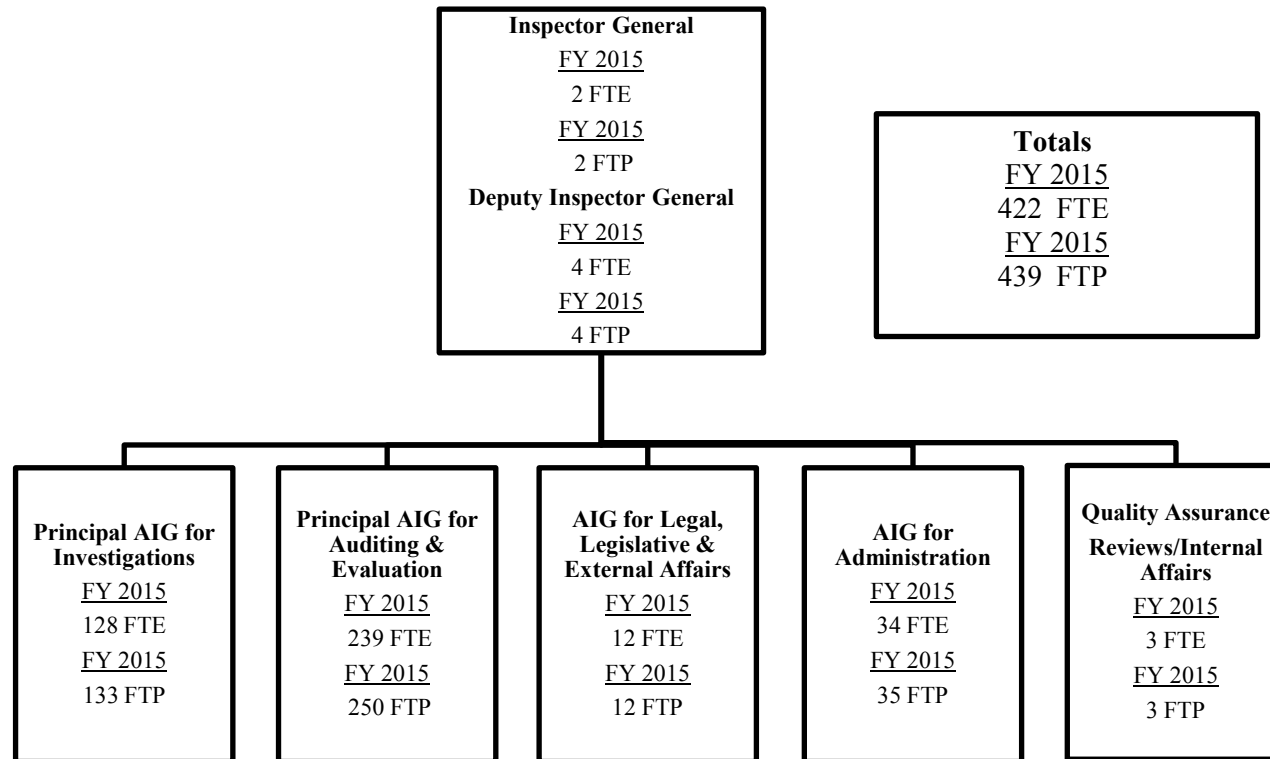
**EXHIBIT I-A
 FY 2014 ORGANIZATIONAL CHART
 DEPARTMENT OF TRANSPORTATION
 OFFICE OF INSPECTOR GENERAL**



3

Note: Reflects estimated Emergency Disaster Relief Oversight FTE and FTP of 15.

**EXHIBIT I-B
 FY 2015 ORGANIZATIONAL CHART
 DEPARTMENT OF TRANSPORTATION
 OFFICE OF INSPECTOR GENERAL**



4

Note: Reflects estimated Emergency Disaster Relief Oversight FTE and FTP of 15.

BUDGET SUMMARY TABLES

EXHIBIT II-1

**FY 2015 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
(\$000)**

ACCOUNT NAME	FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST
Salaries & Expenses	75,618	85,605	86,223
Rescission	(159)	0	0
Salaries & Expenses, Emergency Disaster Relief Oversight	5,700	0	0
TOTALS: Budget Authority	81,159	85,605	86,223
TOTALS: OIG	81,159	85,605	86,223

EXHIBIT II-2

FY 2015 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
Approps., Ob. Lims., and Exempt Obs.
(\$000)

<u>ACCOUNT NAME</u>	<u>FY 2013 ACTUAL</u>	<u>FY 2014 ENACTED</u>	<u>FY 2015 REQUEST</u>
Salaries & Expenses	75,618	85,605	86,223
Rescission	(159)	0	0
Salaries & Expenses, Emergency Disaster Relief Oversight	5,700	0	0
TOTALS: Approps., Ob. Lims., & Exempt Obs.	81,159	85,605	86,223
TOTALS: OIG	81,159	85,605	86,223

EXHIBIT II-3-a
FY 2015 BUDGET REQUEST BY DOT OUTCOMES
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
(\$000)

DOT Outcome	Program	FY 2015 Request
SAFETY		
Improve safety of system		
STATE OF GOOD REPAIR		
Maintain or improve operating conditions		
Sustain assets		
ECONOMIC COMPETITIVENESS		
Enhance productivity and growth		
Increase access to foreign markets		
Improve system efficiency		
Create dynamic workforce		
QUALITY OF LIFE IN COMMUNITIES		
Enhance quality of life		
Expand access and choice		
ENVIRONMENTAL SUSTAINABILITY		
Promote energy efficiency		
Mitigate environmental impacts		
Adapt to climate change		
ORGANIZATIONAL EXCELLENCE	OIG	86,223
Develop human capital		
Improve information systems and financial management		
SECURITY, PREPAREDNESS, AND OTHER SUPPORTING OBJECTIVES		
Ensure effective response		
Meet national security needs		
Expand small business opportunities		
OVERHEAD PROGRAMS/FUNCTIONS DISTRIBUTED TO PROGRAMS		
TOTAL		86,223

EXHIBIT II-4

**FY 2015 BUDGET AUTHORITY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
(\$000)**

ACCOUNT NAME	FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST
Salaries & Expenses	75,618	85,605	86,223
Rescission	(159)	0	0
Salaries & Expenses, Emergency Disaster Relief Oversight	5,700	0	0
TOTALS: Approp., Ob. Lims., & Exempt Obs.	81,159	85,605	86,223
TOTALS: OIG	81,159	85,605	86,223

EXHIBIT II-5

**FY 2015 OUTLAYS
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
(\$000)**

ACCOUNT NAME	FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST
Salaries & Expenses	74,213	84,590	86,161
Salaries & Expenses, Recovery Act	4,202	0	0
Salaries & Expenses, Emergency Disaster Relief Oversight	3	2,500	2,500
TOTALS: Outlays	78,418	87,090	88,661

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

Baseline Changes

Salaries and Expenses	2014 Enacted	Annualization of 2014 Pay Raises (1.0%)	2015 Pay Raises (1.0%)	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation (1.0%)	FY 2015 Baseline Estimate	Program Increases/ Decreases	FY 2015 Request
PERSONNEL RESOURCES (FTE)	407						407	0	407
Direct FTE	407						407	0	407
FINANCIAL RESOURCES									
ADMINISTRATIVE EXPENSES									
Salaries and Benefits	\$63,114	\$150	\$465				\$63,729	\$0	\$63,729
Travel	\$2,620						\$2,620	\$0	\$2,620
Transportation	\$5						\$5	\$0	\$5
GSA Rent	\$5,785			(\$120)			\$5,665	\$0	\$5,665
Communications, Rent & Utilities	\$1,181					\$85	\$1,266	\$0	\$1,266
Printing	\$5						\$5	\$0	\$5
Other Services:	\$11,435						\$11,473	\$0	\$11,473
-WCF (non-add)	\$4,118				(\$59)	\$97	\$4,059	\$0	\$4,059
Supplies	\$335						\$335	\$0	\$335
Equipment	\$1,005						\$1,005	\$0	\$1,005
Insurance claims and indemnities	\$100						\$100	\$0	\$100
Unvouchered	\$20						\$20	\$0	\$20
Admin Subtotal	\$85,605	\$150	\$465	(\$120)	(\$59)	\$182	\$86,223	\$0	\$86,223
TOTAL	\$85,605	\$150	\$465	(\$120)	(\$59)	\$182	\$86,223	\$0	\$86,223

EXHIBIT II-7

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

ACCOUNT NAME	FY 2014 ENACTED	FY 2015 REQUEST	CHANGE FY 2014-2015
Salaries & Expenses	4,118	4,059	(59)
TOTAL	4,118	4,059	(59)

EXHIBIT II-8

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

	FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST
Salaries & Expenses	373	407	407
Salaries & Expenses, Recovery Act	27	0	0
Salaries & Expenses, Emergency Disaster Relief Oversight	0	15	15
Sub- Total	400	422	422
TOTAL FTE	400	422	422

EXHIBIT II-9

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

	FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST
Salaries & Expenses	390	424	424
Salaries & Expenses, Recovery Act	27	0	0
Salaries & Expenses, Emergency Disaster Relief Oversight	5	15	15
Sub- Total	422	439	439
TOTAL FTP	422	439	439

THIS PAGE INTENTIONALLY LEFT BLANK

BUDGET REQUEST BY APPROPRIATION ACCOUNT

**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL**

Appropriations Language

For necessary expenses of the Office of the Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended, [\$85,605,000]

\$86,223,000: 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 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. [*Provided further*, That: (1) the Inspector General shall have the authority to audit and investigate the Metropolitan Washington Airports Authority (MWAA); (2) in carrying out these audits and investigations the Inspector General shall have all the authorities described under section 6 of the Inspector General Act (5 U.S.C. App.); (3) MWAA Board Members, employees, contractors, and subcontractors, and subcontractors, shall cooperate and comply with requests from the Inspector General, including providing testimony and other information; (4) The Inspector General shall be permitted to observe closed executive sessions of the MWAA Board of Directors; (5) MWAA shall pay the expenses of the Inspector General, including staff salaries and benefits and associated operating costs, which shall be credited to this appropriation and remain available until expended; and (6) if MWAA fails to make funds available to the Inspector General within 30 days after a request for such funds is received, then the Inspector General shall notify the Secretary of Transportation, who shall not approve a grant for MWAA under section 47107(b) of title 49, United States Code, until such funding is made available for the Inspector General: *Provided further*, That hereafter funds transferred to the Office of the Inspector General through forfeiture proceedings or from the Department of Justice Assets Forfeiture Fund or the Department of the Treasury Forfeiture Fund, as a participating agency, as an equitable share from the forfeiture of property in investigations in which the Office of Inspector General participates, or through the granting of a Petition for Remission or Mitigation, shall be deposited to the credit of this

**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL**

Appropriations Language

account for law enforcement activities authorized under the Inspector General Act of 1978, as amended, to remain available until expended.]
(*Department of Transportation Appropriations Act, 2014.*)

EXHIBIT III-1

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

ACCOUNTS	FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST	CHANGE FY 2015-2014
Organizational Excellence	75,618	85,605	86,223	618
Rescission	(159)	0	0	0
Organizational Excellence, Recovery Act	0	0	0	0
Organizational Excellence, Emergency Disaster Relief Oversight	5,700	0	0	0
Total Budget Authority	81,159	85,605	86,223	618
Total: OIG	81,159	85,605	86,223	618
<u>FTE</u>				
Salaries and Expenses	373	407	407	0
Salaries and Expenses, Recovery Act	27	0	0	0
Salaries and Expenses, Emergency Disaster Relief Oversight	0	15	15	0
Sub-total	400	422	422	0
Total FTE	400	422	422	0

**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL**

Program and Performance Statement

The Department of Transportation (DOT) Inspector General conducts independent audits, investigations and evaluations to promote economy, efficiency and effectiveness in the management and administration of DOT programs and operations, including contracts, grants, and financial management; and to prevent and detect fraud, waste, abuse and mismanagement in such activities. This appropriation provides funds to enable the Office of the Inspector General to perform these oversight responsibilities in accordance with the Inspector General Act of 1978, as Amended (5 U.S.C. App. 3).

EXHIBIT III-1a

**DEPARTMENT OF TRANSPORTATION
OFFICE OF THE INSPECTOR GENERAL
SUMMARY ANALYSIS OF CHANGE FROM FY 2014 TO FY 2015
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)**

<u>ITEM</u>	Change from FY 2014 to FY 2015 (\$000)	Change from FY 2014 to FY 2015 FTE
FY 2014 BASE	\$85,605	407
Annualization of FY 2014 Pay Raise (1.0%)	150	0
FY 2015 Pay Raise (1.0%)	465	0
GSA Rent/Federal Protective Services	(120)	0
Working Capital Fund	(59)	0
Non-Pay Inflation (1.0%)	182	0
ADJUSTMENTS TO BASE	\$618	0
FY 2015 REQUEST	\$86,223	407

DOT Office of Inspector General Fiscal Year 2015 Budget Request: Detailed Justification

What Do I Need To Know Before Reading This Justification?

- The measurable value of the Office of Inspector General's (OIG) expertise comes in our independent and objective audits and investigations of specific programs and activities that support all the Department's strategic goals.
- OIG's mission is unique within the Department of Transportation (DOT). OIG's work supports improved safety and increased operational efficiencies and our 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.
- In FY 2013, our work produced over \$3 billion in financial recommendations and more than \$98 million in fines, restitutions and recoveries, resulting in a **return on investment (ROI) of \$41 for every appropriated dollar spent**. Also during FY 2013, we issued 143 audit reports; provided testimony 8 times before Congress; and conducted investigations resulting in 82 indictments and 73 convictions.
- OIG's personnel compensation and benefits costs comprise about 75 percent of our budget. The remaining 25 percent consists of operating costs, the majority being for items over which we exercise minimal control such as rent, utilities, and the Working Capital Fund (WCF). OIG has sought ways to reduce these costs where possible by releasing space at multiple field offices and working with the Department to reduce WCF costs.

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

Table 1. FY 2015 DOT Office of Inspector General Budget Request

Program Activity	(\$000)			
	FY 2013 Actual¹	FY 2014 Enacted	FY 2015 Request	Diff. from FY 2014 Enacted
Salaries and Expenses	\$75,459	\$85,605	\$86,223	\$618
Disaster Relief Oversight, 2013 ²	5,700	0	0	0
Total	\$81,159	\$85,605	\$86,223	\$618

Our fiscal year 2015 budget request is for \$86.223 million in total budgetary resources in support of 407 base-level full-time equivalents (FTE). In addition, an estimated 15 FTEs are supported via carryover funding from the Disaster Relief Appropriations Act of 2013, a temporary funding source, for OIG oversight activities of the Federal Transit Authority's (FTA) Public Transportation Emergency Relief Program.

Of the \$86.223 million, \$63.729 million would support personnel compensation and benefits costs—which comprise about 75 percent of our budget—and \$22.494 million would support operating costs over which we exercise minimal control. OIG has determined that this is the funding level needed to execute our mission—focusing on safety across all transportation modes—while continuing to identify cost-savings opportunities and making recommendations to improve DOT program efficiency and effectiveness. We have consistently demonstrated our commitment to ensuring the greatest return on taxpayer investments and, in FY 2013, reported a return on investment (ROI) of \$41 for every appropriated dollar spent. Our request includes adjustments to cover anticipated inflation and mandated pay adjustments.

The following table identifies OIG enacted and requested FTE levels including information on non-base FTE funded by the Disaster Recovery appropriation enacted in FY 2013.

¹ Reflects reductions pursuant to the Joint Committee sequester ordered on March 1, 2013.

² P. L. No. 113-2, Disaster Relief Appropriations Act, 2013 for oversight of Federal Transit Administration's Public Transportation Emergency Relief Program funded by same legislation.

Table 2. Total FTEs for Fiscal Year 2013 through Fiscal Year 2015

FTE Account	FY 2013 Actual	FY 2014 Enacted	FY 2015 Request
Salaries and Expenses	373	407	407
Salaries and Expenses supported by ARRA	27	-	-
Disaster Relief Oversight, 2013	0	15	15
Total FTEs	400	422	422

What Is This Program?

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. By law, the Inspector General must keep the Secretary and Congress "fully and currently" informed, and is required to "expeditiously" report potential violations of criminal law to the Attorney General.

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. Consistent with guidance contained in the July 26, 2013 OMB Memorandum M-13-17, *Next Steps in Evidence and Innovation Agenda*, 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.

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

The OIG is committed to fulfilling its statutory responsibilities under the IG Act while supporting Congress, the Secretary, senior DOT officials, the Office of Management and Budget (OMB), 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 2015 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. We must balance the demands on finite resources between responsiveness to stakeholders' priorities, time sensitive requests, statutory mandates and proactive work to identify emerging issues and opportunities for

improvements in operations and programs. Our planning is designed to ensure we are available whenever called upon to provide timely, relevant, and effective results. The process is flexible in approach, emphasizing timely and focused reviews, reflecting the interests of all stakeholders and seeking maximum benefit to taxpayers. We strategically deploy our scarce resources to those areas that are most impactful to the Department, Congress, and taxpayers. In FY 2013, our efforts resulted in a return of \$41 for every dollar expended.

The measurable value of OIG's expertise comes in our independent and objective audits 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 strategic and organizational goals.

We use our comprehensive 24-month tactical audit plan and guidance on investigative priorities to ensure that we are maximizing our limited resources and providing the greatest potential benefits to the Department and the public. Through these tactical plans, we identified 100 audits that we expect to initiate in critical areas across DOT's Operating Administrations. The FY 2015 requested FTE level will allow us to leverage the institutional knowledge of our professional staff—our most valuable resource for achieving our mission—and continue executing the work identified in our tactical plans and investigative priorities. These tactical plans and priorities focus on the entire Department and its Operating Administrations and cover a wide array of topics, including:

Departmentwide

- Assessing DOT's oversight of financial- and procurement-related issues such as travel card use, disadvantaged business enterprise (DBE) program implementation, DOT contract administration and management of information technology products and services contracts.
- Conducting other required Department-wide reviews including audits of DOT financial statements, improper payments, and cyber security.
- Supporting our ongoing procurement and grant fraud program to develop a national caseload and provide outreach activities to generate additional referrals from the Department and its Operating Administrations.
- Continuing our successful investigative efforts in the New York and Philadelphia metropolitan areas, where the Department currently has several ongoing, multibillion dollar transportation infrastructure projects.

Federal Aviation Administration (FAA)

- Assessing FAA acquisition and NextGen modernization challenges, ranging from reducing risk to improving the execution of billion dollar efforts. These audits help determine overall program costs, schedule, and performance, as we assess FAA's implementation of the individual components, such as Automatic Dependent Surveillance-Broadcast (ADS-B), En Route Automation Modernization (ERAM), DataComm, and Traffic Flow Management (TFM).
- Evaluating air traffic control (ATC) facilities and operations, including assessments of ATC system security, controller training, controller productivity, and controller collective bargaining agreement.
- Assessing key aviation safety areas, ranging from FAA's oversight of aircraft repair stations, controller operational errors and other aircraft separation losses, oversight of aircraft manufacturing processes, and industry compliance with key safety directives.
- Our criminal investigations involving the FAA target alleged aviation safety fraud, such as unapproved aircraft parts and false commercial airmen certificates.

Federal Highway Administration (FHWA)

- Evaluating FHWA's programs and tools for overseeing the billions of dollars provided to States and localities to build, maintain, and repair the Nation's roads and bridges to ensure compliance with newly enacted legislation (MAP-21). These audits include assessments of FHWA's oversight of States' transportation financial and project management plans for major highway projects.
- A significant portion of our grant fraud investigations focus on deceptive practices in FHWA grant programs, such as product substitution, sub-standard work, cost mischarging and DBE fraud.

Federal Motor Carrier Safety Administration (FMCSA)

- Continue to protect American consumers and workers from fraudulent and deceptive commercial practices that abuse FMCSA's programs governing interstate property brokers, such as household goods and motor carrier broker fraud schemes.
- Auditing FMCSA's effort to attain more comprehensive commercial motor carrier safety data and a broader array of interventions through its Compliance, Safety, and Accountability (CSA) Program, and an assessment of FMCSA's oversight of its largest grant program—the Motor Carrier Safety Assistance Program—which provides over \$200 million to States to reduce the incidence and severity of commercial motor vehicle crashes.

- Reviewing FMCSA's compliance with North American Free Trade Agreement (NAFTA) cross-border trucking provisions and the agency's efforts to enhance the consistency of information reported to the Mexican Conviction Database and improve its capacity to perform safe and efficient bus inspections at border crossings.
- Our criminal investigations involving FMCSA's programs include hazardous materials violations; egregious motor carrier safety violations, including CDL fraud by a school or third party tester and falsified hours of service records; and economic/consumer related scams in the household goods and motor carrier broker programs.

National Highway Traffic Safety Administration (NHTSA)

- Assessing NHTSA's oversight of Highway Safety Grants. These grants fund programs for occupant protection, child safety, motorcycle safety, and alcohol-impaired driving.
- Our criminal investigations involving NHTSA's grant programs have focused on fraud involving the Strategic Traffic Enforcement Program grants given to law enforcement agencies.

Federal Transit Administration (FTA)

- Evaluating FTA's execution of its new oversight responsibilities and mega-transit projects focusing on cost, schedule, and local risks.
- Evaluating FTA's oversight of the National Transit Database to ensure that submissions from grant recipients and beneficiaries of transit funds for the Urbanized Area Formula Program are complete, accurate, and timely.
- Assessing FTA's oversight of funds provided in the Disaster Relief Appropriations Act of 2013 (DRAA). This will include an evaluation of how the Department has executed DRAA relief awards and addressed the risks identified; and a series of Sandy relief post-award and oversight audits based upon significant risks identified.
- Our grant fraud investigations involving FTA's programs focus on items such as schemes involving product substitution, sub-standard work, cost mischarging, and DBE fraud.

Federal Railroad Administration (FRA)

- Evaluating FRA's procedures for negotiating, amending, and overseeing grantee compliance with High Speed Intercity Passenger Rail (HSIPR) grant agreement terms to determine whether FRA is disbursing these funds in a manner that is consistent with program objectives. FRA has thus far disbursed approximately \$1.4 billion of the \$10.1 billion obligated under HSIPR and must disburse the remaining \$8.7 billion by September 2017.

- Assessing FRA's ability to collect and manage railroad accident data that is both accurate and timely. FRA requires railroads to submit accident data within 30 days of an applicable incident and uses this data to focus its limited inspection resources on the Nation's most compelling safety risks.
- Reviewing FRA's oversight of its grants to Amtrak to ensure the company is using the billions of dollars in Federal financial support it receives each year to improve its operating practices, control costs, and enhance the performance of its intercity passenger rail service.

Pipeline and Hazardous Materials Safety Administration (PHMSA)

- Assessing PHMSA's progress in implementing recommendations from our previous work on PHMSA's oversight of its Special Permits and Approval Program.
- Assessing PHMSA's oversight of States' gas pipeline safety programs; pipeline control room management, and hazardous liquid spill response plans.
- Our hazardous materials criminal investigations include frauds against PHMSA's programs, including pipeline safety, cylinder retesting, and falsification of DOT required hazardous materials packaging and marking.

Maritime Administration (MARAD)

- Assessing the United States Merchant Marine Academy's efforts to create a climate in which sexual harassment and sexual assault are not tolerated.

Why Is This Particular Program Necessary And How Do You Know The Program Works?

OIG's mission is unique within DOT. Our work products provide the only internal independent source of recommendations to senior policy-making officials. OIG recommendations promote the efficient use of taxpayer dollars for maximum benefit, as well as enhanced 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. During fiscal year 2013, the monetary impact of our findings and recommendations represent a return of approximately \$41 for each budget dollar spent. The OIG has established a long-standing record as a highly respected contributor to the Department's mission.

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 to be 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 fiscal year 2014, the key challenges identified for DOT include:

- Improving FAA's Oversight of the Aviation Industry and the Operations of the National Airspace System
- Identifying and Addressing Root Causes of Problems With NextGen and Setting Investment Priorities
- Continuing Actions To Strengthen Highway, Transit, and Pipeline Safety
- Improving Oversight of Surface Infrastructure Investments and Implementing Statutory Requirements
- Implementing Requirements To Address the Federal Railroad Administration's Expanded and Traditional Responsibilities
- Managing Acquisitions and Contracts To Achieve Results and Save Taxpayer Dollars
- Building a Secure and Modern Information Technology Infrastructure

To assess the outcome and effectiveness of OIG performance in terms of meeting our statutory responsibilities, we 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.

Transportation Safety

FAA's Safety Data Analysis and Sharing System Shows Progress, but More Advanced Capabilities and Inspector Access Remain Limited. On December 18, 2013, we issued a report on FAA's Aviation Safety Information Analysis and Sharing (ASIAS) system. In 2007, FAA implemented the ASIAS system in an effort to proactively identify and address safety risks that may lead to accidents. Through ASIAS, FAA collects and analyzes safety data from multiple public and confidential databases, such as from airline voluntary safety reporting programs. In the Airline Safety and FAA Extension Act of 2010, Congress directed us to assess FAA's ability to establish a system such as ASIAS that can accommodate multiple data sources and also be accessible to FAA safety inspectors and analysts who oversee air carriers. Accordingly, our audit

objectives were to assess FAA's (1) progress in implementing ASIAs and (2) access to and use of ASIAs data by FAA inspectors to assist in commercial air carrier safety oversight.

We found that FAA has made significant progress with implementing and encouraging participation in ASIAs since 2007, and the program now captures key confidential voluntary safety data from 95 percent of all Part 121 operations. However, FAA's plans to use ASIAs to predict safety risks are still years away, and the program does not yet contain data from non-commercial sectors of the aviation industry that could also benefit from ASIAs's safety analyses. In addition, we found that FAA does not allow its inspectors and analysts to use ASIAs's confidential data for air carrier oversight due to complex data protection agreements. Although many of the inspectors we surveyed stated that access to national-level trends from voluntary safety programs would improve air carrier oversight, FAA has not yet disseminated these data and safety trends to the field.

FAA concurred with all four of our recommendations to enhance the Agency's policies and processes for accessing and using ASIAs information.

Improvements Needed in FMCSA's Plan for Inspecting Buses at the United States-Mexico Border. On November 26, 2013, we issued a report on FMCSA's compliance with certain congressionally mandated safety requirements for cross-border transportation. FMCSA generally complies with the requirements, as it has staffing, facilities, equipment, and procedures in place to conduct inspections of Mexico-domiciled carriers, vehicles, and drivers. FMCSA had a backlog of conviction data on Mexican drivers due to a computer software issue, but it has now fixed the problems and no drivers had to be disqualified after convictions were posted. In addition, FMCSA has taken steps to improve passenger carrier safety at the border but has not taken sufficient actions to fully address our prior recommendations for improving its capacity to inspect buses. FMCSA updated its bus safety plan, but the plan does not adequately address bus inspection frequency or identify actions to eliminate inspection obstacles. FMCSA also worked with other agencies to identify alternative inspection space at certain locations, but it has not negotiated interagency agreements with United States Customs and Border Protection to establish standard bus inspection protocols or completed facility and staffing assessments needed to fully address inspection safety and efficiency issues.

We made five recommendations to improve FMCSA's implementation of the NAFTA cross-border provisions and its bus safety plan. FMCSA concurred with all five recommendations.

FAA Can Improve the Effectiveness and Efficiency of Its Certification Processes. On October 30, 2013, the OIG's Assistant Inspector General for Aviation Audits testified before the House Committee on Transportation and Infrastructure Subcommittee on Aviation regarding the Federal Aviation Administration's (FAA) certification process. The Assistant Inspector General focused on FAA's certification processes in three areas: (1) FAA's Organization Designation Authorization (ODA) program; (2) certifying new air operators and repair stations; and (3) Next

Generation Air Transportation System (NextGen) capabilities, including integrating unmanned aircraft systems. The Assistant Inspector General stressed that effective oversight is critical to ensure that all ODA organizations (i.e., organizations that perform certification work on FAA's behalf) are following FAA's established certification policies and procedures. He also stated that issues with FAA's Flight Standards approval process, resource management, and communication from Headquarters have led to a backlog of more than 1,000 aircraft operators and repair stations awaiting certification. Finally, the Assistant Inspector General warned that a growing demand for certifying NextGen technologies and procedures, as well as FAA's need to certify unmanned aircraft systems, will further add to FAA's certification workload.

FAA's Controller Scheduling Practices Can Impact Human Fatigue, Controller Performance, and Agency Costs. On August 27, 2013, we issued a report on air traffic controller scheduling practices. The Nation's air traffic controllers play an important role in maintaining the safety of the National Airspace System. However, in 2011, a series of highly publicized incidents occurred during which air traffic controllers either fell asleep on duty or became unresponsive. These events raised questions about the impact of the Federal Aviation Administration's (FAA) scheduling practices on controller performance. In the FAA Modernization and Reform Act of 2012, Congress directed our office to review the considerations of safety, controller performance, and cost effectiveness when controller schedules are developed. We found that, due to FAA's scheduling practices and the nature of air traffic control work, controllers work erratic schedules, which can cause fatigue and negatively impact controller performance and safety. Although FAA has taken action by revising some of its controller scheduling policies, the Agency does not have metrics to determine whether its new policies will reduce controller fatigue. In addition, we found that FAA's new policies requiring a second overnight controller at 30 facilities cost the Agency approximately \$1.9 million per year. However, these costs could be offset by additional measures, such as reducing costs related to its overnight operations. Finally, we found that controllers are working schedules that do not always comply with FAA's scheduling policies on the minimum amount of time required between shifts. FAA concurred with all four of our recommendations to further improve its controller scheduling practices.

FAA Is Making Progress but Improvements in Its Air Traffic Controller Facility Training Are Still Needed. On August 27, 2013, we issued our report on air traffic controller facility training. The Federal Aviation Administration (FAA) plans to hire and train more than 11,700 new air traffic controllers through fiscal year 2021. This presents significant challenges for the Agency, as new controllers can require more than 3 years of training to become fully certified. Given our office's previous findings regarding FAA's controller training program, we initiated this review to assess FAA's progress in improving its program. We found that FAA has taken positive steps to enhance its controller training program, such as creating an Independent Review Panel (IRP) that made 49 recommendations that could significantly improve the controller hiring and training processes. However, almost 2 years after issuance of the IRP report, FAA has yet to implement any of the recommendations or establish completion timeframes. In addition, we found that FAA

faces significant challenges in improving its training program, particularly its goal to reduce training times, as the average training time for new controllers rose by 41 percent between fiscal years 2009 and 2012. Challenges FAA faces include managing contract training resources, maintaining consistent leadership, measuring the impact of simulators and other training initiatives, and improving staffing composition at complex facilities through controller placement and screening programs. We made five recommendations to assist FAA in improving its facility training efforts. FAA concurred with three recommendations and partially concurred with two.

FAA Lacks a Reliable Model for Determining the Number of Flight Standards Safety Inspectors It Needs. On June 20, 2013, we issued a report on the FAA's inspector staffing. FAA employs approximately 4,000 aviation safety inspectors and 40 analysts who play a key role in helping to maintain the United States' remarkable air carrier safety record. Due in part to concerns raised after the 2009 Colgan Air accident, Congress directed our office in the Airline Safety and FAA Extension Act of 2010 to evaluate how FAA assigns inspectors to Part 121 air carriers, including assessing the number and experience levels of inspectors and analysts, and how inspectors use surveillance methods to supplement their regular inspections.

Our audit found that although FAA introduced a new inspector staffing model in October 2009, FAA has not fully relied on the model's results to determine the number and placement of inspectors needed. This is due in part to continued concerns with the model's incomplete, inaccurate, and outdated data. Without a reliable inspector staffing model, FAA's process for assessing the number of inspectors and analysts it needs does not differ significantly from prior ineffective methods. For example, inspector staffing processes vary by region, which can lead to subjective and inconsistent staffing decisions. Finally, FAA supplements its regular inspections through its geographic surveillance program, a helpful oversight tool. However, we identified concerns with geographic inspector training and workload levels that may undermine the program's success. We made seven recommendations to enhance FAA's inspector staffing model and geographic surveillance program; FAA concurred with six and partially concurred with one.

FAA Continues To Face Challenges in Implementing a Risk-Based Approach for Repair Station Oversight. On May 1, 2013, we issued our report on FAA's risk-based oversight of aircraft repair stations. Currently, FAA is responsible for overseeing nearly 4,800 repair stations used worldwide by U.S air carriers. We found that while FAA developed a risk assessment process to aid repair station inspectors in identifying areas of greatest concern, its oversight continues to emphasize completing mandatory inspections instead of targeting resources where they are needed based on risk. Less than half of its inspection elements are evaluated based on risk, and foreign repair stations are not inspected using a risk-based system. In addition, FAA's oversight of foreign and domestic repair stations lacks effective, standardized processes for identifying deficiencies and verifying that they have been addressed. As a result, we found numerous systemic discrepancies at the repair stations we visited during our review. FAA concurred with

all nine of our recommendations to enhance the Agency's oversight of repair stations, citing its plans to implement a new oversight system—the Safety Assurance System (SAS)—in fiscal year 2015, and proposing actions to address our concerns in the interim.

FRA is Nearing Completion of Rules Required by the Rail Safety Improvement Act, but Needs To Improve Oversight. On April 17, 2013, we issued a report on the FRA's progress in implementing the Rail Safety Improvement Act of 2008 (RSIA). Congress passed RSIA in response to several high profile accidents between 2002 and 2008. RSIA requires FRA to undertake several wide-ranging tasks that broaden its safety responsibilities. Among these new responsibilities are requirements that the Agency issue 17 rules to improve railroad safety. We found that FRA has issued 8 of the 17 RSIA-required rules and has made progress on finalizing the remaining 9. However, weaknesses in FRA's planning for its rulemaking work delayed rule issuance. We also found that FRA did not provide its oversight staff with the guidance, training, and supervision required to oversee compliance with certain RSIA rules. We made six recommendations to improve FRA's rulemaking process and strengthen the Agency's oversight of railroad safety. FRA concurred or partially concurred with all six recommendations.

FAA's Progress and Challenges in Advancing Safety Oversight Initiatives. On April 16, 2013, the Assistant Inspector General for Aviation and Special Programs testified before the Senate Committee on Commerce, Science, and Transportation regarding the FAA's progress and challenges in implementing safety oversight initiatives. The Assistant Inspector General focused on FAA's (1) need for comprehensive data collection and analysis to enhance the safety of air traffic operations; (2) need to strengthen its risk-based oversight approach for repair stations and manufacturers; and (3) progress and challenges with implementing mandated safety requirements. Specifically, the Assistant Inspector General noted that, to reduce the risk of safety incidents such as air traffic controller operational errors, pilot deviations, wildlife strikes, and runway incursions, FAA needs to refine its processes for collecting data and analyzing root causes. In addition, the Assistant Inspector General described FAA's challenges with establishing a risk-based oversight system for repair stations and aircraft manufacturers, as well as effectively determining how many inspectors it needs and where. Finally, the Assistant Inspector General noted that despite commendable progress on implementing key elements of the Airline Safety Act, FAA continues to be challenged with meeting provisions for improved pilot training, qualification, and screening requirements, as well as advancing safety initiatives at smaller carriers.

FAA's Efforts To Track and Mitigate Air Traffic Losses of Separation are Limited By Data Collection and Implementation Challenges. On February 27, 2013, we issued a report on the FAA's efforts to identify and mitigate risks of air traffic losses of separation—i.e., when two aircraft fly closer together than safety standards permit, due to an air traffic controller operational error, a pilot's deviation, or other issue. Between fiscal years 2009 and 2010, the number of reported operational errors by controllers increased by more than 50 percent. According to FAA, this increase was mostly due to enhanced reporting through new voluntary and automated

reporting programs. However, we found that the increase was linked, in part, to a rise in actual errors, as well as other contributing factors. In addition, we found that FAA lacks an accurate baseline of the actual total number of separation losses that occur. Although FAA has recently instituted new policies and procedures for improving the collection, investigation, and reporting of separation losses, we found that the effectiveness of these procedures is limited by incomplete data and implementation challenges. Finally, FAA has recently developed new corrective action plans to mitigate high-risk separation loss events. However, it is too early to determine the effectiveness of these plans. In addition, the Agency's corrective action plans do not include all safety risks identified by FAA and will not address all losses of separation that air traffic facility officials consider to be high risk.

FAA concurred with four and partially concurred with two of our six recommendations to improve the Agency's policies and processes for identifying and mitigating separation losses.

Former Director of Helicopter Maintenance Pleaded Guilty to Falsifying Crash Related Documents. The former Director of Maintenance for Carson Helicopters Services pleaded guilty in U.S. District Court, Medford, Oregon, for his role in falsifying documents pertaining to a helicopter owned and operated by Carson that crashed and resulted in multiple fatalities, while performing contracted firefighting services for the U.S. Forest Service (USFS). The National Transportation Safety Board's investigation of the crash uncovered allegations that Carson falsified helicopter documents, which included weight and balance sheets and performance charts that enable a pilot to make accurate maximum payload calculations. The investigation determined that Carson submitted falsified or altered documents to USFS as part of its bid package, which included an altered FAA-approved performance chart and altered weight and balance charts.

Former Company Owner Sentenced for Hazardous Materials Safety Violations. In U.S. District Court, Boston, Massachusetts, the former owner of Beauchesne Fire Equipment (BFE), was sentenced to 6 months home confinement, 24 months probation, and required to pay restitution in the amount of \$77,953 for his role in violating Federal hazardous materials regulations relating to the testing and requalification of compressed gas cylinders. Nearly 6,000 cylinders, such as those used in hospitals, were stamped with a re-tester identification number indicating required hydrostatic testing had been completed when it had not. BFE was certified by the Pipeline and Hazardous Materials Safety Administration (PHMSA) as an approved requalification facility for re-testing and re-qualifying compressed gas cylinders. Our investigation disclosed that throughout 2011 and continuing through early 2012, Beauchesne and BFE employees under the owner's direction failed to conduct hydrostatic testing on compressed gas cylinders and failed to complete cylinder testing data sheets.

Vermont Man Sentenced to Jail for Falsifying Documents Used in Drug Testing Transportation Companies. The owner of Mobile Testing Services, Inc. (MTSI) was sentenced to 1 month incarceration, 2 years supervised release, and \$22,513.10 in restitution in U.S. District Court,

Brattleboro, Vermont, for his involvement in a scheme to defraud transportation companies employing drivers subject to random drug testing.

The man, through his company represented himself as a third party administrator, capable of assisting transportation companies in complying with DOT regulations requiring that urine samples be obtained by trained collectors and shipped to licensed labs with a completed Control and Custody Form (CCF) for drug testing. Test results must then be reviewed by a Medical Review Officer (MRO), a licensed physician trained in substance abuse. However, in 2009, Khouri subverted the role of the MRO by completing the CCFs and giving test results that were not reviewed by an MRO. After MTSI's contracted drug testing lab stopped testing due to nonpayment, he prepared false CCFs for untested specimens, misrepresenting that the specimens had tested negative and billing his clients for services not provided.

Georgia Man Sentenced for Violating an Imminent Hazard Out-of-Service Order. A Cordele, Georgia man was sentenced in U.S. District Court, Albany, Georgia, to six months incarceration, followed by twelve months supervised release, and was ordered to pay a fine of \$3,000 for operating a commercial motor vehicle in violation of an Imminent Hazard - Out of Service Order issued by the FMCSA. On October 6, 2008, the man, doing business as Lewis Trucking Company/DDL Transport/DL Transport, was placed under an Imminent Hazard Order to cease all operations due to serious violations discovered during a compliance review conducted by FMCSA. The compliance review was subsequent to a fatal crash in Alabama which resulted in the deaths of seven State of Alabama prison guards.

Former Aerospace Company Owner Convicted of Fraudulently Repairing Aircraft Parts. A federal jury in U.S. District Court, Sacramento, California, found the owner of Weco Aerospace Systems, Inc. (WECO) guilty of conspiracy to commit fraud involving aircraft parts repair. Our investigation disclosed that from approximately the mid-1990s until 2007, Weco failed test results at its FAA certified repair stations in Lincoln and Burbank, California. WECO employees at both repair stations failed to follow FAA regulations and the manufacturer's Component Maintenance Manual (CMM), a step-by-step guide for conducting proper repairs and overhaul of aircraft parts. In many cases, WECO did not have equipment capable of performing some of the tests required by the CMMs. However, WECO employees performed repairs and returned parts to customers, falsely certifying that their parts had been repaired in accordance with the CMMs. The evidence showed that WECO's owner was aware of equipment needs at the Burbank and Lincoln facilities but continued to operate WECO without taking steps to comply with FAA regulations.

State of Good Repair

FAA Made Limited Progress in Implementing NextGen Provisions of the FAA Modernization and Reform Act of 2012. On January 28, 2014, we issued a report on the FAA's progress in meeting Next Generation Air Transportation System (NextGen) provisions in Title II of the FAA

Modernization and Reform Act of 2012. Title II of the FAA Modernization and Reform Act of 2012 includes 24 provisions intended to help the FAA better manage and advance its NextGen and other modernization efforts. As of August 2013, FAA had implemented or was on target to implement about half of these provisions. However, FAA has yet to implement several provisions that are key to achieving the full benefits of NextGen. Longstanding programmatic and organizational challenges have hindered FAA's efforts to meet the act's provisions, including technical complexity; collaboration with other Government and aviation stakeholders; and financial concerns, including meeting the provisions of the Budget Control Act of 2011. FAA concurred with our two recommendations to provide more information to Congress and other stakeholders regarding its progress in meeting the act's Title II provisions.

Initial Assessment of FTA's Oversight of the Emergency Relief Program and Hurricane Sandy Relief Funds. On December 3, we issued a final report on FTA's oversight of the Emergency Relief Program and Hurricane Sandy relief funds. The Disaster Relief Appropriations Act, 2013 (DRAA) provided over \$10 billion to FTA's Emergency Relief Program for Hurricane Sandy-related repair and recovery efforts and directed our office to support oversight of FTA's Sandy relief funds. Our initial assessment focused on FTA's early efforts in response to Hurricane Sandy. We determined that FTA complied with DRAA's requirements, made significant progress in developing its Emergency Relief Program and allocating DRAA funds, and developed plans and procedures to conduct oversight. However, further actions are needed to more effectively allocate, obligate, and oversee relief funds, and FTA has yet to fully address these challenges in its oversight plans and procedures. For example, FTA's Oversight Plan did not include sufficient steps to mitigate risks of improper payments. Finally, FTA has opportunities to consider lessons learned from Federal emergency responses and acquisition best practices that could help the Agency to effectively finalize its Emergency Relief Program and related guidance. We made nine recommendations to improve FTA's oversight of Hurricane Sandy relief funds and its Emergency Relief Program guidance. FTA concurred with eight of our nine recommendations and partially concurred with one.

FAA Has Made Progress Fielding ERAM, but Critical Work on Complex Sites and Key Capabilities Remains. On August 15, 2013, we issued our report on the En Route Automation Modernization (ERAM) system. FAA's efforts to modernize the National Airspace System depend on the successful implementation of the foundational ERAM system—a multibillion dollar system for processing flight data at facilities that manage high-altitude traffic. However, we reported in September 2012 that extensive software-related problems have significantly delayed ERAM's nationwide implementation, resulting in hundreds of millions of dollars in increased costs. At the request of the House Appropriations Committee, Subcommittee on Transportation, Housing, and Urban Development and Related Agencies, we conducted a follow-up review to assess ERAM's progress. We found that FAA has made considerable progress deploying ERAM and is now using the system at 16 sites at least part-time. However, as FAA deploys ERAM to the Nation's busiest facilities, new software-related problems could impact the

program's cost and schedule, and the Agency may need additional funds to complete the project. We also found that air traffic controllers and ERAM subject matter experts have concerns that FAA's schedule-driven approach may leave certain site-specific issues unaddressed. In addition, some key capabilities, such as ERAM's tracking software, are experiencing issues that may impact future Next Generation Air Transportation System capabilities. We shared the results of our review with FAA and encouraged the Agency to continue its efforts to address our September 2012 recommendations.

MARAD Has Taken Steps To Develop a Port Infrastructure Development Program but Is Challenged in Managing Its Current Port Projects. On August 2, 2013, we issued our report on the Maritime Administration (MARAD) port infrastructure development program. In 2003, MARAD was authorized to administer funds for developing and modernizing the Port of Anchorage, the main seaport in Anchorage, AK. MARAD has since been authorized to administer two other port projects in Hawaii and the Port of Guam. Given significant setbacks at the Port of Anchorage project, including construction problems and schedule delays, we evaluated MARAD's (1) oversight and risk management of port infrastructure development projects, and (2) oversight of port infrastructure projects' contract planning and administration.

We found that MARAD did not establish effective oversight mechanisms when it initiated its port infrastructure development responsibilities. For example, MARAD did not adequately define its oversight responsibilities or establish a sound risk management process. MARAD has recently taken steps to more clearly define its role in the Port of Guam project. While MARAD has taken steps to develop a congressionally mandated Port Infrastructure Development Program, it has not yet completed it. Our review also determined that MARAD did not effectively manage its port project contracts. Between 2003 and 2011, the Port of Anchorage project's cost estimate grew over four and a half times from \$211 million to \$1 billion, with scheduled completion slipping 8 years. The Port of Anchorage project had significant contracting problems stemming from MARAD's inadequate planning, lack of reliable cost estimates, and noncompliance with Federal contracting requirements when awarding and administering the port contracts. MARAD concurred with all nine of our recommendations.

FAA's Progress and Challenges in Advancing the Next Generation Air Transportation System. On July 17, 2013, the Inspector General testified before the House Committee on Transportation and Infrastructure's Subcommittee on Aviation regarding the Federal Aviation Administration's (FAA) efforts to advance the Next Generation Air Transportation System (NextGen). While FAA has made some progress since it launched the program a decade ago, many NextGen initiatives remain in the early stages of development. The Inspector General focused on three priorities the Agency must address to realize NextGen's benefits: (1) addressing underlying causes of difficulties with advancing NextGen, (2) maximizing near-term benefits of new performance-based navigation (PBN) routes, and (3) keeping the implementation of critical automation systems for controllers on track. First, the Inspector General noted that FAA's difficulties with advancing NextGen stem from a number of underlying causes, including the

lack of an executable plan, unresolved critical design decisions, undefined requirements, and stakeholder skepticism. Second, the Inspector General described that the key to obtaining user support in NextGen is quickly integrating new PBN routes and procedures at airports, which will maximize near-term benefits such as fuel savings. Finally, the Inspector General stated that, despite recent progress, FAA faces cost and schedule risks with its efforts to modernize automation systems that controllers use to manage traffic at both terminal and en route air traffic facilities.

FAA's Acquisition Strategy for Terminal Modernization Is at Risk for Cost Increases, Schedule Delays, and Performance Shortfalls. On May 29, 2013, we issued our report on terminal modernization. Since 1996, the FAA has been working to modernize and standardize the terminal automation systems that air traffic controllers rely on to manage traffic within a 50-mile radius of airports. Now known as the Terminal Automation Modernization/Replacement (TAMR) program, this effort is necessary both to replace aging equipment and achieve FAA's goals to enhance capacity and reduce delays through the NextGen Air Transportation System. FAA is currently working on segment 1, phase 3 of TAMR, which aims to install the Standard Terminal Automation Replacement System (STARS) at 11 large terminal facilities.

Our audit found that FAA faces significant risks in developing and implementing the technical requirements for its current terminal modernization effort. Specifically, FAA has yet to identify and finalize all the software and hardware requirements needed to successfully install STARS at the 11 large terminal facilities. In addition, FAA's final investment decision did not result in a reliable schedule and cost baseline for implementing STARS at these facilities, putting TAMR at risk of further schedule delays and cost growth. For example, FAA's approved schedule to deploy STARS by 2017 lacks key deployment milestones and completion dates and was not evaluated for risk. In addition, FAA omitted major program cost elements from the cost baseline approved during its final investment decision, such as an estimated \$270 million in technical software refresh and modernization costs. FAA concurred with three of our four recommendations to improve FAA's effectiveness in achieving terminal modernization. FAA partially concurred with one recommendation.

Update on FAA's Progress and Challenges in Advancing the NextGen Air Transportation System. On September 12, 2012, the Inspector General testified before the House Committee on Transportation and Infrastructure Subcommittee on Aviation regarding the FAA's progress and challenges in advancing NextGen. The Inspector General identified three key challenges that continue to impact FAA's ability to realize NextGen's benefits: (1) implementing NextGen capabilities at congested airports; (2) resolving technical and program management problems with the En Route Automation Modernization (ERAM) program; and (3) managing program costs and schedules in developing and implementing NextGen's transformational programs. The Inspector General noted that FAA has made progress in improving air traffic management at congested airports in major cities through its metroplex initiative. However, critical work remains, and the Agency has not yet fully resolved key barriers to implementing NextGen

capabilities in the near term. In addition, extensive software-related problems have caused cost increases and schedule delays for FAA's critical, multibillion dollar ERAM program—exposing significant programmatic and contract management issues. Finally, the Inspector General noted that FAA has not approved total cost, schedule, or performance baselines for any of NextGen's transformational programs or developed an integrated master schedule for managing NextGen.

California Man Sentenced in Airport Copper Theft Conspiracy. A Modesto, California man was sentenced in U.S. District Court, Fresno, California, to serve 1 month in prison for conspiring to steal 2,800 feet of copper cable from the Medium Intensity Approach Lighting System at the Modesto Airport. The man was also ordered to pay \$60,000 to FAA for the damage caused to the Modesto Airport.

OIG began its investigation based on a referral from FAA alleging vandalism to the airport approach lighting system at the Modesto Airport. As part of the joint investigation, Modesto Police Department subsequently put up surveillance cameras, which led them to the defendant. OIG subsequently interviewed him, during which he confessed to the theft of copper cable and implicated his partner in the crime, another man from Modesto. Both men had pleaded guilty to the theft of Government property and conspiracy, admitting to having stolen the copper cable. The other man was sentenced to 16 months in prison.

The damage to the airport is valued at more than \$40,000. Further, the theft resulted in the failure of the approach lighting—which is needed for poor visibility situations, such as fog and heavy rain—posing a significant safety risk to incoming aircraft and neighboring residents and the potential need to divert aircraft.

Former Pennsylvania Bridge Contractor Pleads Guilty to Fraud Charges. The former owner of Clear Span Construction Products, LLC (CSCP), pleaded guilty in U.S. District Court, Pittsburgh, Pennsylvania, to a charge of falsifying engineering documents related to federally-funded highway construction projects between July 2008 and April 2012. Clear Span manufactured stay-in-place (SIP) metal bridge deck forms that were placed between either structural steel or pre-stressed concrete bridge girders.

CSCP's owner admitted that, on multiple occasions and without authorization, he forged or affixed the seal and signature of unwitting Professional Engineers (P.E.) on bridge plans and transmitted these engineering documents, as required, to prime contractors on the FHWA funded projects. The investigation revealed that he had submitted over 500 falsified documents on more than 75 federal and state funded highway projects in 13 states. The FHWA funded contracts require P.E. approval to ensure both the safety of the construction workers during bridge construction and the integrity of the bridge designs. FHWA concluded that there were no safety concerns surrounding the metal bridge deck form designs bearing the false P.E. signatures.

Additionally, the U.S. Attorney's Office entered into a civil settlement agreement with Clear Span and its partners that resulted in a \$50,000 civil settlement.

Economic Competitiveness

FAA Needs To Improve ATCOTS Contract Management To Achieve Its Air Traffic Controller Training Goals. On December 18, 2013, we issued a follow-up report on FAA's management of its Air Traffic Control Optimum Training Solution (ATCOTS) contract. FAA plans to hire over 11,700 air traffic controllers through fiscal year 2021. To help develop the new cadre of professional air traffic controllers FAA awarded the \$859-million ATCOTS contract, which is intended to provide up to 10 years of controller training support. In September 2010, we reported on FAA's weak acquisition practices and lack of effective contract oversight for the ATCOTS contract. At the request of the Chairman of the Subcommittee on Financial and Contracting Oversight, Senate Committee on Homeland Security and Governmental Affairs, we conducted a follow-up review to determine FAA's progress in addressing our prior findings and recommendations, as well as to determine whether FAA can achieve ATCOTS training goals under the current contract.

We found that, although FAA addressed 8 of 9 recommendations from our prior report, weaknesses in contract and program oversight continue. Due to lack of clearly defined requirements, the ATCOTS program experienced 4 consecutive years of cost overruns, totaling about \$89 million. FAA has also not been able to achieve key training goals to reduce training time and innovate training and has not measured its progress toward its goal to reduce training costs. In addition, FAA's cost incentives were ineffective for controlling costs; and the performance measures FAA used for award fees were not tied to enhancing key contract goals. FAA concurred with 9 of 10 recommendations, and partially concurred with one.

Status of DOT's Actions To Address Subtitle C of the Moving Ahead for Progress in the 21st Century Act. On September 18, 2013, the OIG's Assistant Inspector General for Highway and Transit Audits testified before the Senate Committee on Environment and Public Works on the status of the Department of Transportation's actions to address Subtitle C of the Moving Ahead for Progress in the 21st Century Act (MAP-21). Subtitle C calls for accelerating project delivery through increased innovation and efficient project planning, design, construction, and financing. The Assistant Inspector General for Highway and Transit Audits' statement focused on the results of an initial review, which OIG reported in a May 2013 letter to congressional and other stakeholders. The initial review focused on (1) the Department's plans to carry out provisions of MAP-21, Subtitle C; (2) the status of planned actions; and (3) key challenges that could delay the Department's implementation of those plans. The initial review also sought to create a baseline of planned actions to guide future audit work, which will provide a more comprehensive assessment of DOT's actions.

FHWA Is Monitoring Unexpended Recovery Act Highway Funds, but Some Funds May Remain Unused. On September 4, 2013, we issued a report on the Federal Highway Administration's (FHWA) monitoring of unexpended American Recovery and Reinvestment Act of 2009 (ARRA) funds. Our report examined the status of unexpended ARRA highway project funds and States'

ability to use them to the fullest extent before the spending period expires. We conducted the review as part of our ARRA oversight work. We found that FHWA has taken adequate actions to monitor remaining obligated unexpended ARRA funds. We also estimated that \$356 million in ARRA funds could remain unused when ARRA concludes after September 30, 2015. Factors outside of FHWA's control, such as Federal restrictions on the use of funds, impact the amount of funds that may remain unused. Another contributing factor is FHWA's nationwide \$25 million fiscal year limitation on obligating recovered funds, which prevents States from using their funds when qualified cost increases exceed this limitation. We made two recommendations advising that (1) FHWA revise its policy regarding the treatment of recovered ARRA funds and (2) implement a process to obtain more complete data and more accurately determine how much recovered funding States need in excess of the authority provided to obligate them. FHWA partially concurred with one recommendation and proposed an alternative action to explore the implications of providing upward adjustments in excess of \$25 million per fiscal year. FHWA concurred with our other recommendation.

FHWA Has Opportunities to Improve Oversight of ARRA High Dollar Projects and the Federal-Aid Highway Program. On November 14, 2012, we issued a report on FHWA's oversight of selected ARRA high dollar bridge and highway projects receiving at least \$20 million and \$25 million, respectively, in ARRA highway infrastructure investment grants. Our work focused on identifying significant issues that could impact FHWA's effective oversight of ARRA and to follow up on our June 2010 ARRA Advisory alerting the Department that States were not conducting required value engineering (VE) studies. Accordingly, our objectives were to report on whether (1) projects conducted required VE studies and (2) ARRA funds were obligated based on the States' best estimate of cost. We found that FHWA missed opportunities to maximize ARRA investments, since one-third of the States in our review did not perform VE studies during the project planning or design phase for at least one ARRA project. Further, FHWA also did not consistently emphasize its cost estimating guidelines designed to help ensure States obligate ARRA funds for projects based on best estimates of project costs. FHWA now faces the challenge to monitor ARRA obligations for any unused or idle funds that result from overestimating or other occurrences, and make certain that the States re-obligate or return ARRA funds before they expire in 2015. The report recommended that FHWA (1) verify that required VE studies were conducted for ARRA projects; (2) identify steps needed to increase States' awareness of and compliance with VE legislative changes and FHWA's revised guidance; (3) verify that FHWA Division Offices review each State's procedures for estimating costs, including procedures to conduct periodic reviews and to address significant changes in market conditions; and (4) develop and implement a plan to make sure controls are in place to effectively manage remaining unexpended ARRA funds. FHWA concurred with three of our recommendations and concurred in part with another.

Contract Towers Continue to Provide Cost-Effective and Safe Air Traffic Services, but Improved Oversight of the Program is Needed. On November 5, 2012, we issued a report on the FAA's

oversight of the Federal Contract Tower Program. Established in 1982, the Program currently oversees 250 contract towers providing low-cost air traffic control services to airports nationwide. We found that contract towers continue to provide air traffic control services at a lower cost than similar FAA towers. On average, a contract tower cost about \$1.5 million less to operate than a comparable FAA tower, mainly due to lower staffing and salary levels. In addition, contract towers had a lower number and rate of safety incidents compared to similar FAA towers, and users remain strongly supportive of the Program. However, we identified opportunities for FAA to enhance its oversight of the Program, including strengthening its financial controls and implementing voluntary safety reporting systems at contract towers. FAA concurred with all three of our recommendations to improve the Agency's oversight of the contractual and safety aspects of the Program.

At a hearing before the House Subcommittee on Aviation on July 18, 2012, the Inspector General testified regarding the FAA Contract Tower Program. The Inspector General indicated that, based on our ongoing work, contract towers continue to provide safe air traffic services, as contract towers have a lower number and rate of reported safety incidents and Agency-identified deficiencies when compared with similar FAA towers. In addition, contract towers remain strongly supported by users and continue to provide cost-efficient air traffic control services. Our work found that the average contract tower costs roughly \$1.5 million less to operate annually than a comparable FAA tower, largely due to lower staffing and salary levels. However, the Inspector General noted that FAA can improve its oversight of the program by implementing a voluntary safety incident reporting program at contract towers, reviewing labor hours worked to ensure contract compliance, and implementing processes to regularly evaluate contract towers as required by Congress.

Improvements to Stewardship and Oversight Agreements are Needed to Enhance Federal-aid Highway Program Management. On October 1, 2012, we issued a report on FHWA's Stewardship and Oversight Agreements with States. FHWA uses these agreements, which are required by law, to formalize the roles and responsibilities of FHWA Division Offices and the States to ensure adequate oversight of Federal funds, project quality, and safety. We conducted the review as part of our ongoing ARRA oversight work. We found that while FHWA fulfilled the statutory mandate to enter into Agreements with each State, the Agreements do not consistently reflect Federal requirements, or program risks and priorities that FHWA has identified. Further, FHWA has not provided sufficient guidance and oversight to Division Offices for the development and update of Agreements to ensure that inconsistencies reflect valid differences among the States and to ensure that legal issues are identified. FHWA concurred with one recommendation and partially concurred with the remaining four recommendations.

DOT Established Timely Controls for the TIGER Discretionary Grants Program, but Opportunities Exist to Strengthen Oversight. On September 20, 2012, we issued a report on the Office of the Secretary's (OST) Transportation Investment Generating Economic Recovery

(TIGER) Discretionary Grants Program, which uses competitive discretionary grants for capital investments in highway, bridge, public transportation, rail, and port infrastructure projects. Congress initially appropriated \$1.5 billion for the program through ARRA, and the program has since grown to over \$3.1 billion. We conducted the review as part of our ongoing ARRA oversight work. We found that OST established TIGER program policies that generally adhered to best practices, but vulnerabilities remain in reviewing grant agreements, overseeing individual projects, assessing program risks, and measuring performance. In addition, we found discrepancies in the requirements for safety standards in the grant agreements for rail infrastructure projects. OST concurred with three of our seven recommendations to strengthen oversight of the TIGER program and partially concurred with four.

Improvements Needed In the FTA's Grant Oversight Program. On August 2, 2012, we issued our report on improvements needed in FTA's Grant Oversight Program. We conducted this audit at FTA's request. FTA's Oversight Program is carried out by its regional offices, as well as its contractors, to ensure that grantees spend funds effectively; comply with Federal laws and regulations; and prevent fraud, waste, and abuse. Our objectives were to assess whether FTA Headquarters provides its regions and contractors with adequate guidance and oversight to accurately identify and track grantee deficiencies and to assess whether FTA's Region III effectively follows up on grantee deficiencies. We found that FTA Headquarters does not provide its regions or contractors with adequate guidance or oversight to ensure they consistently identify and track grantee deficiencies. Further, FTA Region III has not effectively followed up on grantee deficiencies. We made six recommendations to enhance the level of oversight FTA provides, to develop performance measures assessing the effectiveness of the outcomes of its overall Oversight Program, and to ensure regions do not close findings before receiving documentation showing that a finding has been fully resolved. FTA fully concurred with our six recommendations.

Tennessee Concrete Company Agree to Civil Settlement for False Claims Act Violations. In U.S. District Court, Nashville, Tennessee, Sherman-Dixie Concrete Industries, Inc. agreed to pay a civil settlement of \$664,581 to the U.S. Government for submitting false claims for payment of products that did not meet required specifications on federally funded highway projects. These products included concrete end walls and catch basins that are typically used in and adjacent to roadway construction. The United States alleged that Sherman-Dixie submitted these claims after repeatedly certifying that its products were in reasonable compliance and were produced pursuant to applicable procedures when they were not. In addition, Sherman-Dixie entered into a monitoring agreement with FHWA that requires Sherman-Dixie to take certain compliance measures to reduce the likelihood of future violations.

Ohio DBE Agrees to \$2.88 Million Civil Settlement. In Dayton, Ohio, two developers along with a former business partner, doing business as TesTech, Inc., agreed to pay \$2,883,947 to resolve allegations that they falsely claimed DBE status on federally funded transportation projects. The investigation revealed that a business partner represented himself on paper as the owner and

president of TesTech, which was actually owned by the developers, to convince the Federal Government that TesTech was eligible for special Federal contracting preference under DOT's Disadvantaged Business Enterprise program.

Georgia Woman Convicted in Double Brokering Scheme. A Georgia woman pleaded guilty in U.S. District Court, Macon, Georgia, to mail fraud in conjunction with her involvement in a double brokering scheme.

The investigation revealed that the woman used the Internet to access web sites where senders advertised loads of commercial freight available for transport. She bid on these loads of freight using the names of her various companies which are listed as having broker authority with the Federal Motor Carrier Safety Administration, and was awarded the bids. She led the sender to believe her trucking business would deliver the freight for the contracted price and the sender of the freight would send her payment at the agreed upon price. However, after accepting the bid, she would immediately re-advertise the job, using a different company name. She accepted bids from legitimate trucking companies and had them deliver the freight from the sender to the intended destination, never disclosing that she had arranged for the sender to send payment to her. This resulted in the actual freight hauler never being paid.

Former Dallas County Deputy Sentenced in Traffic Ticket Scheme Involving NHTSA Grant Funds. A former Dallas County Deputy Sheriff was sentenced in Dallas County Criminal Court, Dallas, Texas, in conjunction with his plea to tampering with governmental records. He was sentenced to twelve months of community supervision and was ordered to pay a \$1,000 fine. He was also ordered to surrender his Texas police officer's license.

The subject is one of three deputies indicted in Dallas County for submitting overtime reimbursement requests containing false information as to the times worked and the number of traffic citations issued in 2009, 2010 and 2011 while working overtime under the Selective Traffic Enforcement Program (STEP), which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. During this investigation, Dallas County has repaid \$214,030 in ineligible costs to NHTSA.

Former General Manager of Virginia Transit Agency Sentenced for Theft of FTA Grant Funds. The former general manager of Valley Metro Transit was sentenced in U.S. District Court, Roanoke, Virginia to 30 months probation in connection with charges of theft of Government funds. In 2006, FTA awarded Valley Metro an \$80,000 grant to replace furniture at the company's downtown Roanoke administration building. Valley Metro hired a local interior designer to complete the project. The designer admitted to fabricating and inflating all competitors' bids to ensure Valley Metro would have to pay more than the true costs associated with the project. Following Valley Metro's acceptance of the bids, she submitted falsified invoices related to the bids that included inflated and nonexistent shipping costs. Subsequently, Valley Metro made direct payment to the furniture vendors on the inflated bills received from the

designer. The vendors then issued checks back to her for the difference between the true costs and the cost paid by Valley Metro based on her deception. The total estimated loss caused by the designer's actions is between \$80,000 and \$120,000. As part of the general manager's sentencing, he was also ordered to pay \$10,416 in restitution.

The Valley Metro Transit former general manager admitted that between July 1, 2007 and June 20, 2008, he used Valley Metro Transit credit cards to make inappropriate purchases that were paid for, in part, with FTA operating grant funds. For example, he used the grant funds to purchase meals, alcohol, golf fees, cigars, and gift cards totaling more than \$14,000. In April 2012, the designer was sentenced to 4 months in prison, 4 months of home confinement, a \$3,000 fine, and \$45,728 in restitution.

Construction Firm Agrees to Pay \$7.5 Million to Settle Fraud AllegationsJudlau Contracting, Inc., Dragados USA Inc., and the Dragados/Judlau Joint Venture (Dragados/Judlau, JV), New York based construction companies, signed a civil settlement agreement in the U.S. District Court, New York City, New York, in which Judlau/Dragados, JV agreed to pay a \$7.5 million civil settlement related to DBE fraud on a major public works project that received \$2 billion in FTA funding. Judlau/Dragados, JV is the prime contractor on the "East Side Access Project" which involves the construction of a tunnel connecting the Long Island Railroad to Grand Central Station.

As part of this settlement, Judlau/Dragados, JV admitted that between 2006 and 2008, they listed four DBEs as subcontractors and indicated that the total contract amount for them would be approximately \$22 million. Rather than pay DBEs for work actually performed by them, Judlau/Dragados, JV paid three DBEs fees to act as "pass-throughs" while the work was actually being performed by non-DBE subcontractors.

Also as part of this settlement, approximately \$6 million will be returned to the FTA.

Highway Construction Officials Sentenced to Jail and Ordered to Pay \$119 Million in Pennsylvania DBE Fraud Case. In U.S. District Court, Harrisburg, Pennsylvania the former vice-president of Schuylkill Products (SPI) was sentenced to 24 months' imprisonment and 2 years supervised release; a former vice president of CDS Engineers, Inc. (CDS), was sentenced to 33 months' imprisonment, ordered to pay \$82,370 in restitution to the IRS, and 2 years supervised release; and the operator of Marikina Construction Corporation, was sentenced to 33 months' imprisonment, ordered to pay \$79,450 in restitution to the IRS, and 2 years of supervised release. The sentencings were handed down in connection with these individuals' roles in the largest reported disadvantaged business enterprise (DBE fraud) in the Department's history. Additionally, all three defendants were ordered to pay \$119 million in restitution, jointly and severally, to the FHWA.

The investigation revealed that the three and others defrauded the DOT DBE program for more than 15 years, involving more than \$136 million in highway transportation contracts. SPI and

CDS, a subsidiary of SPI, used Marikina as a shell DBE corporation, to obtain DBE subcontracts for bridge beam installation projects with the intention of having CDS and SPI employees perform, manage, control, and supervise the beam installations. SPI and CDS officials fraudulently prepared business documents on Marikina letterhead, used a Marikina payroll account to pay a CDS supervisor and work crew, and SPI officials paid Marikina a fixed fee for the use of its name in obtaining the DBE contracts.

Michigan Firm Agrees to Pay \$3.8M to the Government to Settle DBE Fraud Claims. Representatives for Oldcastle Materials, Inc., entered into a \$3.8 million Settlement Agreement with the United States Department of Justice and the USAO in the Eastern District of Michigan, to resolve their False Claims Act liability arising from falsely claiming DBE participation on a number of FHWA and FAA construction projects between January 2006 and December 2010 in the State of Michigan.

From January 2006 to December 2010, it is alleged the defendants violated Disadvantaged Business Enterprise (DBE) requirements by representing that liquid asphalt for various identified projects was supplied by BN&M (the listed DBE), when in fact, BN&M simply acted as a pass-through.

Quality of Life in Communities

More Comprehensive Data Are Needed To Better Understand the Nation's Flight Delays and Their Causes. On December 18, 2013, we issued a report on air carrier flight delays and cancellations. The causes and impacts of flight delays and cancellations continue to be a key concern for Congress, the Department of Transportation, the airline industry, and the flying public. In the Federal Aviation Administration (FAA) Modernization and Reform Act of 2012, Congress directed us to examine various delay statistics, air carrier scheduling practices, and airport capacity benchmarks (i.e., the maximum number of flights an airport can safely accommodate per hour). Our audit objectives were to (1) analyze recent flight delay and cancellation trends, (2) examine air carrier scheduling practices and their relative impact in causing flight delays and cancellations, and (3) review FAA's use of capacity benchmarks to assess airport capacity and monitor airline scheduling practices at the Nation's largest airports.

We found that overall, flight delays fell by 33 percent from 2000 to 2012, and the number of cancellations nationwide has decreased by 56 percent at the 55 major airports. However, data limitations hinder the Department's ability to track some of these delays or fully understand their causes. In addition, we found that air carrier scheduling practices have had a major impact on reducing the number of flight delays both nationwide and at specific airports, such as by increasing scheduled gate-to-gate times and reducing flight volume. However, over-scheduling and congestion remain a problem at several major airports, particularly in the New York area. Finally, we found that FAA's capacity benchmarks have proven useful for assessing capacity

needs at major airports; however, the Agency has not shared them with outside stakeholders and the general public since 2004.

We made five recommendations to the Office of the Secretary of Transportation (OST), FAA, and the Research and Innovative Technology Administration (RITA) to improve the collection, reporting, and communication of flight delay and other related data. The agencies concurred with three of our recommendations and partially concurred with two.

Opportunities Exist To Strengthen FHWA's Coordination, Guidance, and Oversight of the Tribal Transportation Program. On October 30, 2013, we issued a report on the Federal Highway Administration's (FHWA) oversight of the Tribal Transportation Program (TTP) which provides funding for projects that support safe and adequate transportation and public road access to and within tribal lands, and Alaska Native Villages. From fiscal years 2005 to 2012, the TTP received about \$3.5 billion in congressional appropriations, including \$310 million provided by the American Recovery and Reinvestment Act of 2009. FHWA's Office of Federal Lands Highway (FLH) and the Department of Interior's Bureau of Indian Affairs (BIA) jointly administer and oversee the TTP. Our report assessed whether FLH is effectively coordinating with BIA and providing adequate oversight of TTP projects under agreements with tribes. We found that FLH and BIA routinely coordinate in key TTP areas; however, FLH and BIA have opportunities to improve coordination on National Environmental Policy Act approvals and final acceptance of TTP projects. We also found that while FLH has some processes for reviewing the tribes' management of transportation projects, its oversight is not based on sufficient data on tribes' program risks and needs. In addition, we found that the TTP is governed by an outdated regulation and unclear guidance in some key areas on how to implement that regulation, such as allowable uses of funds. FLH concurred with our seven recommendations, which were focused on strengthening stewardship and oversight of the TTP program.

Lessons Learned From the East Side Access Project Can Enhance FTA's Oversight of MTA's Reporting on Remaining ARRA Grants. On June 12, 2013, we issued our report on the East Side Access Project. The FTA has committed nearly \$2.7 billion in Federal funding to the Metropolitan Transportation Authority's (MTA) East Side Access (ESA) project, including the most American Recovery and Reinvestment Act (ARRA) New Starts funding of any project (\$195.4 million). Our objectives were to determine whether (1) MTA's controls over the materials purchased with ARRA funds were sufficient to safeguard those items, and (2) FTA ensured that MTA met ARRA's certification and reporting requirements for ESA. We found that MTA safeguarded the ESA materials purchased with ARRA funds and met ARRA certification requirements for the ESA ARRA New Starts funds. However, MTA's Section 1512 reports omitted required data that FTA quality reviews did not detect. Specifically, MTA's final report did not include required vendor payment information for over \$19 million (nearly 10 percent) of the ESA ARRA grant funding. Because FTA's data quality reviews did not identify these omissions in MTA's required Section 1512 quarterly reports, it underreported vendor payment data to the public. We recommended that the Federal Transit Administrator: 1) identify and

validate the steps MTA plans to take to improve the accuracy of the vendor payment data in its Section 1512 reports to prevent future omissions; and 2) perform an additional data quality check when reviewing the final report for each of MTA's three remaining FTA ARRA grants. FTA fully concurred with our two recommendations.

FRA's Requirements for High Speed Rail Stakeholder Agreements Mitigated Risk, but Delayed Some Projects' Benefits. On November 1, 2012, we issued a report on the Stakeholder Agreement Requirements for the FRA's High-Speed Intercity Passenger Rail (HSIPR) grant program. While FRA has awarded and obligated over \$10.1 billion in grant funds in the three years since it established HSIPR, our report focused on the \$8 billion in ARRA funds appropriated in 2009 and awarded in January 2010. We conducted this review as part of our ongoing ARRA oversight work because HSIPR represents an unprecedented federal investment in the U.S. intercity passenger rail system. The objectives of our audit were to assess: (1) FRA's development of stakeholder agreement requirements for long-term corridor projects; and (2) the effects that the requirements' development had on short-term, ready-to-go projects. We found that while FRA took an important step to ensure that Stakeholder Service Outcome Agreements (SOA) for long-term corridor projects were in place before obligation, project stakeholders faced challenges and subsequent delays in completing these SOAs in part because of unclear guidance from FRA on what they should contain. Further, FRA's initial focus on long-term projects delayed (1) short-term project obligations and (2) the determination of requirements for short-term project agreements. The report recommended that FRA: (1) require that state grantees submit all required stakeholder agreements that address all terms specified by PRIIA and FRA's Guidance prior to fund obligation; and (2) develop guidance on stakeholder agreements for short- and long-term projects that addresses the differences in the projects' scopes to ensure that the intended benefits of each HSIPR project can be achieved. The Agency partially concurred with the first recommendation, and concurred with the second recommendation, indicating that it is committed to addressing the issue of further guidance if more HSIPR funding becomes available.

Completing a Grants Management Framework can Enhance FRA's Administration of the HSIPR Program. On September 11, 2012, we issued a report that assessed the grants management framework the FRA uses to administer its HSIPR program. FRA has awarded and obligated almost \$10.1 billion in grant funds in the three years since it set up HSIPR, and \$8 billion of those funds were appropriated by ARRA. We conducted this review as part of our ongoing ARRA oversight because HSIPR gave FRA significant new grant-making and oversight duties. Our review focused on FRA grants management with regard to three areas: (1) policies, procedures, and guidance; (2) workforce adequacy; and (3) program performance mechanisms. We found that although FRA completed a *Grants Management Manual* in April 2012, the Agency obligated \$9.6 billion in grant funds while simultaneously developing the grant management policies and procedures outlined in the Manual. We also found that insufficient staffing and training further undermined FRA's efforts to effectively administer and ensure the

accountability of HSIPR grant funds across all its active programs. Finally, we found that FRA lacks effective mechanisms for assessing program and grantee performance. While FRA has outlined HSIPR goals in several documents, the goals are inconsistent across these documents and the goals' performance measures are also not specific enough to determine overall program progress. We made five recommendations to FRA to improve HSIPR grant fund administration and accountability. The Agency concurred with all five recommendations.

Moving Company Owner Pleads Guilty to Defrauding Customers. The owner of Movers USA/Golden Hand Movers pleaded guilty to conspiracy to commit wire fraud in U.S. District Court, Denver, Colorado. He admitted to luring in customers with extremely low moving estimates and then fraudulently inflating the price of transportation. When customers refused, or were unable to pay, he refused delivery and often threatened to auction their household goods until the inflated price was paid.

The investigation identified over 75 victims. The owner of the HHG companies routinely doubled quoted estimates for an average increase of \$2,000 to \$5,000, although some victims were charged as much as \$10,000 over initial estimates.

Florida Contractor Sentenced for Bribery Relating to Programs Receiving Federal Funding. The President and owner of Southeast Underground and Utilities, Inc. (SUU), and the former Vice President of SUU, were sentenced in U.S. District Court, Fort Lauderdale, Florida, for conspiracy to commit bribery in programs receiving Federal funds, highway fraud, mail fraud, extortion, and tax fraud.

From the fall 2006 through 2010, they provided the former Director, Broward County Traffic Engineering Division, at his request, more than \$150,000 in cash; an automobile; and a job for the Director's relative. In return, the Director helped SUU obtain work on multimillion dollar projects initiated by Broward County Traffic Engineering Division—part of a larger federally funded project. The investigation disclosed that the Director assisted SUU's overpayment of at least \$3 million. In addition, the President of SUU filed a fraudulent application to have SUU certified as a disadvantaged business enterprise (DBE), resulting in the award of approximately 25 fraudulent contracts and subcontracts to SUU in excess of \$10 million.

The Director received a sentence of 60 months imprisonment, 3 years supervised release, and a \$15,000 fine. The Vice President of SUU received a sentence of 36 months imprisonment, 3 years supervised release, and a \$15,000 fine. Additionally, both defendants were ordered to jointly forfeit \$3 million.

Worcester Businessman Pleads Guilty to Bribery. A Massachusetts businessman pleaded guilty in U.S. District Court, Worcester, Massachusetts, to bribery of a public official. The man attempted to bribe a Federal Motor Carrier Safety Administration (FMCSA) Safety Inspector in order to avoid negative findings on a safety review of his motor carrier company, Korca

Enterprises, Inc. He paid \$1,000 to a FMCSA Safety Inspector to produce a false FMCSA Compliance Review of Korca.

Maine Man Sentenced in \$900,000 Embezzlement from a Federally Funded Program. A former Chief Executive Officer (CEO) of York County Community Action Corporation (YCCAC), was sentenced in United States District Court, Portland, Maine, to 30 months in jail, 36 months supervised release and ordered to pay \$1.3 million in restitution in connection with his guilty plea to charges of conspiracy, embezzlement from a federally funded program, tax evasion and signing false tax return charges. YCCAC provides social service, health, educational, and transportation-related assistance to York County individuals and families living in poverty. From 2006 to 2010, YCCAC received in excess of \$30 million in federal funds to be used for those purposes, including approximately \$7 million in FTA grants. Some of the FTA grants, including those for the rural transit assistance program and urban transit assistance program, were authorized by ARRA. The investigation disclosed that that from 2004 to 2010, the former CEO embezzled approximately \$900,000 from YCCAC. He diverted \$413,000 in funds to a consulting company that had only submitted one invoice for \$8,700. In exchange for the fraudulent payments, the consulting company paid more than \$20,000 of the former CEO's personal expenses, including his home mortgage and also kicked cash back to him. From 2004 to 2009, the former CEO diverted more than \$400,000 in YCCAC funds to a defunct non-profit entity, New England Community Action Agency (NECAA), and recorded those payments as donations or consulting expenses. After transferring these funds to NECAA, he used more than \$300,000 to pay personal credit card bills and his home mortgage, and to gamble, failing to report over \$400,000 in embezzled income to the Internal Revenue Service (IRS). Finally, in 2005 and 2006, he prepared and signed NECAA tax returns which suggested the agency had revenue and assets, when, in fact, it did not. As part of his plea agreement, the former CEO agreed to pay restitution of approximately \$1.2 million to YCCAC and \$150,000 to the IRS.

Former Moving Company Employees Sentenced for their Roles in a Household Goods Scheme. In U.S. District Court, San Jose, California, a sales manager for National Moving Network (NMN), a Miami based household goods broker, was charged with the failure to observe published moving tariffs. She pleaded guilty to the charges and was sentenced to serve 6-months probation, and was ordered to pay a \$10,765 restitution to two NMN victims.

A data entry clerk and customer service representative for AY Transport, pleaded guilty for her participation in the scheme. She was sentenced to 6 months of probation, and ordered to pay a \$100 special assessment fee and \$1,248.00 restitution to 2 AY Transport victims.

Two estimators for NMN pleaded guilty and were sentenced to a total of 18 months probation to pay restitution of just over \$7,000 to NMN and AY Transport victims.

Based on information from FMCSA, OIG began investigating owners and employees of NMN and AY Transport, a San Jose-based moving company. As part of its daily business practice,

NMN booked moves nationwide, and then referred a majority of the moves to AY Transport for the transportation of the household goods. NMN employees and owners and employees of AY Transport participated in a "low-ball estimate" scheme, where NMN estimators quoted customers a low estimate to move their household goods, and upon taking custody of customers' goods, raised the price to exorbitant rates.

Texas Moving Company Owner Sentenced For Household Good Moving Scheme. A household goods (HHG) moving company official was sentenced in Harris County, Texas, state court to 20 years in jail and ordered to pay \$200,000 in restitution in connection with a HHG moving scheme.

On various dates, between May 2009 and January 2012, the officials and two others lured customers into doing business with various moving companies they established by offering extremely low moving estimates. They then took possession of customers' HHGs, significantly increased the price, and withheld delivery of their household goods until the customers paid the fraudulently inflated price. In addition, customers were threatened that if they refused to pay the increased price, their household goods would be auctioned.

Wife of Former Virginia Railway Express Employee Sentenced for Helping Husband Conceal Receipt of Over \$200,000 in Bribes. The wife of a former Virginia Railway Express (VRE) employee was sentenced in U.S. District Court, Alexandria, Virginia, to 6 months of home confinement, 1 year of supervised release and 40 hours of community service for concealing that her husband took more than \$200,000 in bribes to ensure a VRE subcontractor would be retained by VRE.

In January 2013, the former facilities manager for VRE was sentenced in U.S. District Court, Alexandria, Virginia, to 24 months incarceration followed by 2 years supervised release for accepting over \$200,000 in bribes.

The investigation revealed that from 2003 through March 2012, the former VRE employee agreed to receive up to \$4,000 a month in return for giving favorable evaluations that would ensure an individual and the individual's company would be retained as a subcontractor for VRE. He concealed the bribes by creating a fraudulent company and sending monthly invoices from the company to the subcontractor, falsely billing the subcontractor for services that were never rendered. His wife had signed the paperwork creating the fraudulent company for which she was the president.

Environmental Sustainability

NEPA: FRA Coordinates as Required but Opportunities Exist to Modernize Procedures and Improve Project Delivery. On December 5, 2013 we issued a report that assessed the procedures the Federal Railroad Administration (FRA) has in place to administer the National Environmental Policy Act (NEPA). As part of its \$10.1 billion High Speed Intercity Passenger

Rail Program, FRA collaborates with project grantees, the Federal Highway Administration (FHWA), and the Federal Transit Administration (FTA) on both construction and compliance with NEPA's requirements. Federal agencies are required to follow regulations established by the President's Council on Environmental Quality (CEQ) and develop procedures as necessary to ensure proper consideration of environmental concerns in agency decision-making. As such, we conducted this review to (1) assess FRA's procedures for coordination with FHWA and FTA to ensure compliance with NEPA requirements, and (2) determine whether the procedures incorporate relevant statutory requirements and CEQ guidance. We found that FRA coordinates with FHWA and FTA in compliance with NEPA, and is working with the Office of the Secretary of Transportation to further enhance coordination on the Department's multimodal projects. However, we also found FRA's implementing procedures are outdated and limited. Because the Agency has not updated most of its implementing procedures since 1999, requirements from subsequent statutes and recommended CEQ guidance have not been included. In addition, FRA is still developing standard operating procedures for its staff to use in NEPA process administration and to help ensure consistency in the environmental documentation that grantees submit. We made two recommendations to FRA to improve its compliance with the NEPA process. The Agency concurred with both recommendations.

Hazardous Liquid Pipeline Operators' Integrity Management Programs Need More Rigorous PHMSA Oversight. On June 18, 2012, we issued a report on the PHMSA's oversight of hazardous liquid pipeline operators' integrity management (IM) programs. These programs include plans, processes, and procedures aimed at reducing the likelihood and severity of pipeline accidents in High Consequence Areas. PHMSA initiated an inspection program to oversee operators' implementation of their IM programs in 2002. Since then, the program has accomplished much, but still faces challenges that impact the Agency's oversight of operators' IM programs. These challenges include managing a growing backlog of inspections, identifying IM weaknesses through field inspections and onsite accident investigations, and transitioning to a new risk-based inspection program. In addition, PHMSA's oversight of non-line pipe facilities (such as valves, pump and meter stations, and storage tanks) is limited by less rigorous IM requirements, despite recent technological advances that would allow more rigorous oversight of these facilities. Finally, although PHMSA has established a corrective action plan to address long-standing data management deficiencies, the Agency has not yet resolved key deficiencies or established meaningful analysis capabilities to improve its oversight. We made nine recommendations to improve PHMSA's oversight.

Company Owner Sentenced to 84 Months for Illegal Transportation of Hazardous Materials. The owner of Krugger Auto was sentenced in U.S. District Court, Charlotte, North Carolina, to serve 84 months in jail for causing the criminal transportation of hazardous materials and importing counterfeit goods. Upon release from jail, he will be placed under supervised release for two years, subject to removal/deportation to Russia. He was also ordered to pay \$26,844 in restitution, and to forfeit his home, which was valued over \$200,000, as well as \$60,000 in cash.

He was charged for his role in the trafficking of counterfeit airbags and the illegal shipment of undeclared hazardous materials in air commerce. The airbag systems are designed with an incendiary detonator. During testing of the counterfeit airbags by NHTSA, it was established that the airbags are volatile systems in that they are capable of not deploying at all, expending shrapnel and causing a fire, or both, when detonated.

Walmart Agrees to Pay More Than \$81 Million to Settle Federal Environmental Crime Charges.

In U.S. District Court, San Francisco, California, Walmart pleaded guilty to the negligent discharge of pollutants by illegally handling and disposing of hazardous materials at its U.S. retail stores. The plea combines two cases in California and is part of a national settlement. Under the terms of the plea agreement, Walmart was sentenced to pay a \$40 million criminal fine and an additional \$20 million that will fund various community service projects, including opening a Retail Compliance Assistance Center and creating an Advanced Environmental Crimes Training Program for State and local law enforcement officers and regulatory inspectors to aid in the investigation of environmental crimes involving violations of the Clean Air Act, the Hazardous Materials Transportation Statute, and other Federal laws.

Walmart also pleaded guilty in Kansas City, Missouri, to EPA charges of violating the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) by failing to properly handle pesticides its customers returned. Walmart paid an additional \$21.6 million in criminal and civil fines relating to these violations.

In total, Walmart will pay approximately \$81.6 million to settle three criminal cases as well as a civil case EPA filed. The unlawful conduct included improperly discarding hazardous wastes by placing them into municipal trash bins, pouring toxic liquids into the local sewer systems, or improperly transporting hazardous materials without required safety documentation to one of six U.S. product return centers.

Shipping Company Sentenced for its Role in the Illegal Transportation of Explosives.

In U.S. District Court, West Palm Beach, Florida, Coastal Shipping Holding, Inc., previously known as G&G Marine, Inc. (Coastal), was sentenced to 24 months' probation and a fine of \$750,000 for its role in the illegal transportation of hazardous materials, failure of a hazardous material employer to train its employees, and recklessly loading and stowing explosives on a vessel. The vessel was docked at Port Everglades, Fort Lauderdale, Florida, and was bound for the Bahamas.

The investigation revealed that Coastal received and accepted a shipment of explosives that were intended to be shipped out of Port Everglades to Nassau, Bahamas. Coastal employees illegally transported the explosives in a commercial truck from their warehouse staging area to the dockside facility, and onto an ocean-going commercial vessel, placing them alongside other hazardous materials.

Owner of Chemical Plant Sentenced for Submitting False Statements and Causing the Death of an Employee. The owner and president of Port Arthur Chemical and Environmental Services

(PACES), was sentenced in U.S. District Court, Beaumont, Texas, to 12 months confinement, ordered to pay a fine of \$5,000 and to complete 12 months of supervised release for causing the death of an employee who died of asphyxiation due to hydrogen sulfide inhalation on December 18, 2008, while working at the PACES facility.

This investigation was initiated in response to the deaths of two PACES employees who were exposed to unsafe levels of hydrogen sulfide, a poisonous gas, which was released while they treated and processed hazardous materials. The investigation revealed that Bowman was directing employees, including the two that died, to load tanker trucks containing hazardous waste, flammable liquids, poisonous gases, and caustic liquids, and then transporting them without the required identifying placards. The employees transported the hazardous materials between PACES and a deep well injection site.

In addition, the owner ordered hazardous waste water loads, which were received into his Houston, Texas, facility, to be illegally transported on public roads without the required placards. PACES employees accepted hazardous waste and treated it without the proper Environmental Protection Agency (EPA) or Texas Commission on Environmental Quality (TCEQ) permits and submitted false shipping documents to conceal these loads were being treated at an unpermitted facility.

Organizational Excellence

MWAA's Financial Management Controls Are Not Sufficient To Ensure Eligibility of Expenses on FTA's Dulles Rail Project Grant. On January 16, 2014, we issued an audit report to the Federal Transit Administration (FTA) regarding the Metropolitan Washington Airports Authority. MWAA is an independent public body responsible for the design and construction of Phases 1 and 2 of the Dulles Corridor Metrorail Project. In March 2009, the Federal Transit Administration (FTA) awarded MWAA the last in a series of grants for Phase 1 of the project, providing \$975 million in Federal funds including \$77 million in American Recovery and Reinvestment Act funds.

Despite significant Federal investment, MWAA lacks adequate controls to ensure that expenses claimed for funding on the FTA grant for Phase 1 of the Dulles rail project are eligible for reimbursement. Our review of 282 Dulles rail project transactions determined that MWAA claimed \$36 million in unsupported costs and \$119,000 in unallowable costs for Federal reimbursement on the project. Given that \$289 million in Federal grant funds remain available for disbursement, improvements to MWAA's financial management controls are critical for effective management of this Federal investment. FTA concurred with the seven recommendations we made to increase FTA's oversight of MWAA's controls for ensuring that Dulles rail project expenses claimed are eligible for reimbursement.

DOT's Efforts to Reduce Spending on Management Support Services Contracts Have Been Delayed. On January 15, 2014, we issued an audit report to DOT on management support

services contracts. In 2011, as part of its “Campaign to Cut Waste,” the Office of Management and Budget (OMB) set a goal for agencies to reduce spending on management support services contracts by 15 percent—from fiscal year 2010 spending levels—by the end of fiscal year 2012. OMB also called for the Chief Financial Officer and Chief Acquisition Officer of each agency to institute controls to monitor fiscal year 2012 obligations for management support services under new contracts.

However, DOT’s spending on management support services contracts, which totals over \$1 billion annually, increased from fiscal years 2010 through 2012, and over half of DOT’s management support services contract obligations involve high-risk contract types, such as time-and-materials and cost-reimbursement contracts. Despite this increase, the Department reported that it achieved contract cost savings through an ongoing strategic sourcing initiative. However, DOT delayed implementing the phases of the strategic sourcing initiative that focus in part on management support services spending, and it lacked comprehensive plans and policies for implementing these initiatives. DOT recently initiated actions that could provide a foundation for improving its use of management support services contracts, such as revising its “Acquisition Oversight and Risk Management Policy,” but it has not implemented OMB’s suggested internal controls for managing and monitoring obligations for management support services contracts. Deferring these efforts to focus on management support services contracts has delayed opportunities to reduce spending and better manage these contracts. We made two recommendations to help DOT control spending and improve management of its management support services contracts. The Department concurred with both recommendations.

Quality Control Review of the Department of Transportation’s Audited Consolidated Financial Statements for Fiscal Years 2013 and 2012. On December 16, 2013, we issued an audit report on our quality control review of DOT’s consolidated financial statements for fiscal years 2013 and 2012. KPMG LLP, under contract to the Office of the Inspector General, issued a clean (unmodified) audit opinion on these financial statements. KPMG LLP found three significant deficiencies in internal control over financial reporting. KPMG LLP also found instances of reportable noncompliance with the laws and regulations tested. Our QCR disclosed no instances in which KPMG LLP did not comply, in all material respects, with auditing standards.

FISMA 2013: DOT Has Made Progress, But Its Systems Remain Vulnerable to Significant Security Threats. On November 22, 2013, we issued our report that presents the results of our annual audit of the DOT’s information security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). Consistent with FISMA and OMB requirements, our audit objective was to determine the effectiveness of DOT’s information security program and practices. Also, as required by OMB, we provided our results to OMB via its Website. DOT has made some progress in its information security program, but its systems remain vulnerable to significant security threats due to deficiencies in policies and procedures, enterprise-level controls, system controls, and management of known security weaknesses. We are making new recommendations to address these matters.

DOT Does Not Fully Comply with Requirements of the Reducing Over-Classification Act. On September 19, 2013, we issued our report on the Reducing Over-Classification Act. Our objectives were to (1) determine whether DOT has implemented effective policies and procedures for classification of information that comply with Federal policy and regulations, and (2) identify any practices that may lead to continuous misclassification of information. We found that not all DOT classification related policies and procedures are effective or comply with Federal requirements, including the National Archives and Records Administration's Information Security Oversight Office's (ISOO) regulation. Specifically, the Office of the Secretary of Transportation (OST) did not conduct comprehensive self-inspections of spaces dedicated to storage of classified documents; the Department's classified documents were not all correctly marked; OST's reports to ISOO are not accurate; and FAA's Order on Safeguarding Classified National Security Information needs to be updated to comply with ISOO requirements. We could not conclude whether there are practices that led to continuous misclassification because the necessary security clearances are pending. We worked with the Department to request the necessary clearance and access. The Department has processed our request and forwarded it to the responsible agency. We are awaiting the response from this agency. Within 2 months of receiving this response, if favorable, we will complete our review of supporting documentation to determine if there are practices that contribute to continuous misclassification. We made four recommendations to DOT and one recommendation to FAA. DOT and FAA officials concurred with all recommendations.

Security Weaknesses In DOT's Common Operating Environment Expose Its Systems and Data To Compromise. On September 10, 2013, we issued our self-initiated report on the Department of Transportation (DOT) Common Operating Environment (COE) information security controls. The COE provides Operating Administrations (OAs) at the Department's Headquarters in Washington, DC, with IT services, such as data storage, email and web application access, and database services. The COE also provides a centralized environment for applications that OAs use in support of their operations.

The objective of this audit was to determine the effectiveness of COE's information security controls, including whether or not DOT COE is as safe from compromise as possible and what, if any, security vulnerabilities the COE contains. Sensitive information exempt from public disclosure under the Freedom of Information Act, 5 U.S.C. § 552, has been redacted and we have marked the document as FOR OFFICIAL USE ONLY. The redacted version was posted to our website.

DOT Does Not Fully Comply With Revised Federal Acquisition Regulations on the Use and Management of Cost-Reimbursement Awards. On August 5, 2013, we issued our report on the Department of Transportation's (DOT) compliance with revised requirements in the Federal Acquisition Regulation (FAR) regarding the use and management of cost-reimbursement awards. Our audit found that the six DOT Operating Administrations we reviewed do not fully comply with revised FAR requirements on the use and management of cost-reimbursement awards.

Specifically, we found that the Operating Administrations do not (1) fully comply with the revised FAR requirements related to acquisition planning and documenting justifications or (2) consistently assess oversight risks, properly designate oversight personnel, or verify that contractors' accounting systems are adequate to provide valid and reliable cost data. The Operating Administrations' noncompliance is primarily attributable to the Department's lack of internal guidance for implementing these new requirements and lack of oversight needed to verify departmentwide compliance.

We made five recommendations to the Office of the Senior Procurement Executive to improve DOT's compliance with the revised FAR requirements on the use and management of cost-reimbursement awards. OST concurred with four recommendations and partially concurred with one.

Actions Needed to Enforce Controls Over Purchase Cards. On July 25, 2013, we issued the report on our audit of DOT's SmartPay® Purchase Card Program. Each year, DOT employees make over 300,000 purchases, totaling about \$200 million, with Department-issued purchase cards. We conducted this audit to evaluate the Department's internal controls over purchase card use. Our primary audit objective was to assess the adequacy of controls in place to prevent and detect erroneous purchases made with DOT-issued cards. During the audit, we expanded our scope to also assess the effectiveness of FAA's controls for recording in the Agency's inventory system information technology and other property acquired with purchase cards.

We found that while DOT had designed adequate controls to prevent and detect erroneous purchases in the purchase card program, cardholders and approving officials did not always adhere to these controls. Based on statistical sampling, we estimate that \$58 million of \$277 million in purchases that DOT cardholders made between October 1, 2009, and March 31, 2011, did not comply with the prescribed controls. We also found that FAA employees did not always enter the property they acquired with purchase cards into the Agency's tracking system in accordance with policy. We found that 32 percent of the property we reviewed was either not promptly recorded or not recorded at all. We made four recommendations to DOT and five recommendations to FAA. Both DOT and FAA program officials concurred with the recommendations.

FAA's Civil Aviation Registry Lacks Information Needed for Aviation Safety and Security Measures. On June 27, 2013, we issued our report on FAA's Civil Aviation Registry. Our objectives were to determine whether (1) aircraft registrations and pilot certifications include the information needed for FAA to ensure aviation safety, (2) security controls keep the Registry secure from unauthorized access, and (3) contingency plans are sufficient to recover the Registry system in the event of an emergency. We determined whether aircraft registrations and pilot certifications include the information needed for FAA to ensure aviation safety, and assessed the security controls and contingency plans that keep the Registry secure from unauthorized access and recoverable in the event of an emergency. We found that FAA lacks the information it needs

on the identity of non-citizen aircraft owners and complete information on pilot certifications. We also found that FAA has not implemented the necessary security controls over the Registry's configuration and account management, and that its recovery plan does not meet the Department requirements to ensure the system is recoverable after a disaster or other event. We made several recommendations for further action, including developing procedures, policy or regulations necessary to improve the integrity of aircraft and airman data, and implementing controls required by the Federal Information Security Management Act of 2002 (FISMA) and Department of Transportation policy to improve both its security posture and contingency plans to recover the system.

Weaknesses in the Department's Disadvantaged Business Enterprise Program Limit Achievement of Its Objectives. On April 23, 2013, we issued our final report on the Department of Transportation's (DOT) administration of its Disadvantaged Business Enterprise (DBE) Program. We assessed whether (1) the Department provides adequate DBE program management, (2) DOT's Operating Administrations and recipients sufficiently oversee and implement the DBE program, and (3) the Department achieves its program objective to help develop DBEs to succeed in the marketplace.

Our audit found that the Department does not provide effective program management for the DBE program. Specifically, the Department has not issued comprehensive, standardized DBE guidance; provided sufficient training to the recipients responsible for implementing the program; or established a single line of accountability for the program. In addition, the Operating Administrations and recipients do not adequately oversee or implement the DBE program. We identified weak DBE certification and contract oversight practices at States, which increase the risk that ineligible firms will be certified as DBEs. Finally, the Department has limited success in achieving its program objective to develop DBE firms to succeed in the marketplace, as we found that most certified DBEs never receive work on Federal projects. We made eight recommendations to the Office of the Secretary (OST) to enhance DOT's DBE program management and oversight. OST concurred with three and partially concurred with five recommendations.

MWAA's Weak Policies and Procedures Have Led to Questionable Procurement Practices, Mismanagement, and a Lack of Overall Accountability. On November 1, 2012, we issued a report on the management policies and processes of the Metropolitan Washington Airports Authority (MWAA). Established through the Metropolitan Washington Airports Act of 1982, MWAA operates the federally owned Washington Dulles International and Ronald Reagan Washington National airports under a lease agreement with the Department of Transportation (DOT). It is also responsible for designing, constructing, and partially financing the Dulles Corridor Metrorail Project. We conducted our audit at the request of Representatives Frank R. Wolf and Tom Latham.

As a result of our audit work and increased public scrutiny, MWAA has taken action to improve its accountability, transparency, and governance, such as approving new travel and ethics policies for employees and its Board of Directors. However, further actions remain to fully address the management weaknesses we identified during our audit. First, MWAA's contracting policies and practices are insufficient to ensure compliance with the Airports Act and the lease agreement between DOT and MWAA. We also found issues with ineffective contract management and oversight and a lack of adequate procurement integrity policies to ensure impartiality when awarding and administering contracts. Second, MWAA's code of ethics for its employees and its related policies and procedures have lacked the rigor needed to ensure credibility and the integrity of management and employee decisions. For example, some MWAA employees regularly accepted inappropriate, high-dollar gifts from an MWAA contractor. Third, MWAA's human resources practices lack oversight and accountability, resulting in employees being hired and compensated without job descriptions, competition, pay setting reviews, or completed background checks. Finally, while MWAA has taken positive steps to improve its Board of Directors' accountability and transparency, significant attention will be required to ensure that new travel, ethics, and disclosure policies are implemented and enforced. We made 12 recommendations and 30 specific sub-recommendations to the DOT Office of the Secretary (OST) to improve MWAA's management policies and processes. OST responded that it has been working with MWAA over the last several months to ensure that it swiftly adopts needed reforms. OST also stated it will formally transmit the report to MWAA with a clear expectation that the Authority produce a detailed response within 30 days.

In addition, on November 16, 2012, the Inspector General testified before the House Committee on Transportation and Infrastructure regarding the governance of MWAA. In his statement, the Inspector General highlighted our November 1 report, which detailed deficiencies in MWAA's policies and oversight for its (1) contract award and procurement practices, (2) code of ethics for its employees, (3) hiring and compensation practices, and (4) Board of Director activities. The Inspector General also described actions that MWAA has taken to improve its accountability and transparency in response to our ongoing concerns. However, he noted that further actions are needed to fully ensure fiduciary and ethical responsibility and restore public trust in the soundness of MWAA's current and future activities.

DOT Does Not Have an Effective Enterprise Architecture Program for Management of Information Technology Changes. On April 17, 2012, we issued a report on the results of our audit of DOT's enterprise architecture (EA) program. An EA is a framework for information technology (IT) management and improvement that describes a Federal department's current state of IT operations (the baseline architecture) as well as the future state of these operations after the implementation of improvements (the target architecture). This framework also includes a transition plan to move from the baseline to the target architecture. Our audit objectives were to determine whether DOT has (1) an effective program for the development and

oversight of a Departmentwide EA, and (2) established procedures for the assessment of EA activities.

We found that DOT does not have a Departmentwide EA program, and instead, has assigned authority for EA development to its components. The Department, however, has no plan to integrate the individual components' EA programs into a Departmentwide program. The components' EA programs are incomplete, and policies and procedures are incomplete and outdated at both the Department and component levels. Neither the Department nor the components sufficiently address IT security in their IT investment planning and management. Furthermore, DOT does not have procedures for EA assessment, and consequently, cannot measure the status and progress of its components' EAs. We made eight recommendations to the Department for EA improvements.

Saint Lawrence Seaway Development Corporation Employee Sentenced in a Worker's Compensation Fraud Scheme. On November 15, 2012, a millwright/welder employed by the Saint Lawrence Seaway Development Corporation (SLSDC), was sentenced in U.S. District Court, Syracuse, New York to 6 months home confinement, 36 months probation, and 100 hours of community service. The SLSDC employee claimed an on-the-job injury in February 2004, yet continued to work in his welding business—AKJ Marine, established about a week after his purported injury—while receiving Federal worker's compensation benefits. The defendant failed to disclose his outside source of income on the annual Office of Worker's Compensation Program certification forms and remained in the program. As a result of his guilty plea, the SLSDC employee agreed to make restitution to the U.S. Department of Labor in the amount of \$84,987.

Inspector General Reform Act Statement

DOT/OIG's Fiscal Year 2015 Budget Request

The Inspector General Act was amended in 2008 to require certain specifications concerning OIG budget submissions each fiscal year.³

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 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 DOT OIG submits the following information relating to OIG's requested budget for FY 2015.

- The aggregate budget request for the operations of OIG is \$86.223 million in support of 407 base-level FTEs.
- The portion of this amount needed for OIG training is \$720,000.
- The portion of this amount needed to support the CIGIE is \$423,000.

³ Public Law 110-409

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

OMB ACCOUNT ID: 021-56-0130-0		FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST
Obligations by program activity:				
0101	General Administration	75,147	85,605	86,223
0102	ARRA oversight administration	3,943	0	0
0103	Disaster Relief Oversight 2013	3	2,500	2,500
	Direct program activities, subtotal	79,093	88,105	88,723
0801	Reimbursable program	88	0	0
0900	Total new obligations	79,182	88,105	88,723
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	4,028	5,801	3,301
1011	Unobligated balance transferred from other accounts	0	0	0
1050	Unobligated balance (total)	4,028	5,801	3,301
Budget Authority:				
Appropriations, discretionary:				
1100	Appropriation	79,624	85,605	86,223
1121	Appropriations, Transferred From Other Accounts	6,000	0	0
1130	Appropriations, Permanently Reduced	(4,465)	0	0
1160	Appropriations, discretionary (Total)	81,159	85,605	86,223
Spending authority from offsetting collections, discretionary:				
1700	Collected	119	0	0
1701	Change in uncollected payments, Federal sources	77	0	0
1750	Total Spending authority from offsetting collections	196	0	0
1900	Budget Authority (total)	81,355	85,605	86,223
1930	Total Budgetary Resources Available	85,383	91,406	89,524
Memorandum (non-add) entries:				
1940	Unobligated Balance Expiring	(401)	0	0
1941	Unexpired unobligated balance, end of year	5,801	3,301	801
Change in obligated balance:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	8,233	8,214	9,229
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	(19)	(77)	0
3020	Obligated balance, start of year (net)	8,214	8,137	9,229
3030	Obligations incurred, unexpired accounts	79,182	88,105	88,723
3031	Obligations incurred, expired accounts	274	0	0
3040	Outlays (gross)	78,558	87,090	88,661
3050	Change in uncollected pymts, Fed sources, unexpired	(77)	77	0
3051	Change in uncollected pymts, Fed sources, expired	19	0	0
3081	Recoveries of prior year unpaid obligations, expired	(917)	0	0
3090	Unpaid obligations, end of year (gross)	8,214	9,229	9,291
3091	Uncollected pymts, Fed sources, end of year	(77)	0	0
3100	Obligated balance, end of year (net)	8,137	9,229	9,291
Budget Authority and outlays, net:				
4000	Budget authority, gross	81,355	85,605	86,223
Outlays, gross:				
4010	Outlays from new discretionary authority	67,708	77,045	77,601
4011	Outlays from discretionary balances	10,850	10,046	11,061
4020	Outlays, gross (total)	78,558	87,090	88,661
Offsets against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	Federal sources	(88)	0	0
4033	Non-Federal sources	(30)	0	0
4040	Total offsetting collection (cash)	(119)	0	0
Additional offsets against gross budget authority only:				
4050	Chg in Uncollected cust orders fm Fed Sources (unexpired)	(77)	0	0
4051	Offsetting collections credited to expired accounts	(21)	0	0
4060	Additional offsets against gross budget authority only (total)	(98)	0	0
4180	Budget authority, net (total)	81,159	85,605	86,223
4190	Outlays, net (total)	78,418	87,090	88,661

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

	FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST	
Personnel Compensation:				
11.1	Full- time permanent.....	41,408	46,240	46,538
11.3	Other than full-time permanent.....	1,149	0	0
11.5	Other personnel compensation.....	2,184	3,150	3,225
<hr style="border-top: 1px dashed black;"/>				
11.9	Total personnel compensation.....	44,741	49,390	49,763
12.1	Civilian personnel benefits.....	14,941	16,224	16,466
13.1	Benefits for former personnel.....	0	0	0
21.0	Travel and transportation of persons.....	1,973	2,620	2,620
22.0	Transportation of things.....	2	5	5
23.1	Rental payments to GSA.....	5,345	5,785	5,665
23.2	Rental payments to others	336	290	375
23.3	Comm., utilities, and misc charges	651	891	891
24.0	Printing and reproduction.....	2	5	5
25.1	Advisory and assistance services.....	818	240	240
25.2	Other services.....	3,332	4,139	4,206
25.3	Other purchases of goods and services from Gov. accounts	4,915	6,141	6,112
25.7	Ops. & maint. of equipment	830	915	915
26.0	Supplies and materials.....	321	335	335
31.0	Equipment.....	876	1,005	1,005
42.0	Insurance Claims and indemnities....	3	100	100
91.0	Unvouchered.....	7	20	20
<hr style="border-top: 1px dashed black;"/>				
99.0	Subtotal, direct obligations.....	79,093	88,105	88,723
99.0	Reimbursable obligations	88	0	0
<hr style="border-top: 1px dashed black;"/>				
99.9	Total obligations.....	79,181	88,105	88,723

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

		FY 2013 ACTUAL	FY 2014 ENACTED	FY 2015 REQUEST
10.01	Direct civilian full-time equivalent employment	400	422	422

**FY 2005 – FY 2015 FUNDING HISTORY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
SALARIES AND EXPENSES**

Request	Appropriation
2005.....\$59,000,000	2005.....\$58,132,000 ¹
2006.....\$62,499,000	2006.....\$61,874,010 ²
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 ³
2011.....\$81,772,000	2011.....\$76,960,000
2012.....\$89,185,000	2012.....\$79,624,000
2013.....\$84,499,000	2013.....\$75,459,187 ⁴
2013 SANDY... N/A	2013 SANDY... \$ 5,700,000 ⁵
2014.....\$85,605,000	2014.....\$85,605,000
2015\$86,223,000	2015.....

¹ 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)).

² Reflects 1% across-the-board reduction of \$624,990 (P.L. 109-148, Div. B, Title III, Chapter 8, sec. 3801 (a)).

³ Two million direct transfer from FTA not included.

⁴ FY 2013 reflects the net reduction of \$4,005,565 pursuant to the Joint Committee sequester ordered on March 1, 2013 and an across-the-board rescission of \$159,248 included in P.L. No. 113-6, Consolidated and Further Continuing Appropriations Act, 2013.

⁵ FY 2013 reflects the net reduction of \$300,000 pursuant to the Joint Committee sequester ordered on March 1, 2013. Reflects Disaster Relief Appropriations Act, 2013 (P.L. 113-2).