



Semiannual Report to the Congress

Office of Inspector General

U.S. Department of
Transportation

October 1, 1998 - March 31, 1999

From the Inspector General

The past 6 months at the Department of Transportation's Office of Inspector General have brought challenges, with many positive results. Keeping the safety of the traveling public foremost in our minds—while monitoring efficient use of public resources—the OIG team brings you this detailing of 78 audits and 154 investigations finalized between October 1, 1998 and March 31, 1999.

During the period, the Office of Inspector General intensified its investigative and auditing emphases on trucking safety. Trucking-related accidents take more than 5,000 lives annually in the United States.

Significant work in the period included an audit report (TR-1999-034) detailing the lack of enough safety inspections of short-haul trucks entering the United States from Mexico, and recommending improvements by the time long-haul Mexican trucks enter the U.S.; six separate investigations leading to 25 convictions on charges related to unsafe trucking operations; an investigation of lobbying activities within the Federal Highway Administration's Office of Motor Carriers which spurred restructuring of management at OMC and an audit (report TR-1999-055) of the effectiveness of OMC's truck-safety program. These issues were presented in testimony before committees of both the U.S. Senate and the U.S. House of Representatives, and are included as a focus of this Semiannual Report (see page 4).

We issued reports relating to major issues affecting aviation safety, security, research and development, financing, and several specific air traffic control modernization projects.

Other reports of note during the period include our oversight of an independent assessment of Amtrak's financial condition and requirements through Fiscal Year 2002; our look at the top 10 management issues within DOT; our review of ongoing Year-2000 computer issues within DOT and our review of the Department's Fiscal Year 1998 financial statements. Thirteen testimonies were delivered to six Congressional committees on our work, a record for the Department's OIG.

In January, the Office of Inspector General updated the design and content of its website (<http://www.dot.gov/oig>). Audit reports, always available on the site, now can be tracked by subject headings for speedier results. OIG news releases and recent developments are newly posted.

We strive to add value daily—and we at OIG appreciate the cooperation of Secretary Slater, his staff and all DOT operating administrations in helping us serve the public.

Kenneth M. Mead
Inspector General

Summary of Performance
Office of Inspector General
October 1, 1998-March 31, 1999

Reports Issued	78
Total financial recommendations	\$170,194,000
—That funds be better-used	\$162,085,000
—Questioned costs	\$ 8,109,000
Referrals for prosecution	127
Cases accepted for prosecution	95
Indictments	78
Fines, restitutions, recoveries	\$18,203,513
Convictions	71
Contract terminations/debarments	2
Actions affecting DOT employees	19

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Major Audits and Investigations

The Office of Inspector General includes a staff of auditors and evaluators who review the programs and operations of the Department of Transportation to help its managers improve them. Some audits focus on financial issues; others review the effectiveness of programs. The Inspector General’s staff also includes investigators who build criminal cases against 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 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:

A report (TW-1999-031) responding to Congress' request for prioritization and background on the major management issues facing the Department of Transportation

Aviation Safety

1

U.S. air carriers, including commuter airlines, experienced a zero fatal accident rate in 1998 while carrying 615 million passengers. Improving programs that prevent near-collisions on airport runways, improving aircraft inspections and assessing the safety implications of alliances between U.S.-based carriers and foreign carriers will help FAA continue this trend.



2

Surface Transportation Safety

DOT must upgrade checks on truck maintenance, driver qualifications and compliance with limits on driving time. Tough enforcement should counter unsafe practices. Trucks entering the U.S. from Mexico need to be safer and hazardous-materials transportation rules must be enforced.

Year-2000 Computer Issues

3

DOT has made significant strides to get its computer systems "Y2K-ready." It must now make sure this work on all mission-critical computer systems is completed as scheduled. DOT also needs assurance that private transportation providers serving the public will be Y2K-compliant. Contingency plans must be in place.



4

Air Traffic Control Modernization

FAA has had modernization successes in three key programs in the past year. In its transition to satellite navigation systems, FAA should determine whether a backup system is needed. Software-intensive contracts, such as the Standard Terminal Automation Replacement System, must be better-managed.

FAA Financing

5

In the past decade, FAA's operating budget has nearly doubled to almost \$6 billion a year out of a total budget of about \$10 billion. It is expected to increase to \$12 billion by the year 2004. Operations costs, especially labor costs, threaten to overwhelm FAA's other needs. FAA must show discipline in controlling costs and implement a credible cost-accounting system.

DOT's Top 10 Issues

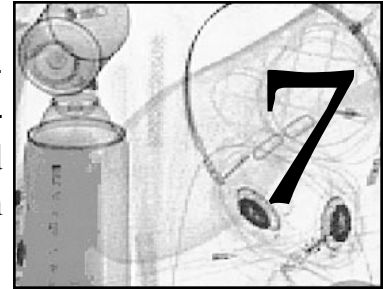
Infrastructure Needs

Congress has guaranteed \$198 billion over the next 6 years for new or improved highways, bridges, and mass-transit systems. The money must be spent wisely. DOT must strengthen internal spending controls, oversee sound financial planning, promote use of cost-saving techniques and select high-priority projects for discretionary grants.

6

Transportation and Computer Security

DOT must increase use of explosive-detection equipment in airports, insist on compliance with cargo security rules, and develop computer-network security safeguards. More work is needed to protect the public from attacks in the transportation system and shelter vital computer networks.



7

Financial Accounting as related to the Chief Financial Officers Act

DOT has made significant improvements in accounting since the Chief Financial Officers Act was passed. But DOT still needs to account for billions of dollars of property and equipment, in order to obtain an unqualified opinion on its financial statements, a goal for Fiscal Year 1999.

8

Amtrak Financial Viability and Modernization

With strong leadership, intense management, and favorable economic conditions, it will be possible—albeit difficult—for Amtrak to become operationally self-sufficient by 2003. Nevertheless, Amtrak will require substantial and continuing capital funding to support the system as it currently exists.



9

Implementation of the Government Performance and Results Act

DOT's initial steps in implementing GPRA have been very successful; DOT's strategic plan was rated the best in government. DOT still faces a difficult job collecting accurate outcome data, measuring progress, and making programmatic changes.

10

Focus:

Objective: Improving trucking safety

Motor-carrier safety enforcement

Motor-vehicle crashes claim more lives in the United States than any other mode of transportation—at least 40,000 deaths per year. Some 5,300 of those lives are lost each year in crashes involving large trucks.

OIG's auditors and investigators brought significant expertise to improve trucking-safety in recent months. They produced reports (TR-1999-034 and TR-1999-055) and Congressional testimony on related issues. They also investigated criminal cases which led to 25 convictions for offenses ranging from falsification of truck drivers' logs to acceptance of bribes by officials who administer truck drivers' licensing tests.

Adequacy of Oversight

OIG's auditors found:

- That DOT's main oversight agency for trucking safety, the Office of Motor Carriers in the Federal Highway Administration, has shifted emphasis from enforcement to a more collaborative approach to safety. As a result, few company-wide inspections (known as "compliance reviews") are conducted, and when such reviews find violations that lead to fine assessments, those fines often are reduced to levels that fail to deter future violations. OMC inspectors averaged fewer than two compliance reviews per month in 1998; they spent the rest of their time on administration, outreach and meetings.
- That OMC is not aggressively using tools at its disposal—ranging from progressively stiffer fines to total shutdowns of scofflaw motor carriers—to bolster enforcement. In a joint OMC-OIG review of five high-risk motor carriers, three continued to operate and violate Federal regulations despite past OMC civil penalties.
- That OMC's system for targeting motor carriers with the worst safety records is hampered by incomplete, inaccurate and untimely data.
- That DOT's goal of reducing the *rate* of deaths in truck crashes should instead aim to reduce the actual number of fatalities. Currently, actual fatalities can increase, yet the rate of death—as a function of miles traveled—will not immediately increase with them.

Trucking Safety

Truck safety—international issues

Neither OMC nor the states bordering Mexico—with the exception of California—are doing enough to ensure that trucks entering the United States from Mexico meet U.S. safety standards. More inspectors are urgently needed, more trucks should be inspected, and responsibility for the work needs to be assumed without passing the buck from one level of government to another.

Organization

Over the past year, there has been a debate regarding the placement of the motor-carrier safety function in DOT. Several options are available; the two most viable are to leave it in FHWA—with a clear mandate and expectation for improvement—or to establish a Motor Carrier Safety Administration.

To the fullest extent of the law

In addition to ongoing—and highly productive—work investigating trucking firms that violate Federal safety regulations, OIG investigators' findings recently led to changes in the management of the Office of Motor Carriers. OIG determined that some officials in OMC management had exhibited a “less-than-arm’s-length” relationship with the industry they regulated by helping direct a lobbying campaign against proposed Federal legislation that would have moved trucking safety oversight to the National Highway Traffic Safety Administration (NHTSA).

OIG investigations completed during the 6-month period covered by this report led to 25 convictions. The cases involved falsification of drivers' logs of hours on the road, falsification of documentation, misrepresentation of trucks entering the United States from Canada as NHTSA-certified and a bribery ring in Illinois in which officials administering licensing tests to truck drivers accepted payoffs in exchange for “waving through” applicants who could not pass the tests.



Objective:

Assessing the Department of Transportation's efforts to set, and achieve, strategic goals as required by the Government Performance and Results Act

In 1993, Congress passed the Government Performance and Results Act (GPRA) to improve governmental performance and accountability. The law requires all Federal agencies to develop 5-year strategic plans, as well as annual performance plans and reports. DOT issued its first strategic plan in September 1997 and its first performance plan—for FY 1999—in February 1998. The Department's first performance report to Congress is due March 31, 2000.

In a rating of agency strategic and performance plans by Congress, DOT's plans were found to be the best among those submitted by 24 Federal agencies. Congress has asked the inspectors general to take an active role monitoring implementation of GPRA. In the Department of Transportation, we developed a "Results Act Review Plan" of performance measures and the accuracy of underlying data and accounting systems.



We will audit the following DOT performance measures during the next 6 months:

- *Reducing near-collisions on runways*
- *Reducing death and injuries in large-truck crashes*
- *Reducing recreational boating fatalities*
- *Reducing the rate of operational error by air traffic controllers*
- *Ensuring strong implementation of DOT's "Hazardous Materials Compliance and Enforcement" program, a joint venture with the Research and Special Programs Administration co-chaired by OIG*

Performance and Results Act

OIG's work to date

Since October 1997, we have issued 26 audit reports that addressed DOT's GPRA work. We identified several areas for improvement:

Performance goals are needed for:

- *FAA's personnel reform initiatives*
- *FTA's grants-management program*
- *The Federal Railroad Administration's commuter-rail safety mission*
- *The Coast Guard postgraduate training program*

Performance goals that need completion:

- *FAA's work to halt diversion of airport revenue to non-airport use*
- *DOT efforts to reduce terrorism risks for U.S. passengers at foreign and domestic ports and waterfront facilities*

Performance goals needing improvement:

- *FHWA's motor-carrier program*
- *FAA's contract-tower program*

Performance data are needed for:

- *DOT's consolidated financial statements for FY 1998*
- *Highway Trust Fund financial statements for FY 1998*
- *FAA financial statements for FY 1998*

Staff GPRA Training

To improve our oversight of the Government Performance and Results Act, we developed a 2-day course titled "Auditing GPRA Implementation." The course, being taken by all audit staff, addresses relevant GPRA regulations, policies and guidelines and OIG oversight responsibilities. It also offers approaches for auditing performance goals, measures, data and implementation strategies. To date, 90 auditors have taken the course, including staff of the Army Audit Agency and OIG representatives from the Department of State and the Small Business Administration. Nearly 200 copies of the course material have been distributed to officials in the Department of Transportation, Congress, the Office of Management and Budget, and the community of inspectors general.

Office of Inspector General—Work Planned and in Progress

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

Strategic goal: Safety

- Review FAA's National Aviation Safety Inspection Program to find out if systemic weaknesses exist.
- Review Year-2000 computer problems affecting the aviation industry; review FAA action to identify scope of such problems with air carriers and airports; review FAA strategy to ensure such problems and attendant risks are addressed.
- Evaluate effectiveness of FAA's inspection system for makers of aviation fasteners.
- Follow up on FAA actions to reduce runway incursions.
- Review Federal Highway Administration analysis of post-accident truck crash data and development of accident-prevention measures.
- Assess progress by Federal Railroad Administration and other operating administrations to implement the Rail-Highway Crossing Safety Action Plan.
- Review the U.S. Coast Guard's progress in achieving its goal of reducing recreational boating deaths.
- Review DOT and FAA roles and responsibilities for assessing safety implications of airline code-sharing agreements.
- Assess FAA progress in implementing nationwide safety standards for oversight of the air tour industry.
- Review the sufficiency of trucking safety oversight by the Office of Motor Carriers (OMC).
- 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, HOST computer system and Free Flight.
- Assess Amtrak's 1999 business plan and its effect on Amtrak's ability to achieve operating self-sufficiency by 2003.
- Review the Boston Central Artery's wrap-up insurance program to evaluate whether reimbursements are appropriate and whether the program reduces project insurance costs.
- Evaluate FAA progress in creating training and career development programs for maintenance technicians.
- Conduct baseline reviews of all DOT "Megaprojects," highway and transit projects costing \$1 billion or more. Resulting data will be used to target subsequent in-depth OIG reviews.
- Perform in-depth reviews and, when appropriate, followup reviews of selected Megaprojects regarding costs, funding, and completion schedules.
- Work with the Federal Railroad Administration to develop risk-mitigating internal controls for its railroad loan programs.
- Conduct investigations of fraud, waste and abuse in connection with major infrastructure projects.

Strategic Goal: Economic Growth and Trade

Evaluate Departmental oversight of university research studies and grants.

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

Review Federal Highway Administration oversight of state use of Congestion Mitigation Air Quality program funds in reducing pollutants and greenhouse gases.

Evaluate the Maritime Administration's progress toward its goal of scrapping obsolete vessels.

Coordinate, with RSPA and a team from all operating administrations overseeing hazardous materials, an evaluation of DOT's HAZMAT transportation program.

Place priority on investigations of hazardous materials violations including participation in Environmental Crime Task Force operations in multiple geographic locations.

Review the U.S. Coast Guard's program for removing abandoned barges from the nation's waterways.

Strategic Goal: National Security

Review FAA oversight of the security of checked baggage on flights within the United States.

Assess progress by FAA, airport operators, and air carriers in correcting security weaknesses in the area of access control.

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

Continue oversight of DOT work on Year-2000 computer problems.

Work with chief information officers throughout the Department to enhance computer security.

Corporate Management Goals

Work proactively with DOT financial managers to correct material weaknesses in their accounting systems in an effort to achieve unqualified, or "clean," audit opinions on pertinent financial statements.

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

Evaluate the Turner-Fairbanks Highway Research Center's acquisition policies, procedures and practices.

Review FAA's cost-accounting system.

Review the effectiveness and efficiency of the Transportation Administrative Services Center (TASC).



Alameda Corridor: job claims subject to misinterpretation

At the request of California Congresswoman Juanita Millender-McDonald and Secretary of Transportation Rodney Slater, we reviewed employment and training (report TR-1999-010) on the Alameda Corridor Project in Los Angeles (artist's rendition at left). The project will facilitate shipping-to-rail transit from the Port of Los Angeles. We found that job-creation claims by the authority managing the project could be misinterpreted. The project will not employ 10,520 people at any one time; rather, there will be an average of 1,300-1,500 jobs per year over the project's 7-year life, and about 400 jobs a year will be filled from local communities. We also found the authority needed controls to ensure corridor residents have access to its training program, and that all trainees are corridor residents.

FAA, NASA should improve research coordination

In response to concerns voiced by members of the National Airspace System Modernization Task Force, the inspectors general of the Department of Transportation and the National Aeronautics and Space Administration audited research and development coordination between NASA and the Federal Aviation Administration. We concluded (in report AV-1999-008) that FAA and NASA should enhance their coordination efforts and ensure the most cost-effective use of resources by improving mechanisms essential to the coordination process. We identified five areas in which the agencies could improve coordination while still recognizing their evolving roles and separate approaches to achieving shared goals. FAA and NASA officials agreed with our recommendations and are taking appropriate actions.



Coast Guard contractor pays civil settlement in protective-gear swindle

Jeffrey Weinsten of North Salem, NY, proprietor of Protective Textiles, Inc., entered into a \$57,000 civil settlement agreement with the government. The U.S. attorney in Brooklyn sought \$129,000, plus interest, from Weinsten for his misrepresentation of the quality of 400 chemical protective suits ("chemsuits") sold to the U.S. Coast Guard. The suits earlier were rejected by the Department of Defense. The Coast Guard had procured the chemsuits for use during Operation Desert Storm. Weinsten, convicted of mail fraud, was sentenced to 12 months' probation, 6 months' home detention, a \$2,000 fine, and payment of \$36,000 in restitution. The case was investigated by OIG and DCIS.

FAA improperly paid nearly half a million dollars in home leave, post differential benefits

Home leave benefits provide U.S. Federal employees stationed overseas additional vacation time and travel benefits to return home to the U.S. In our review (report FE-1999-009) of 38 employees' receipt of home leave, we identified 4 who were ineligible to get it and another who used it improperly. For example, 2 FAA employees who were natives of Guam and had joined FAA at a Guam facility were granted some \$65,000 worth of home leave and related benefits to return to the United States, even though they had been stationed in the U.S. only briefly. Of the 38 employees reviewed, 19 also received post differential benefits, a form of additional compensation based on overseas location; of those, 3 improperly received the post differential. In all, FAA improperly paid or provided home leave and post differential benefits of about \$478,000. FAA and FHWA agreed to take corrective actions.

FAA: Expand use of explosives-detection systems

FAA and the aviation industry are deploying sophisticated explosives-detection equipment at U.S. airports. In our audit of this process (AV-1999-001) OIG found some installations delayed, while others were done in a manner that hampered efficient operations. We found that some airlines were not screening as much baggage as the equipment could handle and the performance of the equipment at the airports differed from performance test results in the laboratory. FAA had not finalized agreements with airlines about ownership and maintenance of the equipment. We urged FAA to involve industry in the deployment process—FAA, the airlines, and airport operators—in creating a strategic plan to address not only deployment siting but also research, certification, data analysis and enforcement. FAA partially agreed.



Stolen part use in aircraft repair prompts jail term, fine

Robert Ruhe, owner of Ohio Turbine Center, Inc., was sentenced by a Federal judge in West Virginia to 12 months and 1 day in jail, 3 years' probation, and a \$12,000 fine. Ruhe was charged with aiding and abetting the transportation of stolen property in interstate commerce. Ruhe and co-conspirators stole used scrap engine parts from a Pratt & Whitney engine-repair facility in West Virginia and took them to Ruhe's repair station in Ohio, where Ruhe removed tags from the parts designating them as unserviceable and then used the parts to overhaul Pratt & Whitney engines. The case was investigated by OIG and the FBI.



Falsehood in cylinder-testing case spurs jail, \$10,000 fine

A U.S. District Court Judge handed William B. Courtney, owner of a now-defunct Memphis, TN fire-protection company, a term of 6 months in jail followed by 2 months' home confinement on a charge of mail fraud. Courtney —also sentenced to pay a \$10,000 civil fine to the Research and Special Programs Administration (RSPA) and to pay \$1,380 in restitution to victims —had falsely certified that compressed-gas cylinders handled by his firm had been tested and found free of potentially hazardous cracks or other flaws. He pleaded guilty to the charge. Courtney's incarceration will be followed by 2 years' supervised release. The case was jointly investigated by OIG, RSPA (a DOT administration regulating transportation of hazardous materials) and the FBI.

October 1998



Amtrak: operational self-sufficiency dependent on improvement in strategic business plans

OIG completed an assessment of Amtrak's financial condition and requirements through FY 2002. The assessment (report TR-1999-027) found that Amtrak's financial statements are accurate, but that its March 1998 Strategic Business Plan would not enable Amtrak to reach its Congressional mandate of operating self-sufficiency by 2003. Amtrak has enough capital over the next 2 years to complete most of its 1998 business plans and implement high-speed rail along the Northeast Corridor. But expected Federal funds are likely to fall \$500 million short of even Amtrak's minimum capital needs by 2003. If Amtrak does not significantly improve operations, OIG projects additional cash shortfalls that would further constrain Amtrak's ability to make critical capital investments.

Iowa trucking company, owner, drivers sentenced in log fraud

A Cedar Rapids, IA trucking company, its owner and six drivers were sentenced in Federal Court for falsification of logs tracking drivers' hours on the road. Shuttle Service XPress was fined \$50,000 plus a \$200 special assessment and placed on 3 years' probation. Its owner, John Hoth, was sentenced to 6 months in community corrections and a fine of \$23,632. Hoth—with the other defendants—was convicted of conspiracy and making false statements. Hoth also will serve 3 years' supervised release. Six drivers for the firm—William Boots, Ted R. Wille, Tony J. Wille, Michael J. Fannon, James A. Nelson and Michael A. Nelson—each were sentenced to 2 years' probation and fined \$1,500.



Resignation spurred by gas line safety case

The Natural Gas Pipeline Safety Act of 1968 requires lining of metal gas lines—which can leak—with plastic inserts to prevent such leaks (see photo at left). A former superintendent for the Dublin, GA natural gas utility, who resigned facing allegations he had falsely represented that his town's gas service lines complied with that law, will see felony false statements charges dropped if he successfully completes a pretrial diversion agreement offered by the local U.S. attorney. If Earl Blackstock, who headed the gas utility in Dublin, stays within the law for a year and reports regularly to a Federal probation officer, charges will be dropped.

FTA grants: establish performance goals, rapidly recycle unspent funds

Our review (report FE-1999-016) of the Federal Transit Administration's oversight of grant-fund expenditure showed that FTA could use its grant money more wisely—funding more projects—if it would take steps to reallocate excess funds on existing projects. Currently, FTA uses two review programs to monitor grantee spending, and supplements those reviews by periodically notifying its regional offices to scrutinize grants for excess funds. Nonetheless, we found an estimated \$57 million in excess funds on completed and inactive grants. Reallocation of these excess funds had not been aggressively pursued. By setting performance goals and promptly de-obligating excess funds, FTA could put the funds to use on other transit projects. The FTA associate administrator for program management agreed with our findings.

Three sentenced to 32-1/2 years in airport project extortion

Two New Jersey men and a New York resident were sentenced in Newark, NJ Federal court on charges ranging from extortion to wire and mail fraud and violation of the Federal racketeering statute. Rosario Gangi of Brooklyn, NY, John Albert of North Brunswick, NJ, and Vincent DiModica of Belleville, NJ were alleged to have extorted payments—backed by the potential of labor unrest—from Omni-Vanessa, a joint-venture contractor on the Newark International Airport monorail project. Gangi was sentenced to 5 years and 10 months' incarceration and ordered to pay \$50,550 in fines and restitution; Albert was sentenced to 9 years and 2 months' imprisonment and ordered to pay \$50,550 in fines and restitution, and DiModica was sentenced to 17-1/2 years' imprisonment and fined \$200. The case was handled by the FBI and the New Jersey U.S. attorney's office, with the assistance of OIG.



FAA: Improve thoroughness, objectivity in handling hotline complaints

Our audit (MA-1999-017) found that FAA's process for handling referrals from the OIG and the FAA Administrator's hotlines needs improvements to ensure that complaints of fraud, waste, and abuse are thoroughly and objectively reviewed. Specifically, 12 percent (6 of 52) of the hotline referrals selected for review were deficient in terms of the thoroughness or objectivity of the reviewer, or corrective action was not taken. Also, FAA had not prepared guidance for conducting reviews or procedures to ensure corrective actions were taken when warranted. These deficiencies impair the integrity of the hotlines and the Department can be subject to criticism that allegations of fraud, waste, and abuse are not aggressively pursued. We made recommendations designed to help FAA ensure that all hotline referrals are thoroughly and objectively reviewed and action is taken. FAA agreed with all recommendations.

State of Utah should identify funding needed to cover all I-15 project costs

OIG looked at the reconstruction of Interstate-15 in and around Salt Lake City, UT (report TR-1998-028) as one of several "Megaprojects" reviewed during the past year. We found the project's cost estimates reasonable, and work ahead of schedule. I-15 is slated for completion in July 2001 and will replace 6 lanes with 8 lanes for 16.5 miles, will add High Occupancy Vehicle (HOV) and ramp lanes in each direction, and will rebuild more than 130 bridges. However, we found that the Utah Department of Transportation had not identified the funding necessary to cover all the project's estimated \$1.6 billion cost, and that a fund financing the state share of the project may face funding shortfalls of as much as \$38 million by 2001. We recommended that FHWA require Utah's DOT to keep its finance plan current. FHWA concurred and will require Utah's transportation department to prepare yearly financing updates; UDOT agreed to do it.



Trucker in fatal crash gets jail time, \$145,000 restitution order

A Florida trucker who had falsified his hours-of-service logs prior to his involvement in a fatal accident in Pennsylvania was sentenced to 21 months' imprisonment and payment of more than \$145,000 in restitution. Bennie Hilton's sentence on the Federal false-statements charges, to which he pleaded guilty, came in addition to his earlier sentence in a state court on a charge of vehicular homicide. In May 1997, Hilton's tractor-trailer crossed the center line and struck 5 vehicles, causing one death and serious injuries (see site photo at left). He was sentenced to a year's imprisonment and a fine of \$1,800 on the state charges.

Controllers-as-supervisors plan needs enhancements to preserve safety

In our audit (no. AV-1999-020) we found that FAA's agreement to reduce the number of air traffic control supervisors will not have an adverse effect on the safety of air traffic operations, if FAA first identifies and delegates the duties that a controller-in-charge will assume from supervisors. Before it phases in the supervisory cutbacks, FAA should identify job functions currently performed by supervisors that will be assumed by controllers-in-charge; give those controllers the same authority and responsibility supervisors have in overseeing air traffic operations; train controllers-in-charge to handle the new duties and responsibilities they will assume from supervisors, and ensure that management retains the right to select controllers-in-charge. FAA must also develop quality-assurance procedures to measure the impact of reductions on each facility and make corrections when necessary. FAA agreed with our recommendations.

Three sentenced in \$17 million fuel-tax-evasion scheme

Three New York men were sentenced for their roles in a scheme to evade \$17 million in fuel excise taxes. Federal judges sentenced Charalabos Bakalis of Brooklyn to 6 months in jail and 6 months' home confinement; Paul Krass of Brooklyn to 4 months' home confinement and 5 years' probation, and Thomas Rontiris of Floral Park to 5 years' probation. In 1997, the trio and 6 others were charged in connection with an alleged scheme that benefited Olympian Energy of New Jersey, Olympian Energy of New York, Petrosourge, Inc., GB International, and Y&B Petroleum. The Long Island Motor Fuel Tax Evasion Task Force, whose members include OIG, Department of Justice prosecutors and agents of the Internal Revenue Service, investigated.

Sentences, fines imposed in hazardous waste transport and dumping

Izhak Ponie of Pompano Beach, FL and John Martin of Fort Lauderdale, FL were sentenced in U.S. District Court in Fort Lauderdale for the illegal transport and dumping of hazardous, flammable waste. The two men moved half a dozen 55-gallon drums of flammable liquid to the grounds of the Hollywood/Fort Lauderdale International Airport, where they dumped it. Ponie was sentenced to 6 months' home confinement, fined \$2,000 and placed on 3 years' probation. Martin was handed 3 years' probation and a fine of \$2,000. The case was jointly investigated by OIG, the Environmental Protection Agency, the FBI and the Florida Marine Patrol.



Imprisonment, hard labor, fine for Coast Guardsman convicted of theft

Following a 3-week military trial in Norfolk, VA., a U.S. Coast Guard machinery technician 2nd class was convicted of theft of government property, making false statements, and wrongful disposition of government property. Michael Fitzgerald was sentenced to 2 months' confinement, 3 months' hard labor and a \$1,200 fine. He had been charged with theft of \$10,000 worth of tools and supplies, making a false statement to investigators, filing a false Report of Survey, conspiracy to steal government property, and transporting stolen government property. The case was jointly investigated by OIG and the Coast Guard Investigative Service.

Surface Transportation Board needs better documentation of its fee-assessment practices

The Surface Transportation Board, created in 1996 by Congress, approves or vetoes railroad mergers and line abandonments and mediates disputes between railroads and shippers. From the board's inception through last September 30, fees collected from users have covered 15.7 percent of STB's operating costs. In our audit (report CE-1999-021) we reviewed the board's approaches to setting its user fees. We concluded that STB cannot fully fund its operations through user fees without new statutory authority from Congress and that "time and motion" studies currently used by the board to set fees in the absence of a cost-accounting system need to be updated and better-documented. We agreed it is unlikely STB, a small agency, can afford a full cost-accounting system. We also found that when STB trims user fees on a case-by-case basis to guarantee reasonable access to the board's services, uniform criteria should apply. STB's chairman asked OIG for a follow-up review (CE-1999-059). We found STB had improved its means of setting user fees and expanded its revenue-collection efforts. We found this responsive to our prior recommendations.



City of Syracuse must support labor costs in airport accounting

In an audit of Hancock International Airport revenue use by the sponsoring city, Syracuse, NY, OIG found that airport revenues generally were used properly for airport operating and capital costs. However, the audit (AV-1999-029) also found that the city billed the airport \$431,000 in labor costs based on unsupported data, and was 5 months and 17 months late in submitting airport financial records to the FAA during the past 2 fiscal years. As a result of our recommendations, FAA also amended the city's master grant agreement to require Syracuse to direct its independent auditors to review and express an opinion on the airport's use of revenue.

Firm pleads guilty to concealing flammable liquids bound for air transport

A Florida freight-forwarding company pleaded guilty to illegally offering hazardous materials to a commercial airline—materials that had not been properly documented and had been concealed in the shipment. Transnational Aviation Systems, Inc., doing business as STAF Airlines, Inc., of Miami, will be placed on probation, fined \$10,000, and required to pay another \$90,000 to the Miami-Dade County Fire Department to enhance its hazardous materials response. Transnational failed to label and manifest hazardous liquids in a shipment on pallets, which had been wrapped with opaque plastic to conceal the contents. The investigation was done by OIG and the FAA.

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More safety inspections needed on trucks entering U.S. from Mexico

Our report on truck-safety inspections at the U.S.-Mexico border (TR-1999-034) found that FHWA had not provided reasonable near-term assurance that Mexican long-haul trucks entering the United States would comply with U.S. safety regulations. With the exception of California, neither FHWA nor state plans provide enough commercial truck inspectors at border crossings. We concluded that far too few trucks are being inspected at the U.S.-Mexico border, and that too few of those inspected comply with U.S. standards. Of those Mexican trucks inspected, about 44 percent were removed from service because of serious safety violations. This contrasts with a 25 percent out-of-service rate for U.S. trucks and a 17 percent out-of-service rate for Canadian trucks.

Florida van line, owner guilty in hazardous waste-dumping scheme

Latin Van Lines, Inc. and its owner, Manuel Rojas of Miami, FL, pleaded guilty to illegally storing hazardous wastes. Rojas, who allegedly attempted to contract for the illegal dumping of 37 drums of waste but was caught in an undercover operation, agreed in his plea in Federal Court in Miami to pay a fine of \$100,000 and make \$53,000 in restitution—to reimburse agencies for costs of identifying, and properly disposing of, 9 drums of paint wastes. OIG, EPA, the FBI and the Florida Marine Patrol jointly investigated the case.



Air traffic control: Increase training on HOST backup system

FAA expects to place more reliance on the Direct Access Radar Channel (DARC) in the next year while putting new HOST computers in service. At some centers, DARC reliance could be significant. In our audit report (AV-1999-030) we identified some drawbacks to relying on DARC as a backup to the HOST computer system, a crucial air traffic control component. Use of DARC reduces controller efficiency because manual processes replace HOST's normally automated flight data functions. Many controllers are not proficient manually controlling air traffic using DARC, not having worked the midnight shift when DARC currently backs up planned HOST shut-downs. We recommended that FAA provide DARC training to all center air traffic controllers. FAA agreed to provide such additional training as necessary.

Helicopter repairman jailed for phony rotor-blade certification

Ronald Garlick, owner of Garlick Helicopter, Inc. of Hamilton, MT, was jailed 12 months and a day for fraudulently certifying the airworthiness of helicopter rotor blades. A U.S. District Court judge sentenced Garlick to the incarceration, a fine of \$20,000, 3 years of probation and 500 hours of community service. Garlick was involved in a scheme to alter rotor blade records tracking their hours in use; blades with more "life" left have greater value than "timed-out" blades. Garlick's scheme was discovered when military records were compared with Garlick's fraudulent records. The case was jointly investigated by OIG and the FBI.

Coast Guard: resolve patrol boat acquisition issues

Our October 16, 1998 report on acquisition of new coastal patrol boats (MA-1999-033) recommended that the Coast Guard seek tentative approval for full-rate production. We recommended a delay in full production pending resolution in three areas: issues identified in operational tests and evaluations; proposed engineering changes identified during testing of the lead boat, and the number of boats to be acquired. On November 5, 1998, the Transportation System Acquisition Review Council approved full-rate production of the patrol boats but limited the number that could be produced until the Coast Guard revised its justification for acquiring 50 boats. In a mid-November written response to our report, the Coast Guard concurred with all 3 recommendations and cited plans and actions to resolve the issues identified. We consider them responsive to our recommendations.



Minnesota trucking company sentenced for falsification

Barry Sather Truck Service Inc., a Brooklyn Park, MN trucking firm, was sentenced in Federal court to a \$15,000 fine and 24 months' probation. Sather was sentenced to 6 months' home confinement, a year of probation and a fine of \$5,800. The corporation, its owner Barry Sather, its general manager Michael Koshenina and 2 drivers, Kenneth Nelson and Samuel Sand, pleaded guilty to conspiracy and making false statements for falsifying drivers' hours-of-service records.

DOT's top 10 management issues

In response to a request from the Majority Leader and Chairman of the Committee on Government Reform and Oversight in the U.S. House of Representatives, we identified the 10 top-priority management issues facing the Department of Transportation. In the report (TW-1999-031) which included synopses and detailed briefing papers referencing the relevant strategic goals of the Department's Strategic Plan, we grouped the 10 issues into the following areas: 1) aviation safety; 2) surface transportation safety; 3) Year-2000 computer issues; 4) air traffic control modernization; 5) FAA financing; 6) surface, marine, and airport infrastructure needs; 7) transportation and computer security; 8) financial accounting as related to the Chief Financial Officers Act; 9) Amtrak financial viability/modernization; and 10) DOT implementation of the Government Performance and Results Act. For more detail on these issues, see the Focus section of this publication, page 4.



False NHTSA documents trigger fine

Claudia Keller was sentenced to 2 years' probation and fined \$2,000 in Toledo, OH Federal court for falsifying NHTSA documents. Keller was charged with 12 others in a scheme to smuggle non-NHTSA-compliant truck tractors into the U.S. from Canada. The enterprise purchased the tractors in Canada using Colombian drug money, and was in part an attempt to launder those funds. NHTSA certifications for the tractors were forged so the vehicles would clear U.S. Customs. The case was jointly investigated by a task force including DOT/OIG, the U.S. Customs Service, the Internal Revenue Service and the Department of Labor's inspector general.

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Review of prohibited lobbying leads to change in leadership

OIG's investigation of prohibited lobbying activities within the Office of Motor Carriers uncovered violations of specific rules that left the impression no "arm's-length" relationship existed between senior officials of OMC and the trucking industry they regulate. FHWA's Administrator responded by appointing a new associate administrator for motor carriers; other OMC staff members were reassigned. OIG forwarded its findings to Chairman Frank Wolf of the House Transportation Committee's Appropriations Subcommittee—who requested the investigation—and several other Congressional oversight committees.

\$100 million in DIA funds might be used redeveloping ex-airport

Our audit (AV-1999-052) showed that the City and County of Denver, sponsor of Denver International Airport, might use airport revenues to redevelop property at the former Stapleton International Airport beyond what will be necessary to dispose of the property. The city estimates that as much as \$100 million in additional revenue from the newer airport will be spent over the next 15 years to dispose of Stapleton property valued at \$58 million. The city could not estimate what additional revenue could result from Stapleton's disposal to offset the \$100 million cost and retire the newer airport's debt. Further, the city inappropriately used \$1.2 million in DIA revenues for indirect administrative costs, investment service fees, maintenance of a transit authority facility and a study for a transit project not on airport property. We also found DIA lost as much as \$1.2 million by not being as self-sustaining as possible.

Staff dentist, aide disciplined in misuse of Coast Guard facility

Following an anonymous tip, an OIG investigation revealed that a senior U.S. Public Health Service dentist assigned to the U.S. Coast Guard falsified time and attendance reports and used his Coast Guard-provided dental office to give treatment to his parents and a third ineligible person. The senior dentist and chief of the Clinical Services Division and a dental technician both were found to have unauthorized absences from duty. OIG also determined that the unauthorized use of Coast Guard facilities and materials caused a loss of more than \$18,500. The technician, a contract employee, was fired, and the dentist, a Public Health Service officer, was reassigned pending possible action under the Uniform Code of Military Justice. OIG recommended that closer controls be applied to attendance and inventory in the Coast Guard's Dental and Medical Clinic.

FAA should strengthen procedures for future airport development compensation programs

OIG's audit (AV-1999-048) of FAA's compensation program for expansion of the Dallas-Fort Worth Airport showed that FAA ensured fair treatment of those displaced by the Federally assisted project. FAA also made sure the airport used separate companies to appraise and review appraisals of land acquisitions. However, FAA did not make sure all the acquisitions were efficient and cost-effective. For example, FAA approved Federal assistance for 66 homes that were ineligible because they were built after the airport issued public notice of its noise-exposure areas. FAA also let the airport acquire homes outside the noise-mitigation area and use inappropriate appraisal methods. We recommended new—or stronger—FAA procedures for future airport development compensation programs.

Phony references on monorail construction bid trigger fine

The owner of a New York construction firm was handed a fine of \$2,000 and sentenced to 3 years' probation for his role in a scheme to defraud a DOT grantee, the Port Authority of New York and New Jersey. Gaetano J. Spaziani of Westchester County, NY, the owner of Omni of New York Construction Corp. was sentenced in Newark, NJ Federal court. Spaziani pleaded guilty to mail fraud for providing false professional and financial references during bidding on an airport monorail construction contract at the Newark Airport. Three other defendants were convicted of extorting payments from the contractor on the project. The prosecutions followed an investigation by the FBI, assisted by OIG.



Coast Guard overstates real estate value by at least \$800 million

Though the U.S. Coast Guard has made progress accounting for, and valuing, its real estate in the past 2 years, our review of those practices (FE-1999-051) showed inaccurate data were used to compute current value, historical cost, and depreciation. Further, the Coast Guard did not provide adequate documentation to support the value of current acquisitions. We estimate the value of Coast Guard's real property to be between \$650 and \$820 million, excluding land—compared with its valuation of \$1.6 billion as of September 30, 1998. If not addressed, these deficiencies could affect our audit opinion on the Department's FY 1999 financial statements. The Coast Guard chief financial officer agreed with our conclusion and took corrective action.

Four sentenced in \$140 million fuel-tax evasion scheme

Four men were sentenced in a \$140-million fuel-tax evasion scheme that involved 25 defendants. Sentenced were David Wasserstrom of Bethlehem, PA, who will serve 1 year and 3 months in jail, 3 years' supervised release and must make restitution of \$10,000; Ilya Goradetsky of Brooklyn, NY, who will serve 1 year and 1 day in jail, 3 years' supervised release and must pay \$8,000 in restitution; Kevin Ginty of Kingston, NY, who will serve 6 months in a halfway house, 5 years' supervised release, and must pay restitution of \$25,000; and Richard Santo of Havertown, PA, who will serve 4 months in jail, 4 months' home confinement, and 3 years' supervised release and must make restitution of \$7,200. The cases—related to the Enright, Hampton and Yusim prosecutions on p. 29—were investigated by a task force including the Internal Revenue Service, the FBI and OIG.



Manager of aviation security firm pleads guilty in verification fraud

Guillermo Blanco, a former Miami police officer, pleaded guilty to making false statements to the FAA and transporting a minor in interstate commerce for illegal activity. As general manager of Aviation Safeguards, a contract security company, Blanco falsely certified that background employment verifications had been made on 22 employees, which gave them access to secure areas at Miami International Airport. The employees screen passengers and provide pre-flight security checks on flights to Cuba. The guilty plea on the interstate transportation charge stemmed from an 18-month sexual relationship with a boy who was 14 years old at its inception. OIG investigated the case with the Miami-Dade County Police Department, the FAA and the FBI.

Three jailed in \$17 million fuel-tax evasion scheme

Mark Tune, Bella Wolfson and Igor Glazer of Brooklyn, NY and Gary Braverman of New York City were sentenced in Hauppauge, NY Federal court. Tune and Wolfson each were sentenced to 37 months' imprisonment and a \$10,000 fine. Braverman was sentenced to 22 months' imprisonment and a \$5,000 fine. Glazer was ordered jailed 22 months. All the defendants were also placed on 3 years' supervised release following their prison terms, and are required to cooperate with the IRS in filing correct tax returns and payment of back taxes. They were among 9 defendants charged in 1997 in with a \$17 million tax-evasion scheme involving 5 companies. The case was investigated by a task force including agents of the Internal Revenue Service and OIG.

Pretrial diversion ordered in gas pipeline records-falsification case

A former supervisor at a natural gas company must meet several qualifications to avoid prosecution for allegedly falsifying maintenance and testing records. Paul Russell of Florence, AL—a former supervisor for a Tennessee gas-pipeline firm—entered a pretrial diversion pact with the U.S. attorney after Russell allegedly told his employees to falsify relief-valve maintenance and testing records prior to a 1996 inspection by the Research and Special Programs Administration, which oversees gas-pipeline safety. Russell must complete 40 hours of community service and report regularly to a probation officer to avoid felony charges. The investigation was conducted by OIG and by RSPA's Office of Pipeline Safety.

Truck-stop owner sentenced in tax-evasion scheme

Mario Arvanitis, owner of Mario's Truck Stop in Detroit, MI, was sentenced in Wayne County Circuit Court to a fine of \$46,000, 100 days of community service and 5 years' probation. Arvanitis was among 12 gas station or truck-stop operators charged with scheming to defraud the Michigan Department of Revenue out of diesel-fuel taxes. The Detroit Motor Fuel Excise Tax Evasion Task Force—including DOT/OIG, the Department of Justice, the FBI, the IRS and the Michigan State Police—investigated the case.



Airline departure data not uniform, sometimes inaccurate

We found that the 10 largest air carriers are using 4 different methods to report departure times. As a result one aircraft could be reported as departing on time, when another in the same situation could be reported as leaving late. In report CE-1999-054, we also found that of 10 air carriers, 2 may be reporting inaccurate departure times to DOT. One carrier reported departure for 16 flights that OIG observed still had passenger doors open. We also found that between 1988 and 1997, 73 percent of domestic routes to and from the 28 largest U.S. airports witnessed increases in actual gate-to-gate times—some as much as 20 minutes. Such increases not only affect the flying public, but also result in significant costs to the air carriers, spurring up to \$553 million in additional operating expenditures in 1997.

Former MARAD official sentenced for taking gratuity

Former MARAD official William F. Martin of Virginia Beach, VA, was sentenced to 6 months' home confinement, to 3 years' supervised release, and to make restitution of \$11,360. In November he pleaded guilty in Federal court to soliciting and receiving an unlawful gratuity, and resigned his post later that month. While serving as a ship operations and maintenance officer for MARAD in Norfolk, Martin accepted \$11,360 in exchange for his influence in steering repair contracts to a front company represented by an undercover agent. In return for the payment, Martin tried to steer government repair contracts to the fictitious firm, instructing subordinates to consider that company on bids for repair contracts. Martin also provided confidential government documents to the undercover agent. The case was investigated by OIG, the FBI, NCIS, and DCIS.



FAA: Monitor airport revenue use on BART Extension to San Francisco International Airport

FAA gave adequate guidance to the airport about the use of airport revenue for project costs for its facilities and operating expenses. In our audit (AV-1999-056) we found that the cost-allocation plan for fixed facilities considered FAA's guidance sufficiently, and allocated costs reasonably. Further, our review through September 1998 found airport revenue spending for fixed facilities consistent with the plan. But proposed cost allocation for operating systems was based on outdated engineering estimates, rather than actual contract bid amounts. It allocated \$2.6 million in ineligible costs to the airport. We advised FAA to monitor airport revenue use for conformance to regulations and FAA guidance. FAA officials agreed with all report recommendations.

Three jailed in \$140 million fuel-tax scheme

Daniel Enright of Mullica Hill, NJ, was sentenced to 16-1/2 years in prison and to pay restitution of \$1 million; he also must serve 3 years' supervised release. In a 9-month trial Enright was convicted of conspiracy, money-laundering, wire fraud, tax evasion, and currency reporting violations. He was the ringleader in a \$140 million motor-fuel tax-evasion scheme involving 25 defendants. Codefendant Thomas Hampton of Kill Devil Hills, NC was sentenced to 15 months' imprisonment and to make restitution of \$10,000. A co-conspirator, Igor Yusim of Los Angeles, CA, was sentenced to 15 months in jail, 5 months in a halfway house, 2 years' supervised release, a \$3,000 fine, and to make \$6,000 in restitution. The cases, related to the Wasserstrom, Goradetsky, Ginty and Santo prosecutions on p. 26, was investigated by a task force including OIG, the IRS and the FBI.

Trucking firm, owners, drivers sentenced for fraud

Blackwell Auto Brokers Inc., owners John and Linda Blackwell and drivers Joe Eddins Jr. and William Watford were sentenced February 4 for conspiracy to commit fraud. The Blackwells let unqualified drivers, including Watford and Eddins, drive commercial trucks and provided false ID for the drivers to show regulators; the Blackwells also gave false information to their insurance company so Watford could get liability coverage. A U.S. District Court judge fined the corporation \$12,000 and placed it on 24 months' probation. The Blackwells each were fined \$2,000 and must pay restitution of \$3,362 and serve 5 years' probation. John Blackwell, further, must serve 6 months in a halfway house. Watford was sentenced to 4 months' home confinement and 5 years' probation. Eddins was sentenced to 100 hours of community service and 5 years' probation.



FAA manager pays \$10,600 false claim-benefit misuse settlement

A manager with FAA executed a \$10,600 settlement agreement with the U.S. attorney for the District of Columbia. He submitted a permanent change-of-station questionnaire to FAA that falsely stated he was married. As a result, he received more money for relocation expenses than he was entitled to. He agreed to pay repay \$4,300 plus interest. He also redeemed frequent-flyer benefits accrued through official government travel. He agreed to reimburse \$5,000 for personal trips to Paris, Mexico City, Puerto Rico, and South America.

Painting company pleads guilty to illegal burial of hazardous waste

Circle S Inc., a Hebron, MS sandblasting and painting company, pleaded guilty in Federal court to charges stemming from illegal burial of waste paint and solvent drums on 2 parcels of company-owned land. The firm was fined \$5,000 and placed on 5 years' probation. The investigation was conducted by OIG, the FBI, and the EPA, with assistance from Mississippi Department of Environmental Quality.



Contractor sentenced in bribery case

Massimo Marino, a vice president of Modern Continental Construction Company, Inc. of Cambridge, MA, was sentenced to 22 months' probation and a \$10,000 fine. Marino pleaded guilty to ordering the provision of free work and materials worth more than \$10,000 to Joseph Monteiro, an employee of the Massachusetts Bay Transportation Authority, in an attempt to influence Monteiro's actions. The transit authority is a DOT grantee, and Modern holds a contract on the authority's Old Colony Railroad project. In January, Monteiro, a former MBTA engineer, pleaded guilty to tampering with a witness after he tried to persuade an employee of Marino's firm to lie to investigators. In August 1998, Modern entered into a \$500,000 settlement agreement for the company's role. OIG, the FBI and state agencies investigated the case.

Contract employee sentenced for false statement to FAA

James Sutton pleaded guilty and was fined \$250 for making false statements in connection with his application as a contract weather observer for the FAA in Delhart, Texas. In addition to the fine, Sutton was sentenced to 2 years' probation in Fort Worth Federal court. Sutton had falsely stated in his employment application that he had no criminal history, when in fact, he had been convicted of felony theft. This case was investigated by OIG and the FAA.

Abuse of Coast Guard training, facilities leads to restitution, reprimand, retirement

A tip to the OIG Hotline spurred a U.S. Coast Guard investigation of one of its employees, who was alleged to have used USCG funds to get training for an outside career in law enforcement and to have misused Coast Guard phones. The investigation found those allegations had merit, and also reached a conclusion that the employee violated policy by working as a reserve deputy sheriff. The employee was charged under the Uniform Code of Military Justice, ordered to reimburse the Coast Guard \$2,000 for telephone expenses and issued a letter of reprimand. He retired from the Coast Guard.

Roofing company sentenced in transport, abandonment of waste drums

Insulation Foam and Roofing Inc. of Jackson, MS and employee David Aultman were ordered to make \$25,000 in restitution to the Environmental Protection Agency for costs of cleaning up more than 100 drums they transported and dumped, which contained hazardous waste. Aultman also must serve 6 months' home confinement and 2 years' probation; the corporation also was placed on 2 years' probation. The case was investigated by OIG, the FBI, and the EPA, with assistance from Mississippi Department of Environmental Quality.



Inspector General recommendations included in FAA reauthorization proposal

The Administration's proposal to Congress for reauthorization of the Federal Aviation Administration included several provisions based on recommendations made by the Office of Inspector General and supported by Secretary Slater. These include Whistleblower Protection Act coverage for FAA employees, application of the Procurement Integrity statute to deter fraud or conflict of interest in awarding FAA contracts, and OIG's reimbursement from the Aviation Trust Fund for mandated audits of FAA financial statements. Also incorporated was an OIG suggestion that passenger facility charges could be used to finance surface transportation projects that increase ground access to airports on a cost-sharing basis with other highway and transit funds. But doing so could not jeopardize financing of safety, security and capacity-related projects at the affected airports.



Construction firms, officials pay \$14.4 million in fines

Two Illinois road-construction firms—Palumbo Brothers, Inc. and Monarch Asphalt Co.—pleaded guilty to fraud and violation of the Racketeer-Influenced and Corrupt Organizations Act. Also pleading guilty were Peter Palumbo and his sons, Joseph and Sebastian. Palumbo Brothers admitted to bribing an Illinois transportation department engineer, and to collecting more than \$1.7 million through false claims, including phony invoices. Scales used to weigh asphalt for billing purposes were deliberately skewed. Monarch Asphalt acknowledged racketeering. Under plea agreements, Palumbo Brothers Inc. will pay \$12 million, and Monarch Asphalt will pay \$2.2 million, in fines and restitution; both firms will be barred from future government-financed highway work. The Palumbos each face a fine of \$250,000 and must make restitution totaling \$40,500.

Travel agents paid incentives by airlines should inform agency customers

Commission overrides are incentive payments made by airlines to some travel agencies in return for the agencies' meeting targeted sales levels. The payments are in addition to base commissions. We concluded (report CE-1999-060) that overrides change the relationship among passengers, travel agents, and airlines and may encourage travel agents to influence passenger travel decisions based on financial incentives from the airlines. Disclosure of the existence of overrides and other financial incentives would help consumers protect their own interests. We recommended the existence of override commissions be disclosed to consumers before reservations are booked or airline tickets purchased.



Port engineer sentenced for bribery

Robert J. Collins, port engineer for Bay Ship Management, Inc., was fined \$8,600 and sentenced to 6 months' home confinement and 3 years' probation following his guilty plea on a charge of bribery. Between 1995 and 1998, in response to Collins' prompting, several ship-repair contractors in the Norfolk, VA area gave Collins gratuities in exchange for confidential bid information on government contracts. Additionally, Collins awarded subcontracts to one of the contractors who had bribed him, without soliciting and receiving competitive bids from other contractors as required. In order to conceal his scheme, Collins fabricated bid proposals from other contractors without their knowledge or consent. The FBI undercover investigation was conducted with DOT/OIG participation.

Illinois state employees, customers jailed in commercial-license bribery scheme

Three employees of Illinois' commercial driver's license testing facility were sentenced in a bribery scheme that let unqualified students of a commercial truck-driving school be listed as passing the state exam. License-holders can haul hazardous materials. Two bribe-givers also were jailed in the scheme. Ann Mastrodomenico, a manager in Illinois' commercial driver's license testing facility, was sentenced to 5 months in jail, 5 months' home confinement and a \$25,100 fine; Phyllis Volpe, another facility official, got 4 months' imprisonment and 4 months' home confinement. Also sentenced were retired state employee Carmen Fajdich, to 14 months' home confinement and a \$25,100 fine; truck-repair company owner Miodrag Dobrosavljevich, to 14 months in prison; and truck-driving school instructor Janusz Kryzak, to 10 months in prison. The case was jointly investigated by OIG, the FBI, the IRS and the Postal Inspection Service.

FTA should perform accident-cause analysis for rail-transit program

In report TR-1999-071, OIG analyzed the Federal Transit Administration's implementation of the first state-managed oversight program for rail transit safety. We found that states with rail fixed-guideway systems (usually "light rail") have generally complied with the program's requirements. But FTA's accident-reporting system does not provide information needed to assess the underlying causes of accidents involving rail transit systems. OIG recommended that FTA obtain more complete information about accident causes. FTA's authority over safety at local transit agencies is limited to instances in which hazardous safety conditions exist. OIG also recommended that FTA determine, through accident-cause analysis, whether an expanded FTA role can improve transit safety.



Auditors unable to render opinion on FAA's Fiscal Year 1998 financial statements

We could not determine the reliability of significant portions of the FAA financial statements and were unable to express an opinion on the FAA financial statements for the fiscal year ending September 30, 1998. Our report (FE-1999-070) focused on actions taken on five previously reported material weaknesses: real property, personal property, work-in-process, accounting for field spares, and inventory valuation. FAA made significant progress accounting for inventory. However, real property, personal property, and work-in-process, reported at \$11.9 billion, still could not be substantiated. FAA agreed property weaknesses exist, and initiated plans to correct them by September 30, 1999. We also testified about these and related matters (report FE-1999-073) before the House Committee on Government Reform's Subcommittee on Government Management, Information and Technology.

Records falsification concealing improperly tempered aircraft parts spurs conviction

West Coast Aluminum Heat Treating Co. of Los Angeles and its president, June Fitch, were found guilty of conspiracy and making false statements in a jury trial. The firm had falsely attested that military and commercial aluminum aircraft parts had been properly heat-tempered and tested. At the close of the trial, Fitch's son Eugene, vice-president of the firm, also pleaded guilty to conspiracy, making false statements and obstruction of justice. The latter charge stemmed from his ordering the destruction of documents. Heat-treating boosts the strength and useful life of the parts. OIG jointly investigated the case with the Defense Criminal Investigative Service and NASA/OIG.

FAA must improve management to bring data link to controllers, pilots

Our review (AV-1999-057) analyzed FAA's plans, for implementing a data link system for controllers and pilots. Data link, similar to "e-mail," would supplement radio voice communications. Data link will be essential to "Free Flight," a proposed system that would let pilots select the most direct flight plan that could safely be traveled rather than flying set paths based on existing ground-based tracking. A consensus has emerged on the initial steps for implementing data link in domestic airspace. However, development will be a complex, long-term effort. We recommended that FAA develop a comprehensive plan, including cost estimates; stay on top of "human-factors" issues; assess the effects of phasing in data link through industry equipment upgrades; and take advantage of related European work. FAA concurred with our recommendations.

OIG testifies about FAA's financing and cost-control

In testimony before the House Appropriations Committee's Subcommittee on Transportation and Related Agencies (AV-1999-066), we spoke to issues of FAA financing, its operations costs and their implications for other critical agency functions, and actions needed to improve fiscal management and accountability at the agency. Noting that Congress has before it proposals for changing FAA's financing, we testified that regardless of the method chosen, FAA must do more to control its operations costs to keep them from threatening funding of other critical programs such as air traffic modernization. Operations costs represent the largest part of FAA's budget and have grown an average of 6.2 percent over the past 3 years. We recommended that FAA develop the fiscal and management tools needed to operate like a business.

DOT's computer center not cost-effective, should be phased out

Our analysis of the operations of the Transportation Administrative Services Center (TASC) Computer Center (report MA-1999-062) led to the conclusion that the center should phase out its operations within 2 years, because it is not competitive in the marketplace. During Fiscal Year 1998, the center made some progress in improving its cost-effectiveness and reduced its billing rate by 20 percent. Nonetheless, its 3 largest customers—together accounting for 90 percent of its FY 1998 revenue—have already discontinued using its mainframe data processing, or plan to within 2 years. Reasons cited were the center's lack of cost-competitiveness and the availability of less-expensive technology. Lack of cost-competitiveness has prevented the center from attracting significant new data-processing business.

FRA should staff up to monitor railroad bridge safety, consider mandatory compliance

Following a 1992-93 Federal Railroad Survey of railroad bridge safety status, FRA issued an interim policy aimed at maintaining or improving safety of bridges controlled by the smallest category of freight railroads. Finding that such "Class III" railroads had spotty records of making bridge-checks—11 of 39 had no record of having inspected their bridges at all—FRA issued engineering standards and asked for voluntary checks and compliance. Our audit (TR-1999-077) concluded that FRA should be more specific about actions needed to ensure bridge safety, boost its own staffing for the monitoring of railroad bridge oversight, and routinely evaluate such oversight. If deficiencies continue, FRA's voluntary guidelines should become mandatory.



OIG testifies on FAA aviation-security work

In testimony before the House Appropriations Committee's Subcommittee on Transportation and Related Agencies (report AV-1999-068), OIG addressed three security areas. First, FAA is deploying explosives-detection equipment on an unprecedented scale; the equipment is underutilized, but usage is increasing. Second, in security oversight of checked baggage to be carried in the aircraft hold, screening and equipment systems worked as intended but there were weaknesses in implementation of new security requirements. Finally, regarding access to areas meant to be secure at airports, we recommended that FAA testing of such secure access be broadened in terms of the number, type and scope of tests.

Aviation competitive-advantage questions spur review of venture; issue resolved

Concerns about potential conflict of interest prompted OIG, with DOT's Office of General Counsel and FAA's Chief Counsel to review the organization and mission of Skysource, Inc. Skysource was a for-profit joint venture involving a wholly-owned subsidiary of the MITRE Corp. called AvInt, and Aviation Radio, Inc. (ARINC). Skysource was created in 1997 to support air traffic control modernization by helping FAA understand private-sector effects of changes. ARINC was to deliver Skysource products and data through its communications network. There were concerns that the MITRE affiliate's involvement in the for-profit venture could affect the objectivity of MITRE's Federally funded research and development advice to FAA and that Skysource and AvInt could gain an edge over private competitors in for-profit modernization offerings. Before a final report was issued, the concerns were resolved when ARINC bought out AvInt's interest in Skysource.

Lack of reliable information prompts disclaimer on DOT's FY 1998 financial statements

Because we could not determine the reliability of significant portions of the Consolidated Financial Statements for the year ended September 30, 1998, we issued a disclaimer of opinion (report FE-1999-081). U.S. Coast Guard and Federal Aviation Administration property and work-in-progress reported at \$20.6 billion and Coast Guard inventory reported at \$1 billion could not be substantiated. Operating costs of more than \$41 billion were not properly presented on the statement of net cost. The presentation combined programs and activities with many separate goals and did not link program costs to performance measures. Reconciliation of the statement of financing identified unexplained differences totaling \$11.6 billion that were not adequately disclosed.

Three of Highway Trust Fund's FY 1998 financial statements get "clean" audit opinion

OIG, in report FE-1999-079, rendered an unqualified ("clean") opinion on the Highway Trust Fund's balance sheet, statement of net cost, and statement of changes in net position for the fiscal year ending September 30, 1998. However, we could not determine the reliability of much of the statement of budgetary resources and statement of financing, and were unable to express an opinion on those statements. FHWA could not provide records to substantiate line items totaling \$160 billion in obligations and adjustments on the new statement of budgetary resources. The statement of financing also showed a \$10.4 billion difference between the statement of budgetary resources and the statement of net cost. Unliquidated obligations were not reviewed annually, as required by Treasury Manual 98-09, and we identified \$562 million in obligations that may not be needed for project completion.

OIG testifies before Congress on air traffic control modernization

The Inspector General testified March 9 before the U.S. House Appropriations Committee's Subcommittee on Transportation and Related Agencies regarding air traffic control modernization (report AV-1999-065). Issues addressed included work to address human factors in the Standard Terminal Automation Replacement System and the need to include costs of a backup system for the next 15 years in its satellite-navigation Wide Area Augmentation System. We noted "common threads" among FAA's problems including management of software development, human factors and unrealistic schedules. OIG urged that such problems be addressed early in new FAA programs including Free Flight and Data Link, and spoke on the status of Year-2000 computer problems at FAA, including the need to implement in the field all the repairs identified by headquarters.

OIG more confident in DOT, FAA efforts to identify and repair Year-2000 computer problems

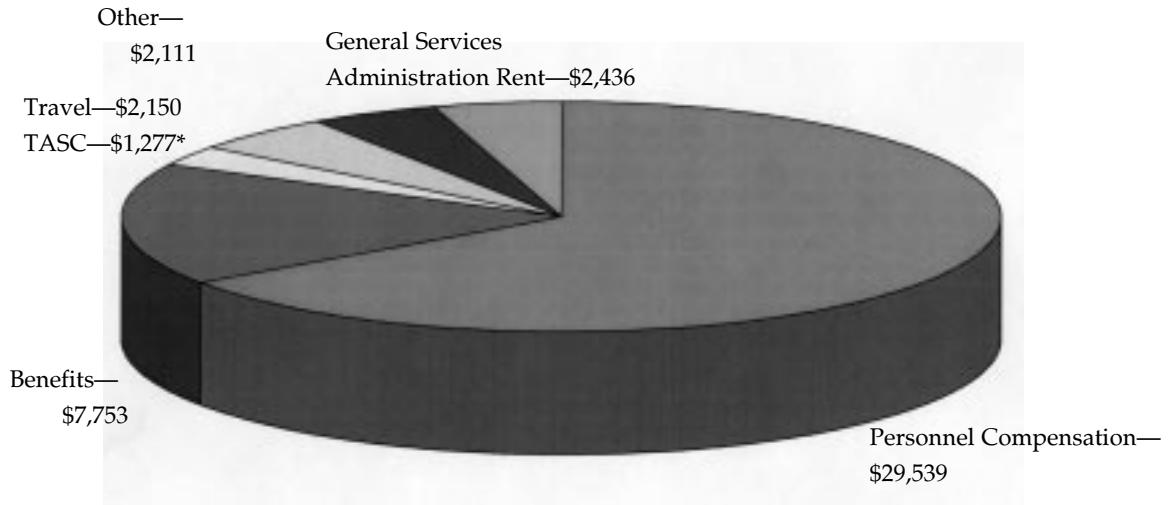
OIG has a higher level of confidence in FAA and DOT efforts to repair "Year-2000" computer problems than it did a year ago, the Inspector General testified (report FE-1999-072) before a joint hearing of two U.S. House subcommittees. Such mission-critical systems as air traffic control appear far more likely to be Year-2000 compliant, following a year of intensive work by FAA, than they did a year ago, the Inspector General told the Subcommittee on Government Management, Information and Technology of the House Committee on Government Reform and the Subcommittee on Technology of the House Committee on Science. DOT has 607 mission-critical systems, of which 309 had Year-2000 problems in need of repair. FAA and the Coast Guard plan to be finished by June, with the exception of one Coast Guard system. But the need to duplicate the repairs—in thousands of locations, in FAA's case—may prove a daunting task. We urged FAA's Administrator to require aviation industry certification of Year-2000 compliance and to develop a Year-2000 policy for U.S. airline travel to other countries.

OIG testifies on FAA's research, engineering and development program

Research and development will be the key to improving aviation safety, providing increased capacity and strengthening aviation security. OIG testified (report AV-1999-064) before the House Committee on Science Subcommittee on Technology regarding recent developments in that area. We noted FAA and the National Aeronautics and Space Administration have a memorandum of understanding to help coordinate joint research efforts, following OIG's earlier recommendations. We discussed FAA's pending research, engineering and development budget request; underscored the importance of FAA building "human factors" into its new-system development; and discussed recent changes to FAA's Flight 2000 project, recently renamed "Safe Flight 21."

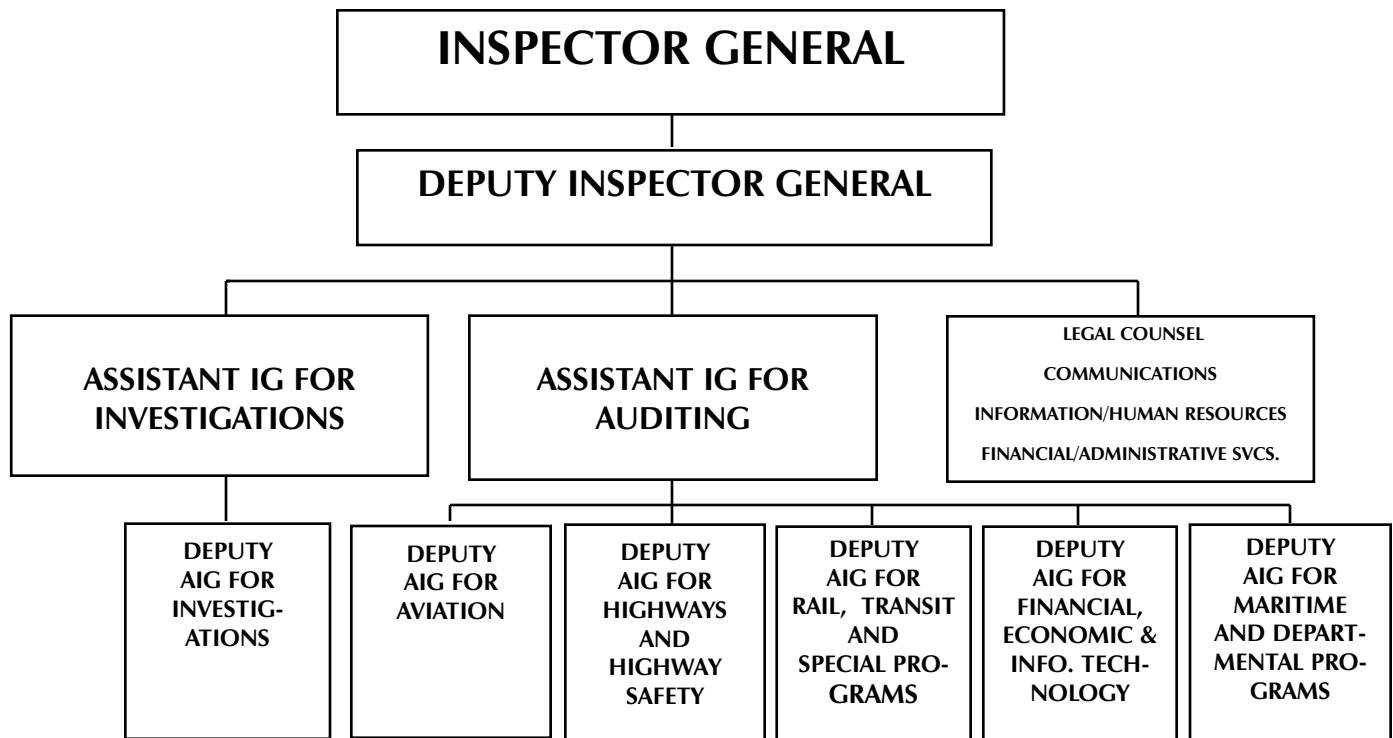
OIG Fiscal Year 1999 Budget

(Dollars in Thousands)



*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.

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 Department programs and operations.

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

Completed Audits October 1, 1998-March 31, 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	35	84	\$ 2,600	\$ 0	\$ 19,166
Chief Financial Officer					
Financial Statements:	9	11	\$ 0	\$ 0	\$142,919
Total Internal Audits	44	95	\$ 2,600	\$ 0	\$162,085
<i>Grant Audits:</i>					
Audits of Grantees under Single Audit Act	30	15	\$ 5,099	\$ 0	\$ 0
Other Grant Audits	0	0	\$ 0	\$ 0	\$ 0
Total Grant Audits	30	15	\$ 5,099	\$ 0	\$ 0
<i>Contract Audits:</i>					
Contracts	4	3	\$ 410	\$ 0	\$ 0
Total Contract Audits	4	3	\$ 410	\$ 0	\$ 0
TOTALS	78	113	\$ 8,109	\$ 0	\$162,085

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

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

Management Decisions Regarding Audit Recommendations

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs*	Funds to be Put to Better Use
Unresolved as of 9/30/98	32	100	7,116	0	\$407,996
Audits with Findings During Current Period	38	113	8,109	0	<u>\$162,085</u>
Total to be Resolved	70	213	15,225	0	<u>\$570,081</u>
Mgt. Decisions: A.Audits Prior Period	19	64	376	0	\$ 73,608
B.Audits Current Period	20	43	1,334	0	\$143,397
Total Resolved Reports/Recommendations	39	107	1,710	0	\$217,005
Unresolved as of 3/31/99**	31	106	13,516	0	<u>\$353,076</u>
Aging of Unresolved Audits:					
Less than 6 mos. old	20	70	6,776	0	\$18,688
6 mos. - 1 year	6	13	19	0	\$287,460
1 year - 18 mos.	0	0	0	0	\$ 0
18 mos. - 2 years	0	0	0	0	\$ 0
Over 2 years old	5	23	6,721	0	\$46,928
TOTALS	31	106	13,516	0	<u>\$353,076</u>

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

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

Audit Reports with Recommendations That Questioned Costs

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported* Costs
A. For which no management decision had been made by start of the reporting period	6	10	\$ 7,116	\$ 0
B. Which were issued during the period	10	14	\$ 8,109	\$ 0
Totals (A+B)	16	24	\$15,225	\$ 0
C. For which a management decision was made during the reporting period	8	10	\$ 1,710	\$ 0
(i) dollar value of disallowed costs	7**	9**	\$ 915	\$ 0
(ii) dollar value of costs not disallowed	2**	2**	\$ 795	\$ 0
D. For which no management decision has been made by the end of the reporting period	8	14	\$13,516	\$ 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	8	15	\$407,996
B. Which were issued during the reporting period	6	10	\$162,085
TOTALS (A+B)	14	25	\$570,081
C. For which a management decision was made during the reporting period	8	13	\$217,005
(i) dollar value of recommendations that were agreed to by management:	7*	11*	\$208,328
(ii) dollar value of recommendations that were not agreed to by management	2*	4*	\$ 17,892
D. For which no management decision had been made by the end of the reporting period	6	12	\$353,076
*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	26	75
B. Which were issued during the reporting period	28	89
TOTALS: (A + B)	54	164
C. For which a management decision was made during the reporting period	30	84
D. For which no management decision has been made by the end of the reporting period	24	80

Status of Unresolved Audit Recommendations Over 6 Months Old

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

FAA-Monitoring of Airport Revenues at Phoenix Sky Harbor International Airport	R9-FA-4-001	10/18/93	Will be resolved when OST counsel provides legal opinion
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CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1995-SEPTEMBER 30, 1995

FTA-Useful Life of Rail Cars, Washington Metropolitan Area Transit Authority	R4-FT-5-091	06/27/95	Will be resolved when OST counsel provides legal opinion
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CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1995-MARCH 31, 1996

FAA-Controls over Access to Aircraft for Free Transportation	AS-FA-6-004	02/20/96	Will be resolved when FAA contract with controllers is finalized
FAA-Voluntary Separation Incentive Payments	R6-FA-6-009	02/09/96	Awaiting FAA's investigation and U. S. Attorney action.

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

FAA-Airport Improvement Program Grants Provided to Hawaii DOT	R9-FA-6-015	09/20/96	Working with FAA to resolve all open issues.
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CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1998-SEPTEMBER 30, 1998

FAA-Personnel Reform: Recent Actions Represent Progress, But Further Effort is Needed	AV-1998-214	09/30/98	Resolution will be completed during the fourth quarter of FY 1999
FAA-Liaison and Familiarization Training	AV-1998-170	08/03/98	Will be resolved when FAA completes negotiations with its unions
Awarding Discretionary Funding in the U.S. Department of Transportation	MA-1998-155	06/12/98	Resolution will be completed during the third quarter of FY 1999
FAA Controls Over Air Courier Shipments	AV-1998-149	06/02/98	Being referred to the Departmental resolution official
Michigan Department of Transportation	QC-1998-142	05/14/98	Resolution will be completed during the third quarter of FY 1999
Central Artery/Ted Williams Tunnel Project	TR-1998-109	04/03/98	Will be resolved when OIG issues its report on the Owner-Controlled Insurance Program

Profile of Pending Investigations

DOT Operating Administration	Number of Cases	Types of Cases			
		Contracts	Employees	Grants	Other*
Federal Aviation Administration	197	27	52	5	113
Federal Highway Administration	150	12	5	24	109
Federal Railroad Administration	4	1	1	0	2
Federal Transit Administration	28	7	0	13	8
Maritime Administration	10	4	3	0	3
National Highway Traffic Safety Administration	5	0	1	0	4
Office of the Secretary	9	3	1	0	5
Research and Special Programs Administration	22	2	1	1	17
Saint Lawrence Seaway Development Corp.	0	0	0	0	0
U.S. Coast Guard	36	11	12	0	13
Other agencies	2	0	2	0	0
TOTALS:	462	67	78	43	274
Percent of total:	100	15	17	9	60

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

**Investigations
Judicial Actions
October 1, 1998-March 31, 1999**

Indictments	78
Convictions	71
Years Sentenced	107
Years Probation	172
Fines	\$355,396
Restitutions/Civil Judgments	\$17,371,010
Federal Recovery	\$381,007
State Recovery	\$96,100
TOTAL	\$18,203,513

OIG investigations in this reporting period spurred \$18,203,513 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 403. During the period, 134 cases were opened and 75 were closed, leaving a pending caseload of 462. Our investigators made a concerted effort during the period to clear backlogs.

During the period, 95 cases were accepted for prosecution, while 27 were declined. The number of cases pending before prosecutive authorities as of March 31, 1999 was 120.

**Investigations
Administrative Actions
October 1, 1998-March 31, 1999**

Employee Suspensions	6
Employee Reassignment/Transfer	1
Employee Resignation/Retirement	3
Employee Terminated	1
Employee Restitution	1
Employee Reprimand	2
Employee Counseled	5
Debarments/Suspensions	1
Federal funds redistributed	1
Termination of contract	1
Corrective Action	8
New Procedure Instituted	5
Regulation/rule revised	1
Restatement of Policy	3
TOTAL	39

Ancillary Public Benefits of OIG investigations

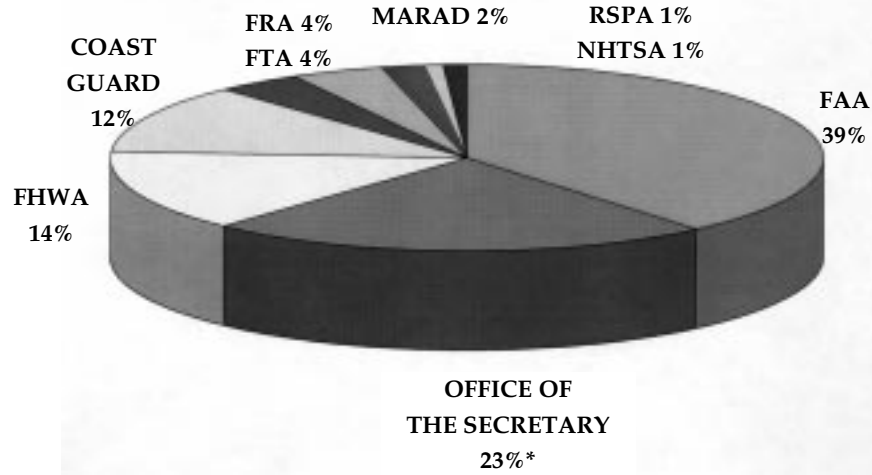
Though investigative outcomes are traditionally measured in numbers of indictments, convictions and monetary recoveries by courts, these categorizations do not capture the full impact of investigations by DOT's Office of Inspector General. Some positive effects occur outside judicial purview.

For example, in two Georgia cities, OIG investigations of alleged violations of the Natural Gas Pipeline Safety Act of 1968 spurred safety improvements, in addition to the probes involving individuals (see pages 14 and 27). As a result of OIG's probe, the city of Dublin agreed to make some \$650,000 in improvements to its natural-gas distribution system, abating a public hazard. In a related case, the city of Dalton is making \$2.5 million in improvements to its natural gas lines, improving safety and cutting maintenance and gas-leakage costs to the system.

In another instance, an OIG investigation located a computer disk containing a flight data transmission system recently valued by FAA at \$1 million. A former FAA employee who had written that code—at an original cost of \$375,000—had resigned saying that the code existed only on a laptop computer and had been lost when that computer “crashed.”

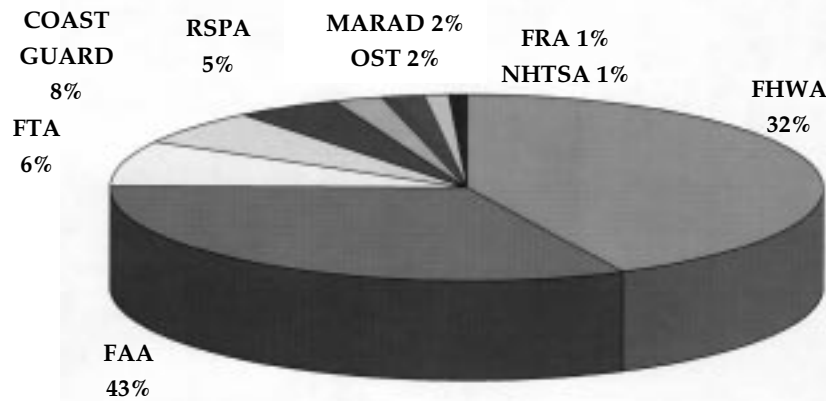
OIG found the computer disk containing the code at the former FAA employee's home, but it had been rendered inaccessible. Following questioning by OIG special agents, the former employee divulged the password for the disk.

Application of Audit Resources
by Operating Administration



*A substantial portion of this percentage reflects
OIG's work auditing the Department's Consolidated
Financial Statements

Application of Investigative Resources
by Operating Administration



Office of Inspector General

Audit Reports

October 1, 1998-March 31, 1999

FEDERAL AVIATION ADMINISTRATION

INTERNAL AUDITS - 18 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
AV-1999-074	03/25/99	Air Traffic Control Modernization Testimony	Modernize National Airspace
AV-1999-069	03/30/99	Aviation Safety	Improve safety
AV-1999-065	03/30/99	Air Traffic Control Modernization	Modernize National Airspace
AV-1999-068	03/24/99	Aviation Security	Improve aviation security
AV-1999-064	03/22/99	FAA's Research, Engineering and Development Program	Modernize National Airspace
AV-1999-066	03/22/99	FAA Financing and Cost-Control	Improve financial management
FE-1999-073	03/18/99	Financial Management at the Federal Aviation Administration	Improve financial management
FE-1999-070	03/08/99	FAA FY 1998 Financial Statements	Improve financial management
AV-1999-057	02/24/99	FAA Progress Implementing Data Link	Modernize National Airspace
AV-1999-056	02/23/99	Use of Airport Revenue/BART Extension to San Francisco International Airport	\$2,600,000 questioned
AV-1999-048	01/29/99	Audit of the Compensation Program for Expansion of Dallas/Fort Worth International Airport	Improve grant management
AV-1999-052	01/27/99	Use of Airport Revenue, Denver International Airport	Improve grant management
AV-1999-030	11/30/98	Using Direct Access Radar Channel During HOST Replacement	Improve training
AV-1999-029	11/27/98	Use of Airport Revenue, Hancock International Airport	Improve grant management
AV-1999-020	11/16/98	Supervisory Reductions/FAA's Controller-in-Charge Policy	Improve training
MA-1999-017	11/09/98	Hotline Referrals	Ensure follow-up
AV-1999-008	10/08/98	FAA/NASA R&D Coordination Efforts	Improve coordination
AV-1999-001	10/05/98	Deployment of Explosives-Detection Systems	\$1,701,513 better use

GRANT AUDIT - POST-AWARD - 6 reports

QC-1999-058	02/18/99	Rhode Island Airport Corporation	Better grantee oversight
QC-1999-050	01/26/99	City of Spokane Airports	Better grantee oversight
QC-1999-045	01/08/99	City of Dallas, Texas	Better grantee oversight
QC-1999-044	01/08/99	State of Hawaii, DO, Airports Division	Better grantee oversight
QC-1999-042	01/06/99	Rhode Island Airport Corporation	Better grantee oversight
QC-1999-003	10/06/98	Single Audit of Provo City Corporation	\$154,000 questioned

FEDERAL HIGHWAY ADMINISTRATION

INTERNAL AUDITS - 6 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
FE-1999-079	03/30/99	FY 1998 Highway Trust Fund Financial Statements	Improve financial management
TR-1999-061	03/24/99	Cancellation of FHWA's Truck and Bus Safety Summit	Improve financial management
TR-1999-055	02/23/99	FHWA Motor Carrier Safety	Improve truck safety
TR-1999-034	12/23/98	Motor Carrier Safety Program for Commercial Trucks at U.S. Borders	Improve truck safety
TR-1999-028	11/24/98	Review of Utah I-15 Reconstruction Project	Keep finance plan current
TR-1999-010	10/16/98	Alameda Corridor Project	Improve staff management

GRANT AUDIT - POST-AWARD - 6 reports

QC-1999-035	12/29/98	New Mexico State Highway and Transit Department	Better grantee oversight
QC-1999-022	11/19/98	City of San Bruno	\$133,694 questioned
QC-1999-014	10/29/98	State of Wisconsin	Better grantee oversight
QC-1999-012	10/22/98	State of New Hampshire	Better grantee oversight
QC-1999-011	10/20/98	State of Wisconsin	Better grantee oversight
QC-1999-006	10/06/98	State of Minnesota	Better grantee oversight

FEDERAL RAILROAD ADMINISTRATION

INTERNAL AUDITS - 3 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
TR-1999-077	03/31/99	Railroad Bridge Safety Program	Improve safety
CE-1999-063	03/04/99	Amtrak's Financial Outlook	Assess long-term revenue/ expenses
TR-1999-027	11/23/98	Report on Independent Assessment of Amtrak's Financial Needs through Fiscal Year 2002	Assess long-term revenue/ expenses

GRANT AUDITS - POST-AWARD - 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
QC-1999-005	10/06/98	City of Baltimore, Maryland	Better grantee oversight

MARITIME ADMINISTRATION

GRANT AUDITS - 4 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
MA-1999-032	12/08/98	Barge Carib Incorporated, Cargo Preference	\$375,913 questioned
MA-1999-026	11/20/98	Atlas Marine Co., Operating Differential Subsidy	Verified costs claimed
MA-1999-025	11/20/98	American Overseas Marine Co., National Shipping Authority Agreement	\$28,161 questioned
MA-1999-024	11/20/98	Apex Marine Corp., National Shipping Authority Agreement	\$6,303 questioned

OFFICE OF THE SECRETARY OF TRANSPORTATION

INTERNAL AUDITS - 2 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
FE-1999-081	03/30/99	FY 1998 Consolidated Financial Statements	\$85,918,645 better use
FE-1999-072	03/15/99	The Year-2000 Technology Challenge	Assured reported status

OTHER - 6 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
QR-1999-067	03/05/99	Office of Inspector General Senior Managers' Travel	Improved management controls
MA-1999-062	03/03/99	Transportation Administrative Services Center Computer Center	\$14,600,000 better use
CE-1999-060	03/02/99	Travel Agent Commission Overrides	Better commission information
CE-1999-054	02/05/99	Air Carrier Departure Data	Make data reporting uniform
TW-1999-031	12/09/98	Top Ten Management Issues,	Congressional advisory
FE-1999-009	10/14/98	Home Leave and Post Differential	\$478,000 costs questioned

UNITED STATES COAST GUARD

INTERNAL AUDITS - 4 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
FE-1999-076	03/24/99	Actuarial Estimates for Retired Pay and Medical Benefits	Validated future liabilities
FE-1999-075	03/24/99	Coast Guard Vessels and Aircraft	Valuation of assets
FE-1999-051	01/27/99	Coast Guard Real Property	Valuation of assets
MA-1999-033	12/21/98	Patrol Boat Acquisition	Resolve outstanding issues

FEDERAL TRANSIT ADMINISTRATION

INTERNAL AUDITS - 2 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS</u>
TR-1999-071	03/12/99	State Safety Oversight Program for Rail Systems	Improve safety
FE-1999-016	11/06/98	Management of Grant Funds	\$57,000,000 better use

GRANT AUDIT - POSTAWARD - 1 report

TR-1999-002	10/06/98	Fort Worth (TX) Transportation Authority	\$4,021,599 questioned
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QUALITY-CONTROL REVIEWS - 16 Reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
QC-1999-049	01/26/99	King County, Washington	Improve grantee oversight
QC-1999-047	01/12/99	Miami/Dade County, Florida	Improve grantee oversight
QC-1999-046	01/20/99	Followup Quality-Control Review, Boise City	Improve grantee oversight
QC-1999-043	01/07/99	Bi-State Development Agency of Missouri/ Illinois Metropolitan District	Improve grantee oversight
QC-1999-041	01/04/99	Metropolitan Transit District of Harris County, Texas	Improve grantee oversight
QC-1999-040	01/04/99	Desk Review/Single Audit of Regional Transit District	Improve grantee oversight
QC-1999-039	01/04/99	Tri-County Metropolitan Transportation District of Oregon	
QC-1999-038	01/04/99	Miami Valley Regional Transit Authority	Improve grantee oversight
QC-1999-037	08/24/98	New Jersey Transit Corporation	Improve grantee oversight
QC-1999-036	01/04/99	San Francisco Bay Area Rapid Transit District	Improve grantee oversight
QC-1999-023	11/19/98	Capital Metro, Austin, Texas	Improve grantee oversight
QC-1999-019	08/24/98	Northeast Illinois Regional Commuter Railroad Corporation	Improve grantee oversight

QC-1999-018	08/06/98	City of Austin, Texas	Improve grantee oversight
QC-1999-015	10/30/98	City of Albuquerque, New Mexico	\$789,767 questioned
QC-1999-013	10/22/98	Denver Regional Transportation District	Improve grantee oversight
QC-1999-004	10/06/98	Greater Cleveland Regional Transit Authority	Improve grantee oversight

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

Other - 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS</u>
QC-1999-078	03/29/99	Quality Control Review of Saint. Lawrence Seaway Development Corporation Financial Statements	Verify financial statements

SURFACE TRANSPORTATION BOARD

OTHER - 2 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
CE-1999-059	02/24/99	Surface Transportation Board User Fees Followup	Improve financial management
CE-1999-021	11/17/98	Surface Transportation Board User Fees	Improve financial management