BUDGET ESTIMATES

U.S. Department of Transportation

FISCAL YEAR 2016

OFFICE OF INSPECTOR GENERAL

SUBMITTED FOR THE USE OF
THE COMMITTEES ON APPROPRIATIONS

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
FISCAL YEAR 2016 BUDGET ESTIMATES

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SECTION 1: OVERVIEW

Department of Transportation, Office of Inspector General
Fiscal Year 2016 Budget Submission: Administrator's Overview

The Office of Inspector General (OIG) respectfully submits our fiscal year (FY) 2016 budget request of $87.472 million in support of 410 base-level full-time equivalents (FTEs)[1]. Of the $87.472 million requested, $65.711 million would support personnel compensation and benefit costs and $21.761 million would support other operating costs necessary to field our professional workforce. Our request also includes adjustments to cover anticipated inflation and mandated pay adjustments.

The OIG remains committed to fulfilling its statutory responsibilities under The Inspector General Act of 1978, as amended (IG Act), while supporting the Secretary, senior Department of Transportation (DOT) officials, the Office of Management and Budget (OMB), members of Congress, and the American public in achieving a safe, efficient, and effective transportation system.

The accompanying budget request for FY 2016 has been developed with the goal for OIG to build on its long-standing record as a highly respected contributor to the Department's mission. In the execution of our mission, we will continue to closely manage our operations to minimize costs and maintain the highest level of service in the most cost-efficient manner.

For FY 2016 we are asking for $386,000 to fund 3 FTEs (6 new positions) to enhance our oversight of the Department’s programs designed to improve safety by reducing transportation-related fatalities and injuries, and to strengthen our focus on administrative programs that have significant budget impact.

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

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

In FY 2014, the OIG once again reported a substantial return on investment (ROI)[2] based on our completed work. The cumulative results from 129 audit reports issued, 6 testimonies before Congress, and investigations resulting in 58 indictments and 64 convictions produced more than $550 million in financial recommendations and more than $1.3 billion in fines, restitutions and recoveries. The resulting ROI of $22 for every appropriated dollar continues a long history of double-digit returns.

Going forward, we anticipate continued focus of audit and investigative oversight on rail and vehicle safety, including the National Highway Safety Traffic Administration's defect investigation program. In addition, we anticipate enhanced work on passenger and motor carrier safety, including investigations involving the illicit operation of commercial passenger carriers and the illegal issuance of commercial drivers' licenses, and pipeline safety programs. We also plan to evaluate the transport of hazardous materials (HAZMAT) by rail and investigate the illegal and undeclared shipment of HAZMAT across all modes of transportation.

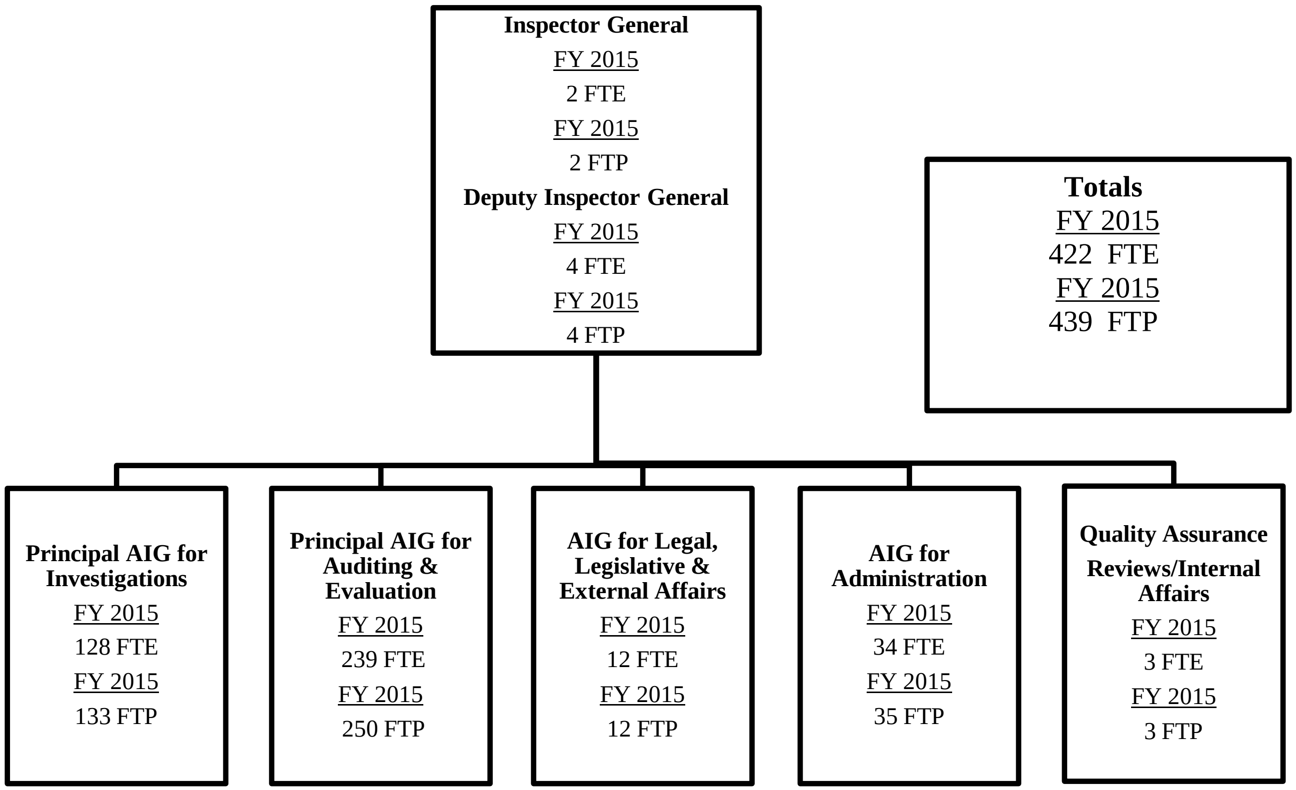
In addition, we anticipate additional work in areas outside of safety. For example, our latest review of the Department's acquisition function identified significant weaknesses that limit its ability to carry out its responsibilities in support of DOT's mission. We anticipate the need for additional reviews of Departmental procurement and contract acquisition programs, and a comprehensive review of the Maritime Administration's management and operations.

OIG fulfills a unique role as the Department's sole in-house source for objective examination of its programs and their integrity. Our work requires a highly skilled and diverse workforce to effectively execute our mission while addressing emerging transportation issues, therefore our personnel costs are consistently in the range of 75 percent of total costs. Mission related travel and training, as well as rent and other fixed facilities costs are significant items among our other operating costs.

The OIG has determined that our FY 2016 request of $87.472 million is necessary to execute our mission—focusing on safety across all transportation modes—while continuing to identify cost-savings opportunities and making recommendations to improve DOT program efficiency and effectiveness.

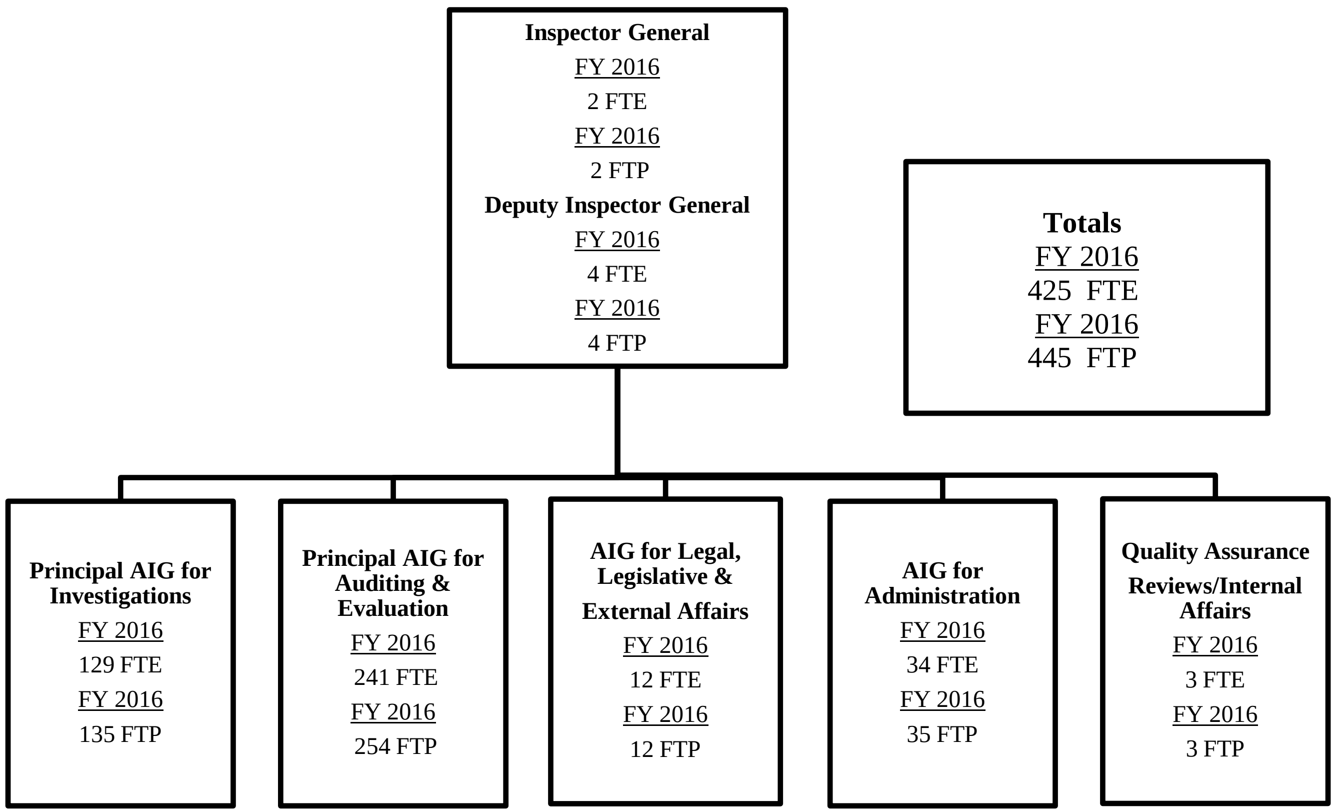
[2] ROI compares the total dollar value of OIG findings to budgetary resources appropriated during the year. Findings are comprised of court-ordered fines, restitutions, recoveries of improper payments, recommended cost savings and recommendations for funds put to better use.

EXHIBIT I-A
FY 2015 ORGANIZATIONAL CHART
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE INSPECTOR GENERAL



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

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



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

SECTION 2: BUDGET SUMMARY TABLES

EXHIBIT II-1

FY 2016 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
($000)

ACCOUNT NAME	FY 2014 ACTUAL		FY 2015 ENACTED		FY 2016 REQUEST	
Salaries & Expenses	**$**	**85,605**	**$**	**86,223**	**$**	**87,472**
Rescission						
Subtotal	**$**	**85,605**	**$**	**86,223**	**$**	**87,472**
TOTAL	**$**	**85,605**	**$**	**86,223**	**$**	**87,472**
Appropriations	$	85,605	$	86,223	$	87,472
Rescissions	$	-	$	-	$	-

EXHIBIT II-2
FY 2016 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
Appropriations, Obligation Limitations, and Exempt Obligations
($000)

ACCOUNT NAME	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Salaries & Expenses	$ 85,605	$ 86,223	$ 87,472
TOTAL:	**$ 85,605**	**$ 86,223**	**$ 87,472**

EXHIBIT II-3-a
FY 2016 BUDGETARY RESOURCES BY STRATEGIC GOAL
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
($000)

DOT Outcome	Program	FY 2016 Request
SAFETY		
Improve safety of system		
STATE OF GOOD REPAIR		
Maintain or improve operating conditions		
Sustain assets		
ECONOMIC COMPETITIVENESS		
Enhance productivity and growth		
Increase access to foreign markets		
Improve system efficiency		
Create dynamic workforce		
QUALITY OF LIFE IN COMMUNITIES		
Enhance quality of life		
Expand access and choice		
ENVIRONMENTAL SUSTAINABILITY		
Promote energy efficiency		
Mitigate environmental impacts		
Adapt to climate change		
ORGANIZATIONAL EXCELLENCE	OIG	87,472
Develop human capital		
Improve information systems and financial management		
SECURITY, PREPAREDNESS, AND OTHER SUPPORTING OBJECTIVES		
Ensure effective response		
Meet national security needs		
Expand small business opportunities		
OVERHEAD PROGRAMS/FUNCTIONS DISTRIBUTED TO PROGRAMS		
TOTAL		87,472

EXHIBIT II-4
FY 2016 BUDGET AUTHORITY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
($000)

ACCOUNT NAME	M / D	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Salaries & Expenses	**D**	$ 85,605	$ 86,223	$ 87,472
TOTAL:		**$ 85,605**	**$ 86,223**	**$ 87,472**
Mandatory		$ -	$ -	$ -
Discretionary		$ 85,605	$ 86,223	$ 87,472

PROPRIETARY AND OTHER GOVERNMENTAL RECEIPTS

		$ -	$ -	$ -
TOTAL:		$ -	$ -	$ -

EXHIBIT II-5
FY 2016 OUTLAYS
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
($000)

	M / D	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
Salaries & Expenses	D	$ 82,635	$ 86,161	$ 87,347
Salaries & Expenses, Emergency Disaster Relief Oversight	D	$ 7	$ 2,500	$ 2,500
TOTAL:		**$ 82,642**	**$ 88,661**	**$ 89,847**
[Mandatory]				
Discretionary				

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

			Baseline Changes									
Salaries & Expenses	FY 2014 Actual	FY 2015 Enacted	Annualization of 2015 Pay Raises (1.0%)	Annualization of 2015 FTE	2016 Pay Raises (1.3%)	One Additional Compensable Day	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation (1.0%)	FY 2016 Baseline Estimate	Program Increases/ Decreases	FY 2016 Request
PERSONNEL RESOURCES (FTE)	**393**	407								407	3	410
Direct FTE	393	407								407	3	410
<u>FINANCIAL RESOURCES</u>												
ADMINISTRATIVE EXPENSES												
Salaries and Benefits	$61,126	$64,319	$154	$0	$612	$240				$65,325	$386	$65,711
Travel	$2,108	$2,580							$45	$2,625		$2,625
Transportation	$22	$5								$5		$5
GSA Rent	$5,146	$5,500					$0			$5,500		$5,500
Communications, & Utilities	$920	$1,125								$1,125		$1,125
Printing	$0	$1								$1		$1
Other Services:	$11,389	$11,323						($271)	$83	$11,135		$11,135
-WCF (non-add)	$3,737	$4,059						($271)		$3,788		$3,788
Supplies	$439	$335								$335		$335
Equipment	$1,671	$1,005								$1,005		$1,005
Insurance claims and indemnities	$0	$10								$10		$10
Unvouchered	$0	$20								$20		$20
Admin Subtotal	**$82,821**	**$86,223**	**$154**	**$0**	**$612**	**$240**	**$0**	**($271)**	**$128**	**$87,086**	**$386**	**$87,472**
TOTAL	**$82,821**	**$86,223**	**$154**	**$0**	**$612**	**$240**	**$0**	**($271)**	**$128**	**$87,086**	**$386**	**$87,472**

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

	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST	CHANGE
DIRECT:				
Salaries & Expenses	$ 3,737	$ 4,059	$ 3,788	$ (271)
SUBTOTAL	3,737	4,059	3,788	(271)
TOTAL	$ 3,737	$ 4,059	$ 3,788	$ (271)

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

	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
DIRECT FUNDED BY APPROPRIATION			
Salaries & Expenses, Direct	393	407	410
Salaries & Expenses, Emergency Disaster Relief	0	15	15
SUBTOTAL, DIRECT FUNDED	393	422	425
REIMBURSEMENTS / ALLOCATIONS / OTHER			
Reimbursements and 'Other'			
Salaries & Expenses, Reimbursable	2	0	0
SUBTOTAL, REIMBURSE./ALLOC./OTH.	2	0	0
TOTAL FTEs	**395**	**422**	**425**
INFO:			
Allocations to Other Agencies	0	0	0

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

	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
DIRECT FUNDED BY APPROPRIATION			
Salaries & Expenses, Direct	424	424	430
Salaries & Expenses, Emergency Disaster Relief	15	15	15
SUBTOTAL, DIRECT FUNDED	439	439	445
REIMBURSEMENTS/ALLOCATIONS/OTHER			
Reimbursements and 'Other'	0	0	0
SUBTOTAL, REIMBURSE./ALLOC./OTH.	0	0	0
TOTAL POSITIONS	**439**	**439**	**445**
INFO:			
Allocations to Other Agencies	0	0	0

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SECTION 3: BUDGET REQUEST BY APPROPRIATION ACCOUNT

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

Appropriations Language

For necessary expenses of the Office of the Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended, [$86,223,000] *$87,472,000*: *Provided*, That the Inspector General shall have all necessary authority, in carrying out the duties specified in the Inspector General Act, as amended (5 U.S.C. App. 3), to investigate allegations of fraud, including false statements to the government (18 U.S.C. 1001), by any person or entity that is subject to regulation by the Department: *Provided further*, That the funds made available under this heading may be used to investigate, pursuant to section 41712 of title 49, United States Code: (1) unfair or deceptive practices and unfair methods of competition by domestic and foreign air carriers and ticket agents; and (2) the compliance of domestic and foreign air carriers with respect to item (1) of this proviso. [*Provided further,* That hereafter funds transferred to the Office of the Inspector General through forfeiture proceedings or from the Department of Justice Assets Forfeiture Fund or the Department of the Treasury Forfeiture Fund, as a participating agency, as an equitable share from the forfeiture of property in investigations in which the Office of Inspector General participates, or through the granting of a Petition for Remission or Mitigation, shall be deposited to the credit of this account for law enforcement activities authorized under the Inspector General Act of 1978, as amended, to remain available until expended.]
(Department of Transportation Appropriations Act, 2015.)

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

	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST	CHANGE FY 2015-2016
Salaries & Expenses	$ 85,605	$ 86,223	$ 87,472	$ 1,249
TOTAL	$ 85,605	$ 86,223	$ 87,472	$ 1,249
FTEs				
Direct Funded	393	407	410	3
Emergency Disaster Relief	0	15	15	0
Reimbursable, allocated, other	2	0	0	0

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

Program and Performance Statement

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

EXHIBIT III-1a

OFFICE OF INSPECTOR GENERAL
SALARIES & EXPENSES
SUMMARY ANALYSIS OF CHANGE FROM FY 2015 TO FY 2016
Appropriations, Obligations, Limitations, and Exempt Obligations

ITEM	**Change from FY 2015 to FY 2016 $000**	**Change from FY 2015 to FY 2016 FTE**
FY 2015 PRESIDENT'S BUDGET	**$86,223**	**407**
Administrative Adjustments to Base:		
Annualization of FY 2015 Pay Raise (1%)	154	0
Annualization of FY 2015 FTE	0	0
FY 2016 Pay Raise (1.3%)	612	0
One Additional Compensable Day	240	0
GSA Rent	0	0
Working Capital Fund	(271)	0
Non-Pay Inflation (1%)	128	0
etc.		
SUBTOTAL, ADJUSTMENTS TO BASE	**863**	**0**
PROGRAM REDUCTIONS		
	0	0
SUBTOTAL, PROGRAM REDUCTIONS	**0**	**0**
NEW OR EXPANDED PROGRAMS:		
6 additional FTPs (budgeted for 1/2 year in FY16)	386	3
SUBTOTAL, NEW OR EXPANDED PROGRAMS	**386**	**3**
FY 2016 REQUEST	**$87,472**	**410**

DOT Office of Inspector General
Fiscal Year 2016 Budget Request: Detailed Justification

What Is The Request And What Funds Are Currently Spent On The Program?
Our fiscal year 2016 budget request is for $87.472 million in total budgetary resources in support of 410 base-level full-time equivalents (FTE). In addition, an estimated 15 FTEs are supported with carryover funding from the Disaster Relief Appropriations Act of 2013, a temporary funding source, for OIG oversight activities of the Federal Transit Authority's (FTA) Public Transportation Emergency Relief Program.

Table 1. **FY 2016 DOT Office of Inspector General Budget Request**

		($000)		
Program Activity	**FY 2014 Actual**	**FY 2015 Enacted**	**FY 2016 Request**	**Difference from FY 2015 Enacted**
Salaries and Expenses	$85,605	$86,223	$87,472	$1,249
Total	**$85,605**	**$86,223**	**$87,472**	**$1,249**

Of the $87.472 million, $65.711 million would support personnel compensation and benefits costs and $21.761 million would support operating costs over which we exercise minimal control. Our request includes adjustments to cover anticipated inflation and mandated pay adjustments.

OIG's request reflects $386,000 to fund 3 additional FTEs (6 additional permanent positions for one half of FY 2016). If approved, these additional FTEs will increase our base budget level to 410 in FY 2016. These additional FTEs will enable OIG to enhance our oversight of the Department's programs designed to improve safety by reducing transportation-related fatalities and injuries, and to strengthen our focus on administrative programs that have significant budget impact.

We anticipate continued focus of audit and investigative oversight on rail and vehicle safety, including the National Highway Safety Traffic Administration's defect investigation program. In addition, we anticipate enhanced work on passenger and motor carrier safety, including investigations involving the illicit operation of commercial passenger carriers and the illegal issuance of commercial drivers' licenses, and pipeline safety programs. We also plan to evaluate the transport of (HAZMAT) by rail and investigate the illegal and undeclared shipment of HAZMAT across all modes of transportation.

In addition, we anticipate additional work in areas outside of safety. For example, our latest review of the Department's acquisition function identified significant weaknesses that limit its ability to carry out its responsibilities in support of DOT's mission. We anticipate the need for additional reviews of Departmental procurement and contract acquisition programs, and a comprehensive review of the Maritime Administration's management and operations.

The OIG fulfills a unique role as the Department's sole in-house source for objective examination of its programs and their integrity. We have consistently demonstrated our commitment to ensuring the greatest return on taxpayer investments and, in FY 2014, reported a return on investment (ROI)[1] of $22 for every appropriated dollar. Our work requires a highly skilled and diverse workforce to effectively execute our mission while also addressing emerging transportation issues, therefore our personnel costs are consistently in the range of 75 percent of total costs. Our current services budget funds these personnel costs and the other operating costs necessary to field our professional workforce. Mission related travel and training, as well as rent and other fixed facilities costs are among the more significant of these other operating costs.

The OIG has determined that our request for $87.472 million is necessary to execute our mission in FY 2016—focusing on safety across all transportation modes—while continuing to identify cost-savings opportunities and making recommendations to improve DOT program efficiency and effectiveness.

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

Table 2. Total FTEs for Fiscal Year 2014 through Fiscal Year 2016

FTE Account	**FY 2014 Actual**	**FY 2015 Enacted**	**FY 2016 Request**
Salaries and Expenses	395	407	410
Disaster Relief Oversight, 2013	-	15	15
Total FTEs	**395**	**422**	**425**

What Is This Program And Why Is It Necessary?

Since Congress established the Office of Inspector General in 1978, our office has been dedicated to providing independent and objective reviews of the efficiency and effectiveness of DOT programs and operations and to detecting and preventing fraud, waste, and abuse. Our 5-year strategic plan, which aligns with the Department's mission, describes the goals, strategies, and performance measures for achieving our mission.

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

- conduct independent and objective audits and investigations;

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

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

The OIG provides the only internal independent and objective source of recommendations to DOT senior executives and managers. Working closely with Congress, the Secretary, and senior DOT officials, we remain focused on maximizing taxpayer dollars while enhancing the effectiveness and integrity of the programs that DOT administers through savings, recoveries, and efficiency gains. Our audits, investigations and reviews lead to recoveries of large amounts of improper payments, cost reductions, funds put to better use, and both financial and program improvements, including increased operational efficiencies and improved safety.

The OIG is committed to fulfilling its statutory responsibilities under the Inspector General Act while supporting DOT's mission and its strategic goals of transportation safety, state of good repair, economic competiveness, quality of life in communities, and organizational excellence. As such, our budget request belongs entirely under the Departmental strategic goal of Organizational Excellence. However, our work assists each of the Operating Administrations and ultimately the Department in meeting performance targets in all strategic and organizational goals.

Why Do We Want/Need To Fund The Program At The Requested Level?
This FY 2016 budget request has been developed with the goal for the OIG to build on its long-standing reputation as a highly respected contributor to the Department's mission. The OIG has a demonstrated record of efficient and effective oversight and consistently produces a significant ROI of budget resources. In FY 2014, our work produced more than $550 million in financial recommendations and more than $1.3 billion in fines, restitutions and recoveries, resulting in a ROI of $22 for every appropriated dollar. Also during FY 2014, we issued 129 audit reports; provided testimony 6 times before Congress; and conducted investigations resulting in 58 indictments and 64 convictions.

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

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

What Benefits Will Be Provided To The American Public Through This Request?

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

The OIG issues an annual report on DOT's top management challenges, which provides our assessment of the Department's management and operations and identifies issues that require the most immediate attention to minimize financial or safety risks, or both. For FY 2015, the key challenges identified for DOT are:

- Modernizing the National Airspace System and Addressing Organizational Challenges
- Enhancing Safety and Oversight of a Diverse and Dynamic U.S. Aviation Industry
- Increasing Efforts To Promote Highway, Vehicle, Pipeline, and HAZMAT Safety
- Improving Oversight, Project Delivery, and System Performance of Surface Transportation Programs
- Leveraging Existing Funding Mechanisms To Finance Surface Transportation Projects in a Challenging Fiscal Environment
- Managing Acquisitions and Grants To Maximize Performance and Save Federal Funds
- Securing Information Technology Resources

The OIG has also developed and maintains a comprehensive 24-month audit plan, updated annually, to maximize our available resources and provide the greatest potential benefits to the Department and the public. As part of this 24-month plan, we retain a safety catalogue of potential audit areas, developed as a result of a comprehensive review of DOT budget data, business plans, performance reports, modal websites, and agency publications. In addition, through these tactical plans, we have identified an additional 100 audits that we propose to initiate in critical areas across DOT's operating administrations.

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

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

We will continue to leverage the institutional knowledge of our professional staff—our most valuable resource for achieving our mission—and execute the work identified in our tactical plans and investigative priorities. These tactical plans and priorities focus on the entire Department and its Operating Administrations and cover a wide array of topics, including:

Departmentwide

- Assessing DOT's oversight of financial and procurement-related issues such as travel card use, disadvantaged business enterprise (DBE) program implementation, DOT contract administration and management of information technology products and services contracts.

- Conducting other required Department-wide reviews including audits of DOT financial statements, improper payments, and cyber security.

- Supporting our ongoing national procurement and grant fraud caseload and providing outreach activities to enhance fraud awareness and to generate additional referrals from Department and State and local stakeholders.

Federal Aviation Administration (FAA)

- Assessing FAA acquisition and NextGen modernization challenges, ranging from reducing risk to improving the execution of billion dollar efforts. These audits help determine overall program costs, schedule, and performance, as we assess FAA's implementation of the individual components, such as Automatic Dependent Surveillance-Broadcast (ADS-B), En Route Automation Modernization (ERAM), DataComm, and Traffic Flow Management (TFM).

- Evaluating air traffic control (ATC) facilities and operations, including assessments of ATC system security, controller training, controller productivity, and controller collective bargaining agreement.

- Assessing key aviation safety areas, ranging from FAA’s oversight of aircraft repair stations, controller operational errors and other aircraft separation losses, oversight of aircraft manufacturing processes, and industry compliance with key safety directives.

- Our criminal investigations involving FAA-funded projected and aviation safety programs targeting alleged fraud, such as unapproved aircraft parts and false commercial airmen certificates.

Federal Highway Administration (FHWA)

- Evaluating FHWA's programs and tools for overseeing the billions of dollars provided to States and localities to build, maintain, and repair the Nation's roads and bridges to ensure compliance with enacted legislation (MAP-21). These audits will include assessments of FHWA's oversight of States' transportation financial and project management plans for major highway projects.

- A significant portion of our grant fraud investigations focus on deceptive practices in FHWA funded projects, such as product substitution, overbilling, sub-standard work, cost mischarging and DBE fraud.

Federal Motor Carrier Safety Administration (FMCSA)

- Continuing to protect American consumers and workers from fraudulent and deceptive commercial practices that criminally violate FMCSA’s programs governing interstate transportation of household goods.

- Auditing FMCSA's effort to attain more comprehensive commercial motor carrier safety data and an assessment of FMCSA's oversight of its largest grant program—the Motor Carrier Safety Assistance Program—which provides over $200 million to States to reduce the incidence and severity of commercial motor vehicle crashes.

- Reviewing FMCSA's compliance with North American Free Trade Agreement (NAFTA) cross-border trucking provisions and the agency’s efforts to enhance the consistency of information reported to the Mexican Conviction Database and improve its capacity to perform safe and efficient bus inspections at border crossings.

- Our criminal investigations involving FMCSA’s safety programs include hazardous materials violations; egregious motor carrier safety violations, including Commercial Driver’s License (CDL) fraud by a school or third party tester; and carriers that reincarnate under a different identity in an effort to circumvent FMCSA’s safety regulations and/or penalties.

Federal Railroad Administration (FRA)

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

- Assessing FRA's ability to collect and manage railroad accident data that is both accurate and timely. FRA requires railroads to submit accident data within 30 days of an applicable incident and uses this data to focus its limited inspection resources on the Nation's most compelling safety risks.

- Assessing FRA's oversight of the transportation of hazardous materials by rail.

- Reviewing FRA's oversight of its grants to Amtrak to ensure the company is using the billions of dollars in Federal financial support it receives each year to improve its operating practices, control costs, and enhance the performance of its intercity passenger rail service.

Federal Transit Administration (FTA)

- Evaluating FTA's execution of its new oversight responsibilities and mega-transit projects focusing on cost, schedule, and local risks.

- Assessing FTA's oversight of funds provided in the Disaster Relief Appropriations Act of 2013 (DRAA). This will include an evaluation of how the Department has executed DRAA relief awards and addressed the risks identified; and a series of Sandy relief post-award and oversight audits based upon significant risks identified.

- Our grant fraud investigations involving FTA funded projects focus on items such as product substitution, overbilling, sub-standard work, cost mischarging, and DBE fraud.

Maritime Administration (MARAD)

- Assessing MARAD's operations and responsibilities to identify management weaknesses and duplication.

- Addressing employee integrity matters at the United States Merchant Marine Academy

National Highway Traffic Safety Administration (NHTSA)

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

Pipeline and Hazardous Materials Safety Administration (PHMSA)

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

The OIG's tactical plan and investigative priorities provide a general framework for where we focus our resources. Our ongoing proactive communications with Congress and Department leadership help us to identify emerging issues that require immediate response. All our work supports the modal Administrations in meeting their strategic objectives. As such, below are descriptions of each modal Administrations' mission and their role in supporting the national transportation infrastructure and DOT policy, along with examples of the OIG's recently completed work impacting each mode.

Office of the Secretary (OST)

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

FISMA 2014: DOT Has Made Progress But Significant Weaknesses In Its Information Security Remain, November 14, 2014. We presented the results of our annual audit of DOT's information security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). Consistent with FISMA and the OMB's requirements, our audit objective was to determine the effectiveness of DOT's information security program and practices. We provided these results to OMB via its Website. DOT had made additional improvements to its program, but the Department's systems were still vulnerable to serious threats due to deficiencies in policies and procedures, enterprise-level controls, system controls, and management of known security weaknesses. We made recommendations to address these issues.

DOT's Suspension and Debarment Program Continues To Have Insufficient Controls, October 15, 2014. We issued a follow-up review of DOT's Suspension and Debarment (S&D) program. While the Department had taken some actions to address issues identified in our 2010 audit, many of the Department's decisions to suspend, debar, or take other S&D actions continued to be untimely. Specifically, Operating Administrations' S&D decisions for at least 87 of the 218 S&D parties (40 percent) we reviewed were made after the 45-day requirement. We also identified significant data errors in the DOT S&D system, which undermined the system's effectiveness as a management tool. In addition, the Department continued to provide untimely and inaccurate reporting of its S&D actions to the governmentwide S&D System for Award Management (SAM). Our review determined that a significant number of the 144 excluded parties we reviewed were not reported within required timeframes. Additionally, because the Department did not adequately reconcile and validate the data in the DOT S&D system, we identified seven parties that were listed as suspended or debarred in the DOT S&D system but were not included in SAM. Failure to report excluded parties put the Federal Government at risk of doing business with prohibited parties found to be unethical or irresponsible. We made seven recommendations to strengthen DOT's S&D program.

Federal Aviation Administration (FAA)

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

Planning for High-Priority NextGen Capabilities Underway, but Much Work Remains for Full Realization of Benefits, November 20, 2014. The FAA's Next Generation Air Transportation System (NextGen) is a multibillion-dollar transportation infrastructure project to modernize our Nation's aging air traffic system and provide safer and more efficient air traffic management. In July 2013, FAA tasked the NextGen Advisory Committee (NAC) to review the Agency's current plans and activities affecting NextGen implementation and recommend investment priorities, citing uncertainty around funding for NextGen projects. In September 2013, the NAC delivered its report—providing FAA with industry's highest priorities for NextGen primarily based on their benefits, technological maturity, and implementation readiness. The Chairman and Ranking Members of the House Committee on Transportation and Infrastructure, and its Subcommittee on Aviation, requested that we examine FAA's response to the report.

Since April 2014, four FAA and NAC integrated work groups have focused on developing a master implementation plan for a selection of the NAC's priorities including: (1) advancing the use of performance-based navigation (PBN)—the NAC's top priority, (2) unlocking closely-spaced parallel runway operations, (3) enhancing airport surface operations through data sharing, and (4) developing data communications capabilities between the cockpit and air traffic control. In October 2014, FAA published the plan, which included commitments from FAA and industry for the next 3 years. The plan identifies locations for delivery, timelines, metrics, and cost estimates for each of the four prioritized capabilities. We made three recommendations aimed at ensuring that all parties are held accountable for their commitments made as part of the FAA's implementation plan.

Management Limitations May Hinder FAA's Ability to Fully Implement and Assess the Effectiveness of Its Runway Safety Initiatives, September 25, 2014. Runway safety is a critical concern for the FAA due to the risks associated with operating aircraft, ground vehicles, and pedestrians in a confined space at considerably different speeds. Although the U.S. commercial aviation industry is experiencing one of the safest periods in its history, several high-profile runway safety incidents—known as runway incursions—have occurred. The Ranking Member of the House Subcommittee on Aviation requested that we examine FAA's Runway Safety Program and actions underway to improve safety.

FAA had implemented 8 of the 11 initiatives in its 2007 Call to Action Plan for Runway Safety, as well as several other national-level initiatives. However, FAA began reorganizing the Runway Safety Group in 2011, and nearly 3 years later it remained in flux. FAA also lacked a baseline for measuring its progress in improving runway safety. In 2012, FAA revised the reporting process for runway incursions, which FAA indicates has increased the reporting of such events. However, the lack of metrics made it uncertain if this represents an increase in the number of actual events. To reverse the trend of the recent rise in runway incursions, we made five recommendations aimed at improving the effectiveness of FAA's Runway Safety Program.

FAA Operational and Programmatic Deficiencies Impede Integration of Runway Safety Technologies, June 26, 2014. From FY 2011 to FY 2013, the number of runway incursions at U.S. airports increased by 30 percent, despite slight declines in air traffic operations during that time. To detect potential runway conflicts, air traffic controllers use the FAA's Airport Surface Detection Equipment-Model-X (ASDE-X) at major airports. FAA has made runway safety a key oversight priority and plans to upgrade ASDE-X and integrate two runway systems with ASDE-X to improve safety: the Runway Status Lights (RWSL) system and the satellite-based Automatic Dependent Surveillance-Broadcast (ADS-B). We assessed FAA's ongoing efforts to implement and integrate these surface surveillance technologies.

While FAA requires additional funding to upgrade and maintain ASDE-X's current performance levels and meet anticipated increases in air traffic, FAA did not know how the upgrade process may affect ASDE-X's performance. The RWSL program, which uses ASDE-X data, had experienced operational and technical issues, and FAA rebaselined the program last summer, significantly increasing costs, reducing the number of planned systems, and delaying program completion. Further, it remained unclear when or how ADS-B will enhance pilots' situational awareness on the runway. Specifically, FAA had not determined whether it can provide pilots with ADS-B information displayed in the cockpit and has halted efforts to use ADS-B to provide pilots with direct alerts of potential ground collisions. Finally, FAA's planning documents for implementing runway safety technologies lacked key details on priorities, timing, and accountability. Without a clear roadmap, it would be difficult to achieve and measure a new level of technology or standard for runway safety. We made three recommendations to aid FAA's efforts to integrate surface surveillance technologies and promote runway safety. FAA concurred with two recommendations and partially concurred with one.

Airport Owner Pleads Guilty to Fraud Charges in Connection With Airport Property Development, July 24, 2014. The owner of Syracuse Suburban Airport (SSA) pleaded guilty in U.S. District Court, Syracuse, New York, to a bank fraud charge for conspiring to defraud a commercial bank of approximately $222,000 in connection with FAA airport property development grants. The airport's owner had purchased 93 acres in Hastings, New York, that the FAA had designated for development as a reliever airport for Syracuse International Airport. Between 2004-2009, SSA received five FAA grants totaling $2.97 million to be used for planning and development of the reliever airport. SSA had established a line of credit from First Niagara Bank (FNB) through which loan proceeds, reimbursable by the FAA grants, were to be used solely for airport expenditures. SSA's owner and co-conspirators devised a scheme to submit false and fraudulent invoices to FNB for the release of loan proceeds to purportedly pay for airport equipment. In reality, approximately $125,000 was diverted to an unrelated real estate project in Texas and another $97,000 was diverted to an unrelated, now defunct bean processing plant, owned by a co-conspirator.

Former Flying Tigers Official Sentenced in Pennsylvania Fraud Case Involving False Aircraft Inspections, May 14, 2014. A former official of Flying Tigers, a defunct Pennsylvania FAA repair facility, was sentenced in U.S. District Court, Philadelphia, PA, to 60 months probation and 60 hours of community service. The former official, an FAA certified airframe and powerplant (A&P) mechanic previously pleaded guilty to criminal charges related to his participation in a complex fraud scheme involving unauthorized aircraft inspections. The investigation revealed that in 2003, FAA suspended the Flying Tiger's owner's authority to conduct aircraft inspections, and ultimately in 2004, revoked his A&P certification and his inspection authorization certification. The prosecution proved that at various times between October 2003 and January 2010, Flying Tigers charged customers for the annual inspections of their aircraft despite the absence of a certified mechanic with inspection authority. The 6-year aviation safety investigation revealed that the defendants routinely altered airframe and engine logbooks and made false entries to conceal their actions. Flying Tigers conducted more than 100 questionable aircraft inspections and repairs between 2003 and 2010 involving over 40 aircraft.

Federal Highway Administration (FHWA)

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

FHWA's Federal Lands Highway Program Lacks Adequate Processes for Thoroughly Evaluating Contract Bid Prices, October 9, 2014. Between October 2012 and September 2013, the FHWA's Office of Federal Lands Highways (FLH) awarded $305 million in contracts, which totaled 53 percent of FHWA's fixed-price contracts. FLH relies on sealed bid contracting to award its road projects. Given the importance of price reasonableness and FLH's sizeable contract awards, we initiated this audit to determine whether FHWA's policies, procedures, and practices meet Federal requirements for ensuring price reasonableness for FLH's fixed price contracts.

FHWA lacked adequate procedures and practices to ensure that contracting personnel thoroughly evaluate bid prices for FLH's contracts. FHWA received multiple bids for the 13 FLH contracts we reviewed, but the winning bids differed from agency estimates—internally calculated project cost estimates—by as much as 20 percent above the estimate to as low as 39 percent below. In the absence of policies and procedures from FHWA, FLH's three Divisions—Eastern, Central, and Western—each used their own informal practices for determining when and how to conduct bid evaluations. We made two recommendations to assist FHWA in ensuring that FLH contracting personnel thoroughly evaluate bid prices for FLH's contracts.

FHWA Has Not Fully Implemented All MAP-21 Bridge Provisions and Prior OIG Recommendations, August 21, 2014. We conducted this audit at the request of the Ranking Member of the House Committee on Transportation and Infrastructure, who asked that we assess FHWA's efforts to improve bridge safety, including addressing our related recommendations and Moving Ahead for Progress in the 21st Century Act (MAP-21) bridge safety provisions. We found that FHWA had completed 12 of 24 actions identified to implement MAP-21 bridge safety and funding provisions. Of the actions in progress, two MAP-21 rulemakings regarding asset management and performance management were behind schedule and may have delayed States' implementation of key performance and accountability requirements by at least a year later than specified in MAP-21. Four of our 16 prior bridge-related recommendations remained open. These recommendations focus on collecting bridge expenditure data, reporting on States' actions to improve the condition of deficient bridges, and collecting more detailed condition data for all bridges on public roads so FHWA can better monitor nationwide bridge conditions and identify safety risks. We made five new recommendations to update or clarify guidance, establish target action dates, and include information in a required report to Congress.

Connecticut Construction Company Agrees to Pay $2.4 Million for DBE Fraud, April 3, 2014. Manafort Brothers, Inc., a construction company based in Plainville, CT, agreed to pay $2.4 million as part of a civil settlement agreement with the U.S. Attorney's Office in New Haven, CT, in connection with its role in a DBE pass-through scheme. A non-prosecution agreement was also reached with Manafort to resolve the company's corporate criminal liability.

This investigation was initiated upon a referral from the Connecticut Department of Transportation and the Connecticut Division of FHWA. The investigation revealed that Manafort used a DBE subcontractor as a pass-through entity on the federally-funded $40 million Route 72 relocation project in Bristol, CT.

Manafort and FHWA also entered into an Administrative/Compliance Agreement wherein additional administrative sanctions will not be initiated in consideration of Manafort's agreement to independent monitoring and the institution of a corporate compliance program.

Former Pennsylvania Construction Company CEO Sentenced for His Role in Largest ever DOT DBE Fraud, July 14, 2014. The former CEO and co-owner of Schuylkill Products, Inc. (SPI), was sentenced in U.S. District Court, Harrisburg, Pennsylvania, to 51 months imprisonment and ordered to pay fines totaling $25,100 for his role in the largest reported DBE fraud in the Department's history. The former CEO was also the Vice-President of SPI and its wholly-owned subsidiary, CDS Engineers Inc. (CDS), until April 2009 when SPI was sold. SPI manufactured highway concrete bridge beams used in Pennsylvania and surrounding States.

The investigation revealed that the former CEO and others defrauded the U.S. Department of Transportation DBE program for more than 15 years and the scheme affected more than $136 million in highway transportation contracts. SPI and CDS used a Connecticut highway construction company, Marikina Construction Corporation (Marikina), as a shell DBE corporation to obtain DBE subcontracts for bridge beam installation projects with the intention of having SPI and CDS employees actually perform, manage, control, and supervise the beam installations. The former CEO admitted that SPI and CDS employees pretended to be Marikina employees by using Marikina business cards, email addresses, stationary, signature stamps, and magnetic placards and decals bearing Marikina logo to cover up SPI and CDS logos on company vehicles.

Recently, the SPI president was sentenced to 84 months imprisonment after a federal criminal trial. Previously, three other former executives were sentenced after pleading guilty. The former owner of Marikina received 33 months incarceration. Two CDS associates were sentenced to 33 and 24 months incarceration, respectively. In addition, they were ordered collectively to pay $119 million in restitution.

Federal Motor Carrier Safety Administration (FMCSA)

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

FMCSA Adequately Monitored Its NAFTA Cross-Border Trucking Pilot Program but Lacked a Representative Sample To Project Overall Safety Performance, December 10, 2014. Under the 1992 North American Free Trade Agreement (NAFTA), the United States and Mexico agreed to long-haul cross-border transportation of cargo and passengers between the two countries. However, before FMCSA could process Mexico-domiciled motor carrier applications to operate beyond United States commercial zones, FMCSA had to meet certain requirements and conduct a pilot program for granting long-haul authority to Mexico-domiciled motor carriers to evaluate the potential impact on safety. FMCSA initiated the pilot program on October 14, 2011, and ended the program on October 10, 2014.

Our review determined that FMCSA established sufficient monitoring and enforcement activities for the pilot program to comply with the 34 distinct requirements set forth in Section 350(a) of the Department of Transportation and Related Agencies Appropriation Act. FMCSA also took reasonable actions to implement the nine recommendations we made in our initial and interim pilot program audits for improving its monitoring and enforcement activities to ensure that pilot program participants comply with safety laws and regulations. In addition, FMCSA established a sufficient mechanism—through an internal analysis of carrier safety data—to determine whether the pilot program had adverse effects on motor carrier safety. The Agency concluded, and we confirmed, that pilot program participant carriers, as well as Mexico-domiciled and Mexican-owned carriers with existing authority to operate in the United States, performed no worse than U.S. and Canadian motor carriers. However, the 15 carriers that participated in the pilot program were insufficient to project safety performance to the universe of Mexico-domiciled carriers that may qualify for long-haul operating authority in the future.

Because the pilot program has ended, we made no recommendations to improve FMCSA's oversight of the pilot program.

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

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

Improvements Needed in FMCSA's Plan for Inspecting Buses at the United States-Mexico Border, November 26, 2013. Under the 1994 North American Free Trade Agreement (NAFTA), the United States and Mexico agreed to long-haul, cross-border transportation of cargo and passengers. Section 350(c) of the 2002 appropriations act requires our office to verify that the FMCSA has complied with cross-border safety requirements before vehicles owned or leased by Mexican motor carriers can operate beyond U.S. border commercial zones. FMCSA's staffing, facilities, equipment, and procedures to conduct inspections of Mexico-domiciled carriers, vehicles, and drivers generally complied with the act's requirements. FMCSA had a backlog of conviction data on Mexican drivers due to a computer software issue, but it had fixed the problems, and no drivers had to be disqualified after convictions were posted. In addition, FMCSA had taken steps to improve passenger carrier safety at the border. However, it had not taken sufficient action to address our prior recommendations for improving its capacity to inspect buses. FMCSA updated its bus safety plan, but the plan did not adequately address bus inspection frequency or identify actions to eliminate inspection obstacles. FMCSA also worked with other agencies to identify alternative inspection space at certain locations but had not negotiated interagency agreements with Customs and Border Protection to establish standard bus inspection protocols or completed facility and staffing assessments needed to fully address inspection safety and efficiency issues.

FMCSA concurred with our five recommendations for improved implementation of the NAFTA cross-border provisions and its bus safety plan.

Man Pleads Guilty in Connection with Fraudulent CDL Test-Taking Scheme, May 22, 2014. An individual pleaded guilty in U.S. District Court, Brooklyn, New York, to mail fraud in connection with an investigation of a widespread fraudulent CDL test-taking scheme. The investigation revealed that fraudulent CDL test-taking activities had taken place at five Department of Motor Vehicle (DMV) test centers in the New York City area. The defendant participated in the scheme by facilitating the exchange of testing materials between a CDL applicant and an external test-taker. CDL applicants paid facilitators between $1,800-$2,500 in return for CDL exam answers and escort assistance through DMV processes. Other fraud schemes identified during the investigation included the use of pencils with miniaturized test answers encoded therein and the use of a Bluetooth headset as a communication device to relay CDL test answers.

On September 25, 2013, criminal investigators from the DOT/OIG participated in the arrest of the defendant, and ten other subjects in connection with this matter were subsequently charged.

Two Trucking Company Owners Sentenced for Violating FMCSA Imminent Hazard Order, September 24, 2013. In U.S. District Court, Huntsville, Alabama, two Athens, Alabama, motor carrier operators were sentenced for conducting commercial vehicle operations in criminal violation of an Imminent Hazard Out-of-Service Order (IHO) issued by the FMCSA. The two were collectively sentenced to 28 months incarceration.

On December 2, 2010, FMCSA conducted a compliance review of IDM Transportation. The review disclosed serious violations of the Federal Motor Vehicle Safety Regulations, and consequently, on June 14, 2011, an Operations Out-of-Service (OOS) Order was issued to IDM. This OOS Order prohibited IDM from operating; and from operating in another name or through another company.

However, in May 2011, one of IDM's operators failed to disclose his involvement with IDM when he applied for motor carrier authority for BM&L Trucking. He falsely certified to FMCSA that he did not have, nor did he ever have any relationship with any other FMCSA regulated entity in the past three years. One year later, in May 2012, FMCSA completed an investigation of BM&L and found widespread serious safety violations, similar to those found during their review of IDM. Consequently, FMCSA issued a second OOS order, this time an IHO, to BM&L, IDM and the two motor carrier operators.

Our investigation found that BM&L and the two operators continued to operate commercial motor vehicles in violation of the FMCSA order.

Federal Railroad Administration (FRA)

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

Process Inefficiencies and Costs Discourage Participation in FRA's RRIF Program, June 10, 2014. The Railroad Rehabilitation and Improvement Financing (RRIF) program, established in 1998 and administered by the FRA, provides loans and guarantees to railroads to finance rail infrastructure projects. To date, FRA had issued 33 RRIF loans totaling roughly $1.7 billion—less than 5 percent of the program's $35 billion spending limit. Members of Congress have expressed concerns that a lengthy application process and associated costs may contribute to this low participation rate. Because of these concerns, we conducted this audit to (1) assess FRA's policies and procedures for evaluating and selecting RRIF applications; and (2) identify factors that affect applicants' decisions to apply for RRIF financing.

We found that inadequate guidance on RRIF's eligibility criteria and application requirements, and ineffective pre-application meetings resulted in submission of incomplete applications and extended processing times. Program staff were spending significant time obtaining missing information and working with applicants who were ultimately determined to be ineligible. Furthermore, before a loan's terms could be finalized, it had to be reviewed by FRA, its independent financial analyst, the DOT Credit Council and OMB. These sequential reviews made it difficult for FRA to meet RRIF's requirement to review and render decisions on completed applications within 90 days. Passenger and large freight railroads informed us that the program's unclear process and uncertain timeframes for final decisions outweighed program benefits and deterred them from applying. FRA concurred with our five recommendations.

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

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

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

Federal Transit Administration (FTA)

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

ARRA Lessons Learned: FTA Needs To Improve Its Grant Oversight To Prevent Improper Payments, April 2, 2014. In February 2009, the FTA received $8.4 billion from the American Recovery and Reinvestment Act of 2009 (ARRA) for economic stimulus and recovery grants. FTA and other Federal agencies reimburse grantees for project costs, and ARRA, along with the Improper Payments Information Act of 2002 (IPIA), requires agencies to hold grantees accountable for their expenditures. Further, in 2010, the OMB directed agencies to increase their oversight of grantees.

FTA's oversight of its ARRA grantees did not prevent or detect approximately $7.3 million in improper payments to 10 of the 16 grantees in our sample. Approximately $5.9 million, or 80 percent, was paid out for charges that grantees did not sufficiently document. While a lack of documentation does not necessarily mean a payment was invalid, it raises questions about the payment's eligibility as well as the overall effectiveness of internal controls.

FTA's oversight also did not ensure that grantees justified the use of their own labor forces, known as force account work, for preventive maintenance. FTA's November 2008 Circular required grantees to develop plans for work performed by their own labor on capital projects, and listed preventive maintenance as a capital project. However, of the transactions we reviewed, FTA reimbursed over $253.5 million for force account work for preventive maintenance without complete plans or, in some cases, without any plans. FTA later modified its Circular to no longer require plans for this type of work. FTA generally concurred with our recommendations to strengthen its oversight of grantees to prevent and detect improper payments for current and future Federal-aid projects and assist the Agency in recovering improper payments.

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

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

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

Construction Company to Pay $12M to Settle Contract Fraud Claims, May 1, 2014. McHugh Construction Company, Inc., a Chicago, Illinois, based construction company, agreed to pay the United States and the State of Illinois $12 million to resolve allegations of fraud on government programs designed to benefit women and minority-owned subcontractors under the terms of a civil settlement. The contractor, James McHugh Construction Co., Inc., allegedly failed to abide by Federal and State requirements for the participation of DBE on seven publicly funded highway and transit contracts between 2004 and 2011.

In a separate administrative settlement and compliance agreement, the contractor agreed to implement a corporate compliance program, appoint a compliance officer, and be subject to an independent monitor for three years. In exchange, Federal, State, and City of Chicago transportation agencies agreed not to bar the contractor from future government contracts. The three-year administrative monitoring settlement and compliance agreement was reached between James McHugh Construction Co., Inc., and the U.S. Department of Transportation, Federal Transit Administration, Federal Highway Administration, the Illinois Department of Transportation, and the City of Chicago.

WMATA Pays More Than $4.2 Million to Resolve False Claims Act Violations, August 20, 2014. The Washington Metropolitan Area Transit Authority (WMATA) paid the United States $4.2 million to resolve allegations that WMATA filed false claims in connection with using FTA funds to impermissibly award a contract for a financial management information technology project without using competitive procurement procedures.

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

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

Maritime Administration (MARAD)

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

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

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

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

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

U.S. Merchant Marine Academy Employee Charged with Bribery and Conspiracy, October 20, 2014. A Planner/Estimator and Contracting Officer's Technical Representative (COTR), Department of Public Works, USMMA, was arrested and later charged in U.S. District Court, Central Islip, New York, in connection with bribery and bid-rigging schemes involving numerous contractors and vendors working at the USMMA.

It was alleged that the employee conspired with contractors to ensure they won contracts at USMMA. He would obtain inflated bids (called complementary bids) from contractors. He submitted those bids along with the conspiring contractors’ actual bids, guaranteeing that they always had the lowest bids. As a result, the conspiring contractor would be awarded the contracts. In many instances, the phony complementary bids were associated with companies and addresses that did not exist. The conspiring contractors would subsequently pay the employee a cash bribe/kick-back equivalent to approximately 5-10 percent of their profit on dozens of USMMA contracts. It is believed that this criminal activity has been ongoing since at least 2010.

National Highway Traffic Safety Administration (NHTSA)

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

Toyota Motor Corporation Agrees to Pay $1.2 Billion to U.S. Government for Misleading NHTSA and U.S. Consumers Regarding the Safety of Its Vehicles. The Department of Justice (DOJ) announced a criminal charge against Toyota Motor Corp., headquartered in Japan, in connection with the automaker's role in providing NHTSA with misleading information on safety defects in Toyota and Lexus vehicles. In conjunction with the criminal charge, DOJ announced a deferred prosecution agreement with Toyota, under which the company admitted that it misled U.S. consumers by concealing and making deceptive statements about two safety defects that caused unintended acceleration. Under the agreement, Toyota forfeited $1.2 billion—the largest penalty of its kind imposed on an automotive company—and requires independent monitoring of Toyota policies, practices, and procedures related to its safety-related public statements and reporting obligations.

The investigation disclosed that in fall 2009, Toyota deceived consumers and NHTSA by claiming that its safety recall of eight models for "floor-mat entrapment"—where an improperly secured or incompatible floor mat traps a depressed gas pedal—addressed the root cause of unintended acceleration in its vehicles. However, at the time the statements were made, Toyota had not recalled some models that it knew were also susceptible to floor-mat entrapment. In addition, Toyota had taken steps to hide from NHTSA that some of its vehicles had "sticky pedal"—another type of unintended acceleration when the accelerator sticks at partially depressed levels.

Testimony: NHTSA's Oversight of Vehicle Safety Defects and Highway Safety Grants, September 16, 2014. The Deputy Principal Assistant Inspector General for Auditing and Evaluation (DPAIGAE) testified on the OIG's recent and ongoing work on NHTSA's oversight of vehicle safety defects and highway safety grants. The testimony focused on NHTSA's efforts to identify and secure an effective vehicle safety workforce and enhance its grant oversight. Specifically, the DPAIGAE noted that NHTSA's Office of Defects Investigation had made progress in strengthening its investigative processes but had not completed a workforce assessment. The DPAIGAE also noted that ongoing vehicle safety concerns—particularly those related to General Motors' recalls—prompt further assessment of NHTSA's vehicle safety defect processes. Finally, the DPAIGAE discussed how enhanced monitoring tools are needed to improve NHTSA's oversight of highway safety grants.

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

Identifying and Investigating Vehicle Safety Defects, Testimony before the Senate Commerce, Science, and Transportation Subcommittee on Consumer Protection, Product Safety, and Insurance, April 2, 2014. The Inspector General (IG) testified on NHTSA's efforts to identify and investigate vehicle safety defects. The IG focused on the status of NHTSA's actions to address major weaknesses that the OIG reported in 2011. The IG noted that, in response to OIG recommendations, NHTSA had implemented more robust processes to identify and investigate safety defects. However, the effectiveness of these process enhancements is dependent on whether NHTSA's Office of Defects Identification (ODI) systematically uses and applies the new processes when conducting its analyses and investigations. The IG also noted that NHTSA had yet to complete a workforce assessment for determining the number and most effective mix of ODI staff. Finally, the IG discussed how OIG's investigative efforts can help lead to strong sanctions against companies that withhold critical safety data from NHTSA. Most recently, OIG investigators participated in the criminal probe of Toyota, which forfeited $1.2 billion for intentionally concealing information on vehicle defects from NHTSA.

NHTSA's Oversight of Mississippi's Management of Federal Highway Safety Grants Needs Strengthening, February 6, 2013. According to NHTSA, Mississippi's rate of vehicle fatalities was the highest in the Nation from fiscal years 2008 through 2010. For fiscal years 2007 through 2010, NHTSA provided $20.8 million in highway safety grant funds to the Mississippi Office of Highway Safety (MOHS). Mississippi also transferred $36.3 million from its Federal-aid highway construction funds to its highway safety program to be used for alcohol-impaired driving programs. In January 2011, NHTSA designated Mississippi's highway safety program as "high risk"—the only State so designated—because of deficiencies in its management of Federal funds and lack of conformance with Federal grant terms and conditions.

Our audit determined that MOHS entered into grant agreements with State and local law enforcement agencies that allowed the agencies to conduct general law enforcement activities that were ineligible for funds—instead of alcohol-impaired driving enforcement activities—which resulted in improper payments to sub-grantees. MOHS also made claims for reimbursement from NHTSA for these activities that were not directly related to alcohol-impaired driving. MOHS's misuse of funds and its inadequate financial management controls were likely contributing factors to these improper payments. While NHTSA identified needed corrective actions, it lacked Agency guidance on how and when to invoke its high-risk designation, or when to use remedies and sanctions against States for not complying with Federal grant regulations. NHTSA agreed with our four recommendations for improving its oversight and working with the State of Mississippi on specific issues.

Pipeline and Hazardous Materials Safety Administration (PHMSA)

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

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

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

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

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

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

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

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

Weapons Manufacturer Pleads Guilty to HAZMAT Charges, May 21, 2014. Action Manufacturing (Action), Atglen, Pennsylvania, pleaded guilty to criminal charges related to the illegal storage and transportation of hazardous materials. The charges arose from the illegal storage of explosive hazardous waste and the unsafe transportation of explosive materials on public roads without the proper labels, markings, or declarations. As part of the plea settlement, Action agreed to pay a $1.2 million fine. In addition, Action's president agreed to resign.

Action produced explosive arming and timing devices for use in munitions and weapon systems, as well as warhead assemblies, detonators, and fuses. Action's manufacturing process generated explosive waste in various forms and from various waste streams that are deemed hazardous under Federal law due to the product's characteristics of reactivity.

Action admitted that it illegally stored explosive hazardous waste between 1980 and approximately July 2013 without the required Environmental Protection Agency permits. In addition, Action admitted that it transported military grade explosives without hazardous material shipping papers required by PHMSA.

Shell Pipeline Company, L.P. Official Charged for Lying to PHMSA, November 14, 2014. The Onshore Corrosion Coordinator for Shell Pipeline Company, L.P. was charged with failing to record rectifier readings connected to a Shell pipeline and making false statements to PHMSA.

PHMSA brought these allegations to our attention following a January 2012, release of 9,000 gallons of jet fuel from the Shell pipeline at the General Mitchell International Airport, Milwaukee, Wisconsin. According to the charges, the individual was responsible for the corrosion coordination of the Shell pipeline at the Airport, which included conducting an annual cathodic protection survey of the pipeline, taking bi-monthly cathodic protection readings from pipeline rectifiers, and recording all the data into a computer system used to generate reports for PHMSA.

From approximately January through December 2011, it is alleged the individual knowingly and willfully failed to conduct an annual survey of the Shell pipeline and failed to take bi-monthly voltage readings from the rectifiers connected to the Shell pipeline. Further, in December 2011, he knowingly and willfully made a false material statement when he allegedly entered fraudulent survey data and false bi-monthly voltage readings for rectifiers connected to the Shell pipeline at the Airport into a computer system used to generate reports for the PHMSA.

Saint Lawrence Seaway Development Corporation (SLSDC)

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

Quality Control Review of the Saint Lawrence Seaway Development Corporation's Audited Consolidated Financial Statements for Fiscal Years 2014 and 2013, November 4, 2014. We performed a quality control review (QCR) on Chiampou Travis Besaw & Kershner LLP's audit of the SLSDC's financial statements for fiscal years 2014 and 2013. The objective of the audit was to determine whether SLSDC's financial statements were fairly presented in accordance with accounting principles generally accepted in the United States of America. Chiampou Travis Besaw & Kershner LLP issued a clean (unmodified) audit opinion on these financial statements. Chiampou Travis Besaw & Kershner LLP's report did not include any reportable deficiencies in internal control over financial reporting. Our QCR disclosed no instances in which Chiampou Travis Besaw & Kershner LLP did not comply, in all material respects, with auditing standards.

Inspector General Reform Act Statement

The Inspector General Act was amended in 2008 to require certain specifications concerning OIG budget submissions each fiscal year.[2]

Each Inspector General is required to transmit a budget request to the head of the establishment or designated Federal entity to which the Inspector General reports, specifying:

- the aggregate amount of funds requested for the operations of the OIG;
- the portion of this amount requested for OIG training, including a certification from the Inspector General that the amount requested satisfies all OIG training requirements for that fiscal year; and
- the portion of this amount necessary to support CIGIE.

In addition, the head of each establishment or designated Federal entity, in transmitting a proposed budget to the President for approval, shall include:

- an aggregate request for the OIG;
- the portion of this aggregate request for OIG training;
- the portion of this aggregate request for support of the CIGIE; and
- any comments of the affected Inspector General with respect to the proposal.

The President shall include in each budget of the U.S. Government submitted to Congress:

- a separate statement of the budget estimate submitted by each Inspector General;
- the amount requested by the President for each OIG;
- the amount requested by the President for training of OIGs;,
- the amount requested by the President for support of the CIGIE; and
- any comments of the affected Inspector General with respect to the proposal, if the Inspector General concludes that the budget submitted by the President would substantially inhibit the Inspector General from performing the duties of the OIG.

Following the requirements as specified above, the DOT OIG submits the following information relating to OIG's requested budget for FY 2016.

- The aggregate budget request submitted to OMB for the operations of OIG was $88.432 million in support of 417 base-level FTEs.
- The aggregate budget request for the operations of OIG is $87.472 million in support of 410 base-level FTEs.
- The portion of this amount needed for OIG training is $720,000.
- The portion of this amount needed to support the CIGIE is $236,174.

[2] Public Law 110-409

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

	OMB ACCOUNT ID: 021-56-0130-0	FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
	Obligations by program activity:			
0101	General Administration	82,821	86,223	87,472
0102	ARRA oversight administration	0	0	0
0103	Disaster Relief Oversight 2013	7	2,500	2,500
	Direct program activities, subtotal	82,828	88,723	89,972
0801	Reimbursable program	271	0	0
0900	Total new obligations	83,099	88,723	89,972
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	5,801	6,166	3,666
1011	Unobligated balance transferred from other accounts	0	0	0
1050	Unobligated balance (total)	5,801	6,166	3,666
	Budget Authority:			
	Appropriations, discretionary:			
1100	Appropriation	85,605	86,223	87,472
1121	Appropriations, Transferred From Other Accounts	0	0	0
1130	Appropriations, Permanently Reduced	0	0	0
1160	Appropriations, discretionary (Total)	85,605	86,223	87,472
	Spending authority from offsetting collections, discretionary:			
1700	Collected	643	0	0
1701	Change in uncollected payments, Federal sources	24	0	0
1750	Total Spending authority from offsetting collections	668	0	0
1900	Budget Authority (total)	86,273	86,223	87,472
1930	Total Budgetary Resources Available	92,074	92,389	91,138
	Memorandum (non-add) entries:			
1940	Unobligated Balance Expiring	(2,809)	0	0
1941	Unexpired unobligated balance, end of year	6,166	3,666	1,166
	Change in obligated balance:			
3000	Unpaid obligations, brought forward, Oct 1 (gross)	8,214	7,607	7,669
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	(77)	(24)	(24)
3100	Obligated balance, start of year (net)	8,137	7,583	7,645
3010	Obligations incurred, unexpired accounts	83,099	88,723	89,972
3011	Obligations incurred, expired accounts	152	0	0
3020	Outlays (gross)	83,313	88,661	89,847
3070	Change in uncollected pymts, Fed sources, unexpired	(24)	0	0
3071	Change in uncollected pymts, Fed sources, expired	77	0	0
3041	Recoveries of prior year unpaid obligations, expired	(545)	0	0
3050	Unpaid obligations,end of year (gross)	7,607	7,669	7,794
3090	Uncollected pymts, Fed sources, end of year	(24)	(24)	(24)
3200	Obligated balance, end of year (net)	7,583	7,645	7,769
	Budget Authority and outlays, net:			
4000	Budget authority, gross	86,273	86,223	87,472
	Outlays, gross:			
4010	Outlays from new discretionary authority	76,337	77,601	78,725
4011	Outlays from discretionary balances	6,976	11,061	11,122
4020	Outlays, gross (total)	83,313	88,661	89,847
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	(271)	0	0
4033	Non-Federal sources	(373)	0	0
4040	Total offsetting collection (cash)	(643)	0	0
	Additional offsets against gross budget authority only:			
4050	Chg in Uncollected cust orders fm Fed Sources (unexpired)	(24)	0	0
4051	Offsetting collections credited to expired accounts	(27)	0	0
4060	Additional offsets against gross budget authority only (total)	(52)	0	0
4180	Budget authority, net (total)	**85,605**	**86,223**	**87,472**
4190	Outlays, net (total)	**82,642**	**88,661**	**89,847**

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

		FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
	Personnel Compensation:			
11.1	Full- time permanent.....................	41,959	45,901	46,506
11.3	Other than full-time permanent.....	811	0	0
11.5	Other personnel compensation......	2,714	3,131	3,325
11.9	Total personnel compensation....	45,484	49,032 0	49,831
12.1	Civilian personnel benefits............	15,642	17,787	18,380
13.1	Benefits for former personnel….....	0	0	0
21.0	Travel and transportation of persons.......................................	2,115	2,580	2,625
22.0	Transportation of things................	22	5	5
23.1	Rental payments to GSA................	5,146	5,500	5,500
23.2	Rental payments to others	299	325	325
23.3	Comm., utilities, and misc charges	621	800	800
24.0	Printing and reproduction.............	0	1	1
25.1	Advisory and assistance services...	1,555	240	240
25.2	Other services...............................	3,372	4,206	4,289
25.3	Other purchases of goods and services from Gov. accounts ……	5,574	5,962	5,691
25.7	Ops. & maint. of equipment	888	915	915
26.0	Supplies and materials..................	439	335	335
31.0	Equipment....................................	1,671	1,005	1,005
42.0	Insurance Claims and indemnities.	0	10	10
91.0	Unvouchered................................	0	20	20
99.0	Subtotal, direct obligations........	82,828	88,723	89,972
99.0	Reimbursable obligations	271	0	0
99.9	Total obligations...........................	83,099	88,723	89,972

EMPLOYMENT SUMMARY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

		FY 2014 ACTUAL	FY 2015 ENACTED	FY 2016 REQUEST
10.01	Direct civilian full-time equivalent employment	393	422	425
20.01	Reimbursable civilian full-time equivalent employment	2	0	0

FY 2006 – FY 2016 FUNDING HISTORY
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
SALARIES AND EXPENSES

Request		Appropriation	
2006	$62,499,000	2006	$61,874,010[1]
2007	$64,143,000	2007	$64,043,000
2008	$66,400,000	2008	$66,400,000
2009	$70,468,000	2009	$71,400,000
2009 ARRA	N/A	2009 ARRA	$20,000,000
2010	$74,839,000	2010	$75,114,000[2]
2011	$81,772,000	2011	$76,960,000
2012	$89,185,000	2012	$79,624,000
2013	$84,499,000	2013	$75,459,187[3]
2013 SANDY	N/A	2013 SANDY	$ 5,700,000[4]
2014	$85,605,000	2014	$85,605,000
2015	$86,223,000	2015	$86,223,000
2016	$87,472,000		

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

[2] Two million direct transfer from FTA not included.

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

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