



**U.S. Department of  
Transportation**

# **BUDGET ESTIMATES**

**FISCAL YEAR 2017**

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**OFFICE OF  
INSPECTOR GENERAL**

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

DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
FISCAL YEAR 2017 BUDGET ESTIMATES

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## **SECTION 1: OVERVIEW**

**Department of Transportation, Office of Inspector General  
Fiscal Year 2017 Budget Submission: Administrator's Overview**

The Office of Inspector General (OIG) respectfully submits our fiscal year (FY) 2017 budget request for \$90.152 million in support of 397 full-time employees. We estimate this budget will also support 13 student and expert full-time equivalents (FTE) for a total FTE count of 410. Of the \$90.152 million requested, \$67.697 million would support personnel compensation and benefits costs, and \$22.455 million would support operating costs. We also anticipate using funding from the FY 2013 Disaster Relief Appropriation Act, a temporary funding source, to fund an additional 6 FTEs to bring FTE totals to 416 in FY 2017.

This budget request would fund an estimated 397 full-time FTEs, a level which could provide challenges in executing our mission given increasing work mandates and personnel costs.

With the passage of the Fixing America's Surface Transportation Act (FAST Act) on December 4, 2015, we anticipate an expanded audit and investigative oversight role in multiple areas across the Department, including new reporting and oversight requirements. Additionally, we anticipate the need to enhance our coverage of the Department's programs designed to improve safety by reducing transportation-related fatalities and injuries, strengthen our focus on administrative and management programs with significant budget impacts, maintain the technical capabilities needed for conducting increasingly complex audits and investigations, reinforce our information systems security posture, and address new reporting and oversight requirements under the Digital Accountability and Transparency Act (DATA Act).

In addition, we have faced difficulties supporting increased personnel costs. While these increased costs impact all agencies, and we have taken actions to reduce costs in other areas, they are particularly difficult for OIG to absorb because our personnel costs represent such a large share of our budget (about 75%) and the majority of our non-personnel operating costs are made up of items over which we have little to no control, such as rent, utilities, the Working Capital Fund, financial statement contracts, and mission-critical travel and training.

OIG has a long-standing record as a highly respected contributor to the Department's mission. Our work enhances the safety, efficiency, and effectiveness of the Nation's transportation infrastructure. Our audit recommendations lead to significant financial efficiencies and program improvements by identifying large amounts of improper payments, funds to be put to better use, critical safety enhancements, and other important impacts. Our investigations further protect taxpayer investments through fines, restitutions, and recoveries and enhance safety by thwarting criminal activities that put lives at risk.

We have consistently demonstrated our commitment to ensuring the greatest return on investment (ROI)<sup>1</sup>. Our FY 2015 results further advanced our long history of double-digit returns. For every dollar appropriated to our office in FY 2015, we returned \$32—a cumulative result of the following body of work: 112 audit reports issued, 6 testimonies before Congress, and investigations resulting in 79 indictments and 64 convictions. Our work in FY 2015 produced more than \$1.7 billion in financial recommendations and more than \$1 billion in fines, restitutions, and recoveries. From FY 2011 through FY 2015, our office produced an average ROI of \$29 for every appropriated dollar.

We remain committed to fulfilling our statutory responsibilities under The Inspector General Act of 1978, as amended (IG Act)<sup>2</sup>, while supporting the Secretary, senior Department of Transportation officials, the Office of Management and Budget, members of Congress, and the American public in achieving a safe, efficient, and effective transportation system.

### **Inspector General Reform Act Statement**

Section 6 of the IG Act was amended by the Inspector General Reform Act of 2008 (P.L. No. 110-409) to require certain information concerning OIG budget submissions. In accordance with section 6(f), the DOT Inspector General submits the following additional information.

- OIG’s budget request submitted to the Department and the Office of Management and Budget for the operations of OIG was \$93.55 million supporting an estimated 422 full-time employees.
- The President’s request for the operations of OIG is \$90.152 million supporting an estimated 397 full-time employees. We estimate this will also support 13 full-time equivalent (FTE) students and experts for a total FTE count of 410.
- The portion of this amount needed for OIG training is \$750,000.
- The portion of this amount needed to support the Council of the Inspectors General on Integrity and Efficiency is \$270,000.

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<sup>1</sup> ROI considers the cost for OIG to do business compared to the revenue and other savings generated through OIG findings. Findings are comprised of court-ordered fines, restitutions, recoveries of improper payments, recommended cost savings and recommendations for funds put to better use.

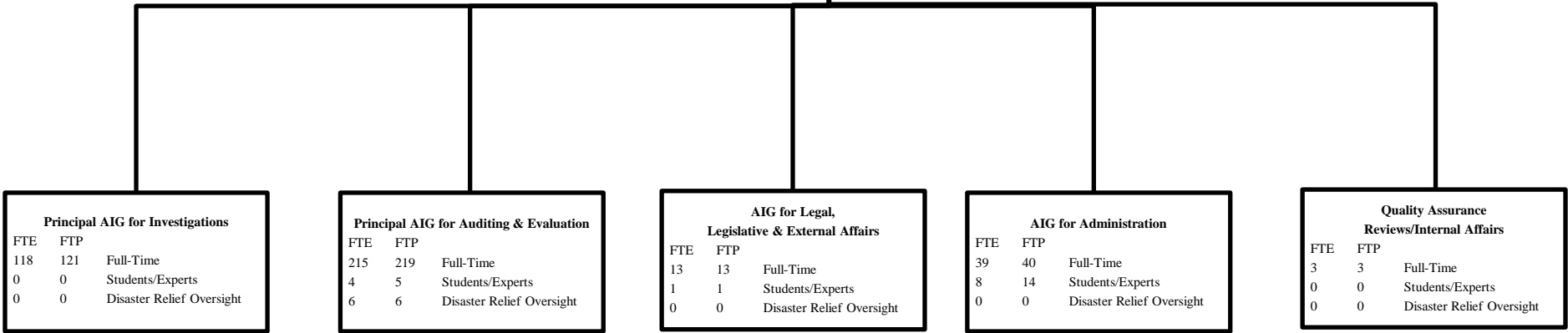
<sup>2</sup> 5 U.S.C. App. 3

EXHIBIT I-A  
 FY 2016 ORGANIZATIONAL CHART  
 DEPARTMENT OF TRANSPORTATION  
 OFFICE OF THE INSPECTOR GENERAL

Inspector General		
FTE	FTP	
2	2	Full-Time
0	0	Students/Experts
0	0	Disaster Relief Oversight
Deputy Inspector General		
FTE	FTP	
4	4	Full-Time
0	0	Students/Experts
0	0	Disaster Relief Oversight

Totals		
FTE	FTP	
394	402	Full-Time
13	20	Students/Experts
6	6	Disaster Relief Oversight

3



Principal AIG for Investigations		
FTE	FTP	
118	121	Full-Time
0	0	Students/Experts
0	0	Disaster Relief Oversight

Principal AIG for Auditing & Evaluation		
FTE	FTP	
215	219	Full-Time
4	5	Students/Experts
6	6	Disaster Relief Oversight

AIG for Legal, Legislative & External Affairs		
FTE	FTP	
13	13	Full-Time
1	1	Students/Experts
0	0	Disaster Relief Oversight

AIG for Administration		
FTE	FTP	
39	40	Full-Time
8	14	Students/Experts
0	0	Disaster Relief Oversight

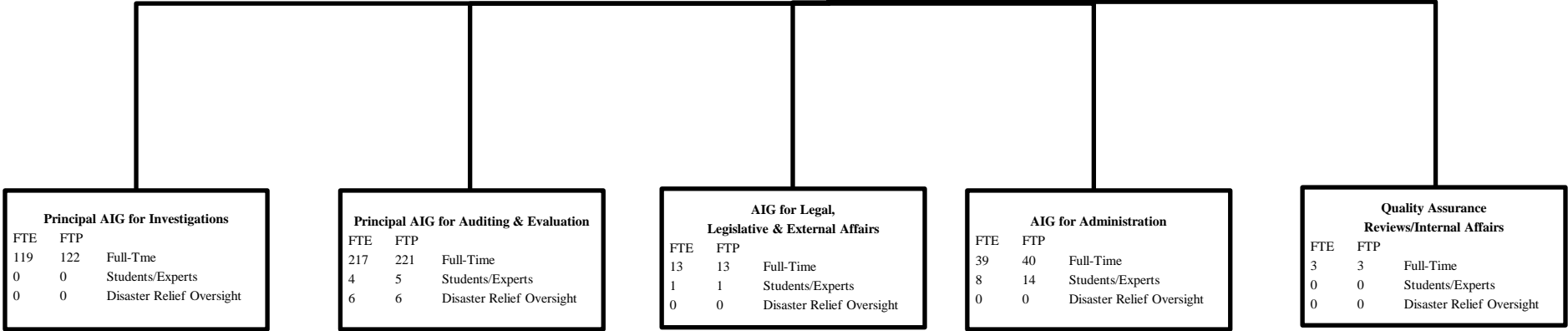
Quality Assurance Reviews/Internal Affairs		
FTE	FTP	
3	3	Full-Time
0	0	Students/Experts
0	0	Disaster Relief Oversight

EXHIBIT I-B  
 FY 2017 ORGANIZATIONAL CHART  
 DEPARTMENT OF TRANSPORTATION  
 OFFICE OF THE INSPECTOR GENERAL

Inspector General		
FTE	FTP	
2	2	Full-Time
0	0	Students/Experts
0	0	Disaster Relief Oversight
Deputy Inspector General		
FTE	FTP	
4	4	Full-time
0	0	Students/Experts
0	0	Disaster Relief Oversight

Totals		
FTE	FTP	
397	405	Full-Time
13	20	Students/Experts
6	6	Disaster Relief Oversight

4



Principal AIG for Investigations		
FTE	FTP	
119	122	Full-Time
0	0	Students/Experts
0	0	Disaster Relief Oversight

Principal AIG for Auditing & Evaluation		
FTE	FTP	
217	221	Full-Time
4	5	Students/Experts
6	6	Disaster Relief Oversight

AIG for Legal, Legislative & External Affairs		
FTE	FTP	
13	13	Full-Time
1	1	Students/Experts
0	0	Disaster Relief Oversight

AIG for Administration		
FTE	FTP	
39	40	Full-Time
8	14	Students/Experts
0	0	Disaster Relief Oversight

Quality Assurance Reviews/Internal Affairs		
FTE	FTP	
3	3	Full-Time
0	0	Students/Experts
0	0	Disaster Relief Oversight

## **SECTION 2: BUDGET SUMMARY TABLES**



**EXHIBIT II-1**

**FY 2017 Comparative Statement of New Budget Authority  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
(\$000)**

<b>ACCOUNT NAME</b>	<b>FY 2015 ACTUAL</b>	<b>FY 2016 ENACTED</b>	<b>FY 2017 REQUEST</b>
<b>Salaries &amp; Expenses</b>	<b>\$ 86,223</b>	<b>\$ 87,472</b>	<b>\$ 90,152</b>
Rescission			
<b>Subtotal</b>	<b>\$ 86,223</b>	<b>\$ 87,472</b>	<b>\$ 90,152</b>
<b>TOTAL</b>	<b>\$ 86,223</b>	<b>\$ 87,472</b>	<b>\$ 90,152</b>
Appropriations	\$ 86,223	\$ 87,472	\$ 90,152
Rescissions	\$ -	\$ -	\$ -

**EXHIBIT II-2**  
**FY 2017 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**Appropriations, Obligation Limitations, and Exempt Obligations**  
**(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2015 ACTUAL</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>
Salaries & Expenses	\$ 86,223	\$ 87,472	\$ 90,152
<b>TOTAL:</b>	<b><u>\$ 86,223</u></b>	<b><u>\$ 87,472</u></b>	<b><u>\$ 90,152</u></b>

**EXHIBIT II-3-a**  
**FY 2017 BUDGETARY RESOURCES BY STRATEGIC GOAL**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**(\$000)**

DOT Outcome	Program	FY 2017 Request
<b>SAFETY</b>		
Improve safety of system		
<b>STATE OF GOOD REPAIR</b>		
Maintain or improve operating conditions		
Sustain assets		
<b>ECONOMIC COMPETITIVENESS</b>		
Enhance productivity and growth		
Increase access to foreign markets		
Improve system efficiency		
Create dynamic workforce		
<b>QUALITY OF LIFE IN COMMUNITIES</b>		
Enhance quality of life		
Expand access and choice		
<b>ENVIRONMENTAL SUSTAINABILITY</b>		
Promote energy efficiency		
Mitigate environmental impacts		
Adapt to climate change		
<b>ORGANIZATIONAL EXCELLENCE</b>	<b>OIG</b>	<b>90,152</b>
Develop human capital		
Improve information systems and financial management		
<b>SECURITY, PREPAREDNESS, AND OTHER SUPPORTING OBJECTIVES</b>		
Ensure effective response		
Meet national security needs		
Expand small business opportunities		
<b>OVERHEAD PROGRAMS/FUNCTIONS DISTRIBUTED TO PROGRAMS</b>		
<b>TOTAL</b>		<b>90,152</b>

**EXHIBIT II-4**  
**FY 2017 BUDGET AUTHORITY**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**(\$000)**

<u>ACCOUNT NAME</u>	<u>M / D</u>	<u>FY 2015 ACTUAL</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>
<b>Salaries &amp; Expenses</b>	<b>D</b>	\$ 86,223	\$ 87,472	\$ 90,152
<b>TOTAL:</b>		<b>\$ 86,223</b>	<b>\$ 87,472</b>	<b>\$ 90,152</b>
Mandatory		\$ -	\$ -	\$ -
Discretionary		\$ 86,223	\$ 87,472	\$ 90,152
<b>PROPRIETARY AND OTHER GOVERNMENTAL RECEIPTS</b>				
		\$ -	\$ -	\$ -
<b>TOTAL:</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**EXHIBIT II-5**  
**FY 2017 OUTLAYS**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**(\$000)**

	<u>M / D</u>	<u>FY 2015 ACTUAL</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>
Salaries & Expenses	D	\$ 85,431	\$ 87,347	\$ 89,884
Salaries & Expenses, Emergency Disaster Relief Oversight	D	\$ 595	\$ 2,500	\$ 2,500
<b>TOTAL:</b>		<b><u>\$ 86,026</u></b>	<b><u>\$ 89,847</u></b>	<b><u>\$ 92,384</u></b>
Mandatory				
Discretionary		\$ 86,026	\$ 89,847	\$ 92,384

**EXHIBIT II-6**  
**SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE**  
**DEPARTMENT OF TRANSPORTATION**  
**Office of Inspector General**  
**Appropriations, Obligation Limitations, and Exempt Obligations**  
**(\$000)**

Salaries & Expenses	Baseline Changes										FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
	FY 2015 Actual	FY 2016 Enacted	Annualization of 2016 Pay Raises (1.0%)	Annualization of 2016 FTE	2017 Pay Raises (1.6%)	Two Less Compensable Days (260 days)	Adjustments to 2017 PC&B	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation (1.0%)			
PERSONNEL RESOURCES (FTE)	408	407		3							410	0	410
Direct FTE	408	407		3							410	0	410
<b>FINANCIAL RESOURCES</b>													
<b>ADMINISTRATIVE EXPENSES</b>													
Salaries and Benefits	\$64,122	\$65,711	\$230	\$444	\$812	(\$500)	\$1,000				\$67,697		\$67,697
Travel	\$2,388	\$2,625								\$170	\$2,795		\$2,795
Transportation	\$18	\$5									\$5		\$5
GSA Rent	\$5,166	\$5,500						\$200			\$5,700		\$5,700
Communications, & Utilities	\$1,148	\$1,125								\$30	\$1,155		\$1,155
Printing	\$1	\$1									\$1		\$1
Other Services:	\$11,839	\$11,135							\$373	(\$104)	\$11,404		\$11,404
-WCF (non-add)	\$3,739	\$3,788							\$373		\$4,161		\$4,161
Supplies	\$495	\$335								\$10	\$345		\$345
Equipment	\$681	\$1,005								\$15	\$1,020		\$1,020
Insurance claims and indemnities	\$0	\$10									\$10		\$10
Unvouchered	\$10	\$20									\$20		\$20
<b>Admin Subtotal</b>	<b>\$85,868</b>	<b>\$87,472</b>	<b>\$230</b>	<b>\$444</b>	<b>\$812</b>	<b>(\$500)</b>	<b>\$1,000</b>	<b>\$200</b>	<b>\$373</b>	<b>\$121</b>	<b>\$90,152</b>	<b>\$0</b>	<b>\$90,152</b>
<b>TOTAL</b>	<b>\$85,868</b>	<b>\$87,472</b>	<b>\$230</b>	<b>\$444</b>	<b>\$812</b>	<b>(\$500)</b>	<b>\$1,000</b>	<b>\$200</b>	<b>\$373</b>	<b>\$121</b>	<b>\$90,152</b>	<b>\$0</b>	<b>\$90,152</b>

Note: Does not include Emergency Disaster Relief Oversight FTE.

**EXHIBIT II-7**  
**WORKING CAPITAL FUND**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**(\$000)**

	<u>FY 2015 ACTUAL</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>	<u>CHANGE</u>
<b>DIRECT:</b>				
<b>Salaries &amp; Expenses</b>	<u>3,739</u>	<u>3,788</u>	<u>4,161</u>	<u>373</u>
<b>SUBTOTAL</b>	<u>\$ 3,739</u>	<u>\$ 3,788</u>	<u>\$ 4,161</u>	<u>\$ 373</u>
<b>TOTAL</b>	<u><u>\$ 3,739</u></u>	<u><u>\$ 3,788</u></u>	<u><u>\$ 4,161</u></u>	<u><u>\$ 373</u></u>

**EXHIBIT II-8  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
PERSONNEL RESOURCE -- SUMMARY  
TOTAL FULL-TIME EQUIVALENTS**

	<b>FY 2015 ACTUAL</b>	<b>FY 2016 ENACTED</b>	<b>FY 2017 REQUEST</b>
<b><u>DIRECT FUNDED BY APPROPRIATION</u></b>			
Salaries & Expenses	398	394	397
Salaries & Expenses, Students/Experts	10	13	13
Salaries & Expenses, Emergency Disaster Relief Oversight	3	6	6
<b>SUBTOTAL, DIRECT FUNDED</b>	<b>411</b>	<b>413</b>	<b>416</b>
<b><u>REIMBURSEMENTS / ALLOCATIONS / OTHER</u></b>			
Reimbursements and 'Other'	0	0	0
Allocations from other Organizations	0	0	0
<b>SUBTOTAL, REIMBURSE./ALLOC./OTH.</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL FTEs</b>	<b>411</b>	<b>413</b>	<b>416</b>
<b>INFO:</b>			
Allocations to Other Agencies	0	0	0



**EXHIBIT II-9  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
RESOURCE SUMMARY – STAFFING  
FULL-TIME PERMANENT POSITIONS**

	<b><u>FY 2015 ACTUAL</u></b>	<b><u>FY 2016 ENACTED</u></b>	<b><u>FY 2017 REQUEST</u></b>
<b><u>DIRECT FUNDED BY APPROPRIATION</u></b>			
Salaries & Expenses	406	402	405
Salaries & Expenses, Students/Experts	20	20	20
Salaries & Expenses, Emergency Disaster Relief Oversight	3	6	6
<b>SUBTOTAL, DIRECT FUNDED</b>	<b><u>429</u></b>	<b><u>428</u></b>	<b><u>431</u></b>
<b><u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u></b>			
Reimbursements and 'Other'	0	0	0
Allocations from other Organizations	0	0	0
<b>SUBTOTAL, REIMBURSE./ALLOC./OTH.</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>TOTAL POSITIONS</b>	<b><u><u>429</u></u></b>	<b><u><u>428</u></u></b>	<b><u><u>431</u></u></b>
<b>INFO:</b>			
Allocations to Other Agencies	0	0	0

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## **SECTION 3: 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, [\$87,472,000]

*\$90,152,000: 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. (Department of Transportation Appropriations Act, 2016)

**EXHIBIT III-1**  
**SALARIES & EXPENSES**  
**Summary by Program Activity**  
**Appropriations, Obligation Limitations, and Exempt Obligations**  
(\$000)

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>CHANGE</b>
	<b>ACTUAL</b>	<b>ENACTED</b>	<b>REQUEST</b>	<b>FY 2016-2017</b>
Salaries & Expenses	\$ 86,223	\$ 87,472	\$ 90,152	\$ 2,680
<b>TOTAL</b>	<b><u>\$ 86,223</u></b>	<b><u>\$ 87,472</u></b>	<b><u>\$ 90,152</u></b>	<b><u>\$ 2,680</u></b>
FTEs				
Full-Time	398	394	397	3
Students/Experts	10	13	13	0
Emergency Disaster Relief	3	6	6	0
Reimbursable, allocated, other	0	0	0	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**

**Office of Inspector General  
SALARIES & EXPENSES  
SUMMARY ANALYSIS OF CHANGE FROM FY 2016 TO FY 2017  
Appropriations, Obligations, Limitations, and Exempt Obligations**

<u>ITEM</u>	<b>Change from FY 2016 to FY 2017 <u>\$000</u></b>	<b>Change from FY 2016 to FY 2017 <u>FTE</u></b>
<b>FY 2016 ENACTED AMOUNT</b>	<b>87,472</b>	<b>407</b>
Administrative Adjustments to Base:		
Annualization of FY 2016 Pay Raise (1%)	230	0
Annualization of FY 2016 FTE	444	3
FY 2017 Pay Raise (1.6%)	812	0
Two Less Compensable Days (260 days)	(500)	0
Adjustments to FY 2017 PC&B for higher base costs	1,000	0
GSA Rent	200	0
Working Capital Fund	373	0
Non-Pay Inflation (1%)	121	0
 <b>SUBTOTAL, ADJUSTMENTS TO BASE</b>	 <b>2,680</b>	 <b>3</b>
 <b>PROGRAM REDUCTIONS</b>	 <b>0</b>	 <b>0</b>
 <b>SUBTOTAL, PROGRAM REDUCTIONS</b>	 <b>0</b>	 <b>0</b>
 <b>NEW OR EXPANDED PROGRAMS:</b>	 <b>0</b>	 <b>0</b>
 <b>SUBTOTAL, NEW OR EXPANDED PROGRAMS</b>	 <b>0</b>	 <b>0</b>
 <b>FY 2017 REQUEST</b>	 <b>90,152</b>	 <b>410</b>

**Note:** Does not include Emergency Disaster Relief Oversight FTE.

## Detailed Justification for the DOT Office of Inspector General Fiscal Year 2017

### What is the Request and What Funds Are Currently Spent on the Program?

<b>Table 1. FY 2017 DOT Office of Inspector General Budget Request (\$000)</b>				
<b>Program Activity</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Enacted</b>	<b>FY 2017 President's Budget</b>	<b>Difference from FY 2016 Enacted</b>
Salaries and Expenses	\$86,223	\$87,472	\$90,152	\$2,680
<b>Total</b>	<b>\$86,223</b>	<b>\$87,472</b>	<b>\$90,152</b>	<b>\$2,680</b>
<b>FTE</b>	<b>411</b>	<b>413</b>	<b>416</b>	<b>3</b>

Our fiscal year (FY) 2017 budget request is for \$90.152 million in total budgetary resources in support of 397 full-time employees. We estimate this will also support 13 full-time equivalent (FTE) students and experts for a total FTE count of 410. In addition, an estimated six FTE are supported with carryover funding from the Disaster Relief Appropriations Act of 2013, a temporary funding source, for OIG oversight activities of the Federal Transit Administration (FTA) Public Transportation Emergency Relief Program.

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

<b>Table 2. Total FTEs for FY 2015 Through FY 2017</b>			
<b>FTE Account</b>	<b>FY 2015 Actual</b>	<b>FY 2016 Enacted</b>	<b>FY 2017 Pres. Budget</b>
Salaries and Expenses	398	394	397
Salaries and Expenses, Students and Experts	10	13	13
Disaster Relief Oversight, 2013	3	6	6
<b>Total FTEs</b>	<b>411</b>	<b>413</b>	<b>416</b>

Of the \$90.152 million, \$67.697 million will support personnel compensation and benefits costs, and \$22.455 million will support operating costs. Our request includes adjustments to cover anticipated inflation and mandated pay adjustments.

### What is this Program and Why Is It Necessary?

OIG conducts audits, investigations, and other administrative and enforcement actions that allow the Department to recoup money it is owed, ensure money is spent more efficiently, and avoid future misappropriations of funds. We fulfill a unique role as the Department's only in-house



source for objective examination of its programs and their integrity. Since Congress established the Office of Inspector General in 1978, our office has been dedicated to providing independent and objective reviews regarding the efficiency and effectiveness of DOT programs and operations in order to detect and prevent fraud, waste, and abuse.

We have consistently demonstrated our commitment to ensuring the greatest return on taxpayer investments. In FY 2015, for every dollar appropriated, our office produced a return on investment (ROI)<sup>1</sup> of \$32, and from FY 2011 through FY 2015 OIG achieved an average ROI of \$29.

The Inspector General Act of 1978, as amended, requires Offices of Inspector General to:

- conduct independent and objective audits and investigations;
- promote economy, efficiency, and effectiveness;
- prevent and detect waste, fraud, and abuse;
- review pending legislation and regulations; and
- keep Congress and the Secretary fully and currently informed.

Our work requires a highly skilled and diverse workforce to effectively execute our mission while also addressing emerging transportation issues; therefore, our personnel costs are consistently in the range of 75 percent of total costs. Our current services budget funds these personnel costs and the other operating costs necessary to sustain our professional workforce. Mission-related travel and training, financial statement contracts, as well as rent and other fixed facilities costs are among the more significant of the other operating costs.

OIG is committed to fulfilling its statutory responsibilities under the Inspector General Act while supporting DOT's mission and its strategic goals of transportation safety, state of good repair, economic competitiveness, quality of life in communities, environmental sustainability, organizational excellence, and security and preparedness. As such, our budget request belongs entirely under DOT's strategic goal of Organizational Excellence. However, our work assists each of the Operating Administrations and ultimately the Department in meeting performance targets in all strategic and organizational goals. Our 5-year strategic plan, which aligns with the Department's mission, describes the goals, strategies, and performance measures for achieving our mission.

We have also developed and maintain a comprehensive 24-month tactical audit plan, updated annually, to maximize our available resources and provide the greatest potential benefits to the Department and the public. As part of this 24-month plan, we retain a safety catalogue of potential audit areas, developed through a comprehensive review of DOT budget data, business plans, performance reports, modal websites, and agency publications. Through these tactical

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<sup>1</sup> ROI considers the cost for OIG to do business compared to the revenue and other savings generated through OIG findings. Findings are comprised of court-ordered fines, restitutions, recoveries of improper payments, recommended cost savings and recommendations for funds put to better use.

plans, we have identified an additional 100 audits that we propose to initiate in critical areas across DOT's Operating Administrations.

We receive a number of complaints daily through our public hotline and investigative referrals from national and local stakeholders. Our Office of Investigations focuses on criminal cases that have the greatest direct impact on Department programs and operations, particularly where regulatory enforcement action has proven ineffective. To determine whether a complaint or referral warrants investigative attention, we use professional judgment to weigh factors such as the impact on programs and operations, the seriousness or egregiousness of the conduct, the availability of investigative resources, the prosecutorial appeal of the case, and any likely deterrent effects resulting from prosecution. Although it is difficult to predict the volume and types of allegations that will be reported to us in a given year, based on available resources, we focus our efforts on three areas: transportation safety, grant fraud, and employee integrity.

Our mission support services are provided by the Office of Procurement and Administrative Services, the Office of Human Resources, the Office of Budget and Financial Management, the Office of Information Technology Services, the Office of Training and Development, and the Office of Legal, Legislative, and External Affairs. We also maintain an Office of Quality Assurance Review and Internal Affairs, which reports directly to the Deputy Inspector General.

Our tactical plan and investigative priorities provide a general framework for where we focus our resources. Our ongoing proactive communications with Congress and Department leadership help us identify emerging issues that require immediate response. All of our work supports the Operating Administrations in meeting their strategic objectives.

We issue an annual report on DOT's top management challenges, which provides our assessment of the Department's management and operations and identifies issues that require the most immediate attention to minimize financial or safety risks. For FY 2016, the key challenges we identified for DOT are:

- Addressing the Increased Public Safety Risks Posed by the Transportation of Hazardous Materials
- Integrating Unmanned Aircraft Systems Safely Into the National Airspace System
- Enhancing NHTSA's Efforts To Identify and Investigate Vehicle Safety Defects
- Protecting the Department Against More Complex and Aggressive Cyber Security Threats
- Adopting Effective Practices for Managing FAA Acquisitions
- Improving Oversight of FHWA's and FTA's Surface Infrastructure Programs

- Removing High Risk Motor Carriers From the Nation's Roads
- Developing and Sustaining an Effective and Skilled DOT Workforce

### **Why Do We Need to Fund the Program at the Requested Level?**

This FY 2017 budget request has been developed with the goal for OIG to build on its long-standing reputation as a highly respected contributor to the Department's mission. We have a demonstrated record of effective and efficient oversight with consistently significant ROI of budget resources. In FY 2015, our work produced more than \$1.7 billion in financial recommendations and more than \$1 billion in fines, restitutions, and recoveries, providing positive financial benefit to the Government far exceeding our cost of doing business (an ROI of \$32 for every appropriated dollar).

In addition to meeting our statutory commitments, our work focuses on DOT's strategic goals and major programs as well as issues of interest to members of Congress, the Office of Management and Budget (OMB), the transportation community, and the public. We must be ready and able to respond to emerging issues as they arise in order to serve the best interests of all stakeholders.

Our flexible planning approach emphasizes timely and impactful reviews that reflect the interests of all stakeholders and provides maximum benefit to taxpayers, seeking to maximize our limited resources and address stakeholder priorities while proactively identifying opportunities for improved operations and programs.

### **What Benefits Will Be Provided to the American Public Through This Request?**

OIG provides the only internal independent and objective source of recommendations to DOT senior executives and managers. Working closely with Congress, the Secretary, and senior DOT officials, we remain focused on maximizing use of taxpayer dollars while enhancing the effectiveness and integrity of the programs that DOT administers through savings, recoveries, and efficiency gains.

In executing our mission, as the only objective and independent oversight of spending within the Department, we benefit the American public by promoting economy, efficiency, and effectiveness in the administration of DOT programs and spending, seeking to prevent and detect waste, fraud and abuse in such programs, and keeping the Secretary and Congress fully and currently informed.

Our work consistently enhances the safety, efficiency, and effectiveness of the Nation's transportation infrastructure. Our audit recommendations lead to significant financial efficiencies by identifying large amounts of improper payments; cost reductions; funds to be put to better use; and financial and program improvements, including those that enhance transportation safety. Our investigations further protect taxpayer investments through fines, restitutions, and recoveries and enhance safety by thwarting criminal activities that put lives at risk.

We will continue to leverage the institutional knowledge of our professional staff—our most valuable resource for achieving our mission—and execute 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 conference-related expenses, 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 cyber security, financial statements, and improper payments.
- Supporting our ongoing national procurement and grant fraud caseload and providing outreach activities to enhance fraud and prevention awareness and to generate additional referrals from Department and State and local stakeholders.

#### ***Federal Aviation Administration (FAA)***

- Evaluating air traffic control (ATC) facilities and operations, including assessments of ATC system security, controller training, controller productivity, and controller collective bargaining agreements.
- 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).
- Assessing key aviation safety areas, ranging from FAA's oversight of unmanned aircraft systems parts, controller operational errors and other aircraft separation losses, oversight of aircraft manufacturing processes, and industry compliance with key safety directives.
- Conducting criminal investigations involving FAA-funded projects and aviation safety programs targeting alleged fraud, such as unapproved aircraft parts, false commercial airmen certificates, and the illegal shipment of hazardous materials by air.

#### ***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 enacted legislation (MAP-21, FAST Act). These audits will 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 funded projects, such as product substitution, overbilling, sub-standard work, cost mischarging, and DBE fraud.

#### ***Federal Motor Carrier Safety Administration (FMCSA)***

- Continuing to protect American consumers and workers from fraudulent and deceptive commercial practices that criminally violate FMCSA's programs governing interstate transportation of household goods.
- Auditing FMCSA's effort to attain more comprehensive commercial motor carrier safety data 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.
- Conducting criminal investigations involving FMCSA's safety programs including hazardous materials violations; egregious motor carrier safety violations, including Commercial Driver's License (CDL) fraud by a school or third party tester; and carriers that reincarnate under a different identity in an effort to circumvent FMCSA's safety regulations and/or penalties.

#### ***Federal Railroad Administration (FRA)***

- Assessing FRA's oversight of railroad bridge safety and the transportation of hazardous materials by rail to ensure that track owners comply with FRA's bridge safety standards and that FRA is proactively mitigating safety risks from rail transportation of hazmat, particularly crude oil shipments.
- Assessing FRA's ability to collect and manage railroad accident data that is both accurate and timely. FRA uses these 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 support it receives each year to improve its operating practices, control costs, and enhance the performance of its intercity passenger rail service.
- Conducting grant fraud investigations involving FRA-funded projects focusing on items such as product substitution, overbilling, sub-standard work, cost mischarging, and DBE fraud.

### ***Federal Transit Administration (FTA)***

- Evaluating FTA's execution of its new oversight responsibilities and mega-transit projects focusing on cost, schedule, and local risks.
- 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 identified risks and a series of audits on Hurricane Sandy relief contract award and oversight.
- Conducting grant fraud investigations involving FTA funded projects focusing on items such as product substitution, overbilling, sub-standard work, cost mischarging, and DBE fraud.

### ***Maritime Administration (MARAD)***

- Assessing MARAD's operations and responsibilities to identify management weaknesses and duplicative programs.
- Addressing employee integrity matters at the United States Merchant Marine Academy.

### ***National Highway Traffic Safety Administration (NHTSA)***

- Assessing NHTSA's procedures for collecting, analyzing, and managing information to identify safety-related vehicle defects.
- Assessing NHTSA's oversight of highway safety grants. These grants fund programs for occupant protection, child safety, motorcycle safety, and alcohol-impaired driving.
- Conducting criminal investigations involving NHTSA's grant programs focusing on fraud involving the Strategic Traffic Enforcement Program grants given to law enforcement agencies.
- Addressing allegations of possible false statements to NHTSA as the government regulator of motor vehicle safety by automobile manufacturers and suppliers to the automotive industry.

### ***Pipeline and Hazardous Materials Safety Administration (PHMSA)***

- Assessing PHMSA's oversight of States' pipeline control room management and hazardous liquid spill response plans.
- Evaluating PHMSA's oversight of the transport of hazardous materials by rail.
- Conducting hazardous materials criminal investigations for fraud against PHMSA's programs, including pipeline safety, cylinder retesting, and falsification of DOT-required hazardous materials packaging and marking.

Our tactical audit plan and investigative priorities provide a general framework on which we focus our resources. Ongoing proactive communications with Congress and Department leadership help us to identify emerging issues that require immediate response. All of our work supports the modal Administrations in meeting their strategic objectives.

For the most recent completed fiscal year, FY 2015, we issued 112 audit reports, provided testimony before Congress 6 times, and our investigative work yielded 79 indictments and 64 convictions. Together, our work produced more than \$1.7 billion in financial recommendations and more than \$1 billion in fines, restitutions, and recoveries.

Below are descriptions of each modal Administration's mission and role in supporting the Nation's transportation infrastructure and DOT policy. Accompanying these are just a few representative examples of our recently completed work, which serve to demonstrate the significant impact of our work in relation to the Department's strategic objectives and major programs as well as our ability to provide timely and relevant oversight of emerging issues.

### *Office of the Secretary (OST)*

DOT is a Cabinet-level agency headquartered in Washington, D.C., with offices in every State and most major metropolitan areas. OST oversees the formulation of national transportation policy and promotes intermodal transportation. Other responsibilities range from negotiation and implementation of international transportation agreements, assuring the fitness of U.S. airlines, enforcing airline consumer protection regulations, issuance of regulations to prevent alcohol and illegal drug misuse in transportation systems and preparing transportation legislation. The following are examples of some of our work related to OST programs and operations.

*Federal Information Security Management Act (FISMA) 2015: DOT Has Major Success in PIV Implementation, But Problems Persist In Other Cybersecurity Areas, November 15, 2015.* This report presents the results of our annual audit of DOT's information security program and practices required by FISMA, as amended. Consistent with FISMA and the Office of Management and Budget's requirements, our audit objective was to determine the effectiveness of DOT's information security program and practices. DOT has made significant progress in implementing the use of personal identity verification (PIV) cards. However, the Department's information systems remain vulnerable to serious security threats due to deficiencies in policies and procedures, enterprise controls, system controls, and management of known security weaknesses. We made recommendations to address these issues.

*Weak Internal Controls for Collecting Delinquent Debt Put Millions of DOT Dollars at Risk, July, 9, 2015.* In 1996, Congress enacted legislation aimed at decreasing delinquent debts that individuals and non-Federal entities owe the Federal Government. However, from FY 1999 to September 30, 2013, DOT's reported delinquent debt increased by over 300 percent from approximately \$170 million to \$737 million. Further, underreporting and over reporting errors indicate the increase is greater than reported. The longer debts remain delinquent, the greater the

risk of them going uncollected. Yet, it is unknown how much delinquent debt DOT has collected. While DOT reported decreases in its delinquent debt collections from FY 2008 to September 30, 2013, these reports do not include all delinquent debt DOT collects because, according to a DOT official, the Enterprise Services Center (ESC) cannot separately track collections of accounts receivable and delinquent debts.

Ineffective internal controls—including inadequate debt collection policies and procedures, training, and oversight—underlie DOT’s mounting delinquent debt and reporting errors. In one case, over \$1 million in debts were not referred to the Department of Treasury for collection until they were on average 115 days past the 180-day statutory limit for referral, increasing the risk that these debts will not be collected. Despite the identified errors and delays, DOT and Operating Administration policies do not require staff that report and collect delinquent debt to take training that would provide them the knowledge and skills needed to effectively carry out their responsibilities—such as debt collection processes and tools and Treasury requirements and assistance. A lack of clear oversight and accountability further undermine DOT’s debt reduction efforts. Finally, several ESC personnel said they do not use ESC’s standard operating procedures (SOP) for collecting administrative debt. Others indicated that they did not know the SOPs existed.

### ***Federal Aviation Administration (FAA)***

FAA oversees the safety of civil aviation. The safety mission of FAA includes the issuance and enforcement of regulations and standards related to the manufacture, operation, certification and maintenance of aircraft. The agency is responsible for the rating and certification of airmen and for certification of airports serving air carriers. It also regulates a program to protect the security of civil aviation and enforces regulations under the Hazardous Materials Transportation Act for shipments by air. FAA—which operates a network of airport towers, air route traffic control centers, and flight service stations—develops air traffic rules, allocates the use of airspace, and provides for the security control of air traffic to meet national defense requirements. The following are examples of our work related to FAA programs and operations.

*FAA Has Not Sufficiently Addressed Key Weaknesses Related to Its ATCOTS Contract, December 10, 2015.* FAA plans to hire more than 11,000 air traffic controllers through FY 2021 to replace the large number of controllers eligible to retire. To help train the influx of new controllers, in 2008, FAA awarded the \$859 million, 10-year Air Traffic Control Optimum Training Solution (ATCOTS) contract to Raytheon. Since 2010, we have identified numerous problems regarding FAA’s oversight of the ATCOTS contract, and in December 2013, we made 10 recommendations for improvement. As directed by the Explanatory Statement accompanying the 2015 Appropriations Act, this audit assessed FAA’s progress in addressing those recommendations.



FAA did not fully implement our 2013 recommendations before awarding its new Controller Training Contract (CTC)—the successor contract to ATCOTS—with only 7 of the 10 recommendations now closed. While FAA addressed weaknesses we found with contract administration practices and oversight, it has not made sufficient progress to implement our recommendations on defining training requirements and validating training costs. These recommendations were designed to improve FAA’s ability to develop a comprehensive understanding of its training needs that could have been used to create a more reliable estimate of the Agency’s training costs before it awarded CTC. However, because FAA awarded CTC without fully addressing these recommendations, it may encounter many of the same issues that compromised the success of the ATCOTS contract.

*FAA’s Contingency Plans and Security Protocols Were Insufficient at Chicago Air Traffic Control Facilities, September 29, 2015.* On September 26, 2014, a FAA contract employee deliberately started a fire that destroyed critical equipment at FAA’s Chicago Air Route Traffic Control Center in Aurora, IL. As a result of the damage, Chicago Center was unable to control air traffic for more than 2 weeks, thousands of flights were delayed or cancelled, and aviation stakeholders reportedly lost over \$350 million.

The contingency plans developed by FAA did not adequately address redundancy or resiliency and were insufficient to quickly restore operations after the Chicago fire. Moreover, the damage highlighted weaknesses in FAA’s current air traffic control infrastructure, which has limited flexibility to respond to system failures. In addition, the security protocols in effect at the time of the fire were insufficient to identify, counter, or mitigate the impact of an insider threat. While FAA has completed reviews of its contingency plans and security protocols following the incident, significant work remains to prevent or mitigate the impact of similar events in the future. We made seven recommendations to help FAA improve redundancy and resiliency in the National Airspace System and implement improvements to its operational contingency plans and security protocols.

*Former FAA Special Agent Sentenced for Lying About Hazmat Inspections, February 13, 2015.* A former FAA Special Agent, Office of Security and Hazardous Materials, was sentenced in U.S. District Court, Chicago, Illinois, related to a scheme in which she provided false and misleading information to FAA about the conduct of hazardous materials (HAZMAT) inspections. She was sentenced to 12 months of probation with 120 hours of community service and was ordered to pay \$3,400 in restitution.

The investigation revealed that from approximately January 2009 through October 2011, she falsely represented to FAA that she conducted inspections of certain HAZMAT shippers, air carriers, and freight forwarders, when in fact, she did not. She entered false information into FAA’s HAZMAT database indicating she conducted the inspections, including false entities inspected and dates on which those inspections purportedly occurred. Further, she entered false information relating to meetings with companies she claimed to have inspected.

*Foreign National Sentenced to 27 Months in Prison for Stealing the Identity of a U.S. Pilot, March 9, 2015.* A foreign national was sentenced to 27 months in prison for using personally identifying information stolen from a U.S. pilot. The foreign national used the information to fraudulently obtain a FAA Airline Transport Pilot certificate and flight instructor certificate. He previously pleaded guilty to identity theft in November 2014.

In April 2013, he was indicted and charged with accessing FAA's Airman Services Records System without authorization. The Airman Services Records System is an online database used by FAA to monitor and regulate persons authorized to fly aircraft. He was also charged related to his use of the victim pilot's U.S. passport to open a mail forwarding account, and other personally identifying information to open a bank account, as well as illegally obtaining the pilot certificate and flight instructor certificate in the victim's name. The subject fled after charges were filed, and in September 2014, he was arrested and taken into custody in Panama, where he waived extradition back to the United States.

*Civil Judgment of \$5.8 Million Entered Against Sound Solutions for Defrauding the FAA, May 28, 2015.* A civil judgment was entered in U.S. District Court, Chicago, Illinois, against Sound Solutions Windows & Doors, LLC (Sound Solutions), in the amount of \$5.8 million, resulting from an OIG investigation.

On December 28, 2009, the Chicago Regional Council of Carpenters filed a qui tam civil complaint alleging Sound Solutions of Chicago, Illinois, violated the False Claims Act. The qui tam alleged that in 2008, Sound Solutions used a DBE, FCJ Real Estate Development Company, Inc., as a conduit or "pass-through" to obtain the appearance of DBE participation on the O'Hare International Airport, Residential Sound Insulation Program contracts funded by FAA Airport Improvement Program grants.

Sound Solutions submitted 10 claims for payment on the O'Hare contract for window replacement, each certifying that all work was performed and all materials were supplied in accordance with the terms and conditions of the construction contract between the City of Chicago and Sound Solutions. The final two claims in 2009 and 2010 each contained a DBE status report signed by the president of Sound Solutions, certifying that over \$2.3 million had been paid under the contract to valid DBE subcontractors, when in fact it was not.

*Air Traffic Controller Pleads Guilty to an Employment Pay Fraud Scheme, July 22, 2015.* A former FAA air traffic controller, pleaded guilty in U.S. District Court, Brooklyn, New York, to wire fraud related to his role in a complex fraud scheme to alter employee time and attendance records.

The controller who worked at the Air Traffic Control tower, Jamaica, New York, admitted that he and another controller gained access to FAA's Cru-X system and altered labor distribution reports to fraudulently reflect that they had worked certain hours. Consequently, their conduct caused FAA to pay them for overtime and nightshift work, Sunday premium pay, and holiday

work that they did not perform. Similarly, the controller admitted that when he took vacations or sick days, he subsequently altered labor distribution reports to make it appear as though he had worked on those days. As a result, he retained unentitled vacation and sick leave credits and was paid for time not worked. As part of the plea agreement, he will pay \$235,466.98 in restitution.

### ***Federal Highway Administration (FHWA)***

FHWA coordinates highway transportation programs in cooperation with States and other partners to enhance the country's safety, economic vitality, quality of life, and the environment. Major program areas include the Federal-Aid Highway Program, which provides Federal financial assistance to the States to construct and improve the National Highway System, urban and rural roads, and bridges. This program provides funds for general improvements and development of safe highways and roads. The following are examples of our work related to FHWA programs and operations.

*FHWA's FIRE Program Is Addressing State Vulnerabilities, but Opportunities Exist To Make Improvements, September 1, 2015.* FHWA oversees States' use of approximately \$40 billion in Federal funds provided annually for thousands of projects. By issuing these grants to State and local governments, FHWA incurs contractual obligations. In 2004, we reviewed \$1.3 billion in Federal-aid highway obligations and concluded that \$284 million of them were no longer needed because they were associated with canceled, reduced scope, or completed projects. In response to that report and to safeguard funds against mismanagement, FHWA established the Financial Integrity Review and Evaluation (FIRE) Program in 2005. FHWA Division Offices annually conduct FIRE reviews that assess States' management of Federal funds in key areas, such as inactive obligations and improper payments.

The five FHWA Division Offices' FIRE reviews we assessed generally complied with Agency policies and procedures in carrying out the components of the FIRE Program. However, we identified three program areas where they lacked adequate oversight or documentation. First, four of the five Division Offices we sampled used outdated guidance to define materiality for FIRE reviews. Second, Division Offices did not consistently document the decisions they made in identifying risk areas and planning the required financial management reviews (FMR). Third, none of the five Division Offices maintained complete records for staff financial management training. We also found that, while Division Offices generally used the FIRE program as a tool to address financial management vulnerabilities, all five offices had outdated, incomplete, or missing follow-up information on the status of their FMR recommendations. We made four recommendations to improve the implementation of the FIRE Program.

*Most FHWA ARRA Projects Will Be Closed Out Before Funds Expire, but Weaknesses in the Project Close-Out Process Persist, March 2, 2015.* FHWA is responsible for ensuring that States close out projects timely, a critical step towards the final accounting of States' use of Federal funds. As part of our the American Recovery and Reinvestment Act of 2009 (ARRA)

oversight mandate, we reviewed FHWA's oversight of ARRA project closeouts and found that the vast majority of ARRA-funded Federal-aid highway and bridge projects have been closed out, but a small percentage of the remaining active projects will not be closed out before ARRA grant funds expire on September 30, 2015. While ARRA does not stipulate a deadline for project closeout, closeouts occurring before the expenditure deadline give States time to use any remaining ARRA funds on legitimate costs for other ARRA projects. Further, while FHWA has efforts underway to improve the Federal-aid project close-out process and address its Program Management Improvement Team review findings, internal control weaknesses persist and act as barriers to timely closeouts of ARRA and other Federal-aid highway projects. For example, FHWA lacks nationwide policy, performance measures, or standard timeframes for project closeout.

*Former FHWA Assistant Division Administrator in New Jersey Sentenced for Fraud Scheme Related to Research Grants, March 20, 2015.* The former FHWA New Jersey Division, Assistant Division Administrator was sentenced in U.S. District Court, Trenton, New Jersey, to 21 months incarceration, 3 years supervised release, and ordered to pay a \$20,000 fine. The sentencing follows his March 17, 2015, guilty plea to mail fraud. While in his official capacity, he influenced the allocation of FHWA funding and the direction of Federal and state transportation programs in order to unjustly enrich himself.

Between approximately May 2006 and June 2013, knowing that he was ineligible for FHWA-funded contracts as a result of his position at FHWA, he used his former father-in-law's engineering company as a "straw" subcontractor to obtain FHWA-funded work for his (and his ex-wife's) consulting company, Dencore Consulting, LLC. This transportation-related work was contracted through Rutgers University's Center for Advanced Infrastructure and Transportation (CAIT) and the NJ Institute of Technology (NJIT). Based on his contacts at Rutgers CAIT and NJIT, his former father-in-law's engineering company was awarded over \$150,000 in transportation related sub-contracts sponsored by FHWA. In reality, he was responsible for preparing the bids and work proposals on behalf of the engineering company and arranged for the work products to be completed. After the engineering company received contract payments from Rutgers or NJIT, it cut checks to Dencore Consulting, which, in turn, cut checks to the defendant. On at least one occasion, Dencore Consulting issued a \$20,000 check to the defendant after he created a false \$20,000 invoice for work purportedly rendered by a non-existent company.

The defendant served as the Acting Division Administrator, the top position in the NJ Division, from August 2013 through October 2013. He resigned from federal service in July 2014. In May 2015, FHWA suspended Cullari, Jr., and Dencore Consulting, LLC, from participating in Government funded projects.

*Chicago Man Pleads Guilty to Manufacturing Defective Bridge Bearings on North Carolina Highway Projects, April 16, 2015.* A Chicago man pleaded guilty to charges of making false

statements concerning highway projects and aggravated identity theft. The charges were related to his role in the business, Delgado's Elastomeric Bearings Corporation (Delgado's), where he forged documents and participated in manufacturing defective elastomeric bridge bearings that were used on bridges in 25 different North Carolina highway projects between May 2009 and October 2011. The elastomeric bearings are load bearing and provide support for bridges.

FHWA funded the projects and determined that a total of 1,270 of Delgado's bearings were nonconforming and defective. The investigation also disclosed a falsified North Carolina application to supply bridge bearings to local contractors. The name of a teenager was falsely listed as the vice president of Delgado's, when in fact the teenager had no knowledge of this title or how to manufacture bridge bearings. This same name and title had also been used on all certificates sent to North Carolina highway contractors certifying the conformity of the bearings with applicable state and federal regulations.

Costs associated with the replacement of the bearings exceed \$5 million due to the difficulty in removing the bearings from beneath existing bridge structures, engineering costs, and traffic control.

### ***Federal Motor Carrier Safety Administration (FMCSA)***

FMCSA's primary mission is to prevent commercial motor vehicle-related fatalities and injuries. FMCSA activities contribute to ensuring safety in motor carrier operations through strong enforcement of safety regulations, targeting high-risk carriers and commercial motor vehicle drivers. FMCSA also seeks to improve safety information systems and commercial motor vehicle technologies, strengthen commercial motor vehicle equipment and operating standards, and increase safety awareness. The following are examples of our work related to FMCSA programs and operations.

*Testimony: FMCSA Oversight and Reauthorization Issues, March, 4, 2015.* The Deputy Principal Assistant Inspector General for Auditing and Evaluation testified on FMCSA oversight programs and on issues impacting the Subcommittee's work on the Agency's reauthorization. The Deputy Principal Assistant Inspector General noted that FMCSA has taken action to improve Compliance, Safety, Accountability Program (CSA) data quality and system development, but nationwide implementation of timely and effective enforcement interventions remains a challenge. He also discussed how reincarnated carriers—unsafe carriers who often use aliases or different business addresses to evade out-of-service orders and other enforcement actions—continue to be a major concern. Finally, the Deputy Principal Assistant Inspector General affirmed OIG's commitment to continue to partner with FMCSA to combat commercial driver's license and drug and alcohol testing fraud, and he provided updates on audit work under way to respond to congressional mandates to improve motor safety.

Actions Are Needed To Strengthen FMCSA's CSA, March 5, 2014. To improve commercial motor vehicle safety, FMCSA launched its CSA program nationwide at the end of 2010. CSA was designed to target unsafe motor carriers through enforcement interventions such as roadside inspections and on-site reviews. To identify carriers that pose safety risks, FMCSA implemented the Carrier Safety Measurement System, which draws on State and carrier data on carriers' on-road safety performance.

While FMCSA had strengthened its controls to improve the quality of State-reported data used to assess carriers' safety performance, the Agency had not fully implemented planned improvements to its processes for reviewing data correction requests and for ensuring that carriers submit accurate information. In addition, FMCSA had not fully implemented the CSA enforcement intervention process nationwide; at the time of our report, only 10 States had fully implemented CSA enforcement interventions. Finally, FMCSA had limited documentation demonstrating it followed information technology best practices and Federal guidance for its Carrier Safety Measurement System. FMCSA concurred with all six of our recommendations to strengthen CSA.

Two Sentenced in Widespread Fraudulent CDL Test-Taking Scheme in New York, November 23 and November 4, 2015. Two defendants were sentenced in the U.S. District Court, Brooklyn, New York for their roles in a widespread fraudulent Commercial Driver's License (CDL) test-taking scheme in New York State. An external test taker was sentenced to 3 years' incarceration and 3 years of supervised release and a "lookout" was sentenced to 24 months' probation and a \$500 fine. Previously, on October 7, 2015, a former DMV security guard was sentenced to 3 years of probation and on May 14, 2015, a facilitator was sentenced to 28 months imprisonment and 3 years of supervised release.

The investigation revealed that fraudulent CDL test-taking activities occurred at five known New York State Department of Motor Vehicles (DMV) test centers in the New York City area. Surveillance operations, including the use of remote observation posts and pole-cameras, identified the defendants participating in the fraud scheme. Defendants included DMV security personnel, an external test-taker, facilitators, "runners," and lookouts. Conspiring CDL applicants paid facilitators between \$1,800-\$2,500 in return for CDL exam answers and escort assistance through DMV processes. Fraud schemes included the use of pencils containing miniaturized encoded test answers, the use of a Bluetooth headset as a communication device to relay CDL test answers, and the use of an external test-taker positioned nearby to take the exams.

Former Illinois Trucking Company Operator Sentenced to 3 Years in Prison, May 14, 2015. A former operator of Freedom Transportation, Inc. was sentenced in U.S. District Court, Chicago, Illinois, to 36 months incarceration, 36 months supervised release, and was ordered to pay \$532,000 restitution in connection with an illegal double-brokering scheme. He pleaded guilty on December 12, 2014, to wire fraud in connection with the scheme.

He admitted that he and other individuals were involved in a fraudulent double brokering scheme, where they falsely represented that Freedom Transportation would use its own trucks to transport freight, knowing that Freedom had no trucks. As part of the scheme, he would enter into contracts with companies on behalf of Freedom, promising to transport freight for those companies. He provided information about the freight loads to a co-conspirator broker knowing that the broker would find other companies to transport and deliver the freight. He and the co-conspirator agreed that Freedom would bill the customers as if they had kept and performed the jobs, knowing that in many instances, they would not pay the companies that actually did the work. The loss to the companies that actually delivered the freight is approximately \$532,000.

### ***Federal Railroad Administration (FRA)***

FRA promotes safe and environmentally sound rail transportation. With the responsibility of ensuring railroad safety throughout the nation, FRA employs safety inspectors to monitor railroad compliance with federally mandated safety standards including track maintenance, inspection standards and operating practices. FRA conducts research and development tests to evaluate projects in support of its safety mission and to enhance the railroad system as a national transportation resource. Public education campaigns on highway-rail grade crossing safety and the danger of trespassing on rail property are also administered by FRA. The following are examples of our work related to FRA programs and operations.

*FRA Improved Its Guidance on High Speed Rail Grant Agreements, but Policies and Procedures for Amending and Monitoring Grants Remain Incomplete, April 1, 2015.* Congress has appropriated over \$10 billion for FRA's High Speed Intercity Passenger Rail (HSIPR) program—a grant program that supports development of high speed and intercity passenger rail networks. As of December 2014, FRA had disbursed approximately \$2.8 billion in grants. Grantees may be required to contribute portions of their projects' funding in what is known as matching shares. Congress has raised concerns that payment arrangements that differ from those in most grant agreements, even though allowed by agreement amendments, may put Federal HSIPR funds at risk. Because of these concerns, the Chairman of the House Subcommittee on Railroads, Pipelines, and Hazardous Materials requested that we conduct an audit of FRA's grant amendment and oversight processes. Our audit objectives were to assess FRA's policies and procedures for (1) amending HSIPR grants and (2) overseeing compliance with HSIPR grant requirements.

FRA has implemented a policy that describes requirements for grantees requesting tapered matching—an alternative method of paying matching funds that gives the grantee flexibility in payment timing. However, other amendment policies are either missing or incomplete. FRA also lacks policies and procedures requiring staff to document in the Agency's electronic systems grantees' corrective actions to resolve problems identified during monitoring. Furthermore, FRA's grant monitoring policies do not require staff to report fraud, waste, and abuse to OIG. A

lack of comprehensive procedures weakens FRA's internal controls and may expose Federal funds to greater risk.

*FRA Continues To Make Progress Implementing PRIIA Responsibilities but Faces Challenges With Rail Planning, February 25, 2014.* The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) gives FRA important new responsibilities, including integrated rail planning for the entire country. PRIIA also requires OIG to conduct two assessments of FRA's progress in implementing the Act's provisions. This report presents the results of our second assessment (the results of our first assessment were reported on March 6, 2012).

Since our first report, FRA continued to make progress, but 12 of its 29 PRIIA responsibilities remained incomplete. The Agency made progress on 10 of these 12, including ensuring that Amtrak's stations comply with the Americans with Disabilities Act, and initiating research studies on bio-fuels and the use of bio-based technology for locomotives. However, FRA had not initiated work on two responsibilities—conducting high-speed rail corridor studies for Congress, and establishing a process for the designation and extension of high-speed rail corridors.

Development of a national rail plan is a major challenge to FRA's complete implementation of its responsibilities. While it undertook several rail planning activities, FRA did not articulate how its approach will fully address PRIIA's requirement to develop a national rail plan. Rather than creating a single, national rail plan as PRIIA calls for, FRA chose a decentralized strategy that focused on State and regional planning. FRA's efforts to date had focused on plans for the Northeast Corridor and three States in the southwest—California, Nevada, and Arizona. The Agency had not yet established plans and milestones for other regions, or determined how it will link regional plans into a unified national rail plan. FRA concurred with our recommendation to update its PRIIA Action Plan and include an explanation of how its strategy will fulfill PRIIA's requirement for a national rail plan. The Agency proposed an appropriate action plan.

#### ***Federal Transit Administration (FTA)***

FTA assists in developing improved mass transportation systems for cities and communities nationwide. Through its grant programs, FTA helps plan, build, and operate transit systems with convenience, cost and accessibility in mind. While buses and rail vehicles are the most common type of public transportation, other kinds include commuter ferryboats, trolleys, inclined railways, subways, and people movers. In providing financial, technical and planning assistance, the agency provides leadership and resources for safe and technologically advanced local transit systems while assisting in the development of local and regional traffic reduction. The following are examples of our work related to FTA programs and operations.

*FTA Has Not Fully Implemented Key Internal Controls for Hurricane Sandy Oversight and Future Emergency Relief Efforts, June 12, 2015.* FTA has not fully implemented the processes and internal controls it established for the award and oversight of Hurricane Sandy funds, in response to the Disaster Relief Appropriations Act (DRAA) of 2013 and Federal guidelines. For



example, FTA accepted grantee support for its use of their labor forces to carry out projects that did not meet established timeframes. In addition, FTA's risk-based oversight process was not adequately documented or consistently applied. Furthermore, grantees' Hurricane Sandy reports often lacked evidence of FTA review or complete and accurate information. While FTA established some controls to reduce the risk of duplicating Hurricane Sandy reimbursements, such as informally coordinating with FEMA, it has not formalized these controls to effectively respond to future emergencies. FTA did implement formal reporting and tracking procedures for insurance proceeds that grantees receive, but faces years of ongoing monitoring before settlements are reached, which could impact the final amount of Hurricane Sandy funds that grantees are entitled to receive. Finally, FTA has allocated most of the \$10.2 billion in DRAA funds. However, factors—such as FTA's review process and its decision to establish a competitive resilience program of several billion dollars in Hurricane Sandy grants—have slowed the pace of relief fund awards and grantee expenditures.

*MWAA Financial Management Controls Are Not Sufficient to Ensure Eligibility of Expenses on FTA's Dulles Rail Project Grant, January 16, 2014.* 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, 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 lacked adequate controls to ensure that expenses claimed for funding on the FTA grant for Phase 1 of the Dulles rail project were 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.

*Former President of a Massachusetts Transit Authority Operator Ordered to Forfeit \$1.38 Million, September 21, 2015.* The U.S. District Court in Boston, Massachusetts, ordered a Massachusetts man to forfeit \$1,382,214 to the United States related to an embezzlement scheme. Previously, in July 2015, he was sentenced to 70 months imprisonment and ordered to pay \$688,772 in restitution to the Southeastern Regional Transit Authority (SRTA). SRTA serves ten communities in Southeastern Massachusetts.

The forfeiture order and sentencing follows his conviction in April 2015, on charges of conspiracy and embezzlement of federal funds. The charges were related to his role as the former president and owner of the Union Street Bus Company (USBC). USBC served as the operator for SRTA. From 2005 to 2011, SRTA received approximately \$42 million in grant funds from FTA.

From late 2007 to October 2011, SRTA paid USBC over \$1 million to manage and operate the public bus transit service. These funds were used to pay salaries, benefits, and other expenses. The investigation disclosed that the defendant misused the federal funds by paying several employees to work on his personally owned produce farm. Sometime around 2010, the defendant also inflated his salary by approximately \$200,000 (from \$75,000 to \$275,000) in an attempt to boost his yearly pension payment from SRTA.

*WMATA Pays More Than \$4.2 Million to Resolve False Claims Act Violations, August 20, 2014.*

The Washington Metropolitan Area Transit Authority (WMATA) paid the United States \$4.2 million to resolve allegations that WMATA filed false claims in connection with using FTA funds to impermissibly award a contract for a financial management information technology project without using competitive procurement procedures.

In August 2009, WMATA awarded Metaformers, Inc., a Virginia-based business, using competitive procedures, a contract valued at approximately \$256,000. The contract was to assess WMATA's financial system. Less than a year later, in July 2010, WMATA awarded Metaformers a \$14 million contract to integrate its financial and business systems. WMATA awarded the contract noncompetitively and allegedly without legitimate justification for doing so. WMATA's conduct was allegedly in violation of its certification and commitment to administer the FTA grant funds using full and open competition.

Further, by competitively awarding the smaller assessment contract and then noncompetitively awarding the far more lucrative integration project to the same contractor, WMATA violated Federal procurement conflict of interest rules and gave one contractor an advantage over others who might have been interested in competing for the integration project.

***Maritime Administration (MARAD)***

MARAD promotes development and maintenance of an adequate, well-balanced, United States merchant marine, sufficient to carry the Nation's domestic waterborne commerce and a substantial portion of its waterborne foreign commerce and capable of serving as a naval and military auxiliary in time of war or national emergency. MARAD also seeks to ensure that the United States enjoys adequate shipbuilding and repair service, efficient ports, effective intermodal water and land transportation systems, and reserve shipping capacity in time of national emergency. The following are examples of our work related to MARAD programs and operations.

*Weaknesses in MARAD's Management Controls for Risk Mitigation, Workforce Development, and Program Implementation Hinder the Agency's Ability To Meet Its Mission, December 10, 2015.*

The mission of MARAD is to improve the U.S. marine transportation system to meet the Nation's economic, environmental, and security needs. In recent years, MARAD has restructured its organization to better coordinate programs that have a direct impact on the Agency's Federal and commercial sealift missions. MARAD has also taken on oversight for a significant number

of Transportation Investment Generating Economic Recovery (TIGER) grant funds for port development projects. These significant changes point to the need for enhanced attention to MARAD's management controls intended to help managers achieve desired results through effective stewardship of public resources. Accordingly, we assessed MARAD's management controls for (1) planning, performance measurement, and risk management; (2) organizational structure and workforce development; and (3) program implementation, monitoring, and oversight.

We found that MARAD's strategic plan and performance measures are aligned with Federal standards but did not thoroughly document its risk mitigation strategies, so the Agency cannot be assured it is prepared to address risks to meet its mission. MARAD also assessed its organizational structure but has not fully implemented workforce plans and development policies. For example, MARAD has not fully implemented competency models for its mission-critical positions, and its policies in the areas of onboarding, training, and addressing misconduct are incomplete, out-of-date, or not fully implemented. Finally, MARAD's controls for program implementation, monitoring, and oversight are deficient. Specifically, MARAD's policies and procedures are largely outdated Agency-wide, and MARAD has not established comprehensive mechanisms for overseeing implementation of corrective actions. We made 16 recommendations to improve the Agency's management controls.

*Better Program Management and Oversight are Required for USMMA's Efforts to Address Sexual Assault and Harassment, October 22, 2014.* The Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 required the Secretary of Transportation and the U.S. Merchant Marine Academy (USMMA) to address sexual assault and harassment at the Academy. Amid concerns of ongoing incidents, Members of the House Committee on Oversight and Government Reform and the Senate Appropriations Subcommittee on Transportation, Housing, and Urban Development requested that we evaluate the Academy's efforts to prevent sexual assault and harassment and the role of DOT and MARAD senior leadership in implementing the Academy's action plans.

USMMA made progress in implementing nine broad goals to reduce sexual assault and harassment—goals that were based on its 2009-2010 survey and included in the Academy's initial action plan. However, none of the goals had been fully achieved. Some implemented actions had significant shortcomings, and more than a third of the actions to establish an effective Sexual Assault, Prevention, and Response (SAPR) Program remained incomplete. In addition, USMMA had not fully identified tasks, responsibilities, and timeframes for its updated action plan, which was published in March 2014. Further, since the Duncan Hunter Act took effect in October 2008, USMMA had not issued its reports for the first 4 academic program years in a timely manner. Reporting delays and other weaknesses ultimately resulted in Congress receiving irrelevant and potentially misleading information on survey results and action plans. Finally, OST had not designated authority or assigned responsibility for overseeing USMMA's SAPR Program and for ensuring compliance with legislative requirements, and MARAD had not

established clear lines of reporting or training requirements for key positions related to the Academy's sexual assault and harassment prevention programs. We made nine recommendations aimed at helping the Academy achieve the goals in its original action plan, and improve the timeliness of its annual reports and its oversight of the SAPR Program. MARAD concurred with all of our recommendations.

*U.S. Merchant Marine Academy Employee Charged with Bribery and Conspiracy, October 2, 2014.* A Planner/Estimator and Contracting Officer's Technical Representative (COTR), Department of Public Works, USMMA, was arrested and later charged in U.S. District Court, Central Islip, New York, in connection with bribery and bid-rigging schemes involving numerous contractors and vendors working at USMMA.

It was alleged that the employee conspired with contractors to ensure they won contracts at USMMA. He would obtain inflated bids (called complementary bids) from contractors. He submitted those bids along with the conspiring contractors' actual bids, guaranteeing that they always had the lowest bids. As a result, the conspiring contractor would be awarded the contracts. In many instances, the phony complementary bids were associated with companies and addresses that did not exist. The conspiring contractors would subsequently pay the employee a cash bribe/kick-back equivalent to approximately 5-10 percent of their profit on dozens of USMMA contracts.

#### ***National Highway Traffic Safety Administration (NHTSA)***

NHTSA is responsible for reducing deaths, injuries and economic losses resulting from motor vehicle crashes. NHTSA sets and enforces safety performance standards for motor vehicles and equipment, and through grants to State and local governments enables them to conduct effective local highway safety programs. NHTSA investigates safety defects in motor vehicles; sets and enforces fuel economy standards; helps States and local communities reduce the threat of drunk drivers; promotes the use of safety belts, child safety seats and air bags; investigates odometer fraud; establishes and enforces vehicle anti-theft regulations; and provides consumer information on motor vehicle safety topics. The following are examples of our work related to NHTSA programs and operations.

*NHTSA's Efforts to Identify Safety-Related Vehicle Defects, June 23, 2015.* The Inspector General (IG) testified on NHTSA vehicle safety oversight. The IG focused on our office's recent assessment of the procedures NHTSA's Office of Defects Investigation (ODI) used to identify vehicle safety issues that warrant further investigation. First, the IG noted that ODI lacked the procedures needed to collect complete and accurate vehicle safety data. Deficiencies in ODI's vehicle safety data were due in part to the Agency's lack of detailed guidance on what information manufacturers and consumers should report – resulting in inconsistent data that ODI investigative chiefs considered to be of little use. Second, the IG noted weaknesses in ODI's processes for analyzing vehicle safety data. Specifically, ODI did not follow standard statistical

practices when analyzing early warning reporting data, and it did not thoroughly screen consumer complaints or adequately train or supervise its staff. Third, the IG stated that ODI's process for determining when to investigate potential safety defects was insufficient to prompt needed recalls and other corrective actions. While ODI had identified factors for deciding whether an investigation is warranted, it had not developed sufficient guidance or reached consensus on how these factors should be applied. ODI's investigation decisions also lacked transparency and accountability. Finally, the IG discussed how the three procedural weaknesses impeded ODI's handling of the General Motors Corporation (GM) ignition switch defect – which, as of June 2015, had been linked to more than 110 fatalities and 220 injuries.

*Inadequate Data and Analysis Undermine NHTSA's Efforts to Identify and Investigate Vehicle Safety Concerns, June 18, 2015.* Since February 2014, GM has recalled 8.7 million vehicles in the United States due to an ignition switch defect that can unexpectedly shut down the engine and disable power steering, power brakes, and air bags. The defective ignition switches have been linked to more than 110 fatalities and 220 injuries. NHTSA's ODI identified the GM air bag non-deployments as a potential safety issue but ultimately decided not to investigate the problem. The Secretary requested that we assess NHTSA's vehicle safety procedures and determine whether NHTSA had information on GM's ignition switch issues.

ODI's processes for collecting vehicle safety data are insufficient to ensure complete and accurate data. Deficiencies in ODI's vehicle safety data are due in part to the Agency's lack of detailed guidance on what information manufacturers and consumers should report—resulting in inconsistent data that ODI investigative chiefs consider being of little use. Weaknesses in ODI's processes for analyzing vehicle safety data further undermine ODI's efforts to identify safety defects. Specifically, ODI does not follow standard statistical practices when analyzing early warning reporting data, and ODI does not thoroughly screen consumer complaints or adequately train or supervise its staff. Collectively, these weaknesses have resulted in significant safety concerns being overlooked. Finally, ODI's process for determining when to investigate potential safety defects is insufficient to prompt needed recalls and other corrective actions. While ODI has identified factors for deciding whether an investigation is warranted, it has not developed sufficient guidance or reached consensus on how these factors should be applied. ODI's investigation decisions also lack transparency and accountability. NHTSA concurred with all 17 of our recommendations to improve ODI's processes.

*General Motors Agrees to Deferred Prosecution Agreement and a \$900 Million Forfeiture, September 16, 2015.* Detroit, Michigan-based General Motors Company (GM), upon the approval of its Board of Directors, entered into a Deferred Prosecution Agreement (DPA) with the United States. GM agreed to forfeit \$900 million and consented to the filing of an Information, charging GM with engaging in a scheme to conceal a deadly safety defect (i.e., low-torque ignition switch) from NHTSA and the commission of wire fraud.

Under the terms of the DPA, GM admits that, from the spring of 2012 to about February 2014, it failed to disclose to NHTSA and the public the potentially lethal safety defect that caused airbag non-deployment in certain GM model cars (e.g. Chevrolet, Pontiac, and Saturn) and that GM misled consumers about the safety of cars afflicted by the defect. The forfeited \$900 million constitutes property derived from the proceeds of GM's conduct and wire fraud.

In consideration of GM's entry into the DPA, the United States Attorney's Office, Manhattan, New York, will recommend to the Court a deferment of criminal prosecution for a period of three (3) years with the presumption that GM meets all of its DPA obligations.

Pursuant to the DPA, GM also agreed to retain an Independent Monitor, approved by the Deputy Attorney General, who will be empowered to review and assess GM's policies and procedures concerning motor vehicle safety, recall practices, and defects in certified pre-owned vehicles.

To date, GM has acknowledged a total of 15 deaths that occurred in crashes in which the safety defect contributed to airbag non-deployment.

*Enhanced Monitoring Tools are Needed to Improve NHTSA's Oversight of Highway Safety Grants, August 21, 2014.* To help reduce fatalities, injuries, and economic losses resulting from motor vehicle crashes, NHTSA awards formula and incentive grants to States to conduct a wide range of highway safety programs. NHTSA's regional offices play an important role in monitoring States' and sub-grantees' use of grant funds. We focused our audit work on one NHTSA regional office, Region 5. Our review determined that NHTSA grantees in Region 5 generally met key Federal grant requirements, but the Agency lacked strategies for addressing delayed expenditures of grant funds and targeting higher risk grantees. In addition, all of NHTSA's regional offices were conducting triennial management reviews of grantees; however, the Agency did not sufficiently track grantee deficiencies identified in these reviews, or have sufficient tools to identify and mitigate systemic nationwide issues. NHTSA generally concurred with all four of our recommendations.

*Manager and Associate of Eagle Auto Sales in Detroit, Michigan Sentenced for Selling Counterfeit Airbags, May 14, 2015.* An associate of Eagle Auto Sales, was sentenced in U.S. District Court, Detroit, Michigan, to 36 months of probation, and \$5,100 in fines for trafficking in counterfeit airbags. She previously pleaded guilty to these charges in November 2014.

Additionally, the manager of Eagle Auto Sales, was sentenced to 36 months' probation, 200 hours of community service, and a \$3,000 fine for trafficking counterfeit airbags. He pleaded guilty in December 2014.

The investigation revealed that the manager and associate, intentionally trafficked goods they knew bore counterfeit and trademark infringing marks which were identical to and substantially indistinguishable from genuine parts. The associate illegally caused what she knew were counterfeit automobile airbags to be imported, without properly declaring them as hazardous

materials, into the United States purporting that they were genuine airbags of American Honda Motor Company, Inc. Additionally, the associate advertised and sold counterfeit Honda branded airbags and airbag parts over the internet to customers in over 20 states throughout the United States and in Puerto Rico.

The investigation also revealed that the manager knowingly purchased counterfeit automotive parts purporting that they were genuine Honda parts. In particular, the manager knowingly purchased counterfeit Honda branded airbags, airbag covers, "H" logo emblems, and center wheel caps from various sources, including from the associate. Using Eagle Auto Sales, the manager illegally caused to be exported over 85 salvaged and/or used Honda vehicles that contained counterfeit and trademark infringing Honda automobile parts. The loss related to their criminal conduct was stipulated to be \$60,000 for the associate and \$40,000 for the manager. Further, during NHTSA testing, the counterfeit airbags failed, sending shrapnel and flames from hot gas into the test dummies.

*Former Illinois Police Commander Sentenced in Embezzlement Scheme, October 2, 2014.* A former police commander, Des Plaines Police Department, Des Plaines, Illinois, was sentenced in U.S. District Court, Chicago, Illinois, to 6 months incarceration and 12 months of probation. He was also ordered to pay \$34,448 in restitution and perform 200 hours of community service. He previously pleaded guilty to defrauding a NHTSA funded program.

As the project director, he was responsible for certifying departmental compliance with NHTSA's participation requirements. Our investigation determined that from 2009 through 2012, he made false statements in reports that concealed the police department's failure to meet the requirements of federally funded impaired driving enforcement campaigns. He inflated Driving Under the Influence (DUI) arrests. He reported that 152 DUI arrests were made from 2009 through 2012, when in fact only 30 arrests were made. This inflation resulted in the department receiving approximately \$183,984 in federal reimbursement for overtime compensation. This compensation was used to pay numerous police officers, including him. Because of his false statements, he personally received about \$31,915 in overtime payments.

### ***Pipeline and Hazardous Materials Safety Administration (PHMSA)***

PHMSA oversees the safety of an ever-growing number of daily shipments of hazardous materials in the United States and 64 percent of the nation's energy that is transported by pipelines. PHMSA is dedicated solely to safety by working toward the elimination of transportation-related deaths and injuries in hazardous materials and pipeline transportation, and by promoting transportation solutions that enhance communities and protect the natural environment. The following are examples of our work related to PHMSA programs and operations.

*PHMSA Has Addressed Most Weaknesses We Identified in Its Special Permit and Approval Processes, July 17, 2014.* PHMSA regulates about 1 million transports of HAZMAT a day under its Hazardous Material Regulations (HMR). However, numerous businesses and government agencies move many of these materials by truck, rail, and other transportation modes under special permits from PHMSA that provide exceptions to HMR requirements. Similarly, entities that perform functions that require prior consent under the HMR—such as classifying explosives and manufacturing cylinders for transport—must receive written approval from PHMSA’s Associate Administrator for Hazardous Materials Safety.

In 2009 and 2010, we reported on weaknesses in PHMSA’s processes for granting special permits and approvals and made recommendations for improving the effectiveness of PHMSA’s oversight of HAZMAT transport safety. We conducted this audit to assess PHMSA’s progress in addressing those weaknesses. Specifically, we assessed whether PHMSA had (1) implemented standard operating procedures (SOP) and addressed weaknesses highlighted in our prior reports and (2) improved information technology that supports its special permit and approval processes.

PHMSA had implemented SOPs and addressed weaknesses that we found during our previous audit work. The SOPs describe processes for assessing the fitness of entities applying for special permits and approvals and evaluating measures for achieving safety levels required by the HMR. PHMSA processed all sampled special permit applications and most sampled approval applications in accordance with the SOPs. However, files for several applications for explosives classification approvals lacked evaluation forms that document the reasons for technical officers’ safety recommendations. PHMSA took steps during our audit to address this internal control weakness. The Agency also appropriately coordinates applications with other operating administrations based on SOP criteria when applications are mode-specific, precedent setting, or meet a specific condition, such as transporting lithium ion batteries by air. PHMSA has also conducted inspections and taken other steps to strengthen its oversight of third-party agencies that inspect cylinder applicants, test explosives, and certify HAZMAT packaging on PHMSA’s behalf.

PHMSA had begun improving the information technology that supports its special permit and approval processes but had delayed implementation of one system, the Portal, because of issues with its module for processing special permit applications. Module users found it difficult to accurately identify some applicant companies and their locations. PHMSA was working to resolve the issue, but Agency representatives stated that they need to secure additional funding. As a result, the Agency was not benefitting from the efficiency of the Portal’s processes and improved analytical capabilities, and consequently, not using its resources in the most effective way. PHMSA concurred with our recommendations to improve its internal controls and effectively use the Portal.



*PHMSA's State Pipeline Safety Program Lacks Effective Management and Oversight, May 7, 2014.* The Nation's network of approximately 2.5 million miles of pipelines moves millions of gallons of hazardous liquids and 55 billion cubic feet of natural gas every day. PHMSA authorizes States to oversee and enforce operators' compliance with Federal pipeline safety regulations through its State Pipeline Safety Program. PHMSA also allocates grants to State programs. In September 2010, an intra-State natural gas pipeline exploded in San Bruno, California, resulting in eight fatalities, injuries, and destroyed homes. In its investigation of the explosion, the National Transportation Safety Board found weaknesses in PHMSA's oversight of State programs, and recommended that DOT assess the effectiveness of PHMSA's oversight of intrastate pipeline safety and whether State programs use Federal grants effectively. Accordingly, we assessed PHMSA's (1) policies and procedures for managing its State Pipeline Safety Program, including guidelines to participating States and (2) oversight of State pipeline safety programs.

PHMSA's guidelines, policies, and procedures for State pipeline safety programs lacked elements to ensure State inspections cover all Federal requirements and pipeline operators maintain safety standards. The staffing formula in the guidelines was outdated. The guidelines also lacked sufficient detail on States' use of risk factors for scheduling inspections and did not require PHMSA evaluators to review the adequacy of States' inspection procedures. Furthermore, PHMSA lacked formal written procedures to guide its triennial reviews of State programs' expenditures.

PHMSA's oversight of State pipeline safety programs also did not ensure that States comply with program evaluation requirements and properly use all grant funds. Lapses in oversight resulted in undetected safety weaknesses in State programs. Because it had not accounted for these non-compliances, the Agency could not be sure that States correct program deficiencies. Furthermore, PHMSA had neither provided States with sufficient guidance on suspension funds nor completed financial audits of their use. PHMSA concurred or partially concurred with our seven recommendations to improve PHMSA's oversight of State pipeline safety programs and grants.

*Former Shell Pipeline Corrosion Control Coordinator Sentenced, April 30, 2015.* A former Corrosion Control Coordinator for Shell Pipeline Company, L.P. (Shell), was sentenced in U.S. District Court, Milwaukee, Wisconsin, to 5 years of probation and ordered to pay over \$19 million in restitution.

Our investigation was initiated following a referral from PHMSA. They reported that 9,000 gallons of jet fuel from the Shell pipeline at the General Mitchell International Airport (GMIA) in Milwaukee, Wisconsin were spilled. The response and cleanup costs for the spill were approximately \$19.3 million.

The defendant was employed by Shell from 1992 through 2012. From 2010 until 2012, he was a corrosion coordinator and was responsible for Shell pipelines servicing GMIA and the Chicago O'Hare International Airport. From around January through December 2011, he knowingly and willfully failed to conduct an annual survey of the Shell pipeline and failed to take bimonthly voltage readings from the rectifiers connected to the pipeline. In December 2011, he made a false material statement when he entered fraudulent survey data and false bimonthly voltage readings for rectifiers connected to the pipeline into a computer system used to generate reports for PHMSA.

The Natural Gas Pipeline Safety Act of 1968 (PSA), which establishes standards for the safe operation of the hazardous materials in pipelines, states that buried or submerged metal pipelines must be protected to prevent corrosion. This involves the use of a device called a rectifier which applies a negative current to soil near the pipeline to keep corrosion away from the pipe. The operator of the pipeline is required to conduct bi-monthly readings of the voltage generated from the rectifier and to conduct an annual survey of the pipeline to ensure that the pipeline is adequately protected from corrosion. PHMSA is the primary agency responsible for regulating and enforcing the PSA.

*Exide Agrees to Shut Down Recycling Plant, Pay \$50 Million in Cleanup Costs, and Admits to Felony Violations Involving Illegal Storage, Disposal, Shipment, and Transportation of Hazardous Wastes, March 11, 2015.* The United States Attorney's Office (USAO), Central District of California, entered into a Non-Prosecution Agreement (NPA) with Exide Technologies, a large American manufacturer of lead-acid batteries, including automotive and industrial batteries. The NPA requires Exide to make a single payment of \$3 million to the Residential Off-Site Correction Action Trust Fund, immediately stop battery recycling, permanently shut down its battery recycling facility in Vernon, California, and pay \$50 million to clean-up the site and the surrounding neighborhoods. The NPA also requires Exide to admit to producing a host of hazardous wastes and admit to criminal conduct of illegal storage, disposal, shipment, and transportation of hazardous wastes. Exide produces hazardous wastes such as lead, cadmium, arsenic and volatile organic compounds. These environmental toxins have affected the surrounding neighborhoods for over 90 years. The direct costs of Exide's compliance with the terms and conditions of this Agreement are estimated by the parties to be between approximately \$108 million and \$133 million.

In 2014, the USAO received information that Exide engaged in the illegal transportation of hazardous materials. The facility receives approximately 40,000 batteries per day, which are initially crushed and separated for recycling into three primary component streams: acid, lead, and plastic. Exide admitted that it knowingly and willfully caused shipments of hazardous waste contaminated with lead and corrosive acid from the Vernon facility to Bakersfield, California. These shipments occurred numerous times over the past two decades, in violation of the federal Hazardous Materials Transportation Act. Exide also admits that it knowingly caused the transportation of hazardous waste contaminated with corrosive acid to a facility in Bakersfield,

California, that was not permitted by the State of California, Department of Toxic Substances Control to receive corrosive hazardous wastes. Exide admitted that it caused these illegal transportations of hazardous waste a significant number of times over the past 2 decades, in violation of the Federal Resource Conservation and Recovery Act.

***Saint Lawrence Seaway Development Corporation (SLSDC)***

SLSDC operates and maintains a safe, reliable and efficient waterway for commercial and noncommercial vessels between the Great Lakes and the Atlantic Ocean. SLSDC, in tandem with the Saint Lawrence Seaway Authority of Canada, oversees operations safety, vessel inspections, traffic control, and navigation aids on the Great Lakes and the Saint Lawrence Seaway.

*Quality Control Review of the Saint Lawrence Seaway Development Corporation's Audited Consolidated Financial Statements for Fiscal Years 2015 and 2014, November 4, 2015.* We performed a quality control review (QCR) of Chiampou Travis Besaw & Kershner LLP's (CTB&K) audit of SLSDC's financial statements for fiscal years 2015 and 2014. The audit's objective was to determine whether SLSDC's financial statements were fairly presented in accordance with accounting principles generally accepted in the United States of America. CTB&K, under contract to SLSDC, issued a clean (unmodified) audit opinion on SLSDC's financial statements. CTB&K's report did not include any significant deficiencies in internal controls over financial reporting or instances of reportable noncompliance with laws and regulations. Our QCR disclosed no instances in which Chiampou Travis Besaw & Kershner LLP did not comply, in all material respects, with auditing standards.

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

<b>OMB ACCOUNT ID: 021-56-0130-0</b>		<b>FY 2015 ACTUAL</b>	<b>FY 2016 ENACTED</b>	<b>FY 2017 REQUEST</b>
<b>Obligations by program activity:</b>				
0101	General Administration	85,868	87,472	90,152
0102	ARRA oversight administration	0	0	0
0103	Disaster Relief Oversight 2013	595	2,500	2,500
	Direct program activities, subtotal	86,463	89,972	92,652
0801	Reimbursable program	88	0	0
0900	Total new obligations	86,550	89,972	92,652
<b>Budgetary Resources:</b>				
<b>Unobligated balance:</b>				
1000	Unobligated balance brought forward, Oct 1	6,166	5,770	3,270
1011	Unobligated balance transferred from other accounts	0	0	0
1050	Unobligated balance (total)	6,166	5,770	3,270
<b>Budget Authority:</b>				
<b>Appropriations, discretionary:</b>				
1100	Appropriation	86,223	87,472	90,152
1121	Appropriations, Transferred From Other Accounts	0	0	0
1130	Appropriations, Permanently Reduced	0	0	0
1160	Appropriations, discretionary (Total)	86,223	87,472	90,152
<b>Spending authority from offsetting collections, discretionary:</b>				
1700	Collected	286	0	0
1701	Change in uncollected payments, Federal sources	0	0	0
1750	Total Spending authority from offsetting collections	286	0	0
1900	Budget Authority (total)	86,509	87,472	90,152
1930	Total Budgetary Resources Available	92,676	93,242	93,422
<b>Memorandum (non-add) entries:</b>				
1940	Unobligated Balance Expiring	(355)	0	0
1941	Unexpired unobligated balance, end of year	5,770	3,270	770
<b>Change in obligated balance:</b>				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	7,607	7,513	7,638
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	(24)	0	0
3100	Obligated balance, start of year (net)	7,583	7,513	7,638
3010	Obligations incurred, unexpired accounts	86,550	89,972	92,652
3011	Obligations incurred, expired accounts	142	0	0
3020	Outlays (gross)	86,327	89,847	92,384
3070	Change in uncollected pymts, Fed sources, unexpired	0	0	0
3071	Change in uncollected pymts, Fed sources, expired	24	0	0
3041	Recoveries of prior year unpaid obligations, expired	(460)	0	0
3050	Unpaid obligations, end of year (gross)	7,513	7,638	7,906
3090	Uncollected pymts, Fed sources, end of year	0	0	0
3200	Obligated balance, end of year (net)	7,513	7,638	7,906
<b>Budget Authority and outlays, net:</b>				
4000	Budget authority, gross	86,509	87,472	90,152
<b>Outlays, gross:</b>				
4010	Outlays from new discretionary authority	79,890	78,725	81,137
4011	Outlays from discretionary balances	6,436	11,122	11,247
4020	Outlays, gross (total)	86,327	89,847	92,384
<b>Offsets against gross budget authority and outlays:</b>				
Offsetting collections (collected) from:				
4030	Federal sources	(88)	0	0
4033	Non-Federal sources	(199)	0	0
4040	Total offsetting collection (cash)	(286)	0	0
Additional offsets against gross budget authority only:				
4050	Chg in Uncollected cust orders fm Fed Sources (unexpired)	0	0	0
4051	Offsetting collections credited to expired accounts	(14)	0	0
4060	Additional offsets against gross budget authority only (total)	(14)	0	0
4180	Budget authority, net (total)	<b>86,223</b>	<b>87,472</b>	<b>90,152</b>
4190	Outlays, net (total)	<b>86,026</b>	<b>89,847</b>	<b>92,384</b>

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

	<b>FY 2015 ACTUAL</b>	<b>FY 2016 ENACTED</b>	<b>FY 2017 REQUEST</b>
Personnel Compensation:			
11.1	43,430	46,506	47,325
11.3	836	0	0
11.5	3,096	3,325	3,425
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11.9	47,362	49,831	50,750
12.1	17,311	18,380	19,447
13.1	0	0	0
21.0	2,432	2,625	2,795
22.0	18	5	5
23.1	5,166	5,500	5,700
23.2	313	325	325
23.3	835	800	830
24.0	0	1	1
25.1	148	240	240
25.2	3,682	4,289	4,153
25.3	7,152	5,691	6,081
25.7	857	915	930
26.0	495	335	345
31.0	681	1,005	1,020
42.0	0	10	10
91.0	10	20	20
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99.0	86,462	89,972	92,652
99.0	88	0	0
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99.9	86,550	89,972	92,652

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

	<b>FY 2015 ACTUAL</b>	<b>FY 2016 ENACTED</b>	<b>FY 2017 REQUEST</b>	
10.01	Direct civilian full-time equivalent employment	411	413	416
20.01	Reimbursable civilian full-time equivalent employment	0	0	0

Note: Includes Emergency Disaster Relief Oversight FTE.

**FY 2007 – FY 2017 FUNDING HISTORY  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
SALARIES AND EXPENSES**

Request	Appropriation
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 <sup>1</sup>
2011.....\$81,772,000	2011.....\$76,960,000
2012.....\$89,185,000	2012.....\$79,624,000
2013.....\$84,499,000	2013.....\$75,459,187 <sup>2</sup>
2013 SANDY... N/A	2013 SANDY... \$ 5,700,000 <sup>3</sup>
2014.....\$85,605,000	2014.....\$85,605,000
2015 .....\$86,223,000	2015.....\$86,223,000
2016 .....\$87,472,000	2016.....\$87,472,000
2017 .....\$90,152,000	

<sup>1</sup> Two million direct transfer from FTA not included.

<sup>2</sup> 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.

<sup>3</sup> 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).