



# Semiannual Report to the Congress

Office of Inspector General

U.S. Department of  
Transportation

April 1, 1998 - September 30, 1998

# From the Inspector General

Transportation is an everyday fact of life for most Americans—whether it is travel to job, school or store, or the reliance on food, energy or another product that has traveled on our nation’s vast transportation system. Though it is taken for granted, transportation is a result of a myriad of separate acts of planning, decision and follow-through.

We in the Office of Inspector General conduct audits and investigations of Department of Transportation programs and personnel to make certain that this critical network is operating safely, efficiently and effectively. We are dedicated to detecting and, where possible, preventing waste, fraud and abuse in the Department, which spends more than \$40 billion each year in virtually every community in the country.

We work cooperatively with Department officials—but we are careful to maintain the independence required of OIG. Our work helps advance the Secretary’s five Strategic Goals: safety, mobility, economic growth and trade, human and natural environment, and national security. Moreover, an important concept guiding our work has been the Secretary’s “One DOT” initiative, in which the combined expertise of the Department’s Operating Administrations is brought to bear on cross-cutting transportation issues, such as the transport of hazardous materials, the effects of human factors on safety, or large-scale technology acquisitions.

The past six months have been highly productive in the Inspector General’s office. We have helped strengthen the Department and its administration of taxpayers’ dollars. During the period covered by this report, OIG issued 107 audit reports with total financial recommendations of \$447.6 million, largely agreed to by the Operating Administrations audited. Full versions of selected audit reports are available on OIG’s Internet website at <http://www.dot.gov/oig/> Investigations led to 59 indictments, 78 convictions and \$12,251,155 in monetary compensation, including fines, restitution payments, judgments and recoveries.

The Office of Inspector General is a proactive force for constructive change throughout the Department. But we will only make solid gains in safety and performance by working with the people who administer the programs and the people for whose benefit the programs exist. On behalf of my colleagues at DOT’s Office of Inspector General, I would like to thank Transportation Secretary Rodney Slater, Deputy Transportation Secretary Mortimer Downey, the Operating Administrators and Members of Congress for their continuing cooperation with, and responsiveness to, our work.

Kenneth M. Mead  
Inspector General

Summary of Performance  
Office of Inspector General  
April 1, 1998-September 30, 1998

Reports Issued	107
Total financial recommendations	\$447,574,000
—That funds be better-used	\$443,786,000
—Questioned costs	\$3,571,000
Referrals: prosecution, litigation or other action	160
Cases accepted for prosecution	142
Indictments	59
Fines, restitutions, recoveries	\$12,251,155
Convictions	78
Suspensions/debarments	3
Actions affecting DOT employees	26



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# Major Audits and Investigations

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The Office of Inspector General includes a staff of auditors and evaluators who review the programs and operations of the Department of Transportation to help its managers improve them. Some audits focus on financial issues; others review the effectiveness of programs. The Inspector General’s staff also includes investigators who build criminal cases against those who break transportation-related laws—ranging from trucking firms that force drivers to work too many hours without rest and haulers who illegally transport hazardous materials to vendors who traffic in illegal, unapproved aircraft parts.

Many factors go into determining what to audit. Some audits are required by law. Others are requested by key decisionmakers, such as the Secretary of Transportation, heads of the Operating Administrations within DOT or Members of Congress. The OIG audit agenda is also based on the past experience of an audited entity, the strategic goals of DOT, and priorities established each year by OIG itself. Many times, auditors, evaluators and the Inspector General’s investigators work together closely to ensure that a program financed with Federal money is conducted both honestly and efficiently. The IG Act requires the Department to provide the IG with all requested information and for the IG to report any instance in which access was denied. No information requested by OIG was withheld by DOT officials during the 6 months covered in this report.

Information for OIG investigations also comes from many areas. DOT’s Operating Administrations and state government officials often will refer tips or information about suspicious activity to OIG special agents for investigation. Those agents build the cases, executing search warrants as needed and making arrests in the process. The majority of cases are prosecuted by United States attorneys in Federal courts.

Another source of investigative direction is the Office of Inspector General hotline, an “800” number that lets citizens—including Federal workers—have direct access to OIG staff. The number is **1-(800)-424-9071**. Hotline users are not obliged to disclose their identities and “whistle-blowers” within the Government are protected from reprisal by Federal law. The hotline staff now can be e-mailed at **hotline@oig.dot.gov**



# Focus:

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*Objective:  
Assessing collaborative efforts to improve railroad safety*

*When the Federal Railroad Administration adopted its "Safety Assurance and Compliance Program" in March 1995, the agency had two goals. One was to maximize the productivity of FRA's limited corps of safety inspectors. The other was fostering cooperation—in the name of safety—among the various stakeholder groups within each regulated railroad, with the idea that having the players "buy into" safe practices would achieve better safety results than sanctions only.*

## Cooperation within Regulation

OIG's audit—report TR-1998-210—set out to evaluate the effectiveness of FRA's new approach. We concluded that the program has fostered more cooperation among railroad management, labor and Federal regulators, but the Safety Assurance and Compliance Program needs major strengthening in several areas, ***including a clear understanding that FRA will take strong enforcement action when warranted.***

The Safety Assurance and Compliance Program has three major components: a safety profile of a railroad written by FRA with substantial input by railroad labor and management; a safety action plan, developed by the railroad in response to issues identified in the safety profile; and follow-up monitoring and enforcement by FRA.

OIG analyzed FRA's steps to make sure the program is effective. We reviewed nine railroads' participation, including three major railroads and six smaller ones. We determined that FRA could improve the program by:

# Railroad Safety

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◆ Clearly defining the criteria used in creating the safety profiles of railroads, to ensure minimum standards are met and consistency is observed. Criteria at the time of the audit did not give detailed guidelines for inspectors to follow.

◆ Supplementing the labor-management “listening sessions” used in creating the safety profiles with information from FRA’s own files, including railroad-specific data on trends, and leading causes, of accidents. Information was not consistently collected at listening sessions and existing FRA safety information was not fully explored.

◆ Including information from state railroad regulators and even the public in developing safety profiles.

◆ Consistently addressing systemic safety issues in developing, and following up on, safety action plans. Systemic issues were excluded from some action plans and limited on others.

◆ Making FRA’s inspectors aware of safety steps promised by the railroads before the inspectors go into the field. FRA inspectors were not routinely made aware of safety steps promised in safety action plans.



◆ Strengthening monitoring and enforcement. While the Safety Assurance and Compliance Program is heavily dependent on partnership with the industry, there must be no mistaking that FRA, as the regulator, will take strong enforcement action when its “industry partners” fail to take appropriate corrective action.

# Focus:

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## *Objective:*

### *Reviewing FAA's development of new systems for hiring, training, compensating and relocating personnel*

The Federal Aviation Administration consists of about 49,000 employees providing services in 6 major areas: air traffic control, research and acquisitions, regulation and certification, civil aviation security, airports, and commercial space transportation.

In September 1993, the National Performance Review—which conducted efficiency analyses throughout the Federal government—concluded that Federal budget, procurement, and personnel rules prevented FAA from reacting quickly to the needs of the air traffic control system. In 1994, Congress directed the Secretary of Transportation to study possible reforms that could improve that situation; the resulting report urged exemption of FAA from Federal personnel rules and procedures.

Late in 1995, Congress directed the FAA Administrator to develop a new personnel management system effective April 1, 1996. It was to address the unique demands of the agency's workforce and provide greater flexibility in hiring, training, compensation and location of personnel.

Our audit (AV-1998-214) found that FAA has recently made important progress in fulfilling the program's goals, by initiating two new compensation systems affecting 33 percent of its workforce. However, FAA faces several challenges in implementing the systems, which are expected to cost some \$1 billion more, over 5 years, than those they replace. Further, compensation issues for FAA's remaining employees—and hiring, training and location matters—remain in development or are only partially in place.

### **New pay systems for air traffic control, research and acquisitions**

FAA reached a new collective bargaining agreement, effective September 15, with its largest union, the National Air Traffic Controllers Association (NATCA). Its new pay system means about 15,000 controllers' pay will be based on the complexity of operations carried out and the volume of air traffic controlled. It also includes changes in work rules that are expected to boost productivity.

Further, in July FAA initiated an 18-month pilot program in its research and acquisitions division that will cover about 1,200 employees and another 35 executives. The program will link pay with performance and measure performance in conjunction with FAA's Strategic Plan.

# FAA Personnel Reform

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Though both plans may offer affected FAA employees strong new incentives for good performance, they come at a price. FAA estimates the NATCA agreement will add \$860 million in controller payroll costs over the next 5 years; a proposed similar pay system for air traffic managers and supervisors could cost another \$260 million over the same time period. Further, the research and acquisitions pilot program may add costs, despite FAA expectations of corresponding productivity gains. The pilot allows for significant potential pay increases for some employees.

## The unfinished agenda

Our audit also found that further effort is needed to address compensation issues for the remaining two-thirds of FAA's workforce and other key issues:

◆ **Flexibility in hiring.** While FAA has granted its six major divisions the flexibility to use at least three approaches in identifying prospective new hires (the time-honored vacancy announcement, plus central registry and targeted hiring of staff for hard-to-fill openings) air traffic facility managers told OIG they still must hire applicants using Office of Personnel Management procedures that predate FAA's personnel reforms.



◆ **Curbing redundant training.** FAA's reform plans called for new tests to be devised to ensure new hires possessed required skills. Previously, all employees were put through training that proved redundant for many of them. Though employee associations objected to a proposed Basic Electronic Screening Test the airway facilities division devised, saying it could cause hiring disparities, FAA examined the issue and tentatively plans to begin using the test November 15, 1998.

◆ **Change of location/travel program amendments.** FAA developed 18 reform initiatives covering temporary-duty travel, extended stays and permanent "change-of-station" moves. Though the Administrator approved these as early as April, 1997, FAA opted not to implement them until they could be negotiated with all 7 of FAA's unions. Pending the Administrator's approval, FAA may begin testing the initiatives within segments of its total workforce.

# Office of Inspector General—Work Planned and in Progress

*In the interest of maximizing DOT's value to citizens, the Secretary of Transportation has developed a Strategic Plan setting priorities for the appropriate deployment of Departmental staff and other resources. This chart illustrates major OIG work planned and in progress in relation to the Secretary's priorities of Safety, Mobility, Economic Growth and Trade, Human and Natural Environment and National Security.*

## Strategic goal: Safety

- ◆ Review FAA's National Aviation Safety Inspection Program to determine any systemic weaknesses.
- ◆ Review Year-2000 computer problems affecting the aviation industry; review FAA action to identify scope of such problems with air carriers and airports; review FAA strategy to ensure such problems and attendant safety risks are addressed.
- ◆ Evaluate effectiveness of FAA's inspection system for makers of aviation fasteners.
- ◆ Follow up on FAA actions to reduce runway incursions
- ◆ Review Federal Highway Administration analysis of post-accident truck crash data and development of accident-prevention measures.
- ◆ Assess progress by Federal Railroad Administration and other operating administrations to implement the Rail-Highway Crossing Safety Action Plan.
- ◆ Evaluate the U.S. Coast Guard's inspections of passenger vessels and its ability to respond to major incidents.
- ◆ Review the U.S. Coast Guard's progress in achieving its goal of reducing recreational boating deaths.
- ◆ Coordinate, with RSPA and a team from all operating administrations overseeing hazardous materials, an evaluation of DOT's HAZMAT transportation program.
- ◆ Place priority on OIG investigations affecting safety--specifically HAZMATs, motor carrier safety and trafficking in unapproved aircraft parts.
- ◆ Participate, as requested, in training DOT inspectors regarding aviation- or trucking-safety issues and briefing DOT staff and industry members on OIG investigations.

## Strategic Goal: Mobility

- ◆ Review FAA efforts to modernize the air traffic control system.
- ◆ Evaluate FAA progress in creating training and career development programs for maintenance technicians.
- ◆ Conduct a baseline review of all DOT "Megaprojects," highway and transit projects costing \$1 billion or more. Resulting data will be used to target subsequent in-depth OIG reviews.
- ◆ Perform in-depth reviews of selected Megaprojects regarding costs, funding, and completion schedules.
- ◆ Conduct semiannual follow-up reviews on Megaprojects earlier reported on by OIG.
- ◆ Work with the Federal Railroad Administration to develop risk-mitigating internal controls for its railroad loan programs.

## Strategic Goal: Economic Growth and Trade

- ◆ Conduct, or contract for, an independent analysis of FAA's cost-accounting system.
- ◆ Review FAA's efforts to implement its Acquisition Management System.
- ◆ Determine whether DOT's current regulatory approach to travel agent commission overrides is appropriate.
- ◆ Evaluate the Turner-Fairbanks Highway Research Center's acquisition policies, procedures and practices.
- ◆ Complete an independent assessment of Amtrak's financial viability.
- ◆ Work proactively with DOT financial managers to correct material weaknesses in their accounting systems in an effort to achieve an unqualified, or "clean," audit opinion in their FY 1999 financial statements.
- ◆ Issue OIG's audit report on DOT's FY 1998 financial statements by March 1999.
- ◆ Continue oversight of DOT work on Year-2000 computer problems.
- ◆ Work with chief information officers throughout the Department to enhance computer security.
- ◆ Evaluate Departmental oversight of university research studies and grants.
- ◆ Investigate contract, grant, and procurement fraud.

## Strategic Goal: Human and Natural Environment

- ◆ Review Federal Highway Administration oversight of state use of Congestion Mitigation Air Quality program funds in reducing pollutants and greenhouse gases.
- ◆ Evaluate the Maritime Administration's progress toward its goal of scrapping obsolete vessels.
- ◆ Coordinate, with RSPA and a team from all operating administrations overseeing hazardous materials, an evaluation of DOT's HAZMAT transportation program.
- ◆ Place priority on investigations of hazardous materials violations including participation in Environmental Crime Task Force operations in multiple geographic locations.

## Strategic Goal: National Security

- ◆ Review FAA oversight of the security of checked baggage on flights within the United States.
- ◆ Assess progress by FAA, airport operators, and air carriers in correcting security weaknesses in the area of access control, as earlier reported in OIG audits or identified by the White House Commission on Aviation Safety and Security. We will also follow up on deployment of explosive-detection systems.
- ◆ Assess the effectiveness of Maritime Administration internal controls ensuring accuracy of payments under the Maritime Security Program.
- ◆ Review the U.S. Coast Guard's efforts to meet performance goals regarding countermeasures against illegal drug importation.



### **DOT: Measure air carrier arrival data uniformly**

Airlines use on-time arrival statistics as a major marketing tool. We undertook an audit of aircraft arrival data (report FE-1998-103) after it was alleged that two airlines were submitting falsified arrival data to the Department of Transportation. While we found no significant evidence of falsification, OIG noted that various airlines used different measures to establish arrival times. As a result, we suggested the Department set a single definition for gate arrival. We also recommended that the Department disclose in its public report whether an automated or a manual system is used by each airline to record arrival times; manual recording gives airlines greater leeway to manipulate arrival data. The Department agreed to do it. Further, the Department directed airlines to use the setting of an aircraft's parking brake as the standard measure for gate arrival.

### **FAA: \$1.5 billion wasted on air-traffic-control system development**

Late in 1997, the Senate Appropriations Committee's Subcommittee on Transportation asked OIG to examine the costs of FAA's Advanced Automation System (AAS), the centerpiece of FAA's air traffic control modernization efforts in the 1980s and early 1990s. Because of serious cost growth and schedule delays, AAS was restructured into more manageable pieces in 1994. OIG's report (AV-1998-113) found that, of \$2.6 billion spent on AAS, about \$1.5 billion—some 57 percent—represented losses to the Federal government. OIG also looked into issues of liability and culpability. Though the contract was restructured and most liability issues were waived, the government reserved the right to act against contractor fraud or waste. OIG, in coordination with the Defense Contract Audit Agency and the Justice Department, now is investigating a case involving alleged excess lease charges.



### **Aircraft parts robbery/resale leads to prison term, \$900,000 restitution**

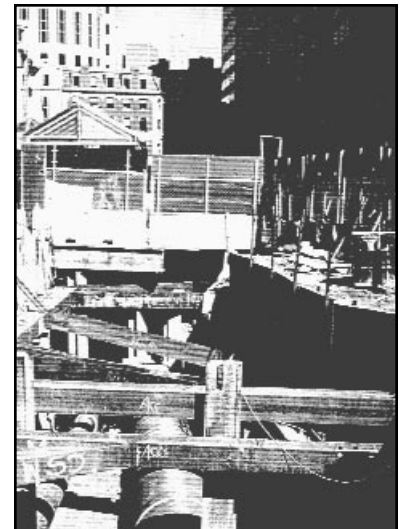
Miami aircraft parts broker Thomas David "Buddy" Hinton was sentenced by a U.S. District Court judge to 5 years and 10 months in prison and 3 years' supervised release, and ordered to pay \$900,000 in restitution for his role in an aircraft repair-station robbery and his involvement in the illegal resale of parts stolen in the heist. Among the stolen parts were jet engine disks, blades, and vanes later sold or laundered through two aviation parts companies owned by an accomplice. Hinton falsified FAA-required certifications to resell the stolen parts. The case was jointly investigated by OIG, the FBI and the Miami-Dade County Police Department.

## **FAA: Security guard contracts need better oversight**

Our audit (AV-1998-120) found that the FAA needs to better oversee its contracts for the security of its facilities. This audit followed up a 1991 review on the same topic. Though FAA took some steps to improve contract oversight, neither FAA nor the four contractors we reviewed could document that security guards at FAA facilities met minimum contract requirements. There was little or no evidence that guards had passed pre-employment suitability investigations, firearms training and proficiency tests or demonstrations of physical fitness. Further, FAA did not enforce contract requirements for background checks on newly hired guards. FAA, responding to the audit, said it will step up oversight of the contracts.

## **Boston Central Artery project: aggressive cost-control needed**

Our audit (report TR-1998-109) showed that costs to complete the Boston Central Artery project—a replacement of more than 7 miles of urban highway plus a new airport-access tunnel under Boston Harbor—could rise as high as \$11.2 billion if stringent cost-control was not undertaken immediately. The State of Massachusetts' estimate for the project rose from \$8 billion in March 1995 to \$10.8 billion in September 1997, due to costs not included in the original estimate. We found a likelihood of higher-than-budgeted costs for change orders, contract awards and consultant costs in the absence of aggressive cost-control. OIG also recommended that DOT more closely monitor costs and credits for owner-controlled insurance on Federally financed projects, and that DOT should determine whether project cost estimates should include interest costs of grant anticipation notes.



## **Consolidated Financial Statements: Work needed on accounting systems**

OIG issued a "disclaimer of opinion" on the Department of Transportation's Consolidated Financial Statements for the fiscal year ending September 30, 1997 because key elements of the statements could not be substantiated—a basic requirement of professional financial auditing. In our report (FE-1998-105) we concluded documentation was lacking for property, plant and equipment reported at \$26.5 billion and inventory and related property reported at \$2 billion. Though verification also was needed in two other areas—Highway and Airport and Airway Trust Fund excise tax revenues and investments reported at \$28.4 billion and \$30.9 billion—those problems stem from practices at the Treasury Department, over which Transportation has no control. FHWA made progress correcting prior-year weaknesses. A sense of urgency is needed; if FAA is without a cost-accounting system, and unable to track its property and costs, the agency will have difficulty becoming a fee-financed, "performance-based" organization.





### **Theft, illegal transport of pesticides and herbicides spur jail time and fine**

A Fresno, California man was sentenced to nearly 5 years' imprisonment plus a fine of \$1,750 for the theft and illegal interstate transport of herbicides and pesticides. Ernesto Raymundo was handed the sentence, plus 5 years' probation, in Federal court. An associate, Kelly D. Worton of Sanger, California, also was convicted and sentenced to 3 years' imprisonment and 3 years' probation; Worton was fined \$2,000. The case was investigated by OIG, the FBI, U.S. Customs, the Internal Revenue Service, the Office of Motor Carriers and the Fresno County Sheriff's Office.

### **RSPA: Track shippers of hazardous materials more closely**

A 1990 Federal law—the Hazardous Materials Transportation Uniform Safety Act—requires shippers of hazardous materials to register with the Research and Special Programs Administration, which is part of the Department of Transportation. However, our analysis (report TR-1998-110) found that while RSPA has taken actions to enforce registration requirements, it needs to work on four areas. They are: collecting the full amount of fees intended by Congress from hazardous materials shippers; identifying all new hazardous materials shippers and carriers; following up with recipients of RSPA mailings to make sure those required to register do so, and maintaining a fair fee structure for registrants. We urged RSPA to create a comprehensive database of hazmat transporters, require response to its mailings—with followup—and set a graduated fee schedule.



### **Coast Guard: Housing projects warrant closer review**

OIG reviewed 14 U.S. Coast Guard family housing acquisition projects (report MA-1998-112), concluding that 9—expected to cost more than \$44.6 million—were not adequately justified. During the audit, 2 of those 9 projects were cancelled and 3 advanced to the acquisition stage. We recommended that the remaining 4 projects be evaluated again prior to construction. The Coast Guard agreed with our recommendations.

## **OIG Hotline: Manager gets letter of reprimand in helicopter joyriding incident**

Following an anonymous complaint to OIG's Hotline, FAA investigated an allegation that a facility manager had allowed two secretaries to take a 20-to-30-minute joyride on a helicopter being used in a "currency flight," for purposes of assessing pilot qualification. The helicopter was being rented at a cost of \$900 per hour. Following counseling, the manager was issued a letter of reprimand.

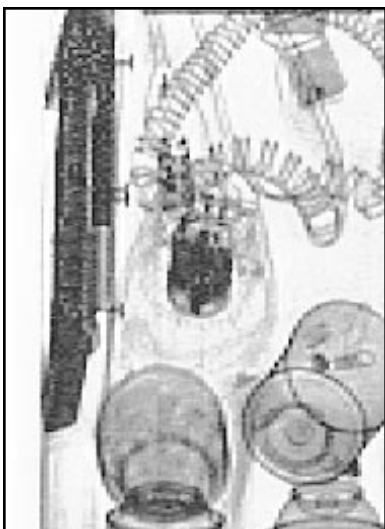


### **Federal Contract Tower program safe and effective**

The contract tower program provides lower-cost air traffic control services at 110 towers previously operated by the FAA. It also provides air traffic control at 50 towers FAA would not staff on grounds of high operating cost. During the audit (report AV-1998-147) OIG found contract tower controllers met qualification requirements and received required training. However, not all contract towers were staffed according to agreements between FAA and the contractors. As a result, FAA sometimes paid for air traffic control services not delivered. Although we found the quality of contract service comparable with FAA's, we recommended that FAA periodically review contractor-set staffing levels at contract towers. We also recommended that FAA recover \$2.4 million in overpayments to one contractor, and review staffing by two other contractors, recovering overpayments. FAA agreed with all recommendations.

### **\$3 million motor fuel tax evasion nets 3 years**

Arkady Shuster of New York City was sentenced in U.S. District Court in Hauppauge, NY to 3 years and 1 month of confinement, 3 years' probation, and a fine of \$50,000. He pleaded guilty in March 1997 to two counts of conspiracy, two counts of tax evasion, and one count of fraudulent use of an IRS form. Shuster and eight others—Jeffrey Broner, Anna Keylin, Robert Meester, Igor Oransky, Eugene Rakovsky, Nicholas Uccio, Leon Uzdin and Vladimir Zak—were indicted in November 1992 for their alleged involvement in a conspiracy to evade more than \$3 million in excise taxes on approximately 45 million gallons of gasoline.



### **Improvements needed in aviation security**

In testimony before the U.S. House Transportation and Infrastructure Committee's Subcommittee on Aviation (report AV-1998-134), Deputy Assistant Inspector General for Aviation Alexis Stefani noted that the Federal Aviation Administration has made progress in developing an oversight program for dangerous goods and cargo security. However, OIG still has found substantial rates of noncompliance with security requirements affecting such items. Stefani also said deployment of new explosives-detection equipment has been educational for FAA employees staffing it; however, the equipment is underused by airlines and is not performing up to all established standards. Finally, Stefani said the FAA needs a strategic plan for meeting threats to aviation security.

## **Coast Guard contractor sentenced in faulty windshields case**

A fine of \$36,500 and restitution of \$13,500 were levied against Perkins Aircraft Services, Inc. of Fort Worth, Texas in U.S. District Court. The firm had pleaded guilty late in 1997 to making false statements to the U. S. Coast Guard. Perkins admitted it falsely represented that it had repaired and made serviceable 14 windshields on Falcon 20 jets when, in fact, the windshields were not airworthy. The Coast Guard has begun debarment action against Perkins. This OIG investigation stemmed from an undercover operation conducted jointly by OIG, the FBI and the Defense Criminal Investigative Service.

## **Wide Area Augmentation System: questions remain**

In response to a request from Congressman Frank Wolf, Chairman of the Transportation Subcommittee of the House Appropriations Committee, OIG (report AV-1998-117) outlined recent observations about the Wide Area Augmentation System (WAAS). The system is a major navigational component of air-traffic control modernization now under way at the Federal Aviation Administration. We advised the chairman that, in our opinion, the single most critical issue affecting the WAAS program is whether it will be a primary or sole means of navigation. The decision will affect not only the WAAS contract and costs, but also the schedule for decommissioning existing navigational aids. We also advised the chairman that WAAS will be affected by unanswered technical questions, plans for funding cuts in the coming fiscal year and new thinking on the need for a secondary, or backup, system. Also see our later audit report, AV-1998-189, in August.



## **Former aircraft mechanic fined for lying about maintenance**

Richard Plenkens of Monroe, Wisconsin, a former mechanic for Skyway Airlines, was handed a \$1,500 fine and placed on 2 years' probation by a U.S. District Court judge in Rockford, Illinois following Plenkens' admission he installed unapproved bearings. The mechanic had earlier pleaded guilty to a charge of conspiracy to defraud—by impeding the Federal Aviation Administration—and by making false statements on aircraft maintenance records. Plenkens and the firm he had worked for falsely recorded FAA-approved part numbers on maintenance records to conceal the faulty installations. Six other defendants were sentenced in this scheme.

## **Aviation mechanic sentenced to 14 months in prison**

Gregory Allen McConnell, a former FAA-licensed airframe and powerplant mechanic, was sentenced to 14 months' incarceration, fined \$60,000, and placed on 36 months' supervised release in U.S. District Court in Oxford, Mississippi. Restitution of \$66,494 was suspended because McConnell had no means to pay it. McConnell, of Clouer, South Carolina, pleaded guilty in July 1997 to conspiracy to commit wire fraud. It was alleged he falsely represented his overhaul work on general aviation aircraft at two firms in North and South Carolina as rendering engines airworthy, when they were not. The case was referred to OIG by FAA's Flight Standards division.



## **Illegal pesticide shipment spurs 16 months' confinement**

A Miami, Florida freight forwarder—Angel Dante Fuentes—was ordered jailed for 8 months and confined at home for an equal time following his guilty plea in an illegal pesticide shipment case. Last October Fuentes' firm attempted to ship bags of "Dowicide," a pesticide, to South America on a passenger jet. One of the bags tore open, releasing fumes which spurred the evacuation of the plane's passenger compartment. Another shipment of the substance was found on a vessel bound for South America. The U.S. District Court judge hearing the case also placed Fuentes on 3 years' supervised release. The case was investigated by OIG, the FBI and the Environmental Protection Agency.

## **FAA: Budget reprogramming check finds inconsistencies**

The Inspector General sent a report to Congressman Frank Wolf, Chairman of the House Appropriations Subcommittee on Transportation and Related Agencies, regarding FAA's requested reprogramming of \$34 million during Fiscal Year 1998 for the Standard Terminal Automation Replacement System (STARS) and the Air Route Traffic Control Center (ARTCC). OIG found significant variances in the amounts proposed for reduction by budget line-item from the actual amounts reprogrammed.



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## **Security controls still lacking over air courier shipments**

OIG and FAA jointly reviewed security controls for air courier shipments on domestic and foreign air carriers (report AV-1998-149). We found air carriers were making progress complying with cargo acceptance requirements on passenger aircraft. However, there was substantial noncompliance by air couriers—intermediaries placing cargo with air carriers for shipment on passenger aircraft. The low compliance level for courier test packages shipped on such aircraft was a matter of special concern. FAA plans to take several actions to promote consistent compliance and strengthen air cargo security.



## **OIG hosts first Departmental civil enforcement conference to combat fraud**

OIG's Office of Investigations and the U.S. Attorney's Office for the District of Columbia jointly sponsored an affirmative civil enforcement conference in Washington. Affirmative civil enforcement is a white-collar crime initiative that targets fraud in Federal procurement and contracting programs. The conference was designed to help departmental personnel identify and combat fraud. More than 100 people participated. Speakers included Wilma Lewis, U.S. Attorney for the District of Columbia (pictured at left) and DOT's Inspector General.

## **U.S. Coast Guard: agency needs should determine postgraduate training**

An OIG audit (report MA-1998-148) found that the U.S. Coast Guard has based the number of officers engaged in full-time postgraduate schooling on past practices rather than the agency's need for officers with particular skills. As a result, officers are allowed to attend graduate school full-time even though the number of officers holding advanced degrees already exceeds the Coast Guard's requirements. We suggested the Coast Guard justify the number of officers going to graduate school full-time and base such assignments on agency needs. Coast Guard officials concurred.

## **Wholesaler sentenced for illegally shipping hazardous fluids on commercial aircraft**

A North Fort Lauderdale, Florida chemical wholesaler who admitted violating a Federal law barring shipment of hazardous materials on commercial aircraft was sentenced to 2 years' probation. Peter Petakos, owner of Sparten Chemical, shipped fuel-detergent supplements, which are flammable, via Federal Express without the knowledge of the courier. OIG's investigation revealed that Sparten Chemical falsely labeled the packages as containing household cleaners, violating regulations that require declaration, appropriate packing and labeling of hazardous materials. FedEx discovered the shipments when the chemicals leaked in transit. OIG and FAA's Dangerous Goods division investigated the case.



## **Maritime Security program: vessel selection appropriate, payments to private operators under MARAD review**

The Maritime Security Act, passed by Congress in 1996, requires the Maritime Administration to establish a fleet of privately owned and operated vessels capable of assisting the U.S. Government during a war or national emergency. In our audit of MARAD's actions in keeping with that statute, we found (audit MA-1998-156) that MARAD properly followed the criteria set out in the act in selecting vessels under the law's Maritime Security Program. OIG recommended that MARAD finish its first annual program review on time. The review will determine whether the sums paid to private vessel operators in 1997 are properly supported.

## **Guilty plea entered in false cylinder-safety tests**

William B. Courtney, owner of a now-defunct fire protection company in Memphis, Tennessee, pleaded guilty to a charge of mail fraud for certifying that the company had performed safety tests on compressed gas cylinders. In fact, it had not. Courtney's firm, Columbia Fire Protection, marked the untested cylinders with another company's Federal authorization number indicating required testing had occurred. Testing helps prevent the possible explosion of cracked or otherwise faulty cylinders. Courtney's customers included hospitals and schools in metropolitan Memphis, the Memphis branch of the Federal Reserve Bank of St. Louis and private corporations. OIG and the FBI executed a search warrant on the company in September 1997, with assistance from the Research and Special Programs Administration.







### **Trucking firm, owner plead guilty in case involving diabetic driver**

Ernest A. Jones Jr. and his trucking firm, Transcorps Enterprises, Inc. of Harrisburg, Pennsylvania, pleaded guilty to violating Federal motor carrier regulations and were fined \$25,000 each in U.S. District Court. Jones and the firm were charged following the March 6, 1997 traffic death of a driver for the firm, Allen Jacobs, who had insulin-dependent diabetes. Because of his medical condition, Jacobs was unqualified to legally drive a commercial vehicle. The case was investigated by OIG and the Office of Motor Carriers.

### **Coast Guard retired pay and health care: actuarial estimates off by \$1.3 billion**

The U.S. Coast Guard uses an actuarial model to estimate its liabilities for retired pay and medical benefits. As part of OIG's audit of DOT's Fiscal Year 1997 Consolidated Financial Statements, the Hay Group—under contract with OIG—studied the Coast Guard's actuarial model. The Coast Guard reported an actuarial liability of \$14 billion for military retired pay and health care costs. The Hay Group study (report FE-1998-151) showed the estimate incorrectly applied actuarial assumptions. The magnitude of the errors prevented the Hay Group from conducting a complete audit or estimating potential impact. Correction of the major errors would have increased the Coast Guard's total liability by \$1.3 billion.



### **Risks still faced by Los Angeles Metro Rail Red Line project; costs, schedules reasonable**

OIG, in its review of the Los Angeles Metro Rail Red Line project (report TR-1998-154) found that projected costs and schedules are reasonable. However, funding for the North Hollywood extension of the subway system still faces risks. For example, Congress has yet to provide about \$150 million in funds that project managers are depending on to cover costs. Further, the Los Angeles Metropolitan Transit Authority's overall capital and operating budgets still have significant shortfalls. The authority has developed a recovery plan to address these shortfalls, and that plan was the subject of a separate OIG review, report TR-1998-176.

## **Largest fuel tax fraud case in U.S. history spurs multiple convictions**

As a result of OIG work in a multi-agency task force, a U.S. District Court jury in Camden, New Jersey convicted Daniel Enright, former head of Petro-Plus Petroleum of Deptford, New Jersey, of multiple charges relating to the most massive fuel tax fraud case in U.S. history. Three other defendants—Demetrios Karamanos of Norwood, New Jersey, Richard Pedroni of Clermont, New Jersey and Mary Ingram of Woodbridge, New Jersey—were convicted of related charges; two other defendants, John Ruocco of New Jersey and Michael Lipkin of New York City were acquitted. Sentencing is scheduled December 1. This prosecution, involving the alleged evasion of more than \$140 million in state and Federal taxes, arose from a 1995 indictment of 25 people; 17 defendants pleaded guilty and two remain fugitives. The cases were brought by a multi-agency task force which included OIG, the Internal Revenue Service, the FBI, and Department of Justice prosecutors.

## **Incendiary flares hidden in luggage trigger \$3,000 fine**

Leo Guy Cauvin, a French resident of Germany, was fined \$3,000 following his arrest by OIG special agents for attempting to transport undeclared, incendiary signal flares in his aircraft luggage. Ramp personnel at Miami International Airport noticed smoke coming from a piece of Cauvin's luggage as he was changing planes en route to Frankfurt, Germany. Inside were several signal flares, one of which had ignited. Flares, which pose a serious threat to aircraft and passengers because they burn with great heat, are considered incendiaries and pyrotechnics under Federal regulations; carrying them in luggage is illegal.



## **DOT: Operating Administrations should award discretionary funds by highest priority, or explain other selections**

The Department's Operating Administrations follow certain steps to rank projects that are eligible for discretionary funding. Selecting the highest-ranked projects would generally appear to be the best use of taxpayers' dollars; however, a number of the highest-ranked projects are not funded. While valid reasons can exist for funding lower-ranked projects, rationales supporting such decisions must be clearly documented. We recommended (report MA-1998-155) that DOT set firm Departmentwide policy for awards of discretionary funds. In our opinion, such a policy would be an excellent candidate for the Secretary's "One DOT" initiative. It should require the funding of the highest-priority national projects, and documentation to support decisions to fund projects of lower priority.

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## **Dangerous goods/cargo security: FAA needs closer aviation industry cooperation**

Our review of FAA's new dangerous goods/cargo security program (AV-1998-178) found that FAA has made progress developing and redefining policies, procedures and controls for the program. However, field tests by FAA and OIG disclosed substantial noncompliance with program regulations. That occurred, in part, because employees of airlines and "indirect air carriers" needed more management oversight. An indirect air carrier accepts cargo from a shipper and delivers it to commercial airlines for transport. An air freight forwarder is considered an indirect air carrier. Without adequate compliance by industry, vulnerability to criminal or unsafe activity is heightened.

## **Ready-reserve fleet thieves sentenced**

Several defendants convicted in connection with a ring that stole more than \$150,000 worth of copper cable and ships' artifacts from a Maritime Administration reserve fleet (pictured at right, anchored in rows) were sentenced in U.S. District Court in Sacramento, CA. Steven Smith was sentenced to 18 months' incarceration and 3 years' supervised release and ordered to make restitution of \$153,820; Michael Woodyard was sentenced to 1 year and 1 day in jail, 3 years' supervised release and restitution of \$153,820, and Dominick L. Fulco was sentenced to 3 years in a halfway house, 3 years' probation and restitution of \$10,800. Also sentenced were Marlon Burton, to 6 months' home detention, 3 years' probation and \$24,400 in restitution, and Desare Pelonio, to 4 months' home detention, 3 years' probation and restitution of \$28,941. The case was investigated by OIG.



## **FAA: Contract expires, STARS monitor supply must be preserved**

In an update of our ongoing review of FAA's Standard Terminal Automation Replacement System, a component of air traffic control modernization, OIG found (in report AV-1998-169) that FAA failed to budget enough funds to acquire the remaining 1,205 display monitors needed for the STARS program. Because contract options were allowed to expire, FAA needs to take immediate action to ensure a future supply of the monitors. FAA stated it will continue to work with the Office of the Secretary and with Congress to ensure both near-term and future funding requirements for display monitors.

## **Waste illegally transported; firm sentenced, principals fined and incarcerated**

After illegally moving hazardous waste to a facility that lacked a permit, Lam Pine, Inc. of Payette, ID and trucking firm LHT, Inc. of Union, OR were found in violation of the Hazardous Materials Transportation Act along with their principals. George Elwood Betts of Donnelly, ID, owner of Lam Pine, was ordered jailed 14 days, placed on 5 years' probation and ordered to pay \$163,227 restitution/special assessment. Betts had ordered 238 drums of waste paint and thinners moved from Le Grande, OR to Payette, ID without required manifests, placarding, or data sheets. Larry J. Hatch, owner of LHT, Inc., was handed a 180-day sentence—with 130 days suspended—plus 2 years' probation, a fine of \$2,000 and \$5,350 in court costs. LHT, Inc. was fined \$1,500 plus a \$200 assessment and placed on 2 years' probation; Lam Pine, Inc. was placed on a year's probation and fined \$2,500 plus a \$200 assessment. The case was jointly investigated by OIG and the Environmental Protection Agency.



## **Unprecedented \$5 million fine and restitution in unapproved parts case**

Arrow Air of Miami, Florida was dunned \$5 million by a U.S. District Court judge following its guilty plea to six counts of making false statements to the FAA. Arrow Air, an all-cargo air carrier, removed some 3,000 aircraft parts from planes not registered or operated in the United States, then represented the parts as FAA-sanctioned for installation in this country. In a precedent-setting ruling, \$2 million of the levy against the firm was categorized as restitution, designated for the use of the Center for Aerospace Safety Education at Embry-Riddle Aeronautical University in Daytona Beach, Florida. The school will use the funds to educate and perform research related to problems caused by unapproved parts in civil aviation.

## **Alternate regulatory steps achieve comparable safety levels**

FAA allows divergence from its safety regulations, with its formal approval, if alternate provisions are made to ensure safety. OIG reviewed the documentation and rationales in 58 deviations or exemptions granted by FAA since 1973 (report AV-1998-171). The rationales offered in granting them—as well as alternate measures taken to achieve comparable safety levels—were reasonable and well-documented in all instances but one. That was a deviation from emergency equipment required for extended operations over water; following our discussions with FAA's associate administrator for regulation and certification, that deviation was withdrawn.

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## **FAA: Inactivation of military specifications for fasteners requires advisory notification to industry**

At the request of the chairman of the National Transportation Safety Board, OIG reviewed potential effects on the commercial aviation industry of the May 1997 inactivation of military specification MIL-S-8879C. The specification applies to testing standards for threaded fasteners and components used in high-stress systems, such as aircraft engines and landing gear. On May 6, the Federal Aviation Administrator advised Senator John McCain that FAA regards the specification as still binding, despite its inactivation by the military. Based on our discussions with technical experts and our analysis of data, we concluded (report AV-1998-177) the inactivation could cause some manufacturers to use less-stringent testing standards. Over time, that could pose an aviation safety risk. We recommended, and FAA agreed to issue, a notification to the commercial aviation industry regarding FAA's policy.

## **Los Angeles Metropolitan Transit Authority: recovery plan is reasonable, but risks remain**

Following OIG review of the Los Angeles Metropolitan Transit Authority's financial recovery plan, addressing shortfalls in the capital and operating budgets, we concluded the plan is reasonable and agreed with the Federal Transit Administration's recommendation it should be accepted (report TR-1998-176). We noted, however, that the plan identifies a \$1.1 billion shortfall between projected revenues and costs, which MTA needs to cover with additional revenue, funding or cost efficiencies. We recommended that Congress require the transit authority to give priority funding to the North Hollywood extension of the Red Line subway and to requirements of a consent decree aimed at improving the system's bus service. We also recommended additional FTA oversight.

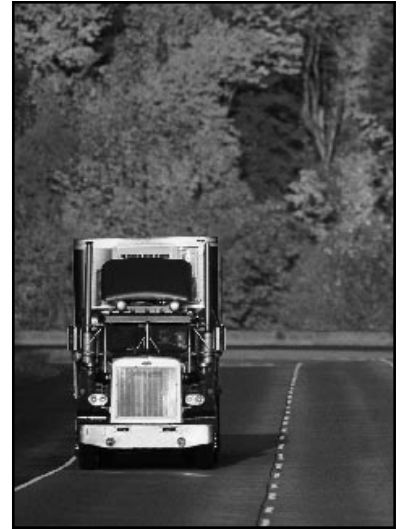


## **Fraudulent credentials draw sanction against aircraft repairman**

Stephenson Antoine, a former aviation mechanic for STS Services, Inc. of Nashville, Tennessee, was sentenced to 2 years' probation in Federal court. Antoine was convicted of submitting a fraudulent FAA airframe and powerplant certificate to STS Services to get his job there. As a condition of his probation, Antoine must notify any future aviation-related employers of the nature and circumstances of his crime and conviction. The investigation was referred to OIG by the FAA Civil Aviation Security division.

## **Logbook falsification admitted by trucking company owner**

John Hoth of Cedar Rapids, Iowa pleaded guilty in U.S. District Court to falsifying Federally required truck-drivers' logbooks. The logs track the number of hours commercial truckers drive; regulations require intermittent breaks for sleep to prevent accidents caused by "tired truckers." Six drivers for Hoth's trucking firm, Shuttle Service Express, earlier pleaded guilty to the same offense following their indictments in October, 1997. In his plea agreement, Hoth admitted that the conduct of his company involved a "conscious or reckless risk of serious injury." OIG and the Federal Highway Administration's Office of Motor Carriers jointly investigated the case.

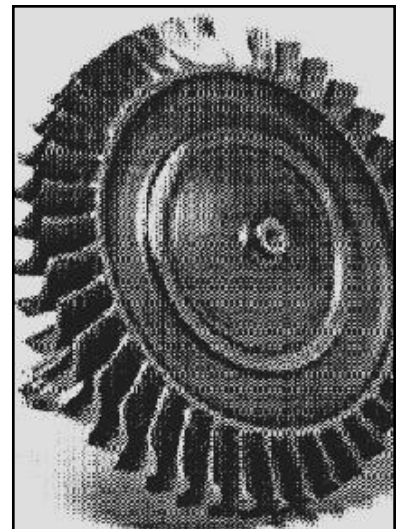


## **\$20.3 billion in Treasury adjustments lead to DOT financial statement consistency**

In response to an Office of Management and Budget request to chief financial officers and inspectors general throughout the Federal government, OIG cross-checked Department of Treasury data against the Department of Transportation's Consolidated Financial Statements for Fiscal Year 1997. At issue was the consistency of information in a system known as "FACTS," the Federal Agencies' Centralized Trial-Balance System. When the two sets of data did not initially reconcile, Treasury made \$20.3 billion in adjustments to its data and resubmitted the adjusted information to DOT. OIG then certified (report FE-1998-164) that the FACTS data were consistent in all material respects with DOT's audited FY 1997 consolidated financial statements.

## **Substandard aircraft parts spur sentences for two**

"Operation Breakapart," an undercover operation involving OIG, the FBI and the Department of Defense, prompted sentences for both the owner and foreman of an FAA-certified aircraft repair station alleged to have supplied substandard aircraft parts to DOD and civil aviators. Gary Hodgson, owner of Oro Valves of Azusa, CA, was sentenced to 18 months' incarceration and 3 years' probation, while the firm's foreman, James Larios, was handed 6 months' home detention. Hodgson also was ordered to pay \$2,000 in restitution by a U.S. District Court Judge in Los Angeles. The firm and the two men were charged with conspiracy to submit false claims to the government.





### **FAA: Employees' free flights pose ethical problems; abuses should stop**

OIG called for an end to abuses in an FAA program that set out to familiarize FAA employees with problems and conditions on board aircraft, but evolved into a front for free travel to resort and vacation destinations for some users. In our report (AV-1998-170), OIG found that the Liaison and Familiarization Training program, sometimes called the "FAM" program, represents a serious, continuing and widespread lapse of ethics within FAA. Not only does the program violate Federal laws barring gifts to employees and ethics rules barring use of public office for private gain, but the practice creates an appearance of impropriety because FAA regulates the air carriers offering the flights. The FAA administrator subsequently declared the program non-negotiable with the National Air Traffic Controllers Association, and in a letter to Sen. McCain concurred with OIG's audit and the need for prompt action.

### **FHWA official pleads guilty to conspiracy, bribery, and money-laundering**

Alberto Santiago, a former Federal Highway Administration official who resigned while under investigation, pleaded guilty in U.S. District Court for the District of Columbia. Santiago, of Herndon, VA, was charged with conspiracy, bribery, and money-laundering; he faces up to 40 years in prison and \$1 million in fines. Sentencing is pending. An OIG investigation, jointly carried out with the FBI, disclosed that between 1993 and 1997 Santiago solicited and received more than \$150,000 in cash and money orders from government contractors over whom he had official responsibility, letting them submit fraudulent invoices to reimburse themselves for the illicit payments. In a related case, Hobih Chen, owner of the Viggen Corp. of Sterling, VA, pleaded guilty to conspiracy, bribery and money-laundering. Chen's firm was among those alleged to have paid bribes to Santiago. He faces up to 5 years' imprisonment and \$250,000 in fines. The investigation continues, and an audit of the facility where Santiago worked is under way.



### **Spot-check on California road repairs: emergency funds not abused**

In an audit issued in August 1997 and in earlier reports, OIG found prohibited use of Federal emergency relief highway funds allotted for restoration of highways that have been damaged, typically by natural disasters. In our recent followup to that review (report TR-1998-191), OIG's check on 203 engineers' reports supporting bids for emergency relief triggered by severe California flooding late in 1997 and early in 1998 showed conformance with Federal regulations. Further, the Federal Highway Administration correctly rejected three bids for emergency relief that were out of conformance. OIG's discovery of a computer error that could have led to double payment on one project, in the amount of \$6.7 million, led to correction of that error.

## **DOT, FAA computer security lacking; Year-2000 progress made**

Deputy Assistant Inspector General John Meche provided observations on FAA's Year-2000 computer program and on computer security issues within FAA and DOT, at a hearing of the U.S. House Science Committee's Subcommittee on Technology. In the observations—later released as report FE-1998-187—Meche noted that FAA has made substantial progress on its Year-2000 computer issues within the past 6 months. FAA had reported it was on schedule to fix all known Year-2000 problems by September 30, 1998; however, OIG found that 6 FAA systems now under development had not been assessed for Year-2000 vulnerability. FAA also reported that 102 of its mission-critical systems will not be tested and implemented by OMB's milestone date of March 31, 1999. Meche also noted that DOT has not obtained guarantees of security compliance from outside users of its computer networks, and only one of 20 DOT networks has been certified secure. FAA, further, plans to place both its front-line and backup Host air traffic-control-related computers in the same room, posing a data-destruction threat if some event such as a fire rendered both inoperable.



## **Log-falsifying trucker sentenced in vehicular homicide**

A year's imprisonment and a fine of \$1,800 were ordered by a Pennsylvania court for Bennie Hilton, a truck driver from Miami, Florida found guilty of vehicular homicide. He was found to have caused one death and another serious injury in a highway accident May 20, 1997. Further, Hilton has pleaded guilty to a Federal false statements charge based on his maintenance of false drivers' logs. Sentencing on that charge remains pending. OIG's investigation found that Hilton, who also was placed on probation for 2 years by a Pennsylvania state judge in Allentown, had falsified his driver's log the day before the accident to show he had been off-duty when in fact he had been continuously driving more than 24 hours. Hilton's tractor-trailer crossed the center line, striking several other vehicles.

## **Construction Firm Sentenced for disadvantaged business contract fraud**

Brothers Construction Co. of Ohio, Inc. was sentenced to 3 years' probation for conspiracy and making false statements in connection with work on an interstate highway project. The Columbus, OH firm was sentenced in Federal Court in Wheeling, WV. Brothers was convicted in November, 1997 following allegations the firm had let its certification as a disadvantaged business enterprise be used to front for work performed by an uncertified contractor that was required to be directed to a disadvantaged enterprise. Weeks later, in a separate case, Tri-State Asphalt of Wheeling, WV was fined \$500,000 and sentenced to 3 years' probation in connection with the scheme. Tri-State was the prime contractor on the job. The cases were jointly investigated by OIG and the West Virginia Department of Transportation.



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## **Former transit director pleads guilty in theft of Federal transit funds**

Cecil Rhodes, the former director of the Tuscaloosa County Parking and Transit Authority in Tuscaloosa, AL, pleaded guilty to one count of theft in connection with a kickback scheme. In the plea agreement, Rhodes agreed to make restitution of \$155,287. The Federal Transit Administration supplies the authority with more than \$10,000 in annual grant money to cover bus maintenance and related services. In 1996, prosecutors allege, a contract diesel mechanic for the authority conspired with Rhodes to inflate repair invoices to the authority, generating funds which became kickbacks.



## **\$600,000 embezzlement brings prison term, seizure of assets**

Following an OIG investigation, former FAA accountant Louise Lathrop was sentenced to 2 years' imprisonment, 3 years' probation and the payment of \$600,000 in restitution following her guilty plea to charges of theft and fraud. Lathrop—who used her access to FAA's computer system to mail U.S. Treasury checks in her name to her home—was sentenced in U.S. District Court in Kansas City, MO. Bank accounts held by Lathrop were seized, yielding \$128,538—and she agreed to forfeit her outstanding salary and retirement benefits, her house, a car, and a motorcycle.

## **FAA cost-accounting: some progress, but system is behind schedule and hampered by financial-control deficiencies**

In our initial report on FAA's efforts to put a cost-accounting system in place (FE-1998-186), OIG found that FAA has made substantial progress but more needs to be done. Further, implementation of the system is behind schedule and underlying financial control deficiencies will continue to generate inaccurate and indefensible cost data. OIG's audit sought to determine whether the new cost-accounting system captured and allocated all costs, was tested to provide reliable information for performance measurement and could be used to support user fees. We found FAA still needs to identify and show accounting adjustments, project development costs, other agencies' costs for air traffic services and labor costs. Until FAA improves its accounting and accurately accounts for its property and costs, it will not receive an unqualified (or “clean”) opinion on its financial statements and will not have a cost-accounting system that produces accurate data.

## **Plea, settlement lead to \$500,000 restitution**

A construction firm that did business with the Massachusetts Bay Transportation Authority agreed to pay \$500,000 in restitution following its guilty plea to one count of bribery. Modern Continental Construction Co. Inc. of Cambridge, MA entered the plea in connection with allegations the firm provided free work and materials to former MBTA engineer Joseph Monteiro, who had authority over part of the \$500 million, FTA-financed Old Colony Railroad project. Monteiro also has been indicted in connection with the alleged scheme. Massimo Marino of North Reading, MA, a vice-president with Modern Continental Construction, pleaded guilty to one count of providing and causing others to provide free work and materials to Monteiro with intent to influence Monteiro's actions. Marino's sentencing is set for December. The cases were investigated by OIG, the FBI and the Massachusetts Office of Inspector General.

## **Bus hijacker gets 30 years**

A New Jersey state court handed a 30-year sentence to Dwayne Thomas of Camden, NJ, charged in the hijacking of a New Jersey Transit bus in Camden May 13, 1997. Thomas, previously convicted of murder, pleaded guilty to the bus-related charge and was handed a concurrent 10-year sentence for aggravated assault on a police officer and another 7 years for illegal possession of a handgun. OIG worked with the U.S. attorney, at the request of the transit system, to coordinate Federal and state prosecution efforts in the case.



## **FAA's Wide Area Augmentation System: schedule unrealistic, backup system needed for foreseeable future**

Our report (AV-1998-189) highlighted four issues in our continuing review of FAA's Wide Area Augmentation System. First, we noted that Congressional report language for the DOT Fiscal Year 1999 appropriation limited financial commitment to the WAAS program. Second, FAA needs to formally acknowledge its current schedule for final-phase implementation of WAAS—December 2001—will not be met, and set a more realistic schedule. Third, FAA should delay making commitments for more communications satellites until operating experience with WAAS is gained. Finally, FAA needs to ensure that the final phase of WAAS is functioning before decommissioning existing navigation systems.



### **OIG staff member addresses Welfare-to-Work Transportation Summit**

Monique West, a clerk in OIG's Human Resources office, was the featured speaker at the Welfare-to-Work Transportation Summit held at the White House Conference Center. Later, she also spoke to the Congressional Black Caucus. West described the opportunities given to her by DOT and the benefits of the Welfare-to-Work program. In attendance were senior administration officials including Secretary of Transportation Rodney Slater, NHTSA Administrator Ricardo Martinez, FTA Deputy Administrator Nuria Fernandez, FRA Administrator Jolene Molitoris, FHWA Administrator Kenneth Wykle, RSPA Administrator Kelley Coyner and DOT Inspector General Kenneth Mead.

### **FAA personnel reform**

Our audit (AV-1998-214) reviewed FAA's progress in implementing personnel reform. In 1994, heeding findings of the National Performance Review that FAA's air traffic control budget, procurement and personnel rules were cumbersome, Congress directed DOT to look into reforms. A resulting 1995 report recommended exemption of FAA from Federal personnel rules, a position adopted by Congress. Nearly 3 years later, FAA has initiated two compensation systems affecting 33 percent of its workforce. However, FAA faces several challenges in implementing the systems, which are expected to cost some \$1 billion more, over 5 years, than those they replace. Further, compensation issues for FAA's remaining employees—and hiring, training and location matters—remain in development or are only partially in place. FAA found the audit results constructive and indicated it will use many of the recommendations as it develops its new personnel system.



### **Coast Guard: Inspect high-risk containers first**

Intermodal containers carrying hazardous materials pose threats to life, port-area safety, and the environment. Although the U.S. Coast Guard designed a targeting system to select high-risk hazardous material containers to inspect, our audit (MA-1998-200) found that inspectors were using alternate methods to make such selections. As a result, low-risk containers often were inspected before high-risk containers. The Coast Guard could more effectively inspect higher-risk containers by sticking with its targeting system; the system further could be enhanced by considering containers not identified as holding hazardous material. OIG's review also found that the Coast Guard assessed penalties for non-compliance with hazardous material container regulations in accordance with Coast Guard policy.

## **FAA: Fulfill Congressional mandate to set, and publicize, policies regarding airport revenue diversions**

Our audit of FAA's monitoring of airport revenue diversions (AV-1998-201) found that 4 years after Congress set explicit requirements on airport revenue use in the law, FAA still has not set policies and procedures to carry out that law, and has not provided effective oversight of airport financial reporting and audit certification requirements. Airport financial reports we reviewed were not always complete and accurate, and financial transactions questioned by FAA during review of airport financial reports sometimes were not resolved in a timely way. Further, FAA has not done enough to make airports aware of a new audit certification requirement on airport revenue use. As a result, FAA cannot fully use the tools and sanctions Congress provided.

## **FRA Safety program: solid foundation, but problems extend beyond enforcement**

Our effectiveness review of FRA's 3-year-old Safety Assurance and Compliance Program (SACP) found that the cooperative approach involving railroads and their employees in solutions has been coincident with lowered accident and fatality rates. However, our report (TR-1998-210) also found FRA could strengthen the program four ways: by defining its policies and procedures more clearly; by developing better railroad safety profiles; by identifying systemic safety issues when approving safety action plans; and by monitoring and enforcing railroad compliance with safety action plans.



## **OIG community presents views before Senate Committee considering Inspector General Act reforms**

In his capacity as chair of the Legislative Subcommittee of the President's Council on Integrity and Efficiency (PCIE), the DOT Inspector General presented the results of a comprehensive survey on S. 2167, the Inspector General Act Amendments of 1998, as part of the Senate Committee on Governmental Affairs Sept. 9 hearing on Inspector General Act issues. The legislation, introduced by Senator Collins, would make statutory changes to the appointment, organization, management, and operations of inspectors general. The survey drew responses from 52 of 57 inspectors general; the presentation also included extensive comments and suggested modifications to enhance the bill. There was general consensus within the IG community for most of the underlying principles in the legislation. Members of the Committee and staff have expressed their appreciation for this survey, which will be useful as Congress considers potential changes to the Inspector General Act.

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## **FAA needs to ensure that new employees file financial disclosures**

In February 1998, the Office of Government Ethics reported three deficiencies in FAA's ethics program. Our audit (report AV-1998-207) followed up on those OGE recommendations. We found that FAA has made progress in resolving two of the three most significant deficiencies OGE identified. FAA ethics officials have reviewed almost the entire backlog of 1996 and 1997 required financial disclosure reports—nearly 4,000 disclosures. Further, FAA has created a database to help it track which employees have filed disclosures and attended annual ethics training. Still needed is a way for FAA to ensure that employees file required disclosures within 30 days of entering covered positions. Without it, FAA will have no way of knowing whether employees with actual, or potential, conflicts of interest have financial holdings in conflict with the positions they hold.

### **FAA logistics center inventory: use historical cost, not current market price**

In our audit (FE-1998-202) we reviewed FAA's implementation of new procedures to value its inventory to comply with financial accounting standards. For these new procedures, adopted by FAA October 1, 1997, to produce accurate valuations, the beginning inventory balance should have been based on historical cost. About half the items we reviewed were not properly valued, chiefly because the Logistics Inventory System was programmed to use current market price instead of historical cost, and inventory managers made manual price adjustments. We estimated that the inventory value of \$571 million was overstated by about \$66 million as of March 31, 1998. FAA agreed with our results and took immediate corrective action.

### **California airport diverts more than half a million in revenue**

Our audit (AV-1998-196) followed a complaint to OIG's hotline that Imperial County, CA, the sponsor of the Imperial County airport, used grant funds to pay for airport operating costs unrelated to the grants and interest earned on the grant funds was improperly used to pay local matching share of project costs. Further, it was alleged that the county did not follow FAA regulations requiring deposit of revenue from a lease on airport property into an airport operating account. OIG's review determined the allegation about interest earned and used for local matching shares was unfounded. However, we found the county had diverted about \$553,600 in airport revenue and could not document the spending of \$221,402 in grant funds. FAA concurred with our results and directed the county to either substantiate the accuracy of financial transactions or reimburse the funds to the airport.

## **\$120 million worth of parts added to FAA inventory following count**

FAA has more than 140,000 spare parts at more than 800 locations throughout the United States. OIG monitored and tested FAA's latest annual physical inventory of spare parts in the field to assess the completeness and accuracy of the count. In our report (FE-1998-209) we concluded that OIG will consider FAA's inventory results to be materially stated and properly supported following FAA's own quality-control reviews and correction of inaccurate amounts identified by FAA and OIG. About 1,000 FAA and contractor employees took part in the inventory, which identified some 35,000 parts valued at \$120 million to be added to FAA financial reports. The labor-intensive effort will be required yearly until FAA establishes a perpetual inventory system to continuously record spare parts received, issued, and on-hand. FAA has agreed to set up such a system for its field spare parts.



## **Megaprojects: Washington D.C. Metro, Oakland's Cypress Freeway on track**

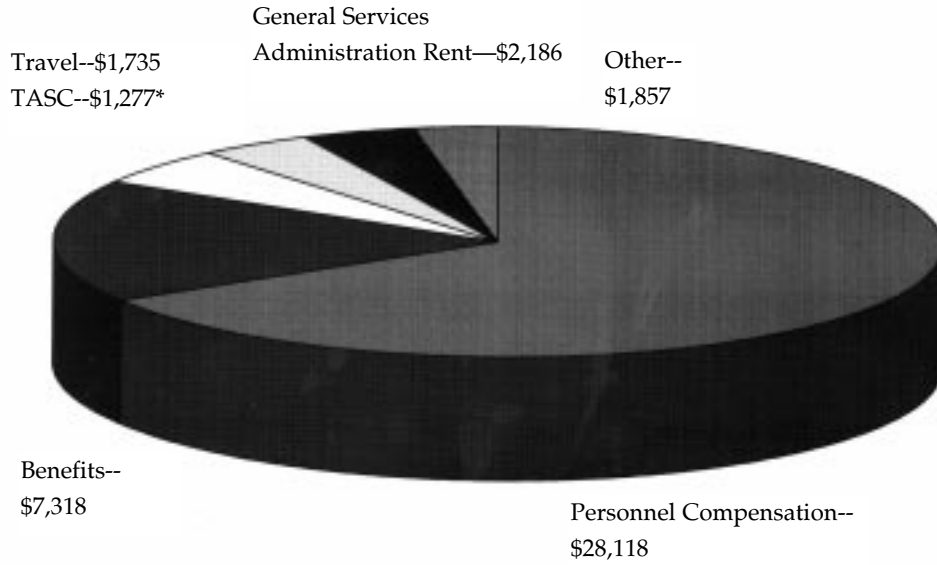
OIG's audits of two "Megaprojects" costing more than \$1 billion apiece—the final phases of the Washington, DC subway and reconstruction of the earthquake-topped Cypress Freeway in Oakland, CA—found both projects on track. In our Washington Metrorail report (TR-1998-213) we found that Federal, state and local funding will cover construction of the four segments adding 13.5 miles to the system's existing 89.5 miles; final costs may prove lower than the \$1.8 billion Metro managers estimated, and the surplus may be used for new rail cars and to build a railyard. Our report on the Cypress Freeway (TR-1998-212) found that the 5.3-mile reconstruction will come in at, or below, the \$1 billion state cost estimate; as much as \$14 million could be returned to the Highway Trust Fund. The freeway opened Sept. 30.

## **Audit finds cruise ship and terminal security plans in place**

Coast Guard regulations require certain passenger ships and shipping terminals used by passengers to have security plans. Our audit (MA-1998-204) examined Coast Guard steps to ensure that such plans are in place. Of the 133 passenger vessels—all cruise ships—and 66 terminals covered by the regulations, we found all the ships and all but one of the terminals had such plans in place. Further, the single terminal still lacking such a plan, in Samoa, is in discussions with the Coast Guard to institute a security plan. Our audit also confirmed an earlier Coast Guard finding that security practices at the Port of Miami are not yet consistent with security plans. As a result, the Coast Guard's Marine Safety Office in Miami has directed terminals within its jurisdiction to update their security surveys.

# Proposed OIG Fiscal Year 1999 Budget

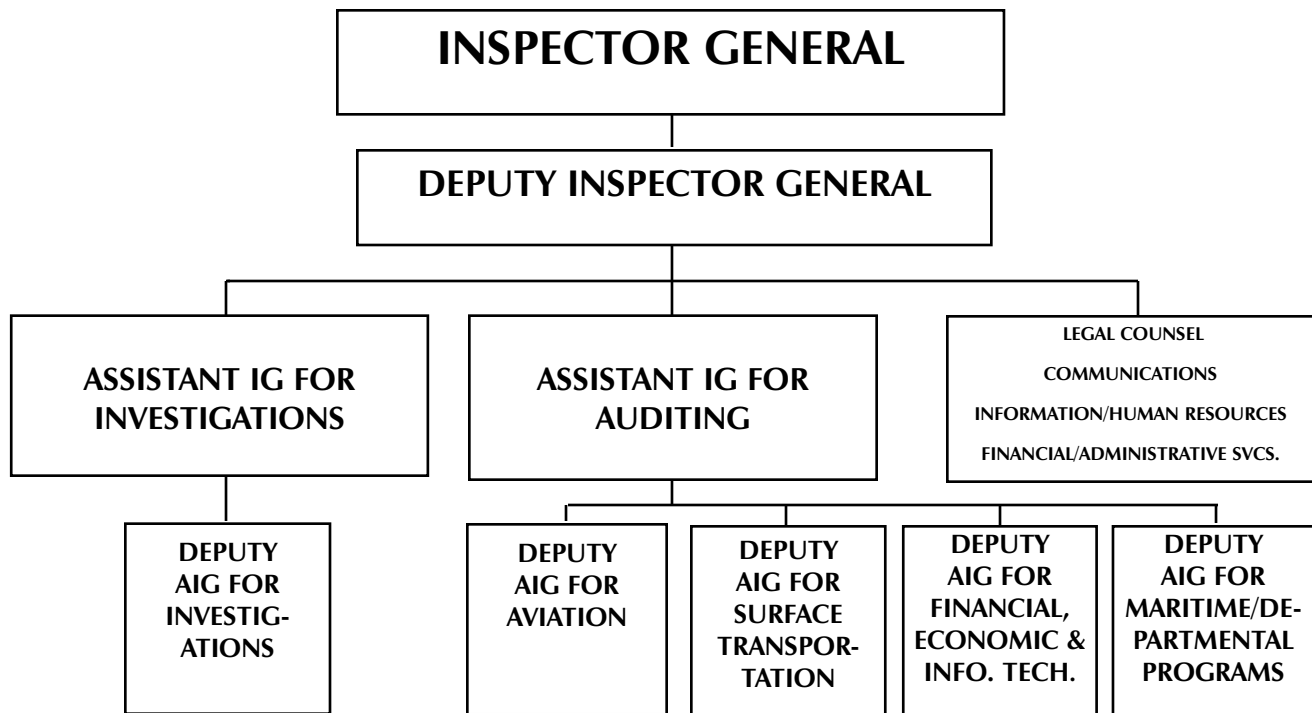
(Dollars in Thousands)



\*The Transportation Administrative Service Center provides reimbursable services to DOT

# Organization/Management

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The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95-452). The Act sets several goals for OIG:

- ◆ To conduct or supervise objective audits and investigations of DOT's programs and operations;
- ◆ To promote economy, effectiveness and efficiency within DOT;
- ◆ To prevent and detect fraud, waste, and abuse in the Department's programs;
- ◆ To review existing and proposed laws or regulations affecting the Department and make recommendations about them, and
- ◆ To keep the Secretary of Transportation and Congress fully informed about problems in Department programs and operations.

OIG is divided into two major units and five support units. The major units are the Office of Assistant Inspector General for Auditing and the Office of Assistant Inspector General for Investigations; each has headquarters staff and regional staff. The support units are the Office of Legal Counsel, the Communications Office, the Office of Information Resource Management, the Office of Human Resources and Training, and the Office of Financial and Administrative Services.



## Completed Audits April 1, 1998-September 30, 1998 (Dollars in Thousands)

Estimated Amounts\*

Type of Review	No. of Reports	No. of Recomm.	Costs Questioned	Costs Un- Supported	Funds to Better Use
<i>Internal Audits:</i>					
Program/Functional	38	98	\$2,407	\$217,000	\$313,067
Chief Financial Officer					
Financial Statements:	5	17	\$ 0	\$ 0	\$130,700
<b>Total Internal Audits</b>	<b>43</b>	<b>115</b>	<b>\$2,407</b>	<b>\$217,000</b>	<b>\$443,767</b>
<i>Grant Audits:</i>					
Audits of Grantees under Single Audit Act	54	10	\$ 396	\$ 0	\$ 0
Other Grant Audits	5	9	\$ 171	\$ 0	\$ 0
<b>Total Grant Audits</b>	<b>59</b>	<b>19</b>	<b>\$ 566</b>	<b>\$ 0</b>	<b>\$ 0</b>
<i>Contract Audits:</i>					
Contracts	5	4	\$ 598	\$ 0	\$ 19
<b>Total Contract Audits</b>	<b>5</b>	<b>4</b>	<b>\$ 598</b>	<b>\$ 0</b>	<b>\$ 19</b>
<b>TOTALS</b>	<b>107</b>	<b>138</b>	<b>\$3,571</b>	<b>\$217,000</b>	<b>\$443,786</b>

\* The dollars shown are the amounts reported to management. The actual amounts may change during final resolution.

Department of Transportation programs and operations are primarily carried out by the Department's own personnel and recipients of Federal grants. Audits by DOT's Office of Inspector General, as a result, fall into three categories: internal audits of Departmental programs and operations, audits of grant recipients, and reviews of work and spending by contractors. The table above shows OIG's results in the three categories for the 6 months covered by this report.

# Management Decisions Regarding Audit Recommendations

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs*	Funds to be Put to Better Use
Unresolved as of 3/31/98	35	121	24,767	4,783	\$99,836
Audits with Findings During Current Period	49	138	3,788	217	<u>\$443,786</u>
Total to be Resolved	84	259	28,555	5,000	<b><u>\$543,622</u></b>
Mgt. Decisions: A. Audits Prior Period	24	69	18,046	4,783	\$ 0
B. Audits Current Period	28	90	3,392	217	\$135,626
Total Resolved Reports/Recommendations	52	159	21,439	5,000	\$135,626
Unresolved as of 9/30/98**	32	100	7,116	0	<b><u>\$407,996</u></b>
Aging of Unresolved Audits:					
Less than 6 mos. old	21	48	395	0	\$308,160
6 mos. - 1 year	4	16	0	0	\$22,000
1 year - 18 mos.	1	1	0	0	\$0
18 mos. - 2 years	0	0	0	0	\$0
Over 2 years old	6	35	6,721	0	\$77,836
<b>TOTALS</b>	32	100	7,116	0	\$407,996

\*Unsupported costs included with the figure shown as questioned costs.

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

# Audit Reports with Recommendations That Questioned Costs

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported* Costs
A. For which no management decision had been made by start of the reporting period	17	24	\$24,767	\$4,783
B. Which were issued during the period	13	18	\$ 3,788	\$ 217
Totals (A+B)	30	42	\$28,556	\$5,000
C. For which a management decision was made during the reporting period	24	32	\$21,132	\$5,001
(i) dollar value of disallowed costs	19**	22***	\$ 6,417	\$ 250
(ii) dollar value of costs not disallowed	10**	14***	\$15,028	\$4,750
D. For which no management decision has been made by the end of the reporting period	6	10	\$7,116	\$ 0

\*Unsupported costs are also included in the figures shown as questioned costs. \*\* Includes reports in which costs were both allowed and disallowed. \*\*\* Includes recommendations in which costs were both allowed and disallowed.

The Inspector General Act requires explanations of reasons for significant revisions to management decisions made during the reporting period. OIG follows up on audits reported in earlier Semiannual Reports. During this reporting period, there were no significant revisions of Departmental management decisions reported to OIG.

The Inspector General Act also requires this report to describe any significant management decision with which the Office of Inspector General disagrees. At the close of this reporting period, there were no significant management decisions with which OIG disagreed.

# Audit Reports with Recommendations that Funds be Put to Better Use

(Dollars in Thousands)

	Number of Reports	Number of Recommend- ations	Dollar Value (in thousands)
A. For which no management decision had been made by the commencement of the reporting period	5	11	\$ 99,836
B. Which were issued during the reporting period	10	14	\$443,786
<b>TOTALS (A+B)</b>	<b>15</b>	<b>25</b>	<b>\$543,622</b>
C. For which a management decision was made during the reporting period	9	10	\$135,626
(i) dollar value of recommendations that were agreed to by management:	7*	10*	\$135,655
(ii) dollar value of recommendations that were not agreed to by management	2*	1*	\$ 10
D. For which no management decision had been made by the end of the reporting period	8	15	\$407,996**

**In addition to the decision amount identified above (C), MARAD returned an additional \$438 million to the Treasury beyond the \$585 million agreed to in OIG report AD-MA-5-006 issued August 1, 1995.**

Lines C (i) and C (ii) will not add up to Line C because of a \$38,273 agreement above the reported amount and a \$9,500 agreement below the reported amount.

\*May include reports and recommendations in which some costs were allowed and others were disallowed.

\*\*The dollar amount agreed to by management does not include \$349.4 million which was also agreed to by management but for which target dates for completion have not yet been provided. Without target completion dates, we cannot "score" this amount as agreed-to by management.

## Audit Reports Recommending Changes for Safety, Economy or Efficiency

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the commencement of the reporting period	25	86
B. Which were issued during the reporting period	33	106
TOTALS: (A + B)	58	192
C. For which a management decision was made during the reporting period	32	117
D. For which no management decision has been made by the end of the reporting period	26	75

# Status of Unresolved Audit Recommendations Over 6 Months Old

## CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1993-MARCH 31, 1994

FAA-Monitoring of Airport Revenues at Phoenix Sky Harbor International Airport	R9-FA-4-001	10/18/93	Referred to the Departmental Resolution Official in June 1994.
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## CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1995-SEPTEMBER 30, 1995

FTA-Useful Life of Rail Cars, Washington Metropolitan Area Transit Authority	R4-FT-5-091	06/27/95	Referred to the Departmental Resolution Official in August 1996. Legal decision pending.
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## CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1995-MARCH 31, 1996

FAA-Controls over Access to Aircraft for Free Transportation	AS-FA-6-004	02/20/96	Referred to the Departmental Resolution Official in August 1996.
FAA-Voluntary Separation Incentive Payments	R6-FA-6-009	02/09/96	Awaiting FAA's investigation and U. S. Attorney action.
FAA-Monitoring Accountability and Use of Airport Revenues Los Angeles	R9-FA-6-001	10/30/95	Referred to the Departmental Resolution Official in August 1996.

## CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1996-SEPTEMBER 30, 1996

FAA-Airport Improvement Program Grants Provided to Hawaii DOT	R9-FA-6-015	09/20/96	Working with FAA to resolve all open issues.
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## CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1997-SEPTEMBER 30, 1997

FAA-State of Hawaii, Department of Transportation, Airports Division	Y4-FA-7-040	04/24/97	Resolution will be completed during the second quarter FY 1999.
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## CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1997-MARCH 31, 1998

FAA-Air Traffic Control Modernization	AV-1998-089	03/27/98	Resolution will be completed during the second quarter FY 1999.
FAA-The Year 2000 Computer Challenges	FE-1998-068	02/23/98	Resolution will be completed during the first quarter FY 1999.
FAA-Management Advisory, Year-2000 Problem	FE-1998-027	11/26/97	Resolution will be completed during the first quarter FY 1999.
USCG-Management Advisory, Projects Funded with Operating Expenses	FE-1998-002	10/14/97	Resolution will be completed during the second quarter FY 1999.

## Profile of Pending Investigations

DOT Operating Administration	Number of Cases	Types of Cases			
		Contracts	Employees	Grants	Other*
Federal Aviation Administration	164	22	38	7	97
Federal Highway Administration	137	12	3	26	96
Federal Railroad Administration	4	0	1	0	3
Federal Transit Administration	26	6	0	12	8
Maritime Administration	6	3	1	0	2
National Highway Traffic Safety Administration	3	0	0	0	3
Office of the Secretary	6	2	0	0	4
Research and Special Programs Administration	18	1	2	2	13
Saint Lawrence Seaway Development Corp.	0	0	0	0	0
Surface Transportation Board	1	0	1	0	0
U.S. Coast Guard	28	10	9	0	9
<b>TOTALS:</b>	<b>393</b>	<b>56</b>	<b>55</b>	<b>47</b>	<b>235</b>
<b>Percent of total:</b>	<b>100</b>	<b>14</b>	<b>14</b>	<b>12</b>	<b>60</b>

\*Includes companies and individuals making false statements to officials of Departmental programs.

**Investigations  
Judicial Actions  
April 1, 1998-September 30, 1998**

Indictments	59
Convictions	78
Years Sentenced	73
Years Probation	106
Fines	\$ 4,036,100
Restitutions/Civil Judgments	\$ 4,327,386
Federal Recovery	\$ 3,684,789
State Recovery	\$ 202,880
<b>TOTAL</b>	<b>\$12,251,155</b>

OIG investigations in this reporting period spurred \$12,251,155 in recoveries including fines, restitution, civil judgments or settlements, and Federal and State recoveries. Federal recoveries go to the U.S. Treasury. State recoveries are retained by the states.

The 6 months covered by this report opened with a pending caseload of 365. During the period, 91 cases were opened and 63 were closed, leaving a pending caseload of 393. Our investigators made a concerted effort during the period to clear backlogs.

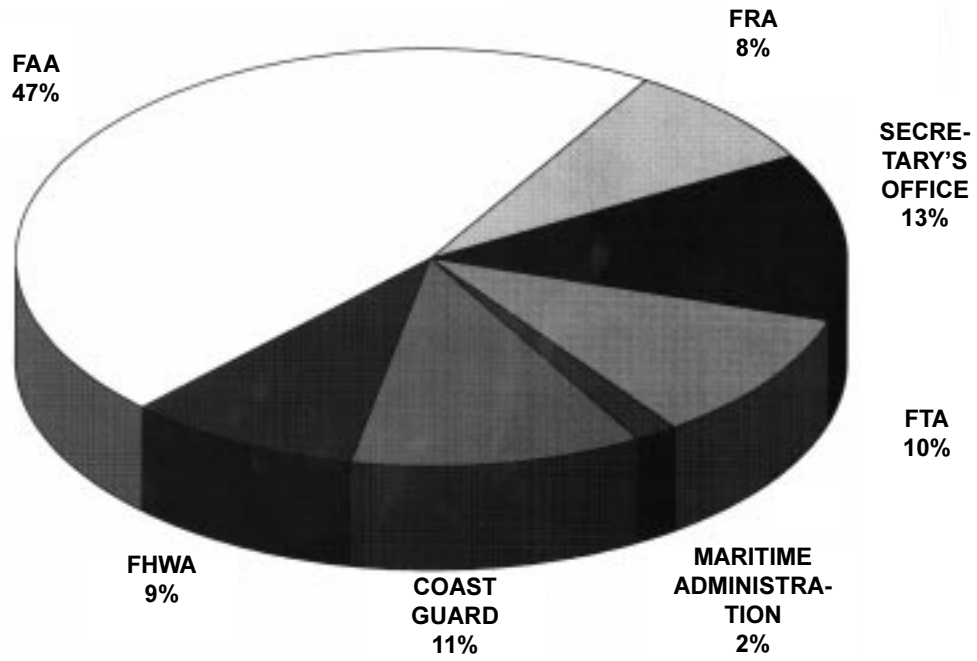
During the period, 142 cases were accepted for prosecution, while 18 were declined. The number of cases pending before prosecutive authorities as of September 30, 1998 was 105.

**Investigations  
Administrative Actions  
April 1, 1998-September 30, 1998**

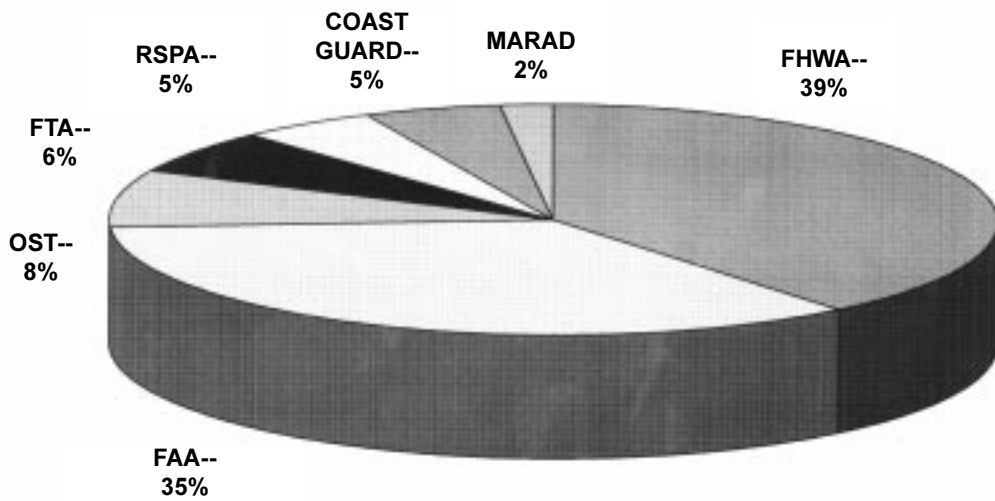
Employee Suspensions	1
Employee Reassignment/Transfer	4
Employee Resignation/Retirement	1
Employee Terminated	2
Employee Restitution	1
Employee Reprimand	6
Employee Counseled	11
Debarments/Suspensions	3
Redelivery of Product	1
Price Adjustment	4
Corrective Action	15
New Procedure Instituted	3
Other Action	9
Restatement of Policy	1
Payment Method Modified	1
Referred to Third Agency	3
<b>TOTAL</b>	<b>66</b>



Application of Audit Resources  
by Operating Administration



Application of Investigative Resources  
by Operating Administration



# Office of Inspector General

## Audit Reports

### April 1, 1998-September 30, 1998

#### FEDERAL AVIATION ADMINISTRATION

##### INTERNAL AUDITS - 20 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
AV-1998-214	09/30/98	FAA Personnel Reform	Management improvement
FE-1998-209	09/29/98	FAA Inventory of Field Spare Parts	\$120,000,000 better use
AV-1998-207	09/28/98	FAA Actions Taken to Address the Office of Government Ethics Recommendations	Management improvement
AV-1998-201	09/11/98	FAA Airport Financial Reports	\$3,339,000 better use
FE-1998-202	09/10/98	FAA Valuation of Logistics Center Inventory	More accurate basis for user fees
AV-1998-196	09/01/98	FAA Report on Imperial County Airport Hotline Complaint	\$4,686 questioned \$553,600 better use \$216,716 unsupported
AV-1998-189	08/10/98	FAA Wide-Area Augmentation System	Modernize National Airspace
FE-1998-186	08/10/98	FAA Report on Implementation of Cost-Accounting System	Management improvement
AV-1998-170	08/03/98	FAA Liaison and Familiarization Training	Eliminate ethical problems
AV-1998-178	07/23/98	FAA Dangerous Goods/Cargo Security Program	Improve safety
AV-1998-171	07/16/98	FAA Deviations and Exemptions to Safety-Related Regulations	Improve Safety
AV-1998-169	07/09/98	FAA STARS Main Display Monitors	Modernize National Airspace
FE-1998-167	07/06/98	FAA Control of Appropriations	\$10,700,000 better use
AV-1998-149	06/02/98	FAA Final Report on Review of Security Controls Over Air Courier Shipments	Improve safety
AV-1998-147	05/18/98	FAA Federal Contract Tower Program	\$2,400,000 questioned
FE-1998-136	05/15/98	FAA Replenishing Logistics Center Inventory	Improve accountability
AV-1998-117	05/13/98	FAA Wide Area Augmentation System	Modernize National Airspace
FE-1998-132	05/07/98	FAA Formal Reprogramming of Facilities and Equipment Appropriation	Improve accountability
AV-1998-120	04/17/98	FAA Administration of Security Guard Contracts	Improve safety
AV-1998-113	04/15/98	FAA Advanced Automation System	None

##### GRANT AUDIT - POST-AWARD - 17 Reports

QC-1998-203	09/10/98	Quality Control Review, City of Atlanta, Georgia	Better grantee oversight
QC-1998-181	07/24/98	Department of Airports, City of Los Angeles, CA	Better grantee oversight

QC-1998-172	07/14/98	Niagara Frontier Transportation Authority Buffalo, NY	Better grantee oversight
QC-1998-163	06/23/98	Quality control review of the Single Audit of the City of Phoenix, AZ	Better grantee oversight
QC-1998-161	06/18/98	Westchester County, White Plains, NY	Better grantee oversight
QC-1998-152	06/10/98	Puerto Rico Ports Authority, San Juan, PR	Better grantee oversight
QC-1998-141	05/14/98	City of Houston, TX	Better grantee oversight
QC-1998-133	05/11/98	Metropolitan Washington Airports Authority, Alexandria, VA	Better grantee oversight
QC-1998-144	05/08/98	Clark County Department of Aviation Las Vegas, NV	Better grantee oversight
QC-1998-127	04/30/98	Spokane Airport, Washington State	Better grantee oversight
QC-1998-122	04/22/98	Indianapolis Airport Authority	Better grantee oversight
QC-1998-121	04/22/98	Puerto Rico Airports Authority	Better grantee oversight
QC-1998-116	04/15/98	Westchester County, White Plains, NY	Better grantee oversight

**OTHER - 4 Reports**

AV-1998-195	08/28/98	FAA Advisory Report on Coolidge Municipal Airport Hotline Complaint, Los Angeles, CA	\$2,368 questioned
AV-1998-187	08/25/98	Observations on FAA's Year-2000 Computer Problem and Computer Security	Continuity of operations
AV-1998-177	07/17/98	FAA Aviation Industry Notification Regarding Testing Specifications for Threaded Fasteners and Components	Improve safety
AV-1998-134	05/27/98	FAA Aviation Security	Improve safety

**FEDERAL HIGHWAY ADMINISTRATION**

**INTERNAL AUDITS - 3 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
TR-1998-212	09/30/98	Cypress Freeway Project	\$14,000,000 better use
TR-1998-191	08/12/98	FHWA Review of Emergency Relief	\$6,700,000 better use
TR-1998-109	04/03/98	FHWA Report on the Central Artery/ Ted Williams Tunnel Project, Boston MA	Better control of costs

**GRANT AUDIT - POST-AWARD - 9 Reports**

QC-1998-193	08/24/98	District of Columbia Department of Public Works	Better grantee oversight
QC-1998-184	07/27/98	State of Florida	\$26,978 questioned
QC-1998-182	07/24/98	Arkansas State Highway and Transportation Department	Better grantee oversight
QC-1998-153	06/10/98	Department of Transportation/Highways Division State of Hawaii	Better grantee oversight

QC-1998-142	05/14/98	Michigan Department of Transportation	\$19,093 questioned
QC-1998-140	05/14/98	Commonwealth of Massachusetts	Better grantee oversight
QC-1998-129	04/30/98	State of North Carolina	Better grantee oversight
QC-1998-115	04/15/98	District of Columbia Department of Public Works	Better grantee oversight
QC-1998-114	04/10/98	City of Baltimore, MD	Better grantee oversight

## FEDERAL RAILROAD ADMINISTRATION

### INTERNAL AUDITS - 1 Report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
TR-1998-210	09/30/98	Safety Assurance and Compliance Program	Improve safety

## MARITIME ADMINISTRATION

### INTERNAL AUDITS - 1 Report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
MA-1998-156	06/12/98	Maritime Security Program	Management improvement

### GRANT AUDIT - POST-AWARD - 5 Reports

MA-1998-197	09/01/98	Memorandum on Sea-Land Service Inc. Construction-Differential Subsidy Repayments	\$19,329 better use
MA-1998-168	07/08/98	Waterman Steamship Corporation Subsidizable Costs, New Orleans, LA	\$6,563 questioned
MA-1998-150	05/26/98	Farrell Lines Subsidizable Costs New York, NY	\$139,633 questioned
MA-1998-119	04/16/98	OMI Corporation Maintenance and Repair Costs New York, NY	\$24,665 questioned
MA-1998-107	04/02/98	Subsidy Cost Determination, Lykes Bros. Steamship Company, New Orleans, LA	None

**CONTRACT AUDITS - 4 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
MA-1998-206	09/17/98	Bay Tankers Inc., Englecliffs, NJ National Shipping Authority Agreement, MARAD	\$160,871 questioned
MA-1998-159	06/16/98	International Marine Carriers National Shipping Authority Agreement, Mineola, NY	\$26,951 questioned
MA-1998-118	04/15/98	Chestnut Shipping Company Maintenance and Repair Costs, Bala Cynwyd, PA	Costs submitted accurately
MA-1998-108	04/02/98	International Marine Carriers National Shipping Authority Agreement, Mineola, New York	\$410,512 questioned

**OFFICE OF THE SECRETARY OF TRANSPORTATION****INTERNAL AUDITS - 2 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
FE-1998-164	06/30/98	Federal Agencies' Centralized Trial-Balance System Data for Fiscal Year 1997	Improve financial management
FE-1998-187	08/25/98	The Year 2000 Computer Program and Computer Security Challenges	Continuity of operations

**OTHER - 4 Reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
MA-1998-179	07/21/98	Testimony Before U.S. Senate: Awarding Discretionary Funds in DOT	Improve controls
TR-1998-162	06/22/98	Financial Activities of Operation Respond Institute, Inc. Washington, DC	Improve controls
MA-1998-155	06/12/98	Awarding Discretionary Funds in the U.S. Department of Transportation	\$287,460,000 better use
MA-1998-106	04/01/98	Trade Mission Travel, Office of the Secretary of Transportation	None

## UNITED STATES COAST GUARD

### INTERNAL AUDITS - 6 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
MA-1998-204	09/11/98	Security for Passenger Terminals and Vessels	Improve safety
MA-1998-200	09/08/98	Container Inspection Program	Improve safety
MA-1998-158	06/16/98	Recovery of Medical Care Cost	Management improvement
FE-1998-151	06/02/98	Actuarial Estimates for Retired Pay and Health Care Cost	Better financial records
MA-1998-148	05/26/98	Postgraduate Training Program	\$33,800 better use
FE-1998-112	04/09/98	Family Housing Acquisition	\$980,727 better use

## FEDERAL TRANSIT ADMINISTRATION

### INTERNAL AUDITS - 3 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS</u>
TR-1998-213	09/30/98	Completion of the Metrorail System, Washington, DC	Funds available for other work
TR-1998-176	07/16/98	Analysis of Los Angeles County Metropolitan Transportation Authority's Recovery Plan	Protect Federal investment
TR-1998-154	06/12/98	Megaproject Review of Los Angeles Metro Rail Red Line Project	Protect Federal investment

### GRANT AUDIT - POSTAWARD - 31 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
QC-1998-211	09/22/98	State of Hawaii DOT	Better grantee oversight
QC-1998-205	09/14/98	Quality Control Review, Greater Cleveland Regional Transit Authority	Better grantee oversight
QC-1998-194	08/24/98	Southeastern Pennsylvania Transportation Authority, Philadelphia	Better grantee oversight
QC-1998-192	08/24/98	Utah Transit Authority, Salt Lake City	Better grantee oversight
QC-1998-190	08/24/98	Broward County, FL	Better grantee oversight
QC-1998-188	08/06/98	Quality control review, Indianapolis, IN Airport Authority	Better grantee oversight
QC-1998-185	07/29/98	Quality control review, Single Audit of Southeastern Pennsylvania Transportation Authority, Philadelphia	Better grantee oversight

QC-1998-183	07/24/98	City of Roanoke, VA	Better grantee oversight
QC-1998-180	07/21/98	Palm Beach County, FL	Better grantee oversight
QC-1998-174	07/17/98	San Joaquin Regional Transit District Stockton, CA	Better grantee oversight
QC-1998-175	07/15/98	Quality control review, Price Waterhouse LLP Single Audit of Metropolitan Transit Authority, New York	Better grantee oversight
QC-1998-173	07/14/98	City of Wichita, Kansas	Better grantee oversight
QC-1998-172	07/14/98	Niagara Frontier Transportation Authority Buffalo, NY	Better grantee oversight
QC-1998-166	06/30/98	Northeast Illinois Regional Commuter Railroad Corp.	Better grantee oversight
QC-1998-165	06/30/98	Regional Transportation District, Denver	Better grantee oversight
QC-1998-160	06/17/98	QCR City of New York DOT Programs	Better grantee oversight
QC-1998-157	06/15/98	Orange County Transportation Authority, CA	Better grantee oversight
QC-1998-143	05/15/98	QCR of Single Audit of Port Authority of Allegheny County, PA	Better grantee oversight
QC-1998-139	05/14/98	San Joaquin Regional Transportation District, CA	Better grantee oversight
QC-1998-137	05/14/98	Port Authority of Allegheny County, PA	Better grantee oversight
QC-1998-135	05/12/98	City of Chicago	Better grantee oversight
QC-1998-146	05/08/98	City of Phoenix, AZ	Better grantee oversight
QC-1998-145	05/08/98	Capital Metro Transportation Authority, Austin, TX	Better grantee oversight
QC-1998-131	05/06/98	The Greater Bridgeport Transit Authority, CT	Better grantee oversight
QC-1998-130	05/06/98	Hillsborough Transit Authority, FL	Better grantee oversight
QC-1998-138	05/04/98	Lee County, FL	Better grantee oversight
QC-1998-128	04/30/98	Metropolitan Transportation Authority, NY	Better grantee oversight
QC-1998-126	04/30/98	Massachusetts Bay Transportation Authority	Better grantee oversight
QC-1998-125	04/30/98	Dallas Area Rapid Transit, TX	Better grantee oversight
QC-1998-124	04/30/98	King County, WA	Better grantee oversight
QC-1998-123	04/22/98	Washington Metropolitan Area Transit Authority	Better grantee oversight

## RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

### OTHER - 1 Report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF FINDINGS/ RECOMMENDATIONS:</u>
TR-1998-110	04/03/98	Management Advisory on Hazardous Materials Registration Program	Increased Federal revenue

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