



**U.S. Department of  
Transportation**

# **BUDGET ESTIMATES**

**FISCAL YEAR 2018**

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**OFFICE OF  
INSPECTOR GENERAL**

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

DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
FISCAL YEAR 2018 BUDGET ESTIMATES

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## **SECTION 1: OVERVIEW**

**Department of Transportation, Office of Inspector General  
Fiscal Year 2018 Budget Submission: Administrator's Overview**

The Office of Inspector General (OIG) respectfully submits its fiscal year (FY) 2018 budget request for \$87.31 million in support of 400 full-time equivalents (FTEs). Of the \$87.31 million requested, \$66 million would support personnel compensation and benefits costs, and \$21.31 million would support operating costs. We also anticipate using funding from the FY 2013 Disaster Relief Appropriation Act, a temporary funding source, to fund an additional 3 FTEs.

While recognizing the current Federal budget climate and appreciating the support we receive from the Office of Management and Budget (OMB) and the Department of Transportation (DOT) with respect to our budget requests, we believe it necessary to note that the proposed budget and FTE levels in this request are at levels which could present challenges to us in executing our mission given new laws containing additional OIG reporting requirements along with Congressional requests to our office for new audit and investigative work, as well as rising costs beyond our control.

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

OIG audit recommendations lead to substantial financial and program improvements, including those that enhance safety. In addition, OIG investigations enhance safety by thwarting criminal activities that put lives at risk, and protect taxpayer investments through fines, restitutions, and recoveries.

OIG has consistently demonstrated a commitment to achieving a significant return on investment (ROI).<sup>1</sup> For every dollar appropriated to OIG in FY 2016, \$54 was returned to the Government—a cumulative result of the following body of work: 118 audit reports containing 341 recommendations, and investigations resulting in 93 indictments and 71 convictions. This work led to five Congressional testimonies in FY 2016; produced more than \$4.7 billion in financial recommendations; and produced more than \$42 million in fines, restitutions, and recoveries. Over the most recent five fiscal years, from FY 2012 through FY 2016, OIG reported an average ROI of \$35 for every appropriated dollar.

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

## **Inspector General Reform Act Statement**

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

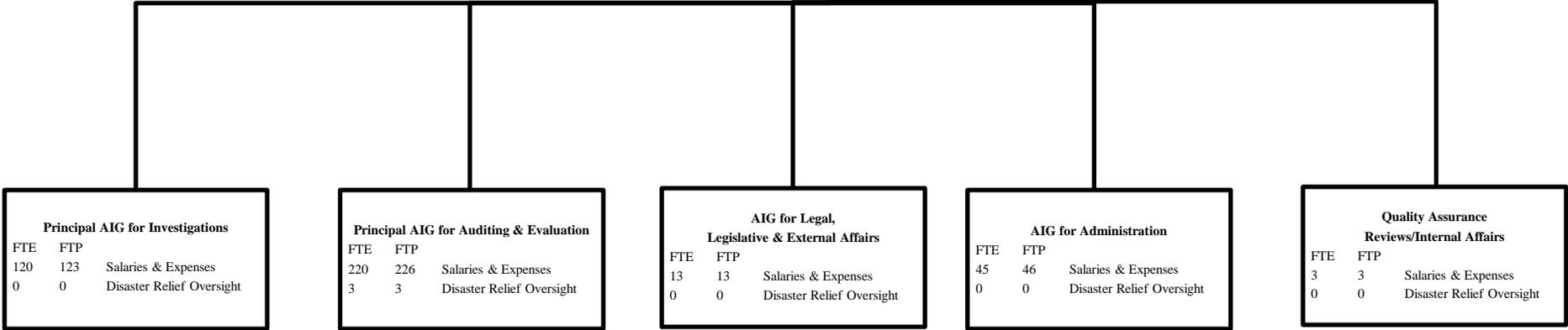
- OIG's FY 2018 budget request submitted to the Department and OMB was for \$92.12 million supporting an estimated 410 FTEs.
- The President's request for the operations of OIG is \$87.31 million supporting an estimated 400 FTEs.
- The portion of this amount requested for OIG training is \$650,000, a reduction of \$100,000 from our FY 2017 request.
- The portion of this amount requested to support the Council of the Inspectors General on Integrity and Efficiency is \$175,000.

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

Inspector General		
FTE	FTP	
1	1	Salaries & Expenses
0	0	Disaster Relief Oversight
Deputy Inspector General		
FTE	FTP	
5	5	Salaries & Expenses
0	0	Disaster Relief Oversight

Totals		
FTE	FTP	
407	417	Salaries & Expenses
3	3	Disaster Relief Oversight

3



Principal AIG for Investigations		
FTE	FTP	
120	123	Salaries & Expenses
0	0	Disaster Relief Oversight

Principal AIG for Auditing & Evaluation		
FTE	FTP	
220	226	Salaries & Expenses
3	3	Disaster Relief Oversight

AIG for Legal, Legislative & External Affairs		
FTE	FTP	
13	13	Salaries & Expenses
0	0	Disaster Relief Oversight

AIG for Administration		
FTE	FTP	
45	46	Salaries & Expenses
0	0	Disaster Relief Oversight

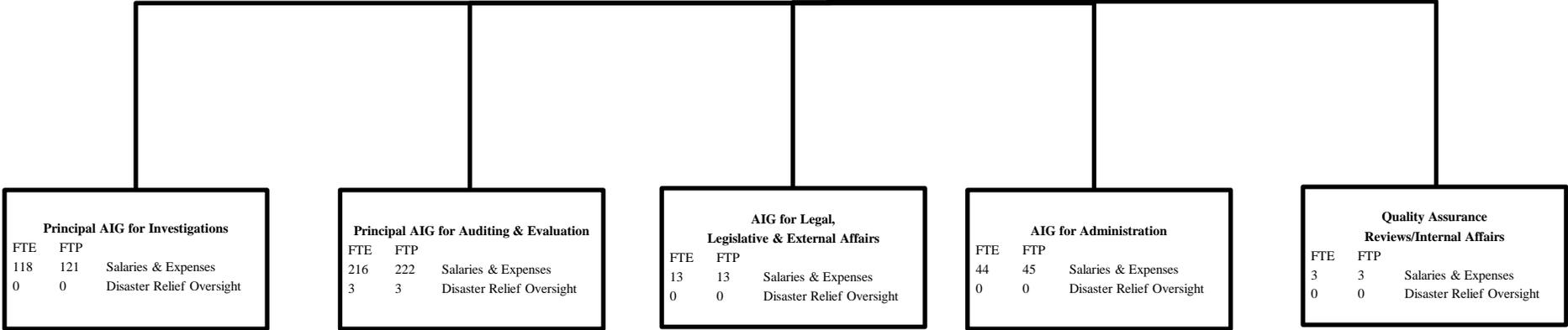
Quality Assurance Reviews/Internal Affairs		
FTE	FTP	
3	3	Salaries & Expenses
0	0	Disaster Relief Oversight

EXHIBIT I-B  
 FY 2018 ORGANIZATIONAL CHART  
 DEPARTMENT OF TRANSPORTATION  
 OFFICE OF THE INSPECTOR GENERAL

Inspector General		
FTE	FTP	
1	1	Salaries & Expenses
0	0	Disaster Relief Oversight
Deputy Inspector General		
FTE	FTP	
5	5	Salaries & Expenses
0	0	Disaster Relief Oversight

Totals		
FTE	FTP	
400	410	Salaries & Expenses
3	3	Disaster Relief Oversight

4



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

**EXHIBIT II-1**

**FY 2018 Comparative Statement of New Budget Authority  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
(\$000)**

<b>ACCOUNT NAME</b>	<b>FY 2016 ACTUAL</b>	<b>FY 2017 ANNUALIZED CR</b>	<b>FY 2017 ENACTED</b>	<b>FY 2018 REQUEST</b>
<b>Salaries &amp; Expenses</b>	<b>\$ 87,472</b>	<b>\$ 87,306</b>	<b>\$ 90,152</b>	<b>\$ 87,306</b>
Rescission				
<b>Subtotal</b>	<b>\$ 87,472</b>	<b>\$ 87,306</b>	<b>\$ 90,152</b>	<b>\$ 87,306</b>
<b>TOTAL</b>	<b>\$ 87,472</b>	<b>\$ 87,306</b>	<b>\$ 90,152</b>	<b>\$ 87,306</b>
Appropriations	\$ 87,472	\$ 87,306	\$ 90,152	\$ 87,306
Rescissions	\$ -	\$ -	\$ -	\$ -

**EXHIBIT II-2**  
**FY 2018 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**Appropriations, Obligation Limitations, and Exempt Obligations**  
**(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2017 ENACTED</u>	<u>FY 2018 REQUEST</u>
Salaries & Expenses	\$ 87,472	\$ 87,306	\$ 90,152	\$ 87,306
<b>TOTAL:</b>	<b>\$ 87,472</b>	<b>\$ 87,306</b>	<b>\$ 90,152</b>	<b>\$ 87,306</b>

**EXHIBIT II-4**  
**FY 2018 BUDGET AUTHORITY**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**(\$000)**

<u>ACCOUNT NAME</u>	<u>M / D</u>	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2017 ENACTED</u>	<u>FY 2018 REQUEST</u>
<b>Salaries &amp; Expenses</b>	<b>D</b>	\$ 87,472	\$ 87,306	\$ 90,152	\$ 87,306
<b>TOTAL:</b>		<u>\$ 87,472</u>	<u>\$ 87,306</u>	<u>\$ 90,152</u>	<u>\$ 87,306</u>
Mandatory		\$ -	\$ -	\$ -	\$ -
Discretionary		\$ 87,472	\$ 87,306	\$ 90,152	\$ 87,306
<b>PROPRIETARY AND OTHER GOVERNMENTAL RECEIPTS</b>					
		\$ -	\$ -	\$ -	\$ -
<b>TOTAL:</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**EXHIBIT II-5**  
**FY 2018 OUTLAYS**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF INSPECTOR GENERAL**  
**(\$000)**

	<u>M / D</u>	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>
Salaries & Expenses	D	\$ 83,526	\$ 87,323	\$ 87,306
Salaries & Expenses, Emergency Disaster Relief Oversight	D	\$ 102	\$ 1,000	\$ 1,000
<b>TOTAL:</b>		<b><u>\$ 83,628</u></b>	<b><u>\$ 88,323</u></b>	<b><u>\$ 88,306</u></b>
Mandatory				
Discretionary		\$ 83,628	\$ 88,323	\$ 88,306

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

Salaries & Expenses	FY 2016 Actual	FY 2017 Annualized CR	Annualization of 2017 Pay Raises 2.1%	Annualization of 2017 FTE	2018 Pay Raises 1.9%	Compensable Days (260 days) no change	GSA Rent	WCF Increase/ Decrease	Inflation/ Deflation (1.0%)	FY 2018 Baseline Services	Program Increases/Decreases	FY2018 Request
<b>PERSONNEL RESOURCES (FTE)</b>												
Career-Level FTE	395	407								407	(7)	400
<b>FINANCIAL RESOURCES</b>												
<b>ADMINISTRATIVE EXPENSES</b>												
Salaries and Benefits	\$65,711	\$65,834	\$354	\$0	\$996	\$0				\$67,184	(\$1,183)	\$66,001
Travel	\$2,625	\$2,625								\$2,625	(\$200)	\$2,425
Transportation	\$5	\$5								\$5		\$5
GSA Rent	\$5,500	\$5,700					\$100			\$5,800		\$5,800
Communications, & Utilities	\$1,125	\$1,250								\$1,250		\$1,250
Printing	\$1	\$1								\$0		\$0
Other Services:	\$7,347	\$6,650								\$6,650	(\$300)	\$6,350
WCF	\$3,788	\$4,161						\$142		\$4,303		\$4,303
Supplies	\$335	\$300								\$300	(\$25)	\$275
Equipment	\$1,005	\$750							\$117	\$867		\$867
Insurance claims and indemnities	\$10	\$10								\$10		\$10
Unvouchered	\$20	\$20								\$20		\$20
<b>Admin Subtotal</b>	<b>\$87,472</b>	<b>\$87,306</b>	<b>\$354</b>	<b>\$0</b>	<b>\$996</b>	<b>\$0</b>	<b>\$100</b>	<b>\$142</b>	<b>\$116</b>	<b>\$89,014</b>	<b>(\$1,708)</b>	<b>\$87,306</b>
<b>TOTAL</b>	<b>\$87,472</b>	<b>\$87,306</b>	<b>\$354</b>	<b>\$0</b>	<b>\$996</b>	<b>\$0</b>	<b>\$100</b>	<b>\$142</b>	<b>\$116</b>	<b>\$89,014</b>	<b>(\$1,708)</b>	<b>\$87,306</b>

Note: Does not include 3 FTE from Emergency Disaster Relief Oversight funding.

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

	<u>FY 2016 ACTUAL</u>	<u>FY 2017 ANNUALIZED CR</u>	<u>FY 2018 REQUEST</u>	<u>CHANGE</u>
<b>DIRECT:</b>				
Salaries & Expenses	3,788	4,161	4,303	142
<b>SUBTOTAL</b>	<u>\$ 3,788</u>	<u>\$ 4,161</u>	<u>\$ 4,303</u>	<u>\$ 142</u>
<b>TOTAL</b>	<u><u>\$ 3,788</u></u>	<u><u>\$ 4,161</u></u>	<u><u>\$ 4,303</u></u>	<u><u>\$ 142</u></u>

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

	<b>FY 2016 ACTUAL</b>	<b>FY 2017 ANNUALIZED CR</b>	<b>FY 2018 REQUEST</b>
<b><u>DIRECT FUNDED BY APPROPRIATION</u></b>			
Salaries & Expenses	395	407	400
Salaries & Expenses, Emergency Disaster Relief Oversight	0	3	3
<b>SUBTOTAL, DIRECT FUNDED</b>	<b>395</b>	<b>410</b>	<b>403</b>
<b><u>REIMBURSEMENTS / ALLOCATIONS / OTHER</u></b>			
Reimbursements and 'Other'	0	0	0
Allocations from other Organizations	0	0	0
<b>SUBTOTAL, REIMBURSE./ALLOC./OTH.</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL FTEs</b>	<b>395</b>	<b>410</b>	<b>403</b>
<b>INFO:</b>			
Allocations to Other Agencies	0	0	0

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

	<b>FY 2016 ENACTED</b>	<b>FY 2017 ANNUALIZED CR</b>	<b>FY 2018 REQUEST</b>
<b><u>DIRECT FUNDED BY APPROPRIATION</u></b>			
Salaries & Expenses	422	417	410
Salaries & Expenses, Emergency Disaster Relief Oversight	0	3	3
<b>SUBTOTAL, DIRECT FUNDED</b>	<b>422</b>	<b>420</b>	<b>413</b>
<b><u>REIMBURSEMENTS/ALLOCATIONS/OTHER</u></b>			
Reimbursements and 'Other'	0	0	0
Allocations from other Organizations	0	0	0
<b>SUBTOTAL, REIMBURSE./ALLOC./OTH.</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL POSITIONS</b>	<b>422</b>	<b>420</b>	<b>413</b>
<b>INFO:</b>			
Allocations to Other Agencies	0	0	0

**SECTION 3: BUDGET REQUEST BY APPROPRIATION  
ACCOUNT**

**DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL**

*Appropriations Language*

For necessary expenses of the Office of the Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended, [\$87,472,000] \$87,305,716: *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.]

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

	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>CHANGE</b>
	<b>ACTUAL</b>	<b>ANNUALIZED</b>	<b>REQUEST</b>	<b>FY 2017-2018</b>
	<b>CR</b>	<b>CR</b>		
Salaries & Expenses	\$ 87,472	\$ 87,306	\$ 87,306	\$ -
<b>TOTAL</b>	<b>\$ 87,472</b>	<b>\$ 87,306</b>	<b>\$ 87,306</b>	<b>\$ -</b>
FTEs				
Full-Time	395	407	400	(7)
Emergency Disaster Relief Oversight	0	3	3	0
Reimbursable, allocated, other	0	0	0	0

**DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL**

*Program and Performance Statement*

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

**EXHIBIT III-1a**

**Office of Inspector General  
SALARIES & EXPENSES  
SUMMARY ANALYSIS OF CHANGE FROM FY 2017 TO FY 2018  
Appropriations, Obligations, Limitations, and Exempt Obligations**

<b><u>ITEM</u></b>	<b>Change from FY 2017 to FY 2018 <u>\$000</u></b>	<b>Change from FY 2017 to FY 2018 <u>FTE</u></b>
<b>FY 2017 ANNUALIZED CR</b>	<b>87,306</b>	<b>407</b>
Administrative Adjustments to Base:		
Annualization of FY 2017 Pay Raise (2.1%)	354	0
Annualization of FY 2017 FTE	0	0
FY 2018 Pay Raise (1.9%)	996	0
GSA Rent	100	0
Working Capital Fund	142	0
Non-Pay Inflation (1%)	116	0
 <b>SUBTOTAL, ADJUSTMENTS TO BASE</b>	 <b>1,708</b>	 <b>0</b>
 <b>PROGRAM REDUCTIONS</b>		
	(1,708)	(7)
 <b>SUBTOTAL, PROGRAM REDUCTIONS</b>	 <b>(1,708)</b>	 <b>(7)</b>
 <b>NEW OR EXPANDED PROGRAMS:</b>		
	0	0
 <b>SUBTOTAL, NEW OR EXPANDED PROGRAMS</b>	 <b>0</b>	 <b>0</b>
 <b>FY 2018 REQUEST</b>	 <b>87,306</b>	 <b>400</b>

**Note:** Does not include 3 FTEs from Emergency Disaster Relief Oversight funding.

## Detailed Budget Justification for the DOT Office of Inspector General Fiscal Year 2018

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

<b>Table 1. FY 2018 DOT Office of Inspector General Budget Request (\$000)</b>				
<b>Program Activity</b>	<b>FY 2016 Actual</b>	<b>FY 2017 Annualized CR</b>	<b>FY 2018 Request</b>	<b>Difference from FY 2017 Annualized CR</b>
Salaries and Expenses	\$87,472	\$87,306	\$87,306	\$0
<b>Total</b>	<b>\$87,472</b>	<b>\$87,306</b>	<b>\$87,306</b>	<b>\$0</b>
<b>FTE</b>	<b>395</b>	<b>407</b>	<b>400</b>	<b>(7)</b>

The Department of Transportation (DOT) Office of Inspector General (OIG) fiscal year (FY) 2018 budget request is for \$87.31 million in base-level budgetary resources in support of 400 base-level full-time equivalents (FTE). In addition, an estimated 3 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 Administration's (FTA) Public Transportation Emergency Relief Program.

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

<b>Table 2. Total FTEs for Fiscal Year 2016 through Fiscal Year 2018</b>			
<b>FTE Account</b>	<b>FY 2016 Actual</b>	<b>FY 2017 Annualized CR</b>	<b>FY 2018 Request</b>
Salaries and Expenses	395	407	400
Disaster Relief Oversight, 2013	0	3	3
<b>Total FTEs</b>	<b>395</b>	<b>410</b>	<b>403</b>

### What Is This Program and Why Is It Necessary?

OIG conducts audits, investigations, and other administrative and enforcement actions that allow the Department to recoup money it is owed, ensure money is spent more efficiently, and avoid future misappropriations of funds. Our organization fulfills a unique role as the Department's sole in-house source for objective examination of its programs and their integrity. We have built an outstanding reputation through our dedication to providing independent and objective reviews of the efficiency and effectiveness of DOT programs and operations in order to detect and prevent fraud, waste, and abuse.

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

- conduct independent audits and investigations;
- promote economy, efficiency, and effectiveness;
- prevent and detect waste, fraud, and abuse;
- refer criminal violations to the Attorney General for prosecution;
- review pending legislation and regulations; and
- keep Congress and the Secretary fully and currently informed.

Our work requires a highly skilled and diverse workforce to effectively execute our mission while also addressing emerging transportation issues. Therefore, our personnel costs are consistently in the range of 75 percent of total costs. This request must fund these personnel costs as well as other operating costs that are necessary to support our professional workforce. Mission-related travel and training, financial statement audit contracts, as well as rent and other fixed facilities costs are among the more significant of these other operating costs.

OIG is committed to fulfilling its statutory responsibilities under the Inspector General Act while supporting DOT's mission and programs. Our 5-year strategic plan, which aligns with the Department's mission, describes the goals, strategies, and performance measures for achieving our mission.

OIG has also developed and maintains a comprehensive 24-month tactical audit plan, updated annually, to maximize our available resources and provide the greatest potential benefits to the Department and the public. As part of this plan, we maintain 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 this plan, we have identified over 100 audits that we propose to initiate in critical areas across DOT's Operating Administrations.

OIG receives a number of complaints on a daily basis through our public hotline, as well as 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 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 allegations that

will be reported to OIG in a given year, based on available resources, we focus our efforts on three primary programs: transportation safety, procurement and grant fraud, and employee integrity.

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

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 DOT's Operating Administrations in meeting their strategic objectives.

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 2017, the key challenges identified for DOT are:

- Maintaining Transportation Safety While Keeping Pace With Rapidly Evolving Technologies
- Bolstering Vehicle and Surface Transportation Safety
- Strengthening Cybersecurity Strategies To Address Increasing Threats
- Strengthening Controls To Detect and Prevent Fraud, Waste, and Abuse
- Enhancing the Capacity, Efficiency, and Resiliency of the National Airspace System
- Increasing Oversight of Critical Transportation Infrastructure
- Enhancing Oversight of Acquisition and Financial Management
- Managing Existing and New Mandates and Initiatives

### **What Does This Funding Level Support?**

In addition to meeting a variety of specific statutory commitments, our work focuses on DOT's major programs and issues of interest to members of Congress and the Office of Management and Budget (OMB), as well as the transportation community and the public. OIG must also 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 seeking to maximize our limited resources and address stakeholder priorities while proactively identifying opportunities for improved operations and programs.

Of the \$87.31 million requested, \$66 million will support personnel compensation and benefit costs and \$21.31 million will support operating costs. Our request includes short-term adjustments to operating cost levels to absorb increases in mandated pay adjustments, rent, the Working Capital Fund, and inflation in order to maximize our FTE level. These adjustments are not sustainable over the long term and include delaying updates and enhancements to our information technology systems.

With this request, OIG anticipates a continued focus of audit and investigative efforts on critical aviation and surface safety issues, including sales of unapproved aircraft parts and the Federal Rail Administration's (FRA) drug testing program.

OIG will also consider other critical safety areas where enhanced oversight is called for, including motor carrier and transit safety investigations involving the illicit operation of commercial passenger carriers and the illegal issuance of commercial drivers' licenses. We have also identified a need to evaluate the key data systems supporting the Department's efforts to target its oversight of hazardous materials (hazmat) transportation and investigate the illegal and undeclared shipment of hazmat across all modes of transportation. Recent pipeline-related incidents involving fatalities and serious environmental impact have shown the need to enhance investigative efforts on violations of the Pipeline Safety Act. Outreach with key stakeholders in all these areas will increase referrals from the Operating Administrations and our external partners.

In addition, OIG has identified potential work in areas outside of safety. For example, we seek to continue our reviews of Departmental procurement and contract acquisition programs focusing on reducing high-risk contracts, trimming administrative service costs, and evaluating the effectiveness of the Department's acquisition function. We also remain committed to focusing on the Federal Aviation Administration's (FAA) efforts to enhance the capacity, efficiency, and resiliency of the National Airspace System. In addition, we will continue to protect against waste by assessing such issues as fleet cards and charge card risks, and evaluating the Department's efforts to reduce the delivery times for major transit and infrastructure projects. Moreover, we must meet new Digital Accountability and Transparency Act of 2014 (DATA Act) requirements calling for periodic reporting from OIG on the Department's efforts to improve the availability, accuracy, and usefulness of spending data. Additionally, we plan to dedicate resources and infrastructure support to our Data Analytics and Computer Crimes Unit. By increasing our risk-based data analytics work and leveraging data to identify outliers, patterns of abuse, or other areas of concern, OIG will be positioned to proactively predict and target possible areas of fraud, waste, and abuse, and to enhance both the effectiveness and efficiency of the Department's anti-fraud efforts.

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

OIG provides the only 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.

OIG maintains a long-standing reputation as a highly respected contributor to the Department's mission. For the most recent completed fiscal year, FY 2016, OIG issued 118 audit reports containing 341 recommendations, provided testimony before Congress five times, and yielded 93 indictments and 71 convictions through our investigative work.

OIG has a demonstrated record of effective and efficient oversight maintaining a consistently significant return on investment (ROI)<sup>1</sup> of budget resources. In FY 2016, our work produced more than \$4.7 billion in financial recommendations and more than \$42 million in fines, restitutions, and recoveries, providing positive financial benefit to the Department far exceeding our cost of doing business (a ROI of \$54 for every appropriated dollar). Over the most recent five fiscal years, from FY 2012 through FY 2016, OIG reported an average ROI of \$35 for every appropriated dollar.

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 transportation safety. Our investigations further protect taxpayer investments through fines, restitutions, and recoveries, and enhance safety by thwarting criminal activities that put lives at risk.

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

### *Departmentwide*

- Assessing DOT's oversight of financial and procurement-related issues such as purchase card abuse, bad actors in the disadvantaged business enterprise (DBE) program, DOT contract administration, and management of information technology products and services contracts.
- Conducting other Departmentwide reviews including audits of DOT cybersecurity, financial statements, and improper payments.

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

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

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

- Evaluating air traffic control (ATC) facilities and operations, including assessments of ATC physical security, controller and technician training, and controller collective bargaining agreements.
- Assessing FAA acquisition and Next Generation Air Transportation System (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 of NextGen, such as the Automatic Dependent Surveillance-Broadcast (ADS-B), En Route Automation Modernization (ERAM), and Data Communications programs.
- Assessing key aviation safety areas, ranging from FAA's oversight of Unmanned Aircraft Systems parts, controller operational errors and other aircraft separation losses, oversight of aircraft manufacturing processes, industry compliance with FAA's drug and alcohol abatement program, and other key safety directives.
- Conducting criminal investigations involving FAA-funded projects and aviation safety programs targeting alleged fraud, such as unapproved aircraft parts, false commercial airmen certificates, and the illegal shipment of hazardous materials by air.

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

- Evaluating FHWA's programs and tools for overseeing the billions of dollars provided to States and localities to build, maintain, and repair the Nation's roads and bridges to ensure compliance with enacted legislation, such as the Moving Ahead for Progress in the 21st Century Act (MAP-21). These audits will include assessments of FHWA's oversight of new procedures related to estimating project costs and public-private partnerships.
- 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 conducting an assessment of FMCSA’s oversight of its largest grant program—the Motor Carrier Safety Assistance Program—which provides over \$200 million to States to reduce the incidence and severity of commercial motor vehicle crashes.
- Conducting criminal investigations involving FMCSA’s safety programs including hazardous materials violations; egregious motor carrier safety violations, such as Commercial Driver’s License (CDL) fraud by a school or third party tester; and carriers that reincarnate under a different identity in an effort to circumvent FMCSA’s safety regulations and/or penalties.

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

- Assessing FRA’s oversight of efforts to ensure that railroads are performing all drug and alcohol testing as required by regulation and assessing whether FRA conducts consistent inspections across its regional offices.
- Assessing FRA’s ability to collect and manage railroad accident data that are both accurate and timely. FRA uses these data to focus its limited inspection resources on the Nation’s most compelling safety risks.
- Conducting criminal investigations involving FRA’s safety programs and project grants including the illegal shipment of hazardous materials, violations of rail safety regulations, and fraud on FRA-funded projects.

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

- Following up as needed on our prior reviews of FTA’s execution of its new transit safety oversight responsibilities and assessing new initiatives to maintain public transportation projects in a state of good repair.
- Assessing FTA’s oversight of funds provided in the Disaster Relief Appropriations Act of 2013 (DRAA). This will include an evaluation of how the Department has executed DRAA relief awards and addressed identified risks, as well as audits on Hurricane Sandy relief contract award and oversight.
- Conducting grant fraud investigations involving FTA-funded projects, focusing on items such as product substitution, overbilling, sub-standard work, cost mischarging, and DBE fraud.

***Maritime Administration (MARAD)***

- Assessing the effectiveness of the United States Merchant Marine Academy (USMMA)’s programs to address sexual assault and sexual harassment.

- Addressing employee integrity matters for MARAD. This includes rapidly responding to allegations of sexual assault at the USMMA and examining allegations of harassment and retaliation against USMMA midshipmen who report sexual assaults.

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

- Following up as needed on our reviews of NHTSA’s procedures for collecting, analyzing, and managing information to identify safety-related vehicle defects.
- Assessing NHTSA’s process for monitoring manufacturer’s actions on safety recalls, including the sufficiency of recall completion rates.
- Conducting criminal investigations involving NHTSA’s grant programs focusing on fraud involving the Strategic Traffic Enforcement Program grants given to law enforcement agencies.
- Addressing allegations of possible false statements to NHTSA as the government regulator of motor vehicle safety by automobile manufacturers and suppliers to the automotive industry.

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

- Assessing PHMSA’s award and oversight of Technical Assistance Grant (TAG) program funds.
- Evaluating PHMSA’s process for selecting and appointing its Technical Advisory Committees.
- Conducting hazardous materials criminal investigations for fraud against PHMSA’s programs, including pipeline safety, cylinder retesting, and falsification of DOT-required hazardous materials packaging and marking.

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

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

## *Office of the Secretary (OST)*

DOT is a Cabinet-level agency headquartered in Washington, DC, 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.

*DOT Continues to Make Progress, but the Department's Information Security Posture Is Still Not Effective, November 9, 2016.* This report presents the results of our annual audit of DOT's information security program and practices required by the Federal Information Security Management Act of 2002 (FISMA), as amended. Consistent with FISMA and OMB requirements, our audit objective was to determine the effectiveness of DOT's information security program. While the department continues to make improvements, its cybersecurity program remains ineffective. In the five function areas defined by OMB, DOT achieved low maturity levels because of deficiencies in its security authorization; risk management and weakness monitoring; user identity and access management; security training; information security continuous monitoring; incident handling and reporting; and contingency planning and testing. OMB requires agencies to achieve maturity levels of medium-high for their programs to be effective. We made recommendations to address these issues.

*DOT's Conference Spending Policies Reflect Federal Requirements, but Ineffective Controls Do Not Ensure Compliance, September 8, 2016.* DOT's policies on conference spending reflect Federal laws, regulations, and OMB guidance. However, DOT's guidance for tracking and reporting conference costs does not clearly define what constitutes a conference or conference-related activities, how to determine sponsorship, or how to ensure that event costs are accurately reported. As a result, DOT did not report all reportable conferences (i.e., those exceeding \$20,000 sponsored by an agency) for the period we reviewed, and DOT's total conference costs were understated. Further, when multiple Operating Administrations (OAs) participate in the same conference, DOT does not compile Departmentwide conference data and related costs, increasing the risk of violations of spending laws and regulations.

In addition, DOT has not established adequate procedures to ensure compliance with conference approval, spending, and reporting requirements. OAs did not comply with at least 1 of these requirements for 88 percent of the 60 conferences we sampled. Our sample also revealed questioned costs and funds that could have been put to better use. Finally, some OAs either have policies that do not align with DOT's conference policy or do not follow their own policies. These weaknesses diminish the strength and authority of DOT's internal controls for ensuring OAs comply with Federal laws, regulations, and OMB requirements. We made six

recommendations to help DOT eliminate unnecessary spending on conferences and strengthen internal controls associated with conference reporting requirements.

*Drug and Alcohol Testing Contract Employee Debarred, October 5, 2016.* A Maryland man was debarred by OST from participating in Federal aid grants and contracts. The debarment is effective for a period of 3 years, retroactive to August 22, 2016.

The employee was a drug-and-alcohol test examiner for a DOT contractor. During his employment, he intentionally fabricated an alcohol test for a Federal Air Marshal employee and submitted the fraudulent test results to the U.S. Government.

*Parking Management Services, February 13, 2017.* OIG issued a Management Implication Report to DOT regarding its parking management services. Under the Federal Government's lease agreement for the DOT headquarters building, the Office of Transportation Services (TRANServe) manages parking services under a fee-for-service system. DOT uses the fees collected by Parking and Transit Office (PTRAN) to pay for the Department's services contract, parking management costs, and general overhead costs. PTRAN requires vehicles parked in the headquarters parking garage to display a valid parking permit and renewal decal.

Recent investigations by OIG revealed recurring abuse of parking privileges by employees and contractors (drivers). In all of the investigations, drivers used the garage without paying the appropriate and required fees to PTRAN. The schemes included illicit duplication of the parking decals, intentional failure to pay, and using parking permits from other vehicles. Due to the number of investigations and the recurring problem with payments, OIG initiated a project to assess the matter and offer recommendations to PTRAN. For this review, OIG analyzed driver garage entry data during the months of October 2015 and April 2016 and found that the amounts owed to PTRAN were \$22,464.00 and \$28,356.00, respectively. Extrapolating the average of these amounts for a 12-month period would be a \$304,920.00 annual loss to the Government due to non-payment of daily parking fees.

OIG made four recommendations to help DOT and PTRAN better address key concerns related to the collection of parking payments in the areas of detection, violations, payments, and contract specificity.

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

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

provides for the security control of air traffic to meet national defense requirements. The following are examples of our work related to FAA programs and operations.

*FAA Lacks a Risk-Based Oversight Process for Civil Unmanned Aircraft Systems, December 1, 2016.* The growing demand for civil Unmanned Aircraft Systems (UAS) operations presents new safety oversight challenges for FAA. Using an authority granted by Congress, FAA has approved over 5,500 commercial UAS to operate by exempting them from regulatory requirements, and recently issued a final rule governing operations of small UAS. Given the significant and complex challenges of safely integrating UAS into the National Airspace System and the increasing number of UAS operations, we conducted an audit of FAA's processes for approving civil UAS operations and overseeing the safe operation of UAS.

We found that FAA streamlined its process in 2015 for exempting civil UAS from regulatory requirements in response to increasing requests for exemptions and concerns over lengthy approval times. However, FAA's process does not verify that operators actually meet or understand the conditions and limitations of their exemptions either before or after the application is approved. Furthermore, while FAA has taken some steps to advance UAS technology, the Agency has not established a risk-based safety oversight process for civil UAS operations—a key tool for focusing resources on a range of emerging risks. Despite an increase in reported UAS events, FAA lacks a robust data reporting and tracking system for UAS activity. As a result, FAA is currently taking a reactive approach to UAS oversight. FAA concurred with all six of our recommendations to enhance the effectiveness of FAA's oversight of civil UAS.

*Total Costs, Schedules, and Benefits of FAA's NextGen Transformational Programs Remain Uncertain, November 10, 2016.* To meet its goals for NextGen, FAA identified six “transformational” programs. These programs will provide a platform for new capabilities such as a precise satellite-based surveillance system and digital data communications for air traffic controllers and pilots. FAA has invested over \$3 billion in these six programs since 2007, but has faced implementation challenges. Cost estimates for the transformational programs, as currently defined, now total over \$5.7 billion and timelines extend beyond 2020. As requested by the Chairman and Ranking Member of the Senate Committee on Commerce, Science, and Transportation, we are providing an update to our 2012 report, which identified a lack of finalized program requirements and program costs, schedules, or performance baselines for the six transformational programs.

Since our 2012 report, FAA has made some changes to the cost and schedules of the six transformational programs. All programs are now initially baselined, but total costs and timelines remain unclear. FAA continues to use a segmented approach for the transformational programs, which reduces risks in the near term but masks how much each program will ultimately cost, when planned capabilities/benefits will be delivered, how many segments the programs will have, and when each program will be completed. FAA has not adjusted anticipated benefits for its transformational programs, and many benefits remain uncertain for improving the flow of air

traffic and reducing Agency operating costs. For NextGen to realize its full benefits, airspace users must decide to make investments not only in avionics but in pilot and crew training. FAA originally identified the transformational programs as efforts that would fundamentally change the way the Agency would manage air traffic. However, our review has found that, at least until 2020, most of the transformational programs will not transform how air traffic is managed in the National Airspace System. We made one recommendation to FAA to help it better address these ongoing issues.

*Former FAA Deputy Regional Administrator Sentenced to 18 Months of Probation, March 23, 2016.* A former FAA Deputy Regional Administrator, Great Lakes Region, Des Plaines, IL, was sentenced to 18 months probation and ordered to pay \$24,259 in restitution in U.S. District Court, Chicago, IL.

On October 29, 2015, the Deputy Regional Administrator pleaded guilty to theft related to fraudulently collecting her grandmother's Social Security benefits for several years after her grandmother passed away.

At the time of the grandmother's death, the defendant shared a joint checking account with her grandmother, where her grandmother's benefits were deposited. Following her death, the benefits continued to be deposited monthly into the account as the defendant did not close the account or remove her grandmother's name from the account. The benefits continued until October 2010 when the Social Security Administration (SSA) discovered that the grandmother was deceased. The defendant spent the benefits deposited into the account for her personal use, totaling \$24,259. FAA terminated her employment in July 2011.

*Former Rhode Island Company Owner and New York CEO Ordered to Pay Over \$400,000 in Restitution for Role in Unapproved Aircraft Parts Scheme in Connecticut, April 3, 2016.* The owner of a Rhode Island company was ordered to pay \$402,500 in restitution resulting from his guilty plea on December 2014. The restitution is joint and several with a New York (NY) CEO who pleaded guilty in December 2015.

According to court documents and statements made in court, the NY-based company bought and sold, among other things, obsolete electronic parts for use by the U.S. Military and commercial buyers. In 2005, the NY company sold military microprocessor chips to the Rhode Island company, which in turn sold them to a Connecticut company. The NY CEO and RI company owner admitted they knew the chips originated from China, and that there was a high probability they were falsely re-marked and not from the original manufacturer as represented by the markings on the chip.

The NY CEO was sentenced in 2015 to 3 years of probation and a \$100,000 fine, and ordered not to be directly or indirectly involved in the buying or selling of electronic parts for a period of 2 years. The RI company owner was sentenced in 2016 to 3 years of probation, 80 hours of

community service, and a \$10,000 fine. He was also ordered not to sell components to the Government or aircraft manufacturers.

*New York Air Traffic Controller Sentenced and Ordered to Pay More Than \$300,000, March 23, 2016.* An FAA air traffic controller from JFK Airport was sentenced in U.S. District Court, Brooklyn, NY, to a term of 1 year probation. He was also sentenced to pay restitution to FAA in the amount of \$204,151.53 and a criminal forfeiture in the amount of \$99,642.18.

On June 4, 2015, the controller pleaded guilty to a conspiracy to commit wire fraud charge related to his role in a complex fraud scheme to alter employee time and attendance records. In December 2014 a Federal grand jury indicted the controller and another former controller, and charged each with conspiracy to commit wire fraud. The second defendant was sentenced to 1 year in Federal prison and criminal forfeiture of over \$135,000 in February 2016.

Both air traffic controllers gained access to the FAA's Cru-X system and altered labor distribution reports to fraudulently reflect that they had worked certain hours. Consequently, their conduct caused FAA to pay them for overtime and nightshift work, Sunday premium pay, and holiday work that they did not perform. The first defendant also altered labor distribution reports to make it appear as though he had worked on days where he had taken vacation or sick days.

FAA indefinitely suspended the first defendant in April 2015. The second defendant retired shortly after his post indictment arrest in November 2014.

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

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

*FHWA Needs to Strengthen Its Oversight of State Transportation Improvement Programs, January 5, 2017.* Each year, FHWA provides about \$40 billion in Federal funding to States for construction and improvements to the Nation's highways and bridges. To ensure that States appropriately plan and budget for the use of these funds and meet Federal requirements, Congress requires each State to submit to its FHWA Division Office and FTA Regional Office a Statewide Transportation Improvement Program (STIP) that lists and describes each project that the State and metropolitan planning organizations plan to implement over a 4-year period. FHWA and FTA jointly approve each STIP to ensure that the State Departments of

Transportation meet Federal requirements, such as fiscal constraint, which demonstrates reasonably available project funding and reliable cost estimates. We conducted this audit to assess FHWA policies, procedures, and guidance for ensuring that STIPs receive comprehensive, consistent reviews and meet Federal requirements, including coordination with FTA.

Based on a sample of FHWA Division Offices, we determined that FHWA's guidance does not provide sufficient detail for STIP reviews in certain areas. Furthermore, FHWA Headquarters' oversight process is not sufficient to routinely determine how well the Divisions ensure that the States comply with certain STIP requirements. As a result, most of the Division Offices we visited did not adequately document their STIP reviews or demonstrate sufficient action to ensure that the STIPs complied with Federal requirements for fiscal constraint. Furthermore, while FHWA's Division Offices and FTA's Regional Offices coordinated approval of STIPs, some Division Offices and FTA Regional Offices have not updated coordination agreements in a timely manner or mitigated duplicative reporting requirements. We made five recommendations to strengthen FHWA's oversight of Division Offices' STIP reviews and clarify existing guidance to Division Offices.

*FHWA Does Not Effectively Ensure States Account for Preliminary Engineering Costs and Reimburse Funds as Required, August 25, 2016.* FHWA authorizes billions of dollars in Federal-aid funding to assist States in the design and related ground work—known as preliminary engineering (PE)—needed before a highway or bridge project advances to physical construction or acquires right-of-way. If a project does not acquire right-of-way or start construction within 10 years after the Federal funds expended on PE became available, Federal law requires States to repay the Highway Trust Fund the full amount of Federal-aid expended on PE. Given the billions of dollars in Federal funds spent on State highway and bridge PE projects, we assessed FHWA's policies and procedures for (1) accounting for Federal PE funds used for highway projects, and (2) ensuring States repay the Highway Trust Fund for Federal PE expenditures when required.

FHWA does not effectively account for Federal highway and bridge funds used for PE. Specifically, the four FHWA Division Offices we reviewed do not effectively assess whether States' systems and processes accurately account for PE projects. In addition, FHWA lacks effective controls and practices to promote transparent and accurate accounting for PE projects. For example, States incorrectly coded non-PE projects as PE in FHWA's financial information database. Based on these results, we project that Division Offices approved approximately \$3.1 billion in Federal PE expenditures (8 percent of total PE expenditures) for non-PE highway and bridge projects nationwide. We also found that FHWA lacks adequate processes to ensure States repay Federal funds spent on PE. For one-third of the projects in our statistical sample, FHWA did not take prompt action to ensure the State complied with Federal PE requirements when the project did not acquire right-of-way or start construction within the 10-year limit. Based on these results, we project that \$3.3 billion of Federal funds authorized during fiscal

years 2000 through 2004 were at risk of not being repaid to the Highway Trust Fund or not used effectively due to FHWA's inaction. When PE actions were taken, the four Division Offices we reviewed did not consistently follow FHWA policy. For example, the Division Offices allowed States to avoid PE repayment without adequate justification, and did not ensure States repaid PE costs timely. These issues occurred, in part, because FHWA has not implemented sufficient controls and guidance for enforcing compliance with PE requirements. FHWA concurred or partially concurred with our seven recommendations.

*Judge Orders Pennsylvania Contractors to Pay \$1.33M in Restitution to FHWA for DBE Fraud Scheme Involving Hundreds of Bridge Projects, February 3, 2016.* The final sentencing occurred for three executives and one company that each pleaded guilty to conspiracy in U.S. District Court, Philadelphia, PA. Previously in June 2015, they were charged with conspiracy related to a complex DBE fraud scheme that ran for over 16 years, totaled almost \$19 million, and involved hundreds of bridge projects throughout Pennsylvania.

In January 2016, two defendants were each sentenced to 6 months home confinement and 5 years of probation, the company was placed on 3 years of probation, and all three were ordered to jointly pay \$1 million in restitution to FWHA. In February the third executive was sentenced to 3 years of probation and ordered to separately pay \$336,219 in restitution to FHWA.

Two defendants, executives for a non-DBE bridge and highway construction contractor, admitted to engaging in a scheme to defraud the DOT DBE program. Their company set up a sham DBE owned by a third defendant, in order to obtain lucrative DBE subcontracts throughout Pennsylvania. From 1995 to 2011, the non-DBE company used the sham company to fraudulently obtain over \$18.7 million from 224 federally funded bridge projects. Additionally, the third defendant admitted that as president of the sham DBE, from 2002 to 2011, she fraudulently obtained DBE subcontracts totaling \$11.9 million from 133 federally funded bridge projects.

The three executives used a variety of tactics to conceal the scheme from DOT and Pennsylvania Department of Transportation (PENNDOT) officials. Their companies shared a computer network, office space, equipment, fuel, materials, an office manager, and construction employees. They created and submitted various false documents to PENNDOT and DOT that misrepresented compliance with the DBE certification requirements.

*Native American Tribe Reaches Civil Settlement of \$2 Million in Misappropriations of FHWA Funds Case, August 15, 2016.* A Native American tribe entered into a settlement agreement with the Bureau of Indian Affairs (BIA) in which the tribe agreed to issue BIA a check for \$2,267,469. This payment will settle a dispute between the parties stemming from an audit finding that the tribe had misappropriated \$2,267,469 in FHWA funds it had received via BIA. The tribe was supposed to use the FHWA funds to construct transit buildings but instead used them for other, unauthorized purposes.

Per the settlement agreement, BIA will use the money to construct the aforementioned transit buildings on the tribe's behalf. Upon the tribe's final acceptance of the transit buildings, BIA will withdraw the bill of collection it previously issued to the tribe to recoup the misappropriated funds.

The settlement is a compromise of disputed claims and is neither an admission of wrongdoing by tribe nor a concession by Federal and State Governments that their contentions were not well founded.

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

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

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

*Household Goods Moving Company Owner Sentenced for Conspiracy to Transport Stolen Property, January 6, 2016.* A Georgia-based company owner was sentenced in U.S. District Court, Atlanta, GA, for conspiracy to transport stolen property related to a household goods theft scheme. The owner was sentenced to 48 months imprisonment followed by 36 months supervised release and ordered to pay \$427,809.85 in restitution to his victims.

This investigation was based on a referral to OIG from FMCSA. The company purported to provide moving services for individuals seeking to ship their household goods (HHG) from one location to another. Even though the company did not have authority from FMCSA to transport HHG, it would acquire HHG moving jobs. The company employees would travel to the location

of the job, load the HHG into a moving truck under the pretense of providing moving services, but never return the HHG to the rightful owner. In some instances, when the owner of the HHG would contact the moving company seeking the return of their possessions, the owner and other company representatives would provide excuses for the failure to deliver. They would promise to deliver the HHG at a later date, but despite making these promises, the HHG would never be delivered.

OIG agents identified 34 victims of “Hostage Loads” taken by this company and successfully reunited 20 of those victims with the majority of their possessions.

*Owner of Texas Drug and Alcohol Testing Company Debarred by FMCSA, July 14, 2016.* The owner of an FMCSA-registered drug collection company was debarred for 3 years for submitting false statements to FMCSA.

The owner collected numerous drug testing samples from a truck driving school affiliated with Panola College. He indicated he would be sending them to a lab for testing and to a medical provider for review prior to returning the results to the school. Garr never sent the samples to be tested; he instead forged the results using the letterhead from the lab and falsified the doctor’s signature. An inspection by FMCSA discovered the scheme.

In July 2015, the owner agreed to pre-trial diversion in U.S. District Court, Tyler, TX, for submitting false statements to FMCSA. The owner agreed to perform 40 hours of community service and pay restitution in the amount of \$2,790 to Panola College, Carthage, TX.

*FMCSA Suspends 14 Individuals for Fraudulently Operating Commercial Tour Bus Companies, July 13, 2016.* Fourteen individuals were suspended based on a 10-count Federal indictment for a multistate conspiracy, mail fraud, and wire fraud. The indictment alleged that the defendants formed, controlled, managed, and operated various bus companies and routinely falsified FMCSA Motor Carrier Identification Reports and applications for FMCSA operating authority to conceal both who operated the companies and that they operated unsafe buses.

The defendants incorporated their companies in Pennsylvania and falsely represented that they were headquartered in Pennsylvania. The alleged false documents indicated that they maintained and garaged the buses in Pennsylvania, when in fact they operated out of New York City. The indictment also alleged that the false documents enabled the defendants to obtain operating authority along with licenses and stickers indicating that the buses met Federal and State safety standards.

The defendants allegedly falsified FMCSA-regulated documents and records related to bus safety, maintenance, and driver qualifications to impede FMCSA inspections and reviews. More specifically, the indictment alleged that they submitted false documents indicating that the suspect companies had driver-safety and training programs in place when, in fact, the programs did not exist. Also, the defendants allegedly submitted false documents and records related to

accident registers, driver qualifications, hours of service, vehicle-safety inspections, repair, and maintenance. They also falsified FMCSA-regulated documents related to required drug and alcohol programs and their previous company affiliations and associations.

The indictment contains a forfeiture count to secure assets totaling \$7,731,019 in the event of a conviction. FMCSA is seeking a 5-year debarment.

*Missouri Chiropractor Sentenced for Making False Statements Concerning Commercial Driver's Licenses, October 18, 2016.* A Missouri doctor of chiropractic medicine was sentenced in U.S. District Court, St. Louis, MO, to 6 months home confinement, 4 years of probation, and 100 hours community service and ordered to pay \$23,373.87 in restitution and a \$4,000 fine. The doctor had previously pleaded guilty to health-care fraud and falsification of records relating to commercial driver's licenses (CDL).

From May 2014 to May 2015, the chiropractor falsified medical examiner's certificates, which are required by FMCSA for drivers holding CDLs. She directed her office staff to perform parts of the medical examination, although she knew they were not FMCSA-certified and had not received training in the proper administration of the tests. Several parts of the examination that unqualified staff performed were tests that could potentially disqualify a driver.

The staff members were directed to write the results of the tests on Post-it notes and attach them to the examination form. The chiropractor also changed test results that were not in the passing range when she conducted physical examinations. On some occasions, she submitted certificates to FMCSA before examining the drivers. She provided the drivers with copies of the fraudulent certificates, and the drivers provided them to their employers.

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

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

*FRA Lacks Guidance on Overseeing Compliance with Bridge Safety Standards, April 21, 2016.* Everything transported by rail in the United States—including passengers, consumer goods, coal, and hazardous materials—likely travels across one or more of approximately 100,000 railroad bridges. While structural failures of railroad bridges are rare, increasing traffic volume and loads traveling over aging bridges are causes for concern. In 2010, FRA issued a rule on Bridge Safety Standards that requires railroad track owners to implement bridge management programs that

include procedures for determining bridge load capacities and inspecting bridges. In light of Congressional interest and the importance of bridge structural integrity for safety, we conducted this audit. Our objective was to assess FRA's oversight for ensuring that track owners' bridge management programs comply with FRA's rule on bridge safety. Specifically we examined FRA's processes for (1) prioritizing track owners for bridge safety reviews, and (2) conducting bridge safety reviews and following up on identified issues of non-compliance.

FRA has not developed guidance on prioritization of track owners for bridge safety reviews. According to an FRA official, the Agency instead relies on the professional judgment of its bridge safety specialists, who have reached informal consensus on how to prioritize track owners. Furthermore, FRA does not maintain a comprehensive list of track owners that must comply with its Bridge Safety Standards. The Agency lacks information on industrial operations and certain tourist railroads that own railroad track and are subject to the rule. The lack of comprehensive identification of risks and guidance on prioritization makes it difficult for FRA to be sure it is effectively deploying oversight resources to review the highest-risk track owners. FRA also has not developed guidance for its specialists on conducting bridge safety reviews, and as a result, the specialists may not appropriately address all issues of regulatory non-compliance. Furthermore, FRA lacks guidance for its specialists on how to track and follow up on non-compliance and recommend civil penalties. FRA relies on each specialist to determine how to track and follow up on non-compliance. However, within our sample, specialists did not conduct follow-up reviews of track owners responsible for 55 percent of non-compliance issues, and track owners were 35 percent less likely to correct issues when FRA did not follow-up. Therefore, FRA cannot be sure that track owners mitigate bridge safety risks. We made six recommendations to FRA to improve its oversight of track owners' compliance with the Bridge Safety Standards.

*FRA's Oversight of Hazardous Materials Shipments Lacks Comprehensive Risk Evaluation and Focus on Deterrence, February 24, 2016.* In July 2013, a train carrying crude oil derailed in Lac-Mégantic, Quebec, Canada, resulting in fatalities and significant damage. Due to the public safety risks that transporting hazardous materials by rail pose, we initiated this audit to assess FRA's use of inspections and other tools to enforce its hazardous materials regulations.

We identified three areas of concern in FRA's enforcement of its hazardous materials regulations. First, FRA has not conducted an evaluation of risks associated with hazardous materials transportation that includes national level risks to target inspection resources. Second, while the Agency provides guidance and training for inspectors who enforce hazardous materials regulations, the inspectors do not have easy access to inspection data from other regions. They also frequently cannot access updated information in the Pipeline and Hazardous Materials Safety Administration's information system regarding special permits. Third, the civil penalties that FRA pursues for violations of hazardous materials regulations do not account for variations in the severity of violations. Furthermore, despite departmental requirements in several DOT

Orders, FRA does not refer cases to OIG for criminal investigation. We made seven recommendations to help FRA improve risk assessments associated with allocating inspection resources and address concerns about the use of civil penalties and lack of criminal case referrals to OIG.

*Project Management Oversight Entity Agrees to Pay \$1.5 Million to Settle False Claims Act Violations, February 27, 2017.* A Pennsylvania-based company reached a civil settlement with the United States and has agreed to pay \$1,500,000 to resolve civil claims concerning its alleged improper billing of Amtrak. The case arose when discrepancies were discovered during an audit of the company's billing practices.

The company and its joint-venture partner performed Project Management Oversight (PMO) on several Amtrak projects in the eastern United States. In that role, the company entered into a contractual relationship with the United States, which contends that they improperly billed Amtrak under the PMO contract between January 1, 2011, and December 31, 2014. The claims settled by this agreement are allegations only, and there has been no determination of liability.

### ***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.

*Improvements in FTA's Safety Oversight Policies and Procedures Could Strengthen Program Implementation and Address Persistent Challenges, November 2, 2016.* Recent incidents have demonstrated weaknesses in the safety performance and oversight of some rail transit systems. For example, in January 2015, a Washington Metropolitan Area Transit Authority Metrorail train was involved in a serious incident in which 1 passenger died, and 91 people were injured. The National Transportation Safety Board (NTSB) determined that the State safety oversight agency that monitored Metrorail lacked sufficient resources, technical capacity, and enforcement authority to carry out its oversight responsibilities. In October 2015, the Secretary of Transportation directed FTA to assume direct safety oversight for Metrorail until the District of Columbia, Maryland, and Virginia establish a fully functioning and capable oversight agency.

Based on our previous work, we determined FTA may face significant challenges in carrying out this authority. Accordingly, we initiated this audit to assess the Agency's actions to assume and relinquish direct safety oversight of a rail transit agency. As part of our review, we also provided

an update on FTA's progress toward addressing the challenges to enhanced safety oversight we identified in our January 2012 report, *Challenges to Improving Oversight of Rail Transit Safety and Implementing an Enhanced Federal Role*. We found that FTA has actions underway to develop policies and procedures for assuming direct safety oversight of a rail transit agency and for transferring it back to the State safety oversight agencies but lacks milestones for finalization. In addition, FTA has assessed staffing needs but faces challenges in acquiring and retaining personnel and resources; has identified safety data gaps but has not established a data-driven, risk-based oversight system; and has established safety performance criteria and standards, but the criteria are limited and the standards are voluntary. FTA concurred with our seven recommendations for improving its overall rail transit safety oversight.

*FTA Can Improve Its Oversight of Hurricane Sandy Relief Funds, July 21, 2016.* The Disaster Relief Appropriations Act (DRAA) of 2013 appropriated over \$10 billion to the FTA's Public Transportation Emergency Relief Program (ERP) for Hurricane Sandy-related recovery programs and directed our office to support oversight of those funds. Our office has conducted three previous audits since 2013 in response to this mandate. We conducted this audit to determine whether FTA provides effective oversight of grantees' contracting practices using DRAA funds. Out of FTA's top four grantees, the Metropolitan Transit Authority (MTA) received the majority (70 percent) of the \$1.16 billion in funds disbursed as of November 30, 2015. We focused our review on New York City Transit (NYCT)—a subsidiary of MTA—which holds most of MTA's DRAA-funded contracts.

FTA's oversight practices do not fully ensure that NYCT uses DRAA funds properly and in compliance with FTA procurement requirements. While FTA quickly and effectively assessed damage and assisted impacted transit agencies after Hurricane Sandy, we identified concerns with how it ensures NYCT's use of DRAA funds for eligible expenditures and oversees change order approvals. NYCT drew down \$17.7 million in DRAA funds for procurement actions that FTA determined were ineligible for inclusion in a grant. In addition, NYCT spent these DRAA funds on out-of-scope work, which is not permissible under FTA policies. Of the 205 change orders we reviewed, 154 change orders were not approved per FTA policy. After we notified FTA of our findings, FTA requested that NYCT return the \$17.7 million in improper payments, which NYCT repaid in full with interest in April 2016. FTA also concurred with our five recommendations to help improve the Agency's oversight of its grantees' practices for proper use of Federal funds.

*WMATA MetroAccess Contractor Agrees to Pay \$178,000 to Settle Civil Claims, May 18, 2016.* A contractor with the Washington Metropolitan Area Transit Authority (WMATA) signed a civil settlement agreement with the State of Maryland, the Commonwealth of Virginia, and the District of Columbia. The agreement settles allegations that the contractor falsely billed WMATA's MetroAccess program for the transportation of elderly and disabled riders. Under the terms of the settlement agreement, the company will pay a total of \$178,014; Virginia will

recover \$22,531, Maryland will recover \$92,040, and the District of Columbia will recover \$35,831.

WMATA, an FTA grantee, is a tri-jurisdictional government agency that operates transit services in the Washington metropolitan area—covering the District of Columbia, northern Virginia, and Montgomery and Prince George’s Counties in Maryland. It hired the contractor to provide paratransit and other special transportation services to individuals with disabilities through the MetroAccess program.

The company allegedly violated the False Claims Act by falsely billing WMATA. Under the terms of its contract with WMATA, the company was allowed to bill MetroAccess for a “cancellation at the door” that occurred after the vehicle arrived at the rider’s home. Drivers were also responsible for informing supervisors when they learned that a rider had passed away, so that no further trips would be scheduled and charged. The company would continue to list the pickup, forcing a “cancellation at the door,” and then bill MetroAccess when no trip had been fulfilled and, in fact, the would-be rider was deceased.

The settlement is a compromise of disputed claims and is neither an admission of wrongdoing by the company nor a concession by the Federal and State Governments that their contentions were not well founded.

*New Jersey Trucking Firm Owner Ordered to Pay \$1 Million for Fraud Scheme on DOT-Funded Projects, March 15, 2017.* The former owner of a trucking firm was sentenced in U.S. District Court, Brooklyn, NY, to 3 years’ probation and ordered to pay \$1 million in restitution. On December 10, 2012, the owner pleaded guilty to embezzlement of union funds, based on a March 2012 indictment charging conspiracy, embezzlement, providing and accepting unlawful payments to a union representative, and health-care fraud.

The company included multiple non-union trucking companies all based in New Jersey. They entered into a scheme with a unionized trucking company to defraud union benefit funds from their employees on projects receiving DOT grant funds. During the alleged scheme, the trucking firm was a subcontractor on the Metropolitan Transportation Authority, New York City Transit Authority, and the Second Avenue Subway (SAS) project, and the unionized company was a subcontractor on both the SAS project and the World Trade Center Transportation Hub project managed by the Port Authority of New York & New Jersey. Both projects are funded in part by FTA. The amount of the fraud to the union benefit funds is approximately \$11 million.

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

MARAD promotes development and maintenance of an adequate, well-balanced, United States merchant marine that is 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.

*Testimony: USMMA's Efforts to Address Sexual Assault and Sexual Harassment, April 5, 2017.*

The Inspector General testified before the Senate Appropriations Transportation, Urban Development, and Related Agencies Subcommittee on the U.S. Merchant Marine Academy's (USMMA) efforts to address sexual assault and harassment. The Inspector General focused on (1) DOT's actions in response to congressional requirements and our October 2014 report recommendations, (2) our 2016 review of USMMA's efforts to complete its 2014–2015 action plan, and (3) USMMA's continuing challenges and our upcoming work.

The Inspector General testified that the Department has taken a number of actions to address sexual assault and harassment at the Academy. For example, in response to our October 2014 report recommendations, USMMA established standard operating procedures for investigating sexual assault and harassment. As required by Congress, USMMA has also created action plans to address concerns identified during its surveys of midshipmen on the effectiveness of its policies and procedures in combating sexual assault and harassment. However, the Inspector General noted that our 2016 review of USMMA's 2014–2015 action plan found that the Academy had not completed 15 (34 percent) of its 44 planned actions. Our work as well as a number of recent developments highlight that USMMA remains challenged in following through on its plans to address longstanding issues with the Academy's culture.

*Weaknesses in MARAD's Management Controls for Risk Mitigation, Workforce Development, and Program Implementation Hinder the Agency's Ability to Meet Its Mission, December 10, 2015.* The mission of MARAD is to improve the U.S. marine transportation system to meet the Nation's economic, environmental, and security needs. In recent years, MARAD has restructured its organization to better coordinate programs that have a direct impact on the Agency's Federal and commercial sealift missions. MARAD has also taken on oversight for a significant number of Transportation Investment Generating Economic Recovery (TIGER) grant funds for port development projects. These significant changes point to the need for enhanced attention to MARAD's management controls intended to help managers achieve desired results through effective stewardship of public resources. Accordingly, we assessed MARAD's management controls for (1) planning, performance measurement, and risk management; (2) organizational structure and workforce development; and (3) program implementation, monitoring, and oversight.

We found that MARAD's strategic plan and performance measures are aligned with Federal standards but did not thoroughly document its risk mitigation strategies, so the Agency cannot be assured it is prepared to address risks to meet its mission. MARAD also assessed its

organizational structure but has not fully implemented workforce plans and development policies. For example, MARAD has not fully implemented competency models for its mission-critical positions, and its policies in the areas of onboarding, training, and addressing misconduct are incomplete, out-of-date, or not fully implemented. Finally, MARAD's controls for program implementation, monitoring, and oversight are deficient. Specifically, MARAD's policies and procedures are largely outdated Agency-wide, and MARAD has not established comprehensive mechanisms for overseeing implementation of corrective actions. We made 16 recommendations to improve the Agency's management controls.

Former MARAD Employee Sentenced for Theft of Government Property in Maryland, July 18, 2016. A former Infrastructure Manager for the Maritime Administration (MARAD) was sentenced in U.S. District Court, Greenbelt, MD, to 3 years of probation and ordered to pay \$37,386.94 in restitution. As part of the probation, the employee was ordered to serve 14 days in a community correctional facility, to be followed by 5 months and 2 weeks of home confinement. He was also ordered to fully cooperate with any immigration proceedings. In May 2016 he pleaded guilty to theft of government property.

In November 2014, MARAD discovered that the defendant used his MARAD business account to purchase three unauthorized Apple iPads. He then had the iPads shipped to a friend at a non-MARAD address in Piney Point, MD. MARAD discovered the three unauthorized Apple iPads after conducting an internal audit. The defendant resigned from MARAD after being placed on administrative leave.

The investigation disclosed that between 2012 and November 2014, he stole approximately 119 iPads, iPhones, laptops, keyboards, and other computer equipment belonging to MARAD. He sold many of the items online and received at least \$37,386 for the stolen property.

President of Oregon Corporation Ordered to Pay MARAD \$225,770 for Submitting False Claims on Federal Contracts, September 29, 2016. The president of an Oregon-based maritime company was ordered to pay \$225,770 to the Maritime Administration (MARAD) to resolve a civil suit alleging fraud and false claims in the U.S. District Court of Oregon, Portland.

MARAD had an agreement that designated a company as a general agent to manage two MARAD vessels, the Pacific Collector and Pacific Tracker. From 2009 through 2011, the prime contractor subcontracted with the Oregon-based company to serve as a ship agent to obtain tug services for the vessels. The Oregon-based company retained a third company to provide tug services for which the third company submitted invoices. The defendant altered these invoices by increasing certain charges and by deleting discounts provided by the third company. The altered invoices were submitted to the prime contractor and MARAD for payment. MARAD paid the altered invoices, which resulted in an overpayment in excess of \$56,000 to the defendant.

## *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.

*Additional Efforts Are Needed to Ensure NHTSA's Full Implementation of OIG's 2011 Recommendations, February 24, 2016.* In October 2011, we issued an audit of NHTSA's oversight of vehicle safety, which made 10 recommendations to enhance the ability of NHTSA's Office of Defects Investigation (ODI) to identify and address potential vehicle safety defects. In March 2014, the Secretary of Transportation requested that we assess NHTSA's vehicle safety procedures related to NHTSA's handling of the February 2014 General Motors Corporation recall. Our subsequent review determined that ODI's inadequate processes for collecting and analyzing vehicle safety data resulted in significant safety concerns being overlooked.

Because of the importance of highway safety, we also reviewed NHTSA's efforts to address recommendations from our 2011 report. While NHTSA completed all agreed-to actions from our 2011 review, we have concerns with the implementation of some actions—especially NHTSA's lack of mechanisms to ensure that staff consistently apply the actions. Specifically, ODI adequately implemented the actions it proposed for three recommendations but did not consistently apply the actions it implemented for six recommendations. In addition, ODI developed a training plan in response to one of our recommendations, but it has not executed the program to ensure its investigators have the needed skills and expertise to carry out ODI's mission. As a result, ODI's staff may not be sufficiently trained to identify and investigate potential vehicle defects or ensure that vehicle manufacturers take prompt and effective action to remediate issues. NHTSA concurred with the two recommendations we made to enhance ODI's quality control mechanisms for complying with the policies and plans established to address our 2011 recommendations.

*NHTSA's Efforts to Identify Safety-Related Vehicle Defects, June 23, 2015.* The Inspector General (IG) testified on NHTSA vehicle safety oversight. The IG focused on our office's assessment of the procedures NHTSA's ODI used to identify vehicle safety issues that warrant further investigation. First, the IG noted that ODI lacked the procedures needed to collect complete and accurate vehicle safety data. Deficiencies in ODI's vehicle safety data were due in part to the Agency's lack of detailed guidance on what information manufacturers and consumers should report—resulting in inconsistent data that ODI investigative chiefs considered

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

*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.

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

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

In consideration of GM's entry into the DPA, the United States Attorney's Office, Manhattan, NY, will recommend to the Court a deferment of criminal prosecution for a period of 3 years with the presumption that GM meets all of its DPA obligations. Pursuant to the DPA, GM also agreed to retain an Independent Monitor, approved by the Deputy Attorney General, who will be

empowered to review and assess GM's policies and procedures concerning motor vehicle safety, recall practices, and defects in certified pre-owned vehicles.

*Takata Corporation Pleads Guilty and Is Sentenced to Pay \$1 Billion in Criminal Penalties for Airbag Scheme, February 27, 2017.* Takata Corporation pleaded guilty to wire fraud and was sentenced in U.S. District Court, Detroit, MI. The conviction and sentencing were related to the company's conduct in relation to sales of defective airbag inflators. Takata Corporation was sentenced to a total criminal penalty of \$1 billion, including \$975 million in restitution, a \$25 million fine, and 3 years' probation.

Under a joint restitution order entered at the time of sentencing, two restitution funds will be established: a \$125 million fund for individuals who have been or become physically injured by Takata's airbags and who have not already reached a settlement with the company, and an \$850 million fund for airbag recall and replacement costs incurred by auto manufacturers that were victims of Takata's fraud scheme. A court-appointed special master will oversee the administration of the restitution funds. Takata will also implement rigorous internal controls, retain an independent compliance monitor for a term of 3 years, and cooperate fully with OIG's ongoing investigation, including its investigation of individuals.

In January 2017, an Information was filed charging Takata Corporation with wire fraud stemming from the company's fraudulent conduct in relation to sales of defective airbag inflators. An indictment was also unsealed charging three Takata executives with conspiracy and wire fraud charges in relation to the same conduct.

This investigation was based on information that Takata Corporation and its U.S.-based subsidiary, Takata Holdings, Inc., knew about the defective airbags and failed to disclose them to NHTSA, original equipment manufacturers (OEMs), and the traveling public. Takata is one of the world's largest suppliers of automotive safety-related equipment, and OEMs relied on the company to provide airbag inflators that met their specifications. Several OEMs were allegedly affected by the defendants' scheme, including Honda, Toyota, Subaru, and Nissan. The recall associated with Takata's inflators, which feature an ammonium-nitrate-based propellant, is the largest recall in U.S. history and continues to grow.

The individual defendants charged were employed as both engineers and executives at Takata until approximately 2015 and worked in both the United States and Japan. The indictment alleged that the defendants engaged in, and/or caused others to engage in, the practice of deleting, altering, and manipulating airbag-inflator testing data, and that false information was provided to OEMs. Some of the information removed described ruptures that had occurred during airbag-inflator testing. It is alleged that the defendants caused airbag-inflator ballistic test results and effluent-gas test results to be changed on several airbag-inflator products.

## *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.

*Insufficient Guidance, Oversight, and Coordination Hinder PHMSA's Full Implementation of Mandates and Recommendations, October 14, 2016.* PHMSA develops and enforces regulations for the safe operation of the Nation's 2.6 million mile pipeline transportation system and nearly 1 million daily hazmat shipments. The Agency also responds to congressional mandates and recommendations from NTSB, the Government Accountability Office (GAO), and OIG on the safe transport of these materials, and addresses safety issues raised by other OAs in DOT.

Since 2005, PHMSA implemented 173 of its 263 mandates and recommendations, but missed many deadlines. Twenty of 81 mandates, 60 of 118 recommendations from NTSB, and 10 of 64 recommendations from GAO and OIG remain open. The Agency has also missed about 75 percent of its mandated deadlines and 85 percent of the deadlines that DOT policy requires OAs to set for notices of proposed rulemaking and final rules. PHMSA has also not established Agencywide processes for implementing mandates and recommendations, or provided guidance to its program offices—the Office on Pipeline Safety (OPS) and the Office on Hazardous Materials Safety (OHMS)—on implementing mandates and recommendations. Under the DOT Order on PHMSA's organization, the Administrator sets policies and establishes processes for the Agency and its program offices. However, the Agency has not established policies on rulemaking or implementing mandates and recommendations with guidance for the program offices, the Chief Counsel, and the Chief Safety Officer on fulfilling these responsibilities. Furthermore, PHMSA has not: always followed project management requirements for implementing mandates and recommendations that require rulemakings or those that call for non-rulemaking activities; or provided adequate oversight of program offices' efforts to implement mandates and recommendations. This lack of sufficient processes, project management, and oversight has impeded the Agency's ability to meet deadlines.

PHMSA has also not adequately coordinated on rulemaking and international standards development with three other OAs—FAA, FMCSA, and FRA—involved with hazmat transportation as required by the DOT Order. The Agency has not established agreements regarding how it and other OAs will coordinate, or developed policy and guidance on how to respond to safety concerns from FAA, FMCSA, and FRA. As a result, disputes have arisen

between PHMSA and the OAs that have delayed PHMSA’s rulemakings. We made five recommendations to PHMSA.

*PG&E Convicted of Obstruction and Multiple Violations of the Natural Gas Pipeline Safety Act, January 26, 2017.* Pacific Gas & Electric Company (PG&E)—California’s largest utility—was sentenced in U.S. District Court, San Francisco. The court ordered PG&E to pay a maximum fine of \$3 million; serve 5 years of probation; agree to a monitor to ensure compliance with safety regulations; implement a court-approved ethics program; run a \$3 million TV and radio advertising campaign publicizing the conviction, sentencing, and steps the company is taking to prevent a repeat of the crimes committed; perform 10,000 hours of community of service, at least 2,000 of which must be performed by executive-level personnel; and publish full-page articles in the Wall Street Journal and San Francisco Chronicle announcing and detailing its criminal conviction.

Previously, on August 9, 2017, PG&E was found guilty of multiple willful violations of the Natural Gas Pipeline Safety Act of 1968 (PSA) and obstructing an agency proceeding. OIG had initiated an investigation after the 2010 explosion of a natural gas pipeline in San Bruno, CA, that killed eight people. The PSA charges related to PG&E’s record-keeping and pipeline “integrity management” practices; the obstruction charge was added later after PG&E attempted to mislead NTSB during its investigation of the explosion.

The evidence presented at trial demonstrated that PG&E willfully failed to address record-keeping deficiencies concerning its larger natural gas pipelines; identify threats to its larger natural gas pipelines and take appropriate actions to investigate the seriousness of threats to pipelines when they were identified; and adequately prioritize as high risk and properly assess threatened pipelines after they were over-pressurized, as required by the PSA and its regulations. In finding PG&E guilty, the jury concluded the company knowingly and willfully violated the PSA and its regulations between 2007 and 2010.

The charge of obstructing an agency proceeding was included in a superseding indictment filed on July 29, 2014, and centers around PG&E’s use of a letter in an attempt to mislead NTSB. During the investigation, PG&E provided a version of a policy that outlined the way it had addressed manufacturing threats on its pipelines. Specifically, PG&E did not prioritize as high risk and properly assess many of its oldest natural gas pipelines, which ran through urban and residential areas. Although PG&E operated under the policy from 2009 through April 5, 2011, the company submitted a letter to NTSB that attempted to withdraw the document, stating that it was an unapproved draft that had been submitted in error. In finding PG&E guilty of obstructing an Agency proceeding, the jury concluded the company intentionally and corruptly tried to influence, obstruct, or impede the NTSB investigation.

*Virginia Company Ordered to Pay \$1.5 Million for Illegal Transportation of Hazardous Materials, September 16, 2016.* A Virginia based company was sentenced in U.S. District Court,

Roanoke, VA, for the illegal transportation and storage of hazardous waste. The company, which operated a chemical blending and distribution facility in Roanoke, was sentenced to 5 years' probation and ordered to pay a \$1 million criminal fine, \$250,000 in civil penalties, and \$250,000 toward community service projects. The company was also mandated to implement a comprehensive Environmental and Safety Compliance Plan to prevent future violations.

In June 2012, the company contacted an environmental cleanup company after its employees spilled several hundred gallons of ferric chloride. Approximately 4,500 pounds of ferric chloride mixture were vacuumed and put into five 275-gallon containers, but the mixture was not properly tested to determine if it was hazardous. At the direction of the company employees, the material was classified as non-hazardous and transported to a disposal facility that was not permitted to handle hazardous waste. The containers and the transporting vehicle were not properly placarded as containing hazardous waste.

In December 2013, the company was notified that the Environmental Protection Agency (EPA) would conduct an inspection. At that time, it stored numerous containers of chemical waste at its facility, which the company had previously been told was a violation. The company directed its employees to load three trailers with the containers and take them offsite to prevent EPA inspectors from discovering them. Two trailers were transported offsite. The third trailer was not roadworthy. It remained on the property from December 2013 until November 2014, when agents executed a search warrant and found the hazardous waste containers stored inside.

### ***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. The following is an example of our work related to SLSDC programs and operations.

*Quality Control Review of the Saint Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2016 and 2015, November 15, 2016.* This report presents the results of our quality control review (QCR) of SLSDC's audited financial statements for fiscal years 2016 and 2015. Chiampou Travis Besaw & Kershner LLP (CTB&K) under contract to SLSDC issued a clean (unmodified) audit opinion on SLSDC's financial statements. CTB&K reported one instance of noncompliance or other matter required to be reported under Government auditing standards. Except for the three deficiencies in CTB&K's testing or documentation discussed in our report related to the allocation of an approximate \$2.9 million net surplus from the Seaway International Bridge Corporation Ltd. to SLSDC, our QCR disclosed no instances in which CTB&K did not comply, in all material respects, with auditing standards.

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

OMB ACCOUNT ID: 021-56-0130-0		FY 2017		FY 2018 REQUEST
		FY 2016 ACTUAL	ANNUALIZED CR	
<b>Obligations by program activity:</b>				
2002	General Administration	86,511	87,306	87,306
2002	Disaster Relief Oversight 2013	166	1,000	1,000
	Direct program activities, subtotal	86,677	88,306	88,306
0801	Reimbursable program	171	0	0
0900	Total new obligations	86,848	88,306	88,306
<b>Budgetary Resources:</b>				
<b>Unobligated balance:</b>				
1000	Unobligated balance brought forward, Oct 1	5,770	5,647	4,647
1021	Recoveries of prior year unpaid obligations	2	0	0
1050	Unobligated balance (total)	5,772	5,647	4,647
<b>Budget Authority:</b>				
<b>Appropriations, discretionary:</b>				
1100	Appropriation	87,472	87,306	87,306
1160	Appropriations, discretionary (Total)	87,472	87,306	87,306
<b>Spending authority from offsetting collections, discretionary:</b>				
1700	Collected	311	0	0
1701	Change in uncollected payments, Federal sources	50	0	0
1750	Total Spending authority from offsetting collections	361	0	0
1900	Budget Authority (total)	87,833	87,306	87,306
1930	Total Budgetary Resources Available	93,605	92,953	91,953
<b>Memorandum (non-add) entries:</b>				
1940	Unobligated Balance Expiring	(1,110)	0	0
1941	Unexpired unobligated balance, end of year	5,647	4,647	3,647
<b>Change in obligated balance:</b>				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	7,513	10,267	10,251
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	0	0	0
3100	Obligated balance, start of year (net)	7,513	10,267	10,251
3010	Obligations incurred, unexpired accounts	86,848	88,306	88,306
3011	Obligations incurred, expired accounts	76	0	0
3020	Outlays (gross)	83,628	88,323	88,306
3070	Change in uncollected pymts, Fed sources, unexpired	(50)	0	0
3040	Recoveries of prior year unpaid obligations, unexpired	(2)	0	0
3041	Recoveries of prior year unpaid obligations, expired	(490)	0	0
3050	Unpaid obligations, end of year (gross)	10,318	10,251	10,251
3090	Uncollected pymts, Fed sources, end of year	(50)	0	0
3200	Obligated balance, end of year (net)	10,267	10,251	10,251
<b>Budget Authority and outlays, net:</b>				
4000	Budget authority, gross	87,833	87,306	87,306
<b>Outlays, gross:</b>				
4010	Outlays from new discretionary authority	78,634	78,575	78,575
4011	Outlays from discretionary balances	4,994	9,747	9,731
4020	Outlays, gross (total)	83,628	88,323	88,306
<b>Offsets against gross budget authority and outlays:</b>				
Offsetting collections (collected) from:				
4030	Federal sources	(270)	0	0
4033	Non-Federal sources	(41)	0	0
4040	Total offsetting collection (cash)	(311)	0	0
Additional offsets against gross budget authority only:				
4050	Chg in Uncollected cust orders fm Fed Sources (unexpired)	(50)	0	0
4051	Offsetting collections credited to expired accounts	(15)	0	0
4060	Additional offsets against gross budget authority only (total)	(65)	0	0
4180	Budget authority, net (total)	87,472	87,306	87,306
4190	Outlays, net (total)	83,302	88,323	88,306

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

	<b>FY 2016 ACTUAL</b>	<b>FY 2017 ANNUALIZED CR</b>	<b>FY 2018 REQUEST</b>	
Personnel Compensation:				
11.1	Full- time permanent.....	42,546	44,732	44,593
11.3	Other than full-time permanent.....	855	750	650
11.5	Other personnel compensation.....	3,034	3,408	3,433
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11.9	Total personnel compensation.....	46,435	48,890	48,676
12.1	Civilian personnel benefits.....	17,465	17,944	18,325
13.1	Benefits for former personnel.....	0	0	0
21.0	Travel and transportation of persons.....	2,480	2,625	2,425
22.0	Transportation of things.....	52	5	5
	Rental payments to			
23.1	GSA.....	5,384	5,700	5,800
23.2	Rental payments to others .....	295	325	325
23.3	Comm., utilities, and misc. charges	914	925	925
24.0	Printing and reproduction.....	0	1	0
25.1	Advisory and assistance services.....	626	150	150
25.2	Other services.....	4,218	3,450	3,300
25.3	Other purchases of goods and services from Gov. accounts .....	6,077	6,061	6,053
25.7	Ops. & maint. of equipment .....	899	1,150	1,150
26.0	Supplies and materials.....	806	300	275
31.0	Equipment.....	744	750	867
42.0	Insurance Claims and indemnities...	282	10	10
91.0	Unvouchered.....	0	20	20
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99.0	Subtotal, direct obligations.....	86,677	88,306	88,306
99.0	Reimbursable obligations	171	0	0
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99.9	Total obligations.....	86,848	88,306	88,306

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

		<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
		<b>ACTUAL</b>	<b>ANNUALIZED CR</b>	<b>REQUEST</b>
10.01	Direct civilian full-time equivalent employment	395	407	400
20.01	Reimbursable civilian full-time equivalent employment	0	0	0

Note: Does not include 3 FTEs from Emergency Disaster Relief Oversight funding.

**FY 2009 – FY 2018 FUNDING HISTORY  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF INSPECTOR GENERAL  
SALARIES AND EXPENSES**

Request	Appropriation
2009.....\$70,468,000	2009.....\$71,400,000
2009 ARRA.....N/A	2009 ARRA .....\$20,000,000
2010.....\$74,839,000	2010.....\$75,114,000 <sup>1</sup>
2011.....\$81,772,000	2011.....\$76,960,000
2012.....\$89,185,000	2012.....\$79,624,000
2013.....\$84,499,000	2013.....\$75,459,187 <sup>2</sup>
2013 SANDY... N/A	2013 SANDY... \$ 5,700,000 <sup>3</sup>
2014.....\$85,605,000	2014.....\$85,605,000
2015 .....\$86,223,000	2015.....\$86,223,000
2016 .....\$87,472,000	2016.....\$87,472,000
2017 .....\$90,152,000	2017.....\$90,152,000
2018 .....\$87,305,716	

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

<sup>2</sup> FY 2013 reflects the net reduction of \$4,005,565 pursuant to the Joint Committee sequester ordered on March 1, 2013 and an across-the-board rescission of \$159,248 included in P.L. No. 113-6, Consolidated and Further Continuing Appropriations Act, 2013.

<sup>3</sup> FY 2013 reflects the net reduction of \$300,000 pursuant to the Joint Committee sequester ordered on March 1, 2013. Reflects Disaster Relief Appropriations Act, 2013 (P.L. 113-2).