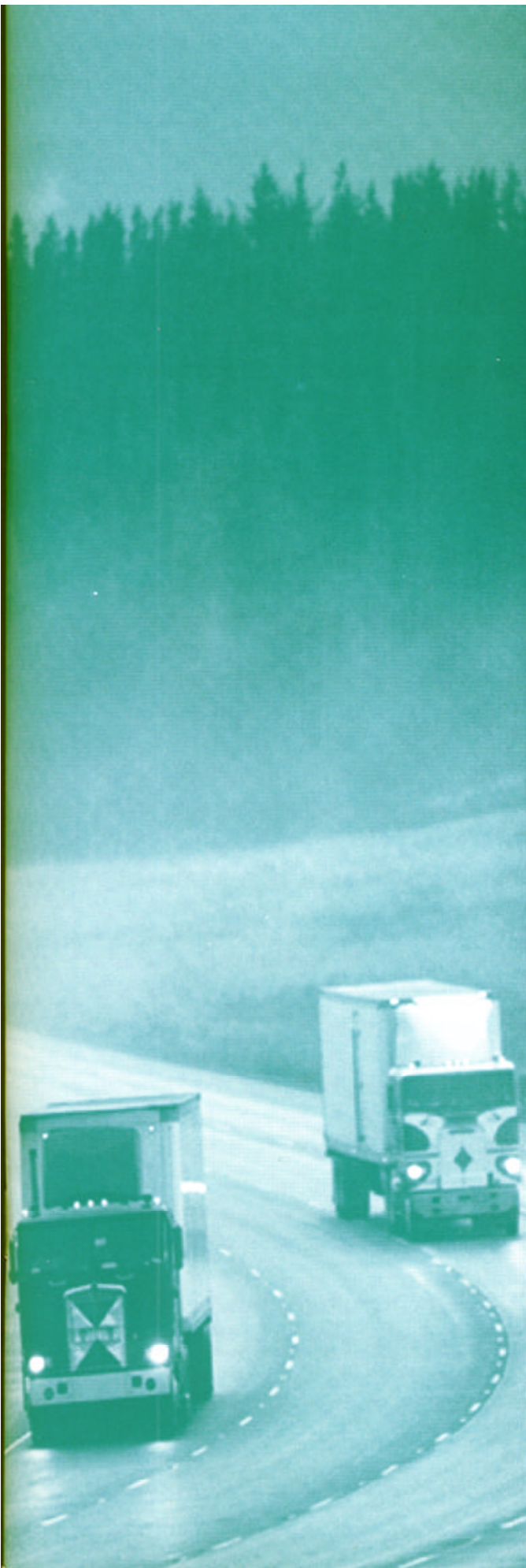


# Semiannual Report to the Congress

Office of Inspector General

U.S. Department of  
Transportation

April 1, 1999 - September 30, 1999



# From the Inspector General

In just a few months, we will embark upon a new century. The 6-month period reflected in this document was a time of substantial progress in our ongoing work to support the U.S. Department of Transportation's strategic goals.

This Semiannual Report provides details on 64 audits and 105 investigations finalized between April 1, 1999 and September 30, 1999. OIG also testified before Congress 5 times in the past 6 months, bringing our total testimonies before the U.S. House and Senate to 18 in Fiscal Year 1999, a record.

In addition to reports on the safety issues surrounding "code-sharing" by U.S.-based and foreign airlines, the Office of Inspector General delved deeper into the issue of trucking safety in the United States and the Department's role as a regulator in guaranteeing it. In 1998, motor-carrier crashes claimed 5,300 lives. Consequently, this was the highest-priority safety issue addressed by Congress this year; as this goes to press, the House has passed a bill on the issue and Senate action is pending on a related measure. Both pieces of legislation incorporate OIG's recommendations.

OIG identified \$840.3 million that can be put to better use, including \$672 million in dormant DOT financial obligations.

We are nearing the culmination of OIG's 2 years of work in conjunction with DOT and its operating administrations to identify and correct possible computer problems caused by the date change from 1999 to the year 2000. That work has contributed substantially to the identification of potential problems and to remedial action.

We are proud of the work of our investigators on such significant cases as the commercial driver's license-selling scandal in Illinois, fraudulent sales of flight-critical aviation hose assemblies, pollution of U.S. waters by a cruise-ship line and systematic fraud against Illinois by a highway contractor. OIG's special agents are on the front lines fighting fraud and ensuring public health and safety.

Internet users have found our website (<http://www.dot.gov/oig>) useful. This important communications tool has offered our audit reports, updates on our investigations, access to our hotline and other information to more than 136,000 visitors this year.

We note with great sadness the passing of our friend and colleague, Assistant Inspector General for Auditing Lawrence Weintrob. He left a legacy of public service we all would be honored to achieve.

With the support and cooperation of the Secretary, his staff and all DOT operating administrations, we look forward to making even more progress in the year 2000.

Kenneth M. Mead  
Inspector General

Summary of Performance  
Office of Inspector General  
April 1, 1999-September 30, 1999

Reports Issued	64
Total financial recommendations	\$845,813,000
—That funds be better-used	\$840,263,000
—Questioned costs	\$ 5,550,000
Referrals for prosecution	192
Cases accepted for prosecution	170
Indictments	134
Fines, restitutions, recoveries	\$ 6,050,092
Convictions	93
Contract terminations/debarments	15
Actions affecting DOT employees	41

Audits and Investigations	1
Focus: Airline Code-Sharing Safety	2
Year-2000 Computer Readiness	4
Chart: Work Planned and in Progress	6
Audit and Investigative Results:	
April 1999	8
May 1999	12
June 1999	16
July 1999	20
August 1999	24
September 1999	28
Organization/Management	35
Chart: OIG Organization	35
Table: Completed Audits	36
Table: Management Decisions	37

# Contents

Table: Reports with Recommendations That Questioned Costs	38
Table: Recommendations That Funds Be Put to Better Use	39
Table: Recommendations for Safety, Economy or Efficiency	40
Table: Status/Unresolved Audit Recommendations	41
Table: Profile of Pending Investigations	42
Table: Judicial Actions	43
Table: Administrative Actions	43
Charts: Audit and Investigative Resource Application	44
Chart: OIG Fiscal Year 2000 Budget	45
List of Audits	46

# Audits and Investigations

---

The Office of Inspector General includes a staff of auditors and evaluators who review the programs and operations of the U.S. Department of Transportation to help its managers, and Congress, 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 lawbreakers—such as trucking firms that force drivers to work too many hours without rest, haulers who illegally transport hazardous materials, vendors who traffic in illegal, unapproved aircraft parts and Department staff who violate public trust.

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. The Inspector General 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, often with assistance from other Federal and state law-enforcement agencies, 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:

---

*Objective: to ensure that the partnerships between U.S. and foreign air carriers provide adequate passenger safety*

## **FAA should expand its role in safeguarding passengers on “code share” flights**

Code sharing, the practice of U.S. airlines ticketing their passengers onto foreign-owned airlines to complete a trip, has more than tripled in the past 5 years, from 53 such agreements to 196 as of last May. However, with that growth, U.S. air carriers now are partnering with carriers in regions of the world where safety oversight and safety records are not as strong as those of the United States. To date, the U.S. Department of Transportation’s approval of code-share arrangements has focused on international trade and competition issues.

FAA, the Department’s expert on aviation matters, has limited its commentary on the safety of such arrangements to reporting whether the government in the home nation of a proposed code-share partner has oversight that complies with international safety standards. This falls short of analyzing the actual safety or track record of a partner airline.

Safety concerns associated with code-sharing prompted Congressman James Oberstar of Minnesota to introduce legislation requiring U.S. carriers to do safety audits of their foreign partners as a condition of code-share approval. In May, the Office of the Secretary and FAA formed a working group to ensure availability of safety data in code-share decisions.

# Airline code-sharing safety

---

## **Legal and resource issues can be resolved**

In our audit (AV-1999-138) we recommend that FAA require domestic airlines entering into such partnerships to assess the safety of their foreign partners and that FAA develop ways to validate the assessment results.

FAA thus far has restricted its safety oversight role in code-share agreements because of perceived limitations of its legal authority and resource constraints. If FAA were attempting to assess the safety of foreign carriers without regard to their relationship with U.S.-based airlines, the legal argument might hold. However, FAA is well within its authority when—as in these cases—a U.S.-based carrier seeks Federal government approval to offer the public foreign flights as if they were U.S. flights, and tickets them in the name of the U.S.-based airline. Further, the legislation which gives DOT approval authority over code-share agreements states that safety should take the highest priority in determining what is in the public interest. Though FAA has limited resources, DOT can condition approval of code-sharing agreements on the willingness of a U.S.-based partner airline to perform the safety checks on its foreign partner's operations, and have FAA assure safety standards are met.

## **FAA can supplement prior airline/ Defense Department work**

The Department of Defense, six U.S.-based airlines, and the Air Transport Association currently have an arrangement in which the six carriers, or their designees, assess the safety of foreign code-share partners on flights carrying U.S. military personnel. The Defense Department allows code-share flights to be designated as U.S. flights under the Fly America Act, which requires Federal employees flying to foreign countries at government expense to travel via U.S. flag carriers. In order to get the Defense Department's business, the U.S. carriers must make the safety checks on their foreign-based code-share partners. DOT and FAA should build on this excellent foundation.



# Focus:

---

*Objective: to ensure continuous service from U.S. and international transportation systems*

## **DOT has done a great deal, but tasks remain for a smooth transition to the new millenium**

In 1997, the Office of Inspector General did its first of 9 reviews of the “Year-2000 problem,” in which computers programmed with 2-digit numbers to represent each year could not be relied on to differentiate the year 2000 from the year 1900. There was international concern that the problem could spur mass computer-system failures.

In the months since our first in-depth looks at the issue, DOT and its operating administrations have done a great deal to address it. Of 609 mission-critical systems within the Department—used to support such functions as air traffic control, searches and rescues involving ships, and safety inspections—310 required Year-2000 repairs, and all 310 systems have been fixed. Included were 152 aviation-related systems, 87 maritime systems and 34 systems related to surface transportation. The success of this undertaking is attributable to strong congressional oversight, leadership by the Secretary and Deputy Secretary of Transportation and the modal administrators, and hard work by DOT employees.

Nevertheless, OIG—in September testimony before the U.S. Senate’s Special Committee on the Year 2000 Technology Problem—identified areas in which further preparedness is needed to guarantee a smooth transition into the 21st Century:



- DOT must make sure new work on computers or their software does not “undo” earlier-accomplished Year-2000 fixes.
- DOT and its operating administrations need to prepare and drill contingency plans in the event “Y2K” failures occur. At FAA, this will include refreshing air traffic control personnel in procedures that do not rely on radar. Union participation is crucial.



□ As of October 27, 1999, FAA still lacked Y2K readiness information from 657 air carriers. FAA should require timely delivery of that information. Most affected carriers are small ones; 100 percent of large airlines, which supply 95 percent of all U.S. passenger service, report readiness. FAA should consider action regarding non-response similar to the U.S. Coast Guard's refusal to grant port access to ships that did not report Y2K readiness status.

## International Issues



In March 1999, we recommended that FAA determine whether it should allow flights by U.S.-based carriers to nations not known to be Year-2000 compliant. FAA has since developed a process to review international aviation Y2K readiness, and DOT heads an interagency committee that includes the Department of Defense and Department of State to evaluate such readiness. The committee's review showed that, as of October 21, 1999, 18 of the 89 nations most frequently visited by U.S. carriers did not provide enough information for a Year-2000 readiness assessment to be made. Another 27 nations did not respond to the interagency survey.



FAA must determine whether it will restrict flights to unresponsive or insufficiently responsive nations.

# 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 Year-2000 computer problems affecting the aviation industry and FAA strategy to address them.
- Review FAA's \$40 million annual investment in aircraft safety research, engineering and development, including work to address aging-aircraft issues.
- Review adequacy of controls to ensure that only qualified truck drivers receive and retain commercial drivers' licenses.
- Evaluate effectiveness of FAA's inspection system for makers of aviation fasteners.
- Follow up on FAA actions to reduce runway incursions.
- Review the Office of Pipeline Safety's oversight of minimum safety requirements for operation and maintenance of interstate hazardous-liquids pipelines.
- Review the Coast Guard's performance goals for reducing recreational boating fatalities.
- Place priority on OIG investigations affecting safety--specifically HAZMATs, motor carrier safety and trafficking in unapproved aircraft parts.

## Strategic Goal: Mobility

- Review FAA efforts to modernize the air traffic control system, including the Wide Area Augmentation System, Standard Terminal Automation Replacement System, Oceanic Automation Program, HOST computer system and Free Flight.
- Assess Amtrak's FY 2000 strategic business and capital plans and their effect on Amtrak's ability to achieve operating self-sufficiency by 2003.
- Review airline flight delay data to determine the extent, nature and causes of flight delays and cancellations.
- Determine the level of air carriers' compliance with the Airline Customer Service Commitment Act.
- Conduct baseline and appropriate in-depth reviews of DOT "Megaprojects," highway and transit projects costing \$1 billion or more.
- Update the cost, funding, and viability of the Penn Station Redevelopment Project involving New York's Farley Post Office Building.
- Conduct investigations of fraud, waste and abuse in connection with major infrastructure projects.

## Strategic Goal: Economic Growth and Trade

- Investigate contract, grant, and procurement fraud.

- Conduct fraud-awareness briefings for Federal Highway Administration and Federal Transit Administration officials and for state and local FHWA and FTA grantees.

## Strategic Goal: Human and Natural Environment

- Evaluate the Maritime Administration's progress in 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.

- Determine whether FAA is using Airport Improvement Funds cost-effectively on noise-mitigation projects.

## Strategic Goal: National Security

- Determine whether FRA can effectively inspect up to 600 nuclear shipments per year and whether FRA has inspected alternate rail routes, should their use be necessary.

- Assess the effectiveness of the Maritime Administration's internal controls ensuring accuracy of payments under the Maritime Security Program.

- Assist chief information officers throughout the Department enhancing computer security, processing integrity and effectiveness.

- Review MARAD internal controls over ship-manager contracts for the Ready-Reserve Fleet.

- Monitor the Coast Guard's Deepwater acquisition project for modernizing or replacing ships, aircraft and support systems.

## Corporate Management Goals

- Assist DOT financial managers in correcting material weaknesses in accounting systems to achieve unqualified, or "clean," audit opinions on financial statements.

- Audit the Intelligent Transportation System program and its criteria, oversight and spending.

- Determine the status of previous recommendations concerning DOT's rulemaking process; identify ways to decrease the length of time DOT takes to issue rules and regulations.

- Assess the potential for reducing health-care costs in the U.S. Coast Guard through lower-cost initiatives.

- Monitor FAA's progress in developing new personnel-management systems addressing hiring, training, compensation and location of personnel.

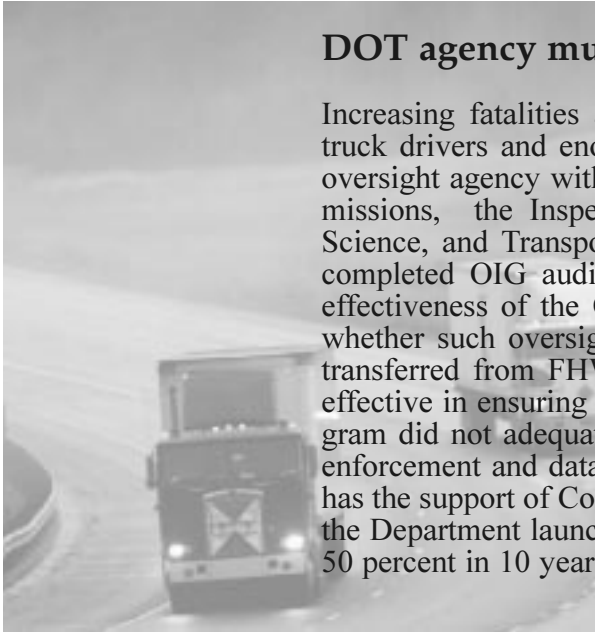
- Review FAA's efforts to implement its Acquisition Management System.

- Review FAA's cost-accounting system.

---

---

## **DOT agency must strengthen truck safety oversight**



Increasing fatalities associated with large-truck crashes, high demand for truck drivers and enormous industry growth require a motor-carrier safety oversight agency with a clear safety mission, free of competition with other missions, the Inspector General testified before the Senate Commerce, Science, and Transportation Committee. His remarks reflected a recently completed OIG audit (TR-1999-091). Its objective was to determine the effectiveness of the Office of Motor Carriers (OMC) safety program, and whether such oversight would be more effective if OMC's functions were transferred from FHWA to another agency. We concluded OMC was not effective in ensuring safety compliance and that the OMC enforcement program did not adequately deter noncompliance. We recommended stronger enforcement and data improvements. The call for improved trucking safety has the support of Congress and the Secretary of Transportation. On May 25, the Department launched an initiative with the goal of reducing fatalities by 50 percent in 10 years.

## **Aviation safety inspection expertise, independence, reporting needs improvement**

Our review of FAA's National Aviation Safety Inspection Program (NASIP) concluded (report AV-1999-093) that FAA should strengthen the NASIP process to ensure reports provide accurate, reliable indicators of safety compliance by inspected entities and result in effective corrective actions. We recommended strengthening the NASIP process in team expertise, independence, identifying and correcting systemic weaknesses at inspected entities, and report quality. We found the resolution process leading to the final NASIP report on ValuJet did not result in an accurate indicator of ValuJet's compliance with Federal aviation regulations as of the February 1998 final report date. FAA concurred.

## **Undercover sting results in fines, restitution**

A firm that sold unapproved and substandard helicopter parts was fined and its principals sentenced to fines and probation terms. Pacific Air Logistics, Inc. and its owners—Bill Neighbors, Michael Neighbors, and Mark Turner—were sentenced in Federal court in Los Angeles. The firm sold several substandard helicopter tube assemblies to Federal agents in an undercover storefront operation. Pacific Air Logistics provided false certificates of conformance stating the parts were new and met makers' specifications. The firm was fined \$48,000; Bill Neighbors, Michael Neighbors, and Mark Turner each were sentenced to 2 years' probation and fined \$10,000, \$5,000, and \$1,000 respectively. The defendants were also ordered to pay restitution totaling \$13,100 to 2 aviation companies that bought parts from the firm.

## **Tracking the Year-2000 technology challenge in DOT**

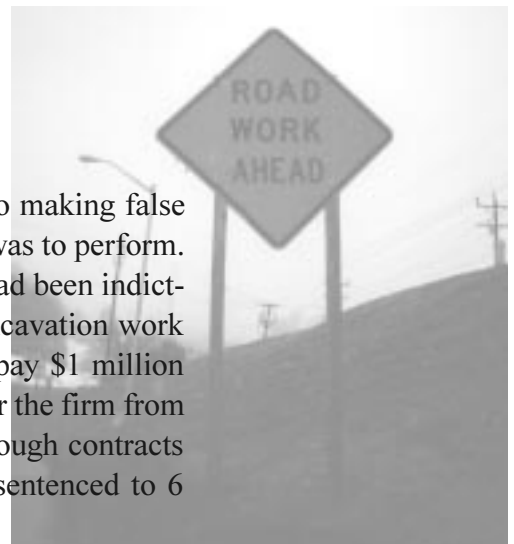
We provided our observations on the FAA and DOT Year-2000 computer programs at a hearing before the House Committee on Government Reform's Subcommittee on Government Management, Information, and Technology and the House Committee on Science's Subcommittee on Technology. A report was issued based on this information (FE-1999-082). DOT has more than 600 mission-critical systems, about half of which had Year-2000 problems needing repair. OIG's level of confidence that such mission-critical systems as air traffic control would be Year-2000-compliant was much higher at the time of the testimony than it had been a year earlier. We recommended that FAA require key aviation industry segments to certify Year-2000 compliance and that FAA develop a compliance policy for U.S. carriers or U.S.-foreign carrier partners' flights to other countries.

## **Coast Guard can reduce future funding for environmental restoration work**

The Coast Guard made progress cleaning up its contaminated facilities. The estimated cost to clean up its backlog of polluted sites decreased from \$132 million at the end of FY 1993 to \$60 million at the end of FY 1998. The declining backlog of such projects should let the Coast Guard reduce future budget requests for environmental restoration. The audit (MA-1999-083), found the Coast Guard's evaluation process did not track environmental findings and deficiencies and the Coast Guard did not complete evaluations of all units every 3 years. We recommended future budget-trimming to reflect backlog reduction, better tracking and timely evaluations.

## **Road contractor to pay \$1 million in Puerto Rico highway fraud**

A major contractor in Puerto Rico and its president pleaded guilty to making false statements in connection with Federal highway work the contractor was to perform. Redondo Construction Company and its president, Jorge Redondo, had been indicted for fraud and conspiracy. It was alleged the company claimed excavation work on a project had been completed, when it had not been. RCC will pay \$1 million in fines and restitution. The Federal Highway Administration will bar the firm from future work on Federally financed highway projects for 3 years, though contracts in force at the time of the plea continued. Jorge Redondo will be sentenced to 6 months in a halfway house and 6 months' home confinement.





### **Former transit manager sentenced in \$300,000 embezzlement scheme**

Jackie Headley, former assistant manager of the Tuscaloosa, AL Transit Authority, was sentenced to a 2-year term in connection with embezzlement of Federal Transit Administration grant funds. It was alleged Headley had conspired with the authority's former manager to skim approximately \$300,000. They employed such methods as overpayment of salary and bonuses, unauthorized insurance and pension coverage, kickbacks from contractors, and personal use of a transit authority credit card. Headley was ordered to pay \$82,000 in restitution. As a result of the investigation, \$288,287 in embezzled funds was returned to the transit authority.

### **FAA contractor's executive jailed, required to pay \$59,000**

An executive for a firm that contracted with the FAA was sentenced to 1 year and 2 months' imprisonment after pleading guilty to filing a false income-tax return. Richard S. Quigg of Woodbridge, VA, a vice president of Diez Management Systems, Inc. was investigated by OIG, the IRS and the Defense Criminal Investigation Service following alleged irregularities in execution of a Diez contract for printers used by air traffic controllers. Quigg also was ordered to pay a fine of \$5,000 and make \$54,000 in restitution.

### **Engineer jailed in corruption case**

Joseph Monteiro of Marion, MA, a former engineer for the Massachusetts Bay Transportation Authority, was sentenced to 5 months in jail and a \$15,000 fine. Monteiro was MBTA's resident engineer from 1995 to 1997 on the Braintree Yard contract, part of the FTA-funded Old Colony Railroad restoration project. Monteiro pleaded guilty to soliciting, demanding and obtaining things of value from Modern Continental Construction Company, Inc., the contractor over which Monteiro had oversight. Last August, the firm agreed in a settlement to pay \$500,000 and its former vice president pleaded guilty to related charges and was sentenced to 1 year and 10 months' probation and a \$10,000 fine.

## **U.S. Coast Guard abandoned-vessels program needs emphasis**

The Coast Guard's Eighth District, headquartered in New Orleans, accounts for 59 percent of abandoned vessels nationwide. The district's inventory of abandoned vessels was inaccurate, abandoned barge owners were not identified or contacted to encourage voluntary removal, and fines meant to deter and punish violations were not assessed (report MA-1999-092). Further, trust funds were not used to clean up and remove barges posing environmental threats. We recommended the Coast Guard call for a district inventory and assessment of the condition and contents of abandoned barges, contact owners to encourage voluntary remediation, initiate civil penalties and mitigation when owners do not act, and clarify trust-fund policy. The Coast Guard concurred with all recommendations except inventory and assessment of barges' condition and contents. It suggested instead working with state and local agencies to achieve similar objectives. We found this responsive.

## **General manager of airport security firm imprisoned**

Guillermo Blanco, the former general manager of a contract airport security firm in Miami, FL, was ordered imprisoned more than 5 years following guilty pleas. Blanco falsely claimed the firm he worked for had done background checks on employees granted access to secure areas at Miami International Airport. He also admitted to transporting a minor across state lines for illegal sexual activity. In a merged sentencing addressing both pleas, Blanco was handed concurrent 5-year and 5-year, 3-month sentences. He also was ordered to pay \$5,200 in restitution and \$2,700 in special assessments. The cases were investigated by OIG, assisted by the FAA Security Division in Miami, and the FBI.



---

---

## **Boston Central Artery project should reimburse, or use, \$150 million in insurance payments**

Our report (TR-1999-104) disclosed that the Massachusetts Highway Department used more Federal funds than necessary to pay estimated workers' compensation and general liability premiums. Between 1992 and 1997, the Massachusetts Highway Department paid estimated workers' compensation and general liability premiums totaling \$368.7 million. Insurance company payroll audits show those premiums exceeded necessary amounts by \$166.7 million, the Federal share of which is \$150.0 million including interest. The excess payments are invested in trust accounts owned by the Massachusetts Highway Department. When the insurance program ends in 2017, 13 years after the scheduled end of construction, the Massachusetts Highway Department projects that the trust accounts will hold assets of \$826 million. The 1998 finance plan for the project relies on future value of the trust accounts to keep the final cost of the project at \$10.8 billion. Federal policies require recipients of Federal highway grants to use the money for project-related purposes. Therefore, the excess premiums and interest must be applied to current project costs or the funds returned to the U.S. Treasury. FHWA agreed to take action.

### **FHWA: Improve Turner-Fairbank Research Center acquisition process**

We identified systemic weaknesses in the Turner-Fairbank Highway Research Center's internal controls for monitoring interagency agreements and contracts. These largely concerned lack of support or documentation for increases in the value of contracts. During the period covered by our review (MA-1999-095), the center had technical responsibility for \$259 million in acquisitions, primarily authorized by the Intermodal Surface Transportation Efficiency Act of 1991. Almost 60 percent of the acquisitions were accomplished through interagency agreements and contracts. The remainder came through small purchases, grants, cooperative agreements, set-asides, and allocations to states. A 1988 FHWA internal review of contracting at the center disclosed similar weaknesses. The OIG and FHWA reviews and the fraud that occurred in the past year underscore need for improved internal controls at Turner-Fairbanks. FHWA agreed with our report and identified corrective actions.

### **FAA should move quickly on increased oversight of the air tour industry**

We reviewed FAA's implementation of nationwide regulation and surveillance for the air tour industry, including creation of an accurate database (report AV-1999-099). Existing FAA regulations affecting air tours over the Grand Canyon and Hawaii have prompted a reduction in accidents and fatalities. Since special regulations went into effect for those two locations, the Grand Canyon has had no air tour accidents over the regulated area. Hawaii's air tour accidents dropped from 24 to 3 and fatalities, from 24 to 6 for comparable time periods before and after the special regulations. One accident in Hawaii with 10 fatalities occurred in September 1999, after this report was released. Though FAA had a self-imposed December 1997 deadline for implementing a nationwide regulation, the work is not yet complete. In our opinion, this work should be moved forward quickly.

## **Weaknesses identified in FAA's data processing computer security**

We identified weaknesses in FAA's administration of access to DOT's "ICE-MAN" computer system (report FE-1999-103). Improved procedures and controls were needed to deny access to the estimated 676 individuals, mostly contractor employees, no longer working for DOT but retaining access to the system; a database of authorized users that contained incomplete and inaccurate information; the ability to use account information for such improper purposes as preventing authorized users access; and users' ability to gather sensitive network information, trace message routes through the network, and forge messages. We did not identify any abuse or improper use of the data center information. However, control weaknesses in the Departmental Accounting and Financial Information System led to two recent embezzlements investigated by OIG. Those weaknesses were addressed in a separate investigation report.

## **FAA: Ensure compliance with radio communications regulations**

We completed a review of DHL Airways Inc.'s flight radio communications in Mexico (report AV-1999-100). DHL was alleged to have violated Federal Aviation Regulation Part 121.99 during flights to Mexico through a communications gap of approximately 200 miles of airspace between DHL's aircraft and its air-carrier dispatch office. Inspectors in FAA's district office in Louisville, KY conducted en-route inspections and confirmed that a communications gap existed, but concluded the air carrier still met the intent of the regulation. However, we obtained an interpretation of the regulation from FAA headquarters, which concluded DHL Airways is not in compliance with the regulation. We recommended that FAA ensure compliance and issue a bulletin to its district offices to check for this problem at other domestic air carriers. FAA agreed.

## **FAA should expand scope of contract tower study**

The Federal Aviation Administration's contract tower program saves the agency about \$250,000 per tower annually. In light of the program's success, Congress last year directed FAA to study whether additional savings could be achieved by expanding the program to other FAA-operated air traffic control towers "without radar capability." FAA currently operates 70 visual-flight-rules towers that are not equipped for instrument flight operations. FAA is reviewing 14 of the 70 visual-flight-rules towers. The remaining 56 towers are not included in the study because FAA defined certain visual monitors as radar equipment. We do not agree with the exclusion (report AV-1999-094) and recommend that FAA expand the study's scope to cover all 70 towers. Since our report was released, Congress has directed OIG to further study staffing at contract towers and the feasibility of expanding the program.

---

## **Californian sentenced for falsely marking gas cylinders**

A California man who admitted violating safety regulations governing compressed-gas cylinders was handed a 6-month community corrections sentence May 20 in Federal court. Mark Brown, formerly with Brown's Welding Supply of Pomona, CA, was shown leniency because he was terminally ill. He pleaded guilty in November 1998 after it was alleged he had removed identification and test numbers from hundreds of compressed-gas cylinders and then stamped the cylinders with numbers indicating they had been specially tested for resistance to cracking and explosion, when the tests had not been done. OIG conducted this investigation with the assistance of RSPA.



## **Montana Department of Transportation suspends highway contractor**

The Montana Department of Transportation suspended a Billings firm and its principal from bidding or participation in new state highway contracts for 6 months. Ronald Omo and Omo Construction, Inc. were suspended following an investigation by OIG and the FBI, which spurred an inspection by the Montana DOT and the Federal Highway Administration on a Federally funded project the Omo firm was contracting. The inspection revealed construction discrepancies posing potential hazards to the public and Montana DOT maintenance personnel.

## **DOT minimizes uncollectable debt**

We reviewed DOT non-tax delinquent debt, defined as any debt or claim that is due the Federal government other than taxes under the Internal Revenue Code. DOT accurately reported its non-tax delinquent debt of \$148 million for Fiscal Year 1997. We reviewed 24 DOT debt case files totaling \$18.2 million, accounts-receivable aging reports, and other reports to ensure the debt was valid and accurately reported (report FE-1999-096). About 50 percent of the \$148 million debt was exempt from referral to Treasury because the debt was in bankruptcy, the debtor had an active payment plan agreement with DOT, or the debt had been referred to the Department of Justice for litigation. We also found adequate debt-management practices were in place to ensure uncollectable debt was minimized. The review was a government-wide project by the President's Council on Integrity and Efficiency.

## Other work by Office of Inspector General personnel in April and May:

□ More than 100 letters were mailed to agencies and grantees involved in Federally funded transportation programs in the southeastern United States, advising them of OIG's efforts against contract and grant fraud. A similar mailing was planned for the northeastern U.S.

□ The Inspector General and several staff members observed testing at Amtrak's high-speed train test site outside Pueblo, CO.

□ OIG staff participated in several "One DOT" events aimed at making the Transportation Department more interactive among its administrations and more useful to the public. The work included creation of a cross-modal functional directory of DOT staff in the northeastern U.S. The directory can be used to provide improved service to the public.

□ A team of educators including an OIG auditor and a staffer for the Bureau of Transportation Statistics taught a course in auditing Government Performance and Results Act implementation. Ultimately, more than 230 DOT employees took the course.

---

## **Eight sentenced in \$1.7 million highway construction fraud**

Seven associates of two highway construction firms were sentenced following their guilty pleas in a scheme to defraud the Illinois Department of Transportation. Peter Palumbo and his sons, Joseph and Sebastian, were sentenced as owners of Palumbo Brothers Inc. and Monarch Asphalt Co. Palumbo Brothers admitted to bribing an Illinois transportation department engineer, and to collecting more than \$1.7 million through false claims including phony invoices. Peter Palumbo was ordered jailed for a year and to serve 3 months' home detention. Each of his sons was ordered imprisoned for 1 year and 9 months. Each also face 350 hours of community service and \$250,000 fines. Asphalt plant superintendents for the two firms—Daniel Ferrarini and Barry Brockland—were also sentenced to 10 months in jail and a \$1,000 fine and 3 years' probation, respectively. Gerald McGreevy, an asphalt plant operator for Palumbo Brothers, was handed 6 months in jail and a \$1,000 fine for his involvement. Also sentenced—to 1 year and 9 months' imprisonment—was Kelson Abdishi, a highway engineer who participated in the scheme. Abdishi forfeited his \$664,527 state pension.

## **Sale of unapproved parts from destroyed Gulf War aircraft halted**

Aircraft-parts importer Robert Mansfield was sentenced in Chicago for the theft and attempted resale of substandard aircraft parts taken from two aircraft destroyed during the Gulf War. Also jailed in connection with the case were Dennis McCormick and Fahli Al-Rashidi, for theft and attempted resale of the cannibalized parts. Mansfield, owner of Navaero, Inc., was sentenced to 1 year and 3 months' imprisonment, a \$7,370 fine and 3 years' supervised release. McCormick was sentenced to 3 months' detention with an electronic monitor, 3 years' probation and payment of \$3,600 in restitution. Al-Rashidi, a citizen of Kuwait, was sentenced to 45 days in jail, 2 years' supervised release, and to pay \$3,600 in restitution. OIG, the FBI, the U.S. Customs Service, the U.S. Air Force Office of Special Investigations, and New Scotland Yard of London investigated.

## **Truck driver involved in fatal accident sentenced**

A truck driver who caused a fatal traffic accident while driving under the influence of methamphetamines was sentenced in Wichita, KS to 10 months in jail. Sherri L. Weldon, formerly a driver with the S&J Trucking Company of Leon, KS, was handed the term in Federal court for making false statements—specifically for falsifying her medical qualification records, drug-testing records and employment application. Weldon was separately convicted of vehicular homicide in connection with the accident. The investigation was a joint effort by OIG and the Federal Highway Administration's Office of Motor Carriers.

## **Distributor sentenced in aviation parts scheme**

The president of an electronics firm was sentenced to 6 months' incarceration and fined \$2,000 following his guilty plea in connection with the sale of adulterated aviation electrical connectors. Emil Stern of Southampton, PA and his company, Secom Electronics Corp. of Burlington, NJ had entered guilty pleas to mail-fraud charges in March. Stern must serve 3 months at a Federal community corrections facility and 3 months in home confinement. Stern also was placed on 5 years' probation; his company must pay a \$32,000 fine and was placed on a year's probation. Stern and Secom also paid civil restitution of \$55,000.



## **Drug-tester jailed for falsifying truck drivers' test results**

Sherrie L. Kaneaster, who owned and operated a DOT-approved drug-testing facility, was sentenced in Portland, OR Federal court for providing false results on drug tests required of truck drivers by the Federal Highway Administration's Office of Motor Carriers. Kaneaster had earlier pleaded guilty to making false statements. She was sentenced to 6 months in a halfway house, followed by 3 years' probation. This case was investigated by OIG with the assistance of FHWA's Office of Motor Carriers.

## **Sentencing in \$193,000 fuel-tax evasion scheme**

John J. Enright of Deptford, NJ, was sentenced in Camden, NJ Federal court to 4 months' home confinement, 5 years' probation, and a fine of \$3,000. In June 1997, Enright admitted to tax-evasion for his role in a scheme to evade \$193,000 in Federal motor-fuel excise taxes. The prosecution resulted from an undercover investigation by a task force including agents of the IRS, the FBI, and OIG.

---

## **DOT graphics services: enforce, or change, existing policy**

DOT and its operating administrations spent about \$2.4 million for graphics services in FY 1998. Some operating administrations have contracted for services outside the Department. Departmental policy calls for use of TASC, a division of DOT, unless an analysis demonstrates that the use of non-TASC sources is beneficial to the Department as a whole. None of the operating administrations getting graphics services elsewhere had completed the required analysis or obtained prior approval of the Deputy Secretary before going outside TASC. Our audit of graphics spending by four operating administrations (MA-1999-106) showed three may not be getting the most cost-effective service. We recommended the Deputy Secretary direct TASC's board of directors to determine whether the departmental policy requiring the use of TASC for graphics services should be enforced or changed.

## **False FAA medical certificate results in state conviction**

Robert Audley of Bow, NH pleaded guilty in state court in Concord to tampering with public records. Audley was fined \$2,000 and placed on a year's unsupervised probation. In October 1998, a helicopter piloted by Audley crashed. During an investigation of the accident, Audley presented FAA inspectors with a falsified medical certificate.

## Other work by Office of Inspector General personnel in June and July:

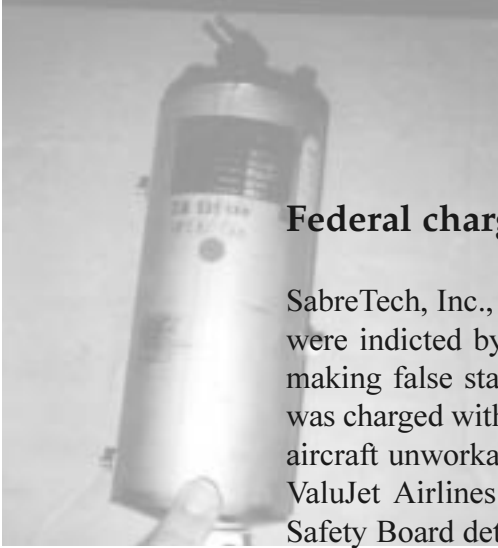
□OIG agents made fraud-awareness presentations to 300 transit authority representatives.

□OIG staff met with representatives of the National Academy of Sciences to discuss ongoing OIG work to assess DOT performance measures and data.

□The Inspector General and two OIG staff members traveled to Nigeria as part of an invited DOT team offering expertise to the Nigerian government on auditing and transportation issues.

□OIG investigative staff offered expert commentary on unapproved aircraft parts issues at a convention of the Airline Suppliers Association and on hazardous materials and trucking-regulation issues before the Northern Virginia Environmental Task Force.





### **Federal charges lodged in ValuJet crash case**

SabreTech, Inc., an aircraft repair and maintenance business, and three of its employees were indicted by a grand jury in Miami, FL on Federal charges including conspiracy, making false statements, and illegally transporting hazardous materials. The firm also was charged with causing placement of a destructive device in an aircraft and making an aircraft unworkable and hazardous. The charges stem from the May 11, 1996 crash of ValuJet Airlines flight 592 in the Florida Everglades. The National Transportation Safety Board determined that the cause was a fire in improperly handled oxygen generators (pictured here) carried in the hold. All 110 people on board were killed. Charged were SabreTech and its maintenance director Daniel Gonzalez and mechanics Eugene Florence and Mauro Valenzuela.

### **FAA: runway safety program needs continued attention**

Our analysis of FAA's runway safety program (report AV-1999-114) showed that the program has not achieved its goal—to reduce near-collisions on airport runways, also called “runway incursions.” The upward trend in runway incursions continued with 325 incursions in 1998, representing an 11 percent increase over 1997, and attributed chiefly to pilot error. While FAA's 1998 action plan laid a sound foundation for reducing runway incursions, there has been limited progress implementing it. Further, FAA has not identified all actions and funding necessary to completely implement the plan. The Airport Movement Area Safety System—which was developed to alert air-traffic controllers to potential collisions on airport runways—will not meet its August 2000 full-deployment date. Our recommendations to FAA included establishing a central authority for the action plan, finalizing standard operating procedures and identifying and setting aside funds to carry out the plan.

## **Royal Caribbean Cruise Lines to pay \$18 million for illegally dumping waste**

Royal Caribbean Cruises, Ltd. agreed to pay a record \$18 million criminal fine. The passenger line pleaded guilty to multiple felony counts of dumping waste oil and hazardous chemicals into U.S. waters and lying to the Coast Guard. The agreement, filed in jurisdictions where the alleged dumping occurred including Anchorage, Miami, New York City, Los Angeles, the U.S. Virgin Islands, and Puerto Rico, is to acknowledge the routine dumping of waste oil and hazardous chemicals from such shipboard services as photo processing and dry cleaning. The fine was the largest ever paid by a cruise line in connection with polluting U.S. waters.

## **MARAD: reassess risk on Massachusetts Heavy Industries Title XI loan guarantee for shipyard**

We prepared this report (MA-1999-115) because Massachusetts Heavy Industries, Inc. (MHI) did not make the June 1999 "interest-only" payment on the MARAD-guaranteed loan for its shipyard, requested approval of a 6-month extension to make that payment, and had not secured a shipbuilding project. The risk of default by the corporation materially increased. We recommended that MARAD reassess the risk-factor rating for MHI's loan guarantee and make the required adjustment to the subsidy rate. We also recommended that MARAD ensure it had all the information required by the Title XI program to protect the interests of the United States from default prior to making a decision on MHI's request to defer its June 1, 1999 payment. A separate update report (MA-1999-127) was issued in September to reflect further developments (see page 28).

## **Amtrak: bottom line improves, but self-sufficiency by 2003 difficult**

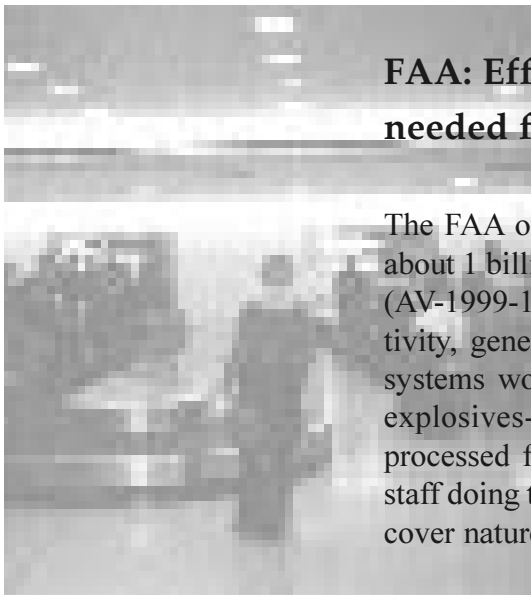
Amtrak's financial outlook is improving but challenges to self-sufficiency remain. Amtrak's system-wide passenger revenue and ridership continue to grow and Amtrak's operating loss of \$483 million for the first 6 months of 1999 was slightly less than that predicted in its annual plan. However, Amtrak's management must stay focused on achieving the cost-containment goals set forth in its strategic business plan. Our review (CE-1999-116) identified \$695 million in potential additional cash losses Amtrak could face if no corrective actions are taken to compensate for the risky elements of its plan. We also concluded that Amtrak's capital funding is likely to fall short of minimum needs in 2001 and 2002, and recommended that Amtrak identify ways to cover its minimum needs before approving spending on projects beyond those minimum needs.

---

---

## **False NHTSA documents spur jail terms**

Kevin Anderson, charged in a truck-smuggling scheme, was sentenced in Toledo, OH to 7 months in jail, 24 months' supervised release, and to pay \$2,200 in restitution. Anderson's father, James S. Anderson and his brother, Mark D. Anderson, were sentenced the previous week to 3 years and 5 months' imprisonment and 1 year and 9 months' imprisonment, respectively; they must pay a total of \$42,700 in restitution. The Andersons were charged with 10 others in a scheme to smuggle truck tractors into the U.S. from Canada that did not comply with standards set by the National Highway Transportation Safety Administration. The enterprise purchased the tractors in Canada using Colombian drug money, and was in part an attempt to launder those funds. NHTSA certifications were forged so the vehicles could clear U.S. Customs.



## **FAA: Effective use of explosives-detection systems needed for checked baggage**

The FAA oversees multiple, integrated systems meant to ensure the security of about 1 billion pieces of baggage on flights within the U.S. each year. Our report (AV-1999-113), which was not made public in full form due to its security sensitivity, generally concluded that our tests of automated passenger prescreening systems worked as intended; however, there were some weaknesses in use of explosives-detection equipment and some passengers were not properly processed for additional security measures. In some of FAA's own tests, FAA staff doing the testing were recognized by airline employees, defeating the undercover nature of the testing.

## **Federal jury convicts polluter on 10 felony counts**

Following a 2-week Federal trial in Jackson, MS, John R. Cooke, a shareholder in Texas-based M&S Petroleum, Inc. was found guilty of 10 counts of conspiracy, making false statements, and violating the Clean Air Act and Clean Water Act. The investigation, conducted jointly with the EPA and the FBI, uncovered a scheme in which Cooke and others shipped and stored pollutants—including benzene—and discharged them into the Mississippi River.

## **Export manager admits falsifying cargo documents**

Ronni Jensen, export manager for Shipco Transport, Inc., of Hoboken, NJ, pleaded guilty in Newark Federal Court to making false statements on export documents for an aircraft-parts shipment to the Middle East. The charges stemmed from an undercover transaction by the U.S. Customs Service that led to a joint investigation with OIG. In January, Jensen agreed to accept a package of aircraft parts from a New Jersey parts broker for shipment to a freight forwarder in Dubai. The undercover Customs agent informed Jensen that the final destination of the parts was Iran, a country under a U.S. trade embargo, and asked that the shipper's name be kept off any export documentation. Jensen arranged the shipment and supplied a certification falsely claiming compliance with Shipco's FAA-approved security requirements. Jensen also falsified the airway bill and air cargo manifest.

## **FHWA contractor sentenced in gratuity case**

Ajay K. Rathi, a former contractor for Lockheed-Martin, was sentenced July 15 to pay a fine of \$10,000, perform 100 hours of community service and serve a year's probation. Rathi previously pleaded guilty in Federal court to charges of conspiracy to submit false claims and to paying unlawful gratuities to Albert Santiago, an FHWA official. Rathi was among conspirators who bribed Santiago and were reimbursed through false claims to FHWA. Rathi worked at the Oak Ridge National Laboratory in Tennessee, creating traffic-flow software for FHWA.

## **Fire-protection firm owner pleads guilty in cylinder-testing scam**

Charles Sheffield, owner of City Fire Equipment Co., Inc. of Gulfport, MS, pleaded guilty in Biloxi Federal court to violations of hazardous-materials safety regulations. He was sentenced to a \$2,500 fine and 3 years' probation, as was the firm. Sheffield was also barred from future work in the cylinder-testing business. The company inspected and certified compressed-gas cylinders used by the U. S. Coast Guard and several area fire departments to hold such gases as oxygen and carbon dioxide. Federal law requires testing of the cylinders to ensure they will not explode when filled with compressed gases. Sheffield falsified cylinder-inspection records required by the DOT's RSPA. The cylinders were stamped to indicate they had been tested, when in fact the required tests had not been done.

---

## **Phony aircraft mechanics' certification spurs imprisonment**

Two central Florida men who falsified certifications of aircraft mechanics they employed were ordered imprisoned and to pay restitution by a U.S. District Court judge in Orlando. Anthony R. St. George of Osteen, FL and George E. Allen of Port Orange, FL were convicted of conspiracy and making false statements. St. George was sentenced to 2-1/2 years' imprisonment and 3 years' supervised release and Allen, to a 10-month term and 2 years' supervised release. The men falsified FAA documents affirming the company's employees had been tested, when some were issued temporary mechanics' certificates without testing. Mechanics so certified were able to supervise and sign off on the work of non-certified employees on both commercial and private-industry-owned planes. FAA is retesting some 2,000 aviation mechanics earlier certified via St. George Aviation.

## **Contractor employee gets 3 years, 10 months for bribery**

Paul Kinter of Fairfax, VA, was sentenced to 3 years and 10 months' incarceration and 3 years' supervised release for bribery and conspiracy. Kinter was a former employee of government contractor RGI, Inc. of Falls Church, VA. An investigation revealed Kinter's involvement in a scheme to pay off several parties, including Kinter, in return for assurances the contractor—Washington Data Systems of Landover, MD—would get a \$57 million computer maintenance contract with the Internal Revenue Service. The scheme included improper billing of some of the bribe payments to RGI's overhead accounts, where they were eventually charged against FAA accounts.

## **FAA: Continue training improvements to save money, time**

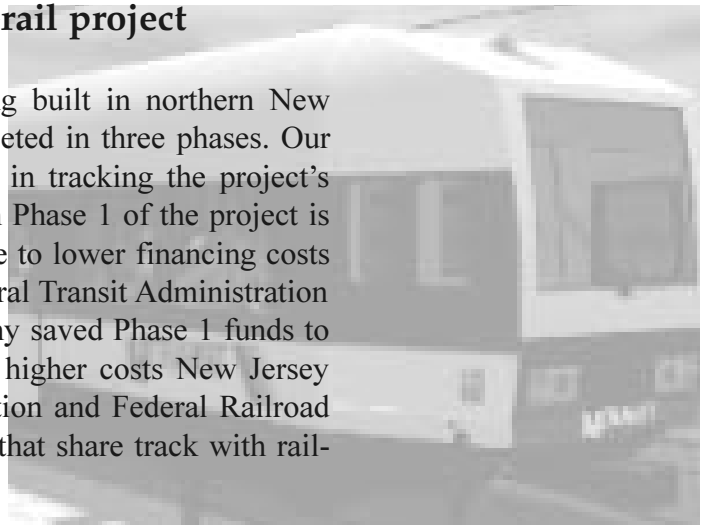
We found FAA has taken steps to reduce the time and expense of certifying maintenance technicians. For example, newly hired technicians are screened for math and electronics knowledge before hiring, rather than being required to take basic math and electronics courses after hiring. However, our audit report (AV-1999-124) also concludes that FAA needs to further improve training and certification by using more cost-effective training methods. Specifically, there was on-the-job training for only 38 of the 148 systems that require standardized training packages. Also, greater use of computer-based instruction would reduce the travel and overtime costs of sending technicians to the FAA Academy. We recommended that FAA develop and use standardized on-the-job training packages, ensure that technicians receive such training after getting formal training, and develop a short-term plan to convert courses to computer-based instruction where possible.

## **Repair station owner pleads guilty to making false statements**

Bo Baker, owner of 3D Industries, Inc., pleaded guilty in Dallas Federal court to charges of making false statements and possession of forged securities. During an inspection by the FAA, Baker—whose firm was an FAA-certified repair station—presented false documentation misrepresenting the origin of 15 counterfeit jet engine parts. The forged-security charge stemmed from alteration of a check to show 3D Industries as the recipient, when in fact the check was intended for another aviation company in Dallas.

## **FTA: Verify savings before shifting funds to second phase of Hudson-Bergen light-rail project**

The Hudson-Bergen light-rail transit system is being built in northern New Jersey. It is expected to cost \$2 billion and be completed in three phases. Our “baseline” audit (report RT-1999-123) is a first step in tracking the project’s progress in meeting cost and schedule goals. Though Phase 1 of the project is expected to come in below original cost estimates due to lower financing costs and a change in route, we recommended that the Federal Transit Administration require resolution of pending issues before shifting any saved Phase 1 funds to Phase 2 accounts. Among these issues are possible higher costs New Jersey Transit will face meeting Federal Transit Administration and Federal Railroad Administration safety regulations for light-rail trains that share track with railroads, as is the case with the Hudson-Bergen system.



## **FAA: Labor cost-reporting system adequate for financial reporting**

The FAA labor system for facilities and equipment projects provides adequate support to make reasonable estimates of labor costs for financial statement reporting. The audit did not address whether FAA used appropriate methodologies to accumulate and assign costs for cost-accounting. In our report (FE-1999-119) we reviewed \$9 million in labor costs recorded on 36 facilities and equipment projects from \$425 million in the work-in-process account, and found a net understatement of about \$55,000. Although the understatement was insignificant, we found the labor system could produce more accurate results if FAA ensures that managers, supervisors, and employees are aware of their responsibilities and properly use the labor system.

---

## **Gasoline vendor pleads guilty to HAZMAT violations**

Alberto Perez of Hialeah, FL pleaded guilty in Miami Federal court to intrastate transport of hazardous materials in violation of Federal laws. Between November 1998 and May 1999, Perez had been cited by state regulators several times for moving gasoline without proper packaging, shipping papers, placards, or emergency response information. Because of the safety threat posed by Perez' practices and his repeated violations, Federal officials stepped in. OIG investigated with the assistance of the Office of Motor Carriers, the Hialeah police and fire departments, and the Florida Department of Transportation.

## **FAA employee sentenced in travel-voucher fraud**

A sentence of 2 years' probation and an order to pay \$4,300 in restitution were levied against Larry A. Bruce, an FAA civil aviation security liaison officer, in Miami, FL Federal court. Bruce, alleged to have filed false travel reimbursement claims totaling \$4,300, also was ordered to pay a fine of \$2,000. The claims in question were filed between October 1997 and January 1999. Bruce retired from the FAA in April 1999 while under investigation by OIG and the FAA.

## **Van line owner pleads guilty to fraud, hiring illegal aliens**

A citizen of Israel who operated a Pembroke Park, FL-based moving company pleaded guilty to charges of wire fraud, mail fraud, hiring illegal aliens, conspiracy, and violating Federal transportation laws. Yaron Tishby, president of All American Van Lines, allegedly instructed his crews to offer artificially low estimates to customers, load customers' goods and then demand payment in cash. If customers refused to pay unexpectedly high bills, their goods would be stored, unprotected from damage or theft. Customers were not informed of a regulation allowing them return of their property if they paid 110 percent of the original estimate. Tishby faces up to 17-1/2 years' imprisonment and fines of up to \$250,000 for each count except the illegal alien charges, which carry fines of up to \$3,000 for each illegal alien employed.

## Other work by Office of Inspector General personnel in August and September:

□OIG investigative staff offered expert commentary on transportation investigations before the American Association of State Highway and Transportation Officials' audit committee and on fraud awareness before the International Union of Operating Engineers.

□An OIG expert spoke on trends in railroad safety before the annual meeting of the Transportation Research Forum.

□An OIG investigations staff member trained 9 colleagues in responding to incidents involving blood-borne pathogens.

□An OIG auditor was mobilized, as part of the DOT Emergency Response Team, to assist victims of Hurricane Floyd.

□As part of Hispanic Heritage Month at DOT, OIG cosponsored—with the U.S. Coast Guard—a seminar on the value of foreign-language skills. OIG also provided simultaneous translation into Spanish of the remarks by Deputy Assistant to the President Janet Murguia.



---

## **FAA must take leadership role ensuring safety in U.S.-foreign “code-share” flights**

"Code sharing," the practice of U.S. airlines ticketing their passengers onto foreign-owned airlines to complete a trip, has more than tripled in the past 5 years, from 53 such agreements to 196 as of last May. However, with that growth, U.S. carriers now are partnering with carriers in regions of the world where safety oversight and track records are not as strong as those of the United States. Currently, DOT's Office of the Secretary must give approval for code-sharing requests made by domestic-based airlines. However, to date, safety has not been a major factor in the approval process. FAA has only advised OST whether the government in the home nation of a proposed code-share partner has oversight that complies with international safety standards. In our report (AV-1999-138) we recommend that FAA require domestic airlines entering such partnerships to inspect and certify safe practices by their foreign partners and determine and review the standards used.

## **Maker of aircraft hoses sentenced in non-conforming parts case**

A Florida maker and distributor of aircraft hoses and its vice-president were fined and ordered to replace some 1,900 substandard aircraft hoses after pleading guilty to making false statements about the regulatory conformance of products made at the firm. Some of the hoses move fuel or oil, and are considered “flight-critical” parts. Air-Pro Inc. will pay a fine of \$200,000 and replace hoses worth an estimated \$138,000. John Wilson, vice-president of Air-Pro, was fined \$2,000 and must serve 18 months' probation. The firm misrepresented the manufacture dates of hoses, failed to sanitize and test hoses used in breathing apparatus, and substituted material with a lower failure temperature for the material required on sleeves that protect hoses from chafing. James Harris, the firm's quality-control manager, was sentenced in July to a fine of \$1,500, to 300 hours of community service and to 2 years' probation for making false statements.



## **Massachusetts Heavy Industries Inc.**

### **Title XI shipyard loan guarantee is at risk**

Events affecting Massachusetts Heavy Industries, Inc. (MHI)—including a missed interest payment, a contractor and subcontractors walking off the job, and a declaration that the general contractor was in default—reinforced our previously reported concerns about MARAD's Title XI loan guarantee to MHI's shipyard (see page 21). The more recent developments delayed shipyard completion for an indeterminate period and further increased the risk of loan default by MHI. In our report (MA-1999-127) we advised MARAD to take immediate action to protect the interests of the United States government and minimize potential losses, because—in the event of default on the guaranteed loan—the United States government has a first-priority lien on shipyard assets and property owned or acquired by MHI.

## **Wilson Bridge: Funding decisions critical to timely contract award**

We reviewed the project for replacement of the Woodrow Wilson Bridge over the Potomac River and reconstruction of 4 adjacent interchanges to assess costs and funding sources and legal and environmental issues. Our report (TR-1999-133) calculated the estimated cost of the project to be \$2.1 billion, rather than FHWA's 1995-based estimate of \$1.9 billion, due to increased costs and design changes. We also noted that project costs are likely to rise if construction on the new span does not begin, as currently proposed, late in the year 2000. A legal challenge by groups opposed to the scope of the project may cause such a delay. Failure to open the new bridge to traffic by the year 2004 is likely to require rehabilitation of the existing 38-year-old bridge to keep it in use until the new bridge is built. We also noted a current shortfall of up to \$1.2 billion in financing for the proposed bridge, caused by lack of commitment of state funds. We recommended that Congress cap the total Federal funds that can be spent to build the new bridge.

## **OIG review of dormant obligations frees \$672 million**

As part of OIG's work to support the Chief Financial Officers Act, we reviewed some 63,000 line-items totaling \$5.1 billion—dormant for at least 18 months—that were identified as obligations requiring payment at a future date. Closer review in conjunction with DOT's operating administrations showed that \$672 million of those dormant obligations no longer represented valid financial liabilities; as a result, those funds can be spent by DOT for other needs or returned to the U.S. Treasury. We recommended (report FE-1999-131) that the DOT chief financial officer require regular reviews of inactive obligations in the future.

## **OIG updates Congress on aviation Year-2000 issues**

In its fourth Y2K-related testimony since February 1998 before the House Science Committee's Subcommittee on Technology and the House Government Reform Committee's Subcommittee on Government Management, Information and Technology, OIG updated aviation Year-2000 readiness issues (report FE-1999-126). FAA has overcome schedule slippage to establish strong leadership and to repair and replace its Host computers, to repair and install 152 mission-critical systems at more than 4,000 sites, and to live-test Y2K fixes in Denver. It needs to make sure local adjustments to FAA computer programs don't countermand Y2K repairs. FAA should prepare for unexpected Y2K-related contingencies. FAA may be pressed to confirm the Y2K readiness of smaller domestic air carriers, and 53 foreign countries had not responded by August 31 to a survey on Year-2000 readiness. Policy on allowing or disallowing U.S.-based or code-share flights to Y2K-uncertain nations should be set by October 15.

---



## Separate DOT agency needed for truck safety oversight

Increasing numbers of deaths in large-truck crashes and enormous growth in the trucking industry require an oversight agency with safety as its overarching goal, the Inspector General testified before the Senate Subcommittee on Surface Transportation and Merchant Marine. His remarks were based on the conclusions of OIG audit TR-1999-091. We concluded OMC, which has trended toward a more collaborative approach to oversight, was not effective in ensuring safety compliance and deterring violations. A minority of motor carriers repeatedly violate safety regulations. OMC fines for noncompliance were sometimes absorbed as a “cost of doing business,” while the option of shutting down unsafe carriers was not pursued often enough. OMC’s current structure within FHWA forces its safety mission to compete with FHWA’s overriding infrastructure mission. We recommend a separate motor-carrier safety administration, outside FHWA. Such a step may help DOT achieve its goal, set in May, of reducing commercial vehicle-based fatalities by 50 percent in the next decade.

## Two jailed in \$77 million motor-fuel tax scam

A multi-agency investigation code-named "Red Daisy" spurred the sentencing of two New York men on racketeering charges in connection with motor-fuel tax fraud. Sentenced in Newark, NJ Federal court were Daniel Pagano of Monsey, NY and Anthony Palumbo of Bronxville, NY. Pagano was sentenced to 8 years and 9 months in prison followed by 3 years' supervised release, and a fine of \$100,000. Palumbo was sentenced to 3 years and 10 months' imprisonment—followed by 3 years' supervised release—and a \$5,000 fine. The defendants were charged with conspiring to defraud the Federal government of more than \$77 million dollars in unpaid motor fuel taxes. The investigating agencies included the FBI, the IRS, OIG, prosecutors of the Department of Justice and the New Jersey and Pennsylvania state revenue agencies.

## Connecticut man, New Jersey woman jailed in tax frauds totaling \$140.4 million

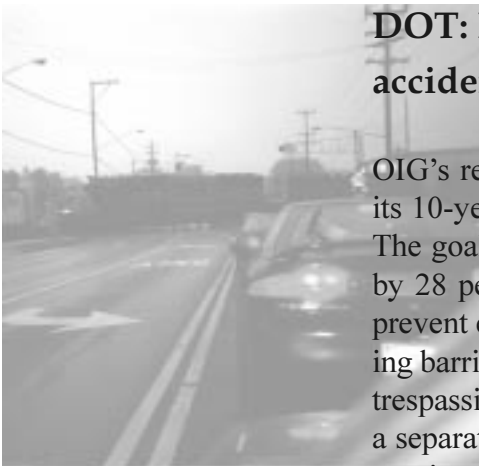
The work of the Federal-state task force investigating motor-fuel tax fraud also led to sentences in two other cases. Richard Ferrara of Connecticut was sentenced to 1 year and 9 months' imprisonment, 3 years' supervised release, and to pay \$12,000 in restitution. Ferrara pleaded guilty to excise tax evasion and conspiracy in a scheme to evade approximately \$402,000 in motor-fuel excise taxes. Mary Ingram of Woodbridge, NJ, was sentenced to 5-1/2 years' imprisonment and 3 years' supervised release. Ingram was found guilty of tax evasion, conspiracy, money-laundering, and wire fraud charges in a \$140 million scheme to dodge fuel taxes. Also, co-defendant Igor Erlikh of Brooklyn, NY, who had been captured earlier this year in the former Soviet Union, pleaded guilty to tax evasion, conspiracy, and money-laundering.

## **Illinois transportation department employees guilty in license-selling scandal**

Marion Seibel and George A. Velasco, both former managers of an Illinois state commercial driver's license facility, pleaded guilty to racketeering in Federal court in Chicago. Also entering guilty pleas in connection with a commercial driver's license-selling scandal at such facilities were Gonzalo Mendoza, Miguel Calderon, Edwin Diaz and Nikola Blagojevich, who helped find customers for the illegal enterprise, and William O'Connor, a state DOT maintenance supervisor who pleaded guilty to tax evasion after accepting \$4,000 for helping unqualified drivers pass tests. Calderon and Diaz, alleged "bagmen" who acted as middlemen in the money-under-the-table scheme by collecting hundreds of dollars from each applicant and helped unqualified applicants pass tests, pleaded to extortion. Mendoza and Blagojevich pleaded to racketeering. To date, 15 defendants have been charged in connection with the case; one trucker licensed through the illegal scheme was involved in a fiery accident that killed six children.

## **Testimony: DOT progressing in steps to achieve "clean" financial audit**

In testimony before the U.S. House Subcommittee on Oversight, Investigations, and Emergency Management of the Committee on Transportation and Infrastructure (report FE-1999-135), OIG updated the status and challenges DOT faces in achieving goals set in the Chief Financial Officers Act of 1990. The primary material weakness preventing DOT from getting an unqualified, or "clean," audit opinion relates to its property and equipment accounts, which total about \$21 billion. Further, DOT's accounting system does not produce all the financial and budgetary data needed to produce its financial statements. DOT has taken significant actions to fix material weaknesses we identified in an audit in FY 1998, and it is on its way to a new accounting system. FAA, where much of the questioned property resides, is developing a cost-accounting system. Both systems should be operational within 2 years.



## **DOT: Fund cost-effective approaches to reduce accidents at railroad grade crossings**

OIG's review (report RT-1999-140) assessed DOT's progress halfway through its 10-year plan to reduce accidents and deaths at road-level railroad crossings. The goal is a 50 percent reduction; thus far DOT steps have reduced accidents by 28 percent and deaths by 31 percent. We identified "flexible barriers" that prevent end-runs around gates, use of photos to identify drivers who defy crossing barriers, and stiffer penalties as cost-effective approaches. We also identified trespassing on railroad property as the leading cause of railroad-related deaths; a separate plan is needed to address that. Further, we urged FRA and FHWA to monitor how states are spending funds meant to curb grade-crossing accidents.

---

## **Information on Year-2000 readiness of airlines needed**

Though FAA has addressed the majority of its Year-2000 computer issues domestically, policy should be set soon on how to address Y2K-related questions still hanging over aviation in some foreign countries, the Inspector General told a Senate hearing. In testimony before the Senate Special Committee on the Year-2000 Technology Problem, the Inspector General said FAA must quickly determine whether it will bar flights to nations that have not responded adequately to international questionnaires about Y2K preparedness. As of late October, 27 of 185 countries surveyed by an international aviation group had not responded to a survey on Y2K issues, which involve possible computer failures as 1999 is succeeded by the year 2000. Most of those nations are in Asia or Africa. Another 18 nations surveyed did not supply enough information for assessment.

## **Guilty pleas in conspiracy to transport HAZMATS**

Phillip D. Hinton, Jeffery T. Sherman and Adam M. Worobec pleaded guilty September 22 to conspiracy to illegally deliver hazardous materials to an air carrier. The three attempted to illegally ship sodium hydroxide and GBL, which are classed as corrosive and must be properly identified and packaged for air transport, via an air carrier in Tallahassee, FL. The chemicals are used to manufacture gamma hydroxybutyrate (GHB), commonly known as the "date-rape drug." The trio, who entered their pleas in Federal court in Tallahassee, also face state drug charges in Florida and Georgia. The Federal investigation was conducted by OIG, the FAA, the Florida Division of Law Enforcement, and local enforcement agencies. Sentencing is set for December 3.

## **DOT-funded university research needs peer review of quality, relevance**

At the request of Congressman James Oberstar of Minnesota, we reviewed management and oversight of university-based research funded by DOT (report MA-1999-130). Our review of 33 awards totaling \$56 million led to the conclusion that the grants have produced—or are expected to produce—one or more deliverables pertinent to DOT's strategic goals. However, we recommended that DOT improve oversight by developing and implementing an expert peer-review system to assess the quality and relevance of the university-based program and its products. Further, we urged completion of the database of DOT-funded university-based research, including the naming of an administrator for it, and completion of the DOT's university-based research plan as called for by the FY 1999 Performance Plan.

## **Trash-haulers' guilty pleas spur jail, fines of more than \$3.3 million**

Two Maryland trash-hauling firms pleaded guilty to charges including conspiracy, making false claims, making false statements and violation of the Clean Water Act. Michael W. Stevens, vice-president of A.W. Stevens and Sons Waste Disposal Systems Inc. and operator of St. Mary's Disposal Systems Inc., also pleaded guilty to falsely billing the Navy an estimated \$800,000 through the illegal shipment of garbage to Virginia landfills. The company also pleaded guilty to falsifying a statement to the Office of Motor Carriers regarding hours the firm's drivers spent behind the wheel. The companies agreed to pay a criminal fine of \$1.3 million and a civil fine of \$2 million. Stevens was ordered to serve 5 months in jail and 5 months' home monitoring and pay a \$30,000 fine. Three other defendants sentenced under the Maryland litter-control law—Albert W. Stevens, Susan Goolsby Stevens and Patrick T. Stevens—each must pay fines of \$20,000 to both St. Mary's County and Prince George's County in Maryland, the sites of the illegal trash transfers.

## **Review of GM settlement agreement shows spending meets terms of pact**

The Center for Auto Safety asked the Secretary of Transportation and the Inspector General to review spending under a General Motors media-awards program created as part of a settlement agreement. OIG (in report TR-1999-139) analyzed the Public Education Program created in connection with a settlement regarding GM's model C/K pickup trucks. The review showed that the selections and financing of media awards by GM, with the concurrence of DOT's National Highway Traffic Safety Administration, were done in accord with the terms and conditions of the agreement. We made recommendations to NHTSA about documentation and verification for future agreements.

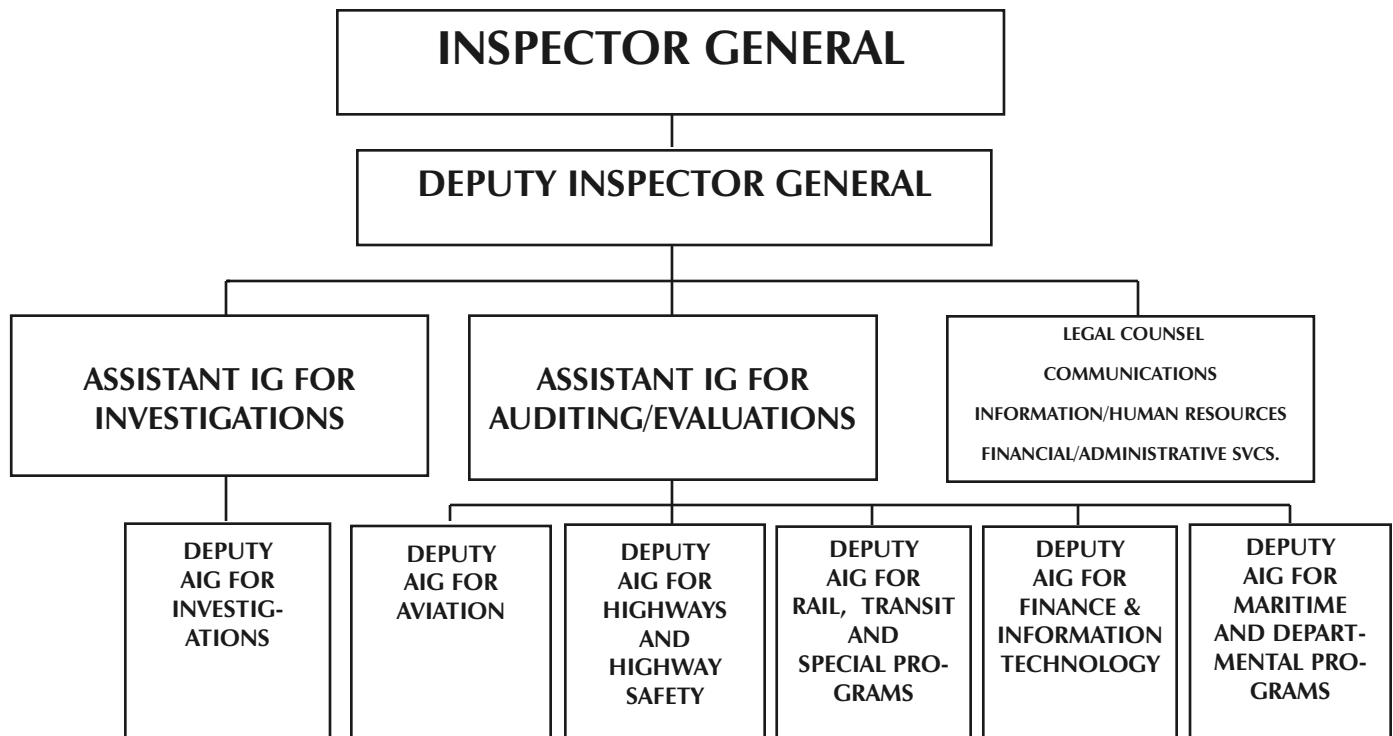
## **Decision needed on organization, placement of charting and cartography employees**

Our survey of Aeronautical Charting and Cartography office employees (report MA-1999-146) showed they are concerned about the likelihood of job losses if their office becomes part of DOT's Transportation Administrative Services Center (TASC). That is not an unrealistic concern, in that TASC is a fee-for-service organization and may not require a workforce the size of AC&C's current one. Because of job-loss concerns, 35 percent of AC&C employees surveyed strongly opposed a move to TASC. There is also uncertainty about when such a change might occur. DOT needs to work with Congress to reach a decision on the placement of the AC&C, now part of the Commerce Department, because Congress has barred the transfer to TASC.



# Organization/Management

---



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 Departmental 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/Evaluations 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 the Office of Financial and Administrative Services.



## Completed Audits April 1, 1999-September 30, 1999 (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	29	109	\$ 0	\$ 0	\$ 168,000
Chief Financial Officer					
Financial Statements:	3	2	\$ 0	\$ 0	\$ 672,000
<b>Total Internal Audits</b>	<b>32</b>	<b>111</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 840,000</b>
<i>Grant Audits:</i>					
Audits of Grantees under Single Audit Act	21	35	\$ 4,085	\$ 0	\$ 0
Other Grant Audits	1	2	\$ 13	\$ 0	\$ 13
<b>Total Grant Audits</b>	<b>22</b>	<b>37</b>	<b>\$ 4,098</b>	<b>\$ 0</b>	<b>\$ 13</b>
<i>Contract Audits:</i>					
Contracts	10	16	\$ 1,452	\$ 0	\$ 250
<b>Total Contract Audits</b>	<b>10</b>	<b>16</b>	<b>\$ 1,452</b>	<b>\$ 0</b>	<b>\$ 250</b>
<b>TOTALS</b>	<b>64</b>	<b>164</b>	<b>\$ 5,550</b>	<b>\$ 0</b>	<b>\$ 840,263</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 3 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 3 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 4/1/99	31	117***	\$13,516	0	\$ 353,076
Audits with Findings During Current Period	51	164	\$ 5,550	0	<u>\$ 840,263</u>
Total to be Resolved	82	281	\$19,066	0	<b><u>\$1,193,339</u></b>
Mgt. Decisions: A.Audits Prior Period	27	100	\$11,616	0	\$344,874
B.Audits Current Period	24	76	\$ 1,821	0	\$168,263
Total Resolved Reports/Recommendations	51	176	\$13,437	0	\$513,137
Unresolved as of 9/30/99**	31	105	\$ 5,629	0	<b><u>\$680,202</u></b>
Aging of Unresolved Audits:					
Less than 6 mos. old	27	88	\$ 3,729	0	\$672,000
6 mos. - 1 year	3	14	0	0	\$ 1,702
1 year - 18 mos.	0	0	0	0	\$ 0
18 mos. - 2 years	0	0	0	0	\$ 0
Over 2 years old	1	3	\$ 1,900	0	\$ 6,500
<b>TOTALS</b>	31	105	\$ 5,629	0	<b><u>\$680,202</u></b>

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

\*\*\*Includes 11 recommendations that were not included in the prior Semiannual Report.

\*\* 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	8	14	\$ 13,516	\$ 0
B. Which were issued during the period	22	26	\$ 5,550	\$ 0
Totals (A+B)	30	40	\$ 19,066	\$ 0
C. For which a management decision was made during the reporting period	20	26	\$ 13,436	\$ 0
(i) dollar value of disallowed costs	18**	23**	\$ 4,685	\$ 0
(ii) dollar value of costs not disallowed	6**	10***	\$ 8,721	\$ 0
D. For which no management decision has been made by the end of the reporting period	10	14	\$ 5,629	\$ 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	6	12	\$ 353,076
B. Which were issued during the reporting period	11	11	\$ 840,263
<b>TOTALS (A+B)</b>	<b>17</b>	<b>23</b>	<b>\$1,193,339</b>
C. For which a management decision was made during the reporting period	14	20	\$ 513,137
(i) dollar value of recommendations that were agreed to by management:	12*	18*	\$ 477,274
(ii) dollar value of recommendations that were not agreed to by management	3*	3*	\$ 35,864
D. For which no management decision had been made by the end of the reporting period	3	3	\$ 680,202
*May include reports and recommendations in which some costs were allowed and others were disallowed.			

## 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	24	91*
B. Which were issued during the reporting period	37	127
TOTALS: (A + B)	61	218
C. For which a management decision was made during the reporting period	32	130
D. For which no management decision has been made by the end of the reporting period	29	88

\*Includes 11 recommendations that were not included in the prior Semiannual Report

# Status of Unresolved Audit Recommendations Over 6 Months Old

## 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
--	-------------	----------	--

## CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1998-MARCH 31, 1999

State Safety Oversight Program for Rail Systems	TR-1999-071	03/12/99	Will resolve when FTA provides target dates for implementation
Motor Carrier Program for Commercial Trucks at U.S. Borders	TR-1999-034	12/28/98	Unresolved issues under review by the Office of the Secretary
Deployment of EDS, FAA	AV-1999-001	10/05/98	Working with FAA to resolve all open issues

## Profile of Pending Investigations

DOT Operating Administration	Number of Cases	Types of Cases			
		Contracts	Employees	Grants	Other
Federal Highway Administration	192	20	4	32	136
Federal Aviation Administration	192	20	29	6	137
U.S. Coast Guard	36	11	6	0	19
Federal Transit Administration	26	6	0	14	6
Research and Special Programs Administration	20	3	1	0	16
Office of the Secretary	15	3	1	1	10
Maritime Administration	11	4	0	0	7
National Highway Traffic Safety Administration	8	0	3	0	5
Federal Railroad Administration	5	1	0	0	4
Saint Lawrence Seaway Development Corp.	0	0	0	0	0
Other agencies	1	0	1	0	0
<b>TOTALS:</b>	<b>506</b>	<b>68</b>	<b>45</b>	<b>53</b>	<b>340</b>
<b>Percent of total:</b>	<b>100</b>	<b>13</b>	<b>9</b>	<b>11</b>	<b>67</b>

**Investigations  
Judicial Actions  
April 1, 1999-September 30, 1999**

Indictments	134
Convictions	93
Years Sentenced	66
Years Probation	58
Fines	\$3,151,625
Restitutions/Civil Judgments	\$427,659
Federal Recovery	\$2,384,758
State Recovery	\$86,050
<b>TOTAL</b>	<b>\$6,050,092</b>

OIG investigations in this reporting period spurred \$6,050,092 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 462. During the period, 99 cases were opened and 105 were closed, leaving a pending caseload of 456.

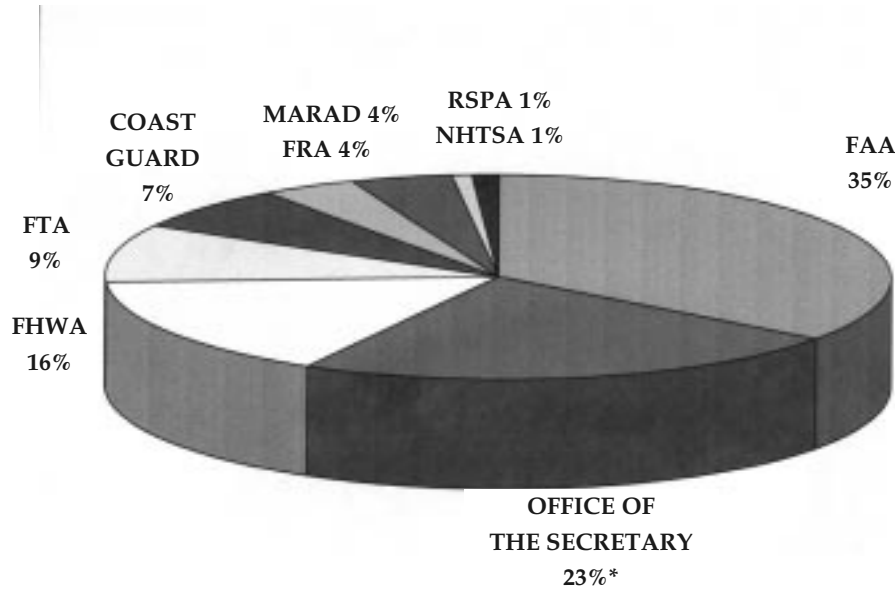
During the period, 170 cases were accepted for prosecution, while 22 were declined. The number of cases pending before prosecutors as of September 30, 1999 was 104.

**Investigations  
Administrative Actions  
April 1, 1999-September 30, 1999**

Employee Suspensions	9
Employee Resignation/Retirement	6
Employee Terminated	2
Employee Restitution	6
Employee Reprimand	10
Employee Counseled	8
Debarments/Suspensions	15
Corrective Action	17
New Procedure Instituted	5
Regulation/rule revised	1
Restatement of Policy	4
<b>TOTAL</b>	<b>83</b>

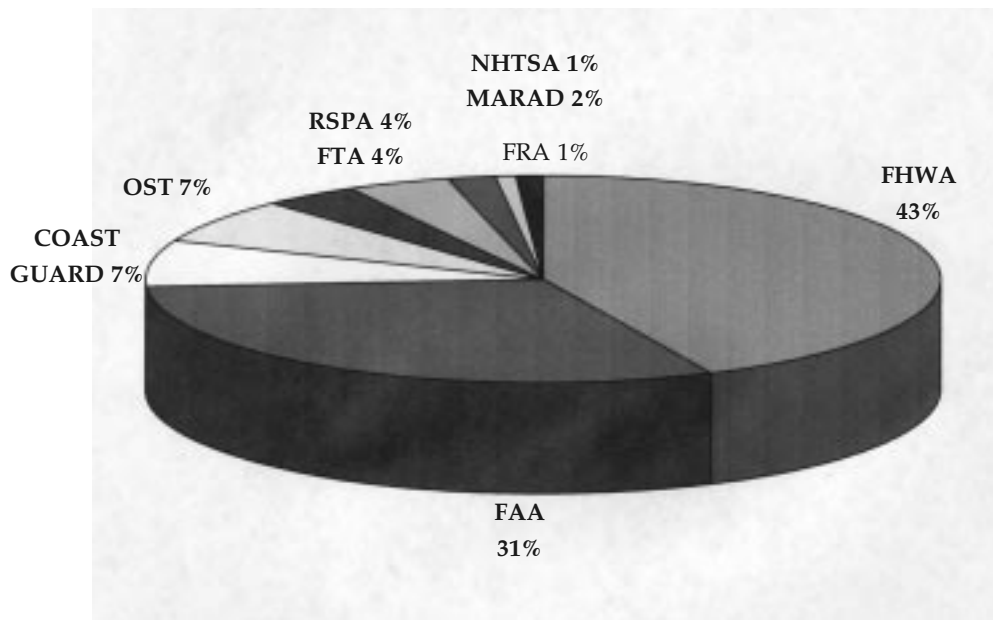


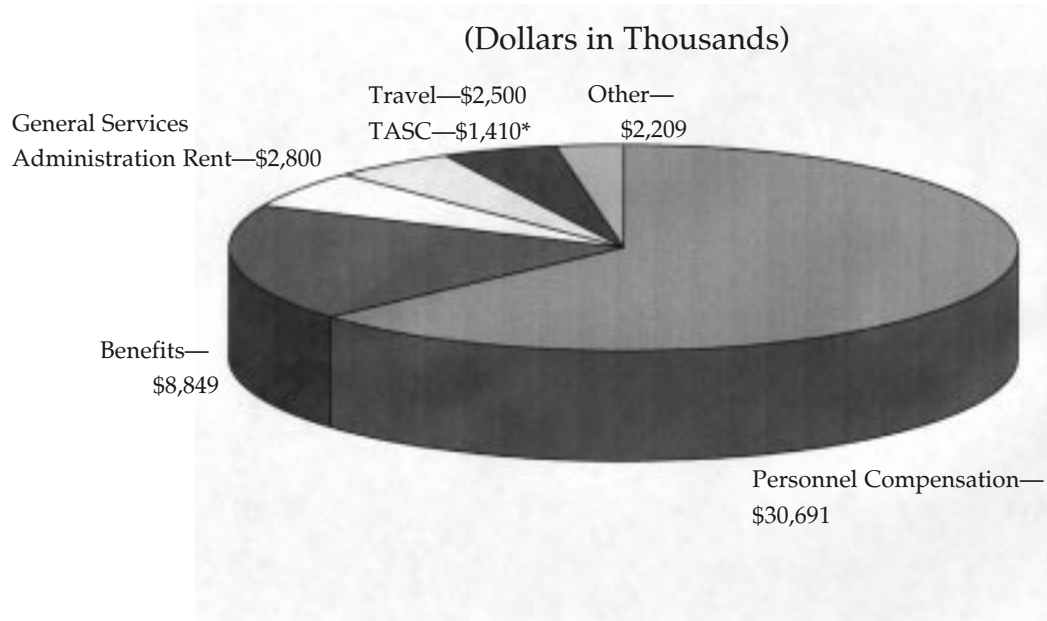
Application of Audit Resources  
by Operating Administration



\*A substantial portion of this percentage reflects  
OIG's work auditing the Department's Consolidated  
Financial Statements, which includes work at FAA,  
FHWA, the U.S. Coast Guard and other operating  
administrations

Application of Investigative Resources  
by Operating Administration





\*The Transportation Administrative Service Center provides reimbursable services to DOT operating administrations. OIG pays TASC for services including telecommunications, computer support, printing, copying, building management and the Department's central library.

# Office of Inspector General

## Audit Reports

### April 1, 1999-September 30, 1999

#### FEDERAL AVIATION ADMINISTRATION

##### INTERNAL AUDITS - 11 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
AV-1999-138	09/30/99	Safety Issues Concerning Alliances/Code Sharing Agreements	Improve safety
FE-1999-126	09/09/99	Readiness for the Year 2000, Aviation Industry -- Domestic and Foreign	Enhance readiness
AV-1999-124	08/18/99	Airway Facilities Maintenance Technician Training	Improve training
FE-1999-119	08/04/99	Labor Costs for Facilities and Equipment Projects	Improve financial data
AV-1999-114	07/21/99	Follow-Up Review of FAA's Runway Safety Program	Improve safety
AV-1999-113	07/16/99	Security of Checked Baggage on Flights Within the United States	Increase security
AV-1999-099	05/28/99	Oversight of the Air Tour Industry	Improve safety
FE-1999-103	05/20/99	Computer Security Controls of Data Processing Center	Increase security
AV-1999-100	05/13/99	Compliance with Flight Radio Communications in Mexico	Regulatory compliance
AV-1999-094	05/04/99	Expanding FAA's Contract Tower Program	\$18,000,000 better use
AV-1999-093	04/30/99	National Aviation Safety Inspection Program	Improve safety

##### GRANT AUDIT - POST-AWARD - 4 reports

QC-1999-137	09/29/99	Dallas/Fort Worth International Airport	Better grantee oversight
QC-1999-128	09/13/99	Greater Orlando Aviation Authority, Florida	\$1,663,264 questioned
QC-1999-110	06/25/99	Carson City, Nevada	Better grantee oversight
QC-1999-107	06/23/99	Texarkana Airport Authority	\$21,972 questioned

#### FEDERAL HIGHWAY ADMINISTRATION

##### INTERNAL AUDITS - 5 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
TR-1999-134	09/27/99	S. 1501 The Motor Carrier Safety Improvement Act of 1999	Improve trucking safety
TR-1999-133	09/27/99	Baseline Review of the Woodrow Wilson Bridge Project	Control expenditures
TR-1999-104	05/24/99	Overpayments of Premiums for the Central Artery's Owner-Controlled Insurance Program	\$150,000,000 better use
MA-1999-095	05/05/99	Turner-Fairbank Highway Research Center Acquisition Process	Improve internal controls
TR-1999-091	04/26/99	Motor Carrier Safety Program	Improve trucking safety

**GRANT AUDIT - POST-AWARD - 5 reports**

QC-1999-145	09/30/99	State of Oklahoma	\$87,366 questioned
QC-1999-144	09/30/99	State of California	\$12,500 questioned
QC-1999-125	08/24/99	State of Delaware	Better grantee oversight
QC-1999-111	07/06/99	Commonwealth of Massachusetts	Better grantee oversight
QC-1999-121	08/09/99	State of Alabama	Better grantee oversight

**FEDERAL RAILROAD ADMINISTRATION****INTERNAL AUDITS - 2 reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
RT-1999-140	09/30/99	Rail-Highway Grade Crossings	Improve safety
CE-1999-116	07/21/99	1999 Assessment of Amtrak's Financial Needs through 2002	Assess long-term revenue/ expenses

**MARITIME ADMINISTRATION****INTERNAL AUDITS - 2 reports**

MA-1999-127	09/15/99	Status Update -- Massachusetts Heavy Industries Inc. Title XI Loan Guarantee	Protect U.S. interests
MA-1999-115	07/20/99	Massachusetts Heavy Industries Inc. Title XI Loan Guarantee	Protect U.S. interests

**GRANT AUDITS - 12 reports**

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
MA-1999-143	09/30/99	Ocean Chemical Transport, P&I Deductible	\$2,311 questioned \$2,311 better use
MA-1999-142	09/30/99	Ocean Chemical Carriers, P&I Deductible	\$6,192 questioned \$6,192 better use
MA-1999-141	09/30/99	Apex Marine Corp., National Shipping Authority	\$12,594 questioned \$12,594 better use
QC-1999-118	07/27/99	Port of Portland, Oregon	Better grantee oversight
MA-1999-117	07/23/99	Keystone Shipping Company, National Shipping Authority	Better grantee oversight
MA-1999-112	07/12/99	Farrell Lines Inc. Asbestosis Claim	\$157,359 questioned \$129,979 better use
MA-1999-098	05/11/99	Ocean Chemical Carriers Inc., Maintenance and Repair Costs	\$88,260 questioned \$39,646 better use
MA-1999-097	05/11/99	Ocean Chemical Transport Inc., Maintenance and Repair Costs	\$126,849 questioned \$56,984 better use
MA-1999-089	04/19/99	Matson Navigation Co. Inc., Construction Differential Subsidy	\$12,729 questioned \$12,729 better use
MA-1999-088	04/19/99	Matson Navigation Co. Inc., Cargo Preference	\$135,569 questioned \$2,560 better use

MA-1999-087	04/19/99	Moran Services Corp., Cargo Preference	\$712,922 questioned
MA-1999-084	04/07/99	Maritime Overseas Corporation, Cargo Preference	\$209,984 questioned

## OFFICE OF THE SECRETARY OF TRANSPORTATION

### INTERNAL AUDITS - 8 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
MA-1999-146	09/30/99	Survey of Office of Aeronautical Charting/Cartography Employees	Employee opinion survey
FE-1999-135	09/30/99	Financial Data Quality	Improve financial information
FE-1999-132	09/30/99	Readiness for the Year 2000, Transportation Sector	Enhance readiness
FE-1999-131	09/27/99	Inactive Obligations	\$672,000,000 better use
MA-1999-130	09/24/99	Management and Oversight of University-Based Research	Improve program oversight
MA-1999-106	06/23/99	Acquisition of Graphics Services	Change or enforce policy
FE-1999-096	05/05/99	Non-Tax Delinquent Debt	Financial oversight
FE-1999-082	04/05/99	The Year-2000 Technology Challenge	Enhance readiness

## UNITED STATES COAST GUARD

### INTERNAL AUDITS - 2 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
MA-1999-092	04/28/99	Abandoned Vessels Program	Improve program compliance
MA-1999-083	04/06/99	Environmental Restoration Program	Reduce future budgets

## FEDERAL TRANSIT ADMINISTRATION

### INTERNAL AUDITS - 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS</u>
RT-1999-123	08/18/99	Hudson-Bergen Light Rail Transit System	Improve fund use

### GRANT AUDITS -- POST-AWARD - 11 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
QC-1999-136	09/29/99	METRO, Portland, Oregon	Improve grantee oversight
QC-1999-129	09/13/99	Miami/Dade County, Florida	\$122,000 questioned
QC-1999-122	08/12/99	State of Louisiana	\$820,445 questioned

QC-1999-120	08/09/99	Port Authority of New York and New Jersey	Improve grantee oversight
QC-1999-109	06/25/99	New Jersey Transit Corporation	Improve grantee oversight
QC-1999-108	06/24/99	Miami/Dade County, Florida	\$30,000 questioned
QC-1999-105	06/15/99	Broward County, Florida	Improve grantee oversight
QC-1999-101	05/20/99	Provo City Corporation, Utah	\$69,000 questioned
QC-1999-090	04/20/99	City of Tulsa, Oklahoma	\$785,000 questioned
QC-1999-086	04/15/99	State of Connecticut	Improve grantee oversight
QC-1999-085	04/15/99	State of Idaho	\$256,816 questioned

## NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

### INTERNAL AUDITS - 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
TR-1999-139	09/30/99	Settlement Agreement Between DOT and General Motors Corp. Regarding Model C/K Pickup Truck	Improve documentation

# Contacts

Inspector General Kenneth M. Mead (202) 366-1959

Deputy Inspector General  
Raymond J. DeCarli (202) 366-1959

Assistant Inspector General for Auditing  
Alexis Stefani (202) 366-1992

Assistant Inspector General for Investigations  
Todd J. Zinser (202) 366-1967

Office of Legal Counsel  
Roger Williams (202) 366-8751  
Brian Dettelbach (202) 493-0211

Communications  
Jeff Nelligan (202) 366-6312  
Jennifer Gavin, Semiannual Report (202) 366-2009

Deputy Assistant Inspector Generals:  
Aviation, David Dobbs (acting) (202) 366-0500

Finance/Information Technology,  
John L. Meche (202) 366-1496

Highways and Highway Safety,  
Patricia Thompson (202) 366-0687

Maritime/Departmental Programs  
Tom Howard (202) 366-5630

Rail, Transit and Special Programs  
Francis Mulvey (202) 366-0477