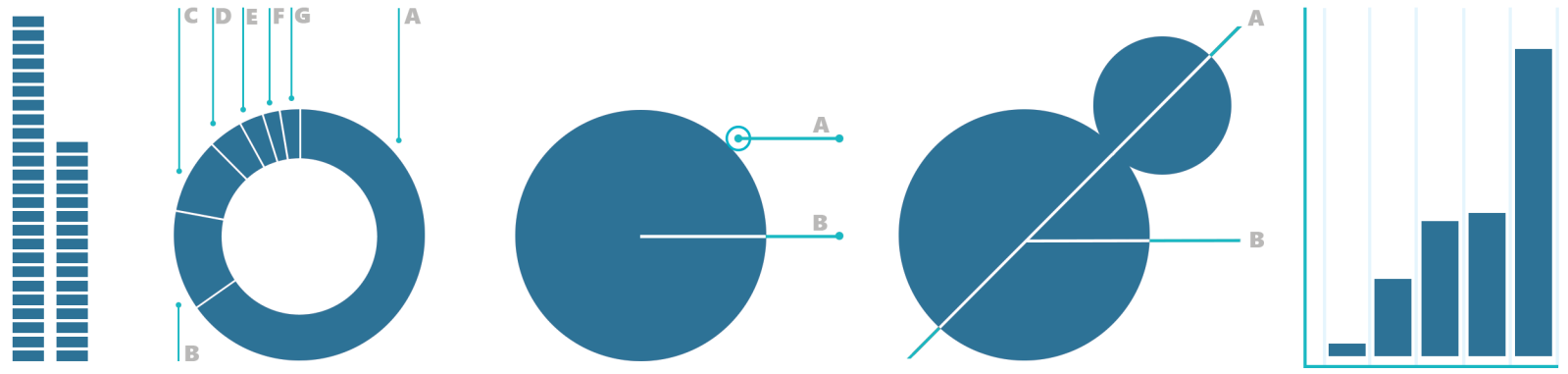




SEMIANNUAL REPORT TO CONGRESS

APRIL 1, 2021, TO SEPTEMBER 30, 2021



Highlights

Second Half FY 2021

Investigative accomplishments



67/86

investigations & complaints closed/opened



48/38

convictions/indictments



\$39.2m

financial impact of DOT OIG investigations

Second Half FY 2021

Investigations opened, by priority area



24

transportation safety



9

grant and procurement fraud



4

employee integrity

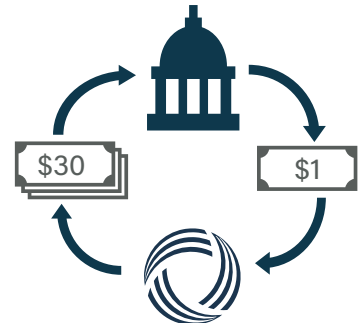


4

other

FY 2021

Return on investment



In FY 2021, DOT OIG returned \$30 for every appropriated dollar—achieving its return on investment with just a fraction of the Department’s total workforce and budget.

Audit accomplishments



15

audit reports issued



65

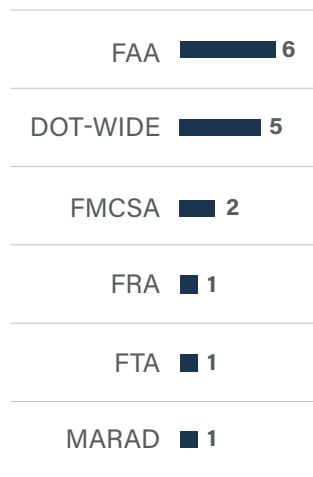
recommendations



\$210.3m

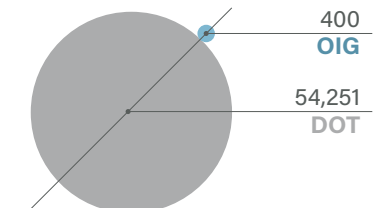
financial impact of DOT OIG audit reports

Audit reports issued

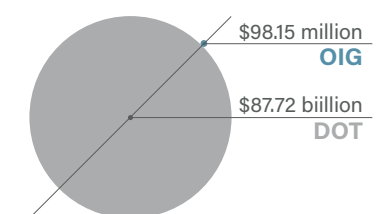


Total Audits: 15

Enacted FTEs



Budgetary resources



Note: Return on investment compares the cost for DOT OIG to do business to the revenue and other savings generated through court-ordered fines, restitutions, recoveries, forfeitures, recoveries of improper payments, recommended cost savings, and recommendations for funds put to better use.

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Investigations

Investigations

Summary of Performance

We investigate allegations of fraud, waste, abuse, and other violations of law by DOT employees, contractors, grantees, and regulated entities. Some of the most significant issues for which we completed or concluded investigations during this reporting period include:

- Fraudulent FMCSA registration filings.** An individual was sentenced to 9 years' incarceration and 3 years' supervised release for falsifying commercial vehicle authorization requests with the intent to impede, obstruct, and influence FMCSA's process of investigation and proper administration.
 - narcotics charges in 1985, the individual had remained a fugitive for 35 years.
- False Claims Act violations.** A military transport contractor entered into a civil settlement to resolve allegations that it violated the False Claims Act by failing to adhere to Buy American Act provisions. The company agreed to pay \$11,088,000 plus \$429,273 for FAA-assessed penalties.
 - DBE fraud. A fuel supplier entered into a civil liability settlement related to its use of a non-DBE company on a federally funded project. In total, the supplier was ordered to pay \$3,273,600 to the United States.
- Flying without a valid airman's certificate.** A fugitive was sentenced to 48 months' incarceration, 1 year of supervised release, a \$300 special assessment, and forfeiture of an aircraft for passport fraud, aggravated identity theft, and operating an aircraft without a legitimate airman's certificate. Indicted on
 - DBE fraud. A fuel supplier entered into a civil liability settlement related to its use of a non-DBE company on a federally funded project. In total, the supplier was ordered to pay \$3,273,600 to the United States.

Investigative accomplishments



1,638

hotline contacts received



67/86

investigations & complaints closed/opened



83/14

criminal/civil investigations referred for prosecution



48/38

convictions/indictments



98

total years of incarceration, probation, and supervised release



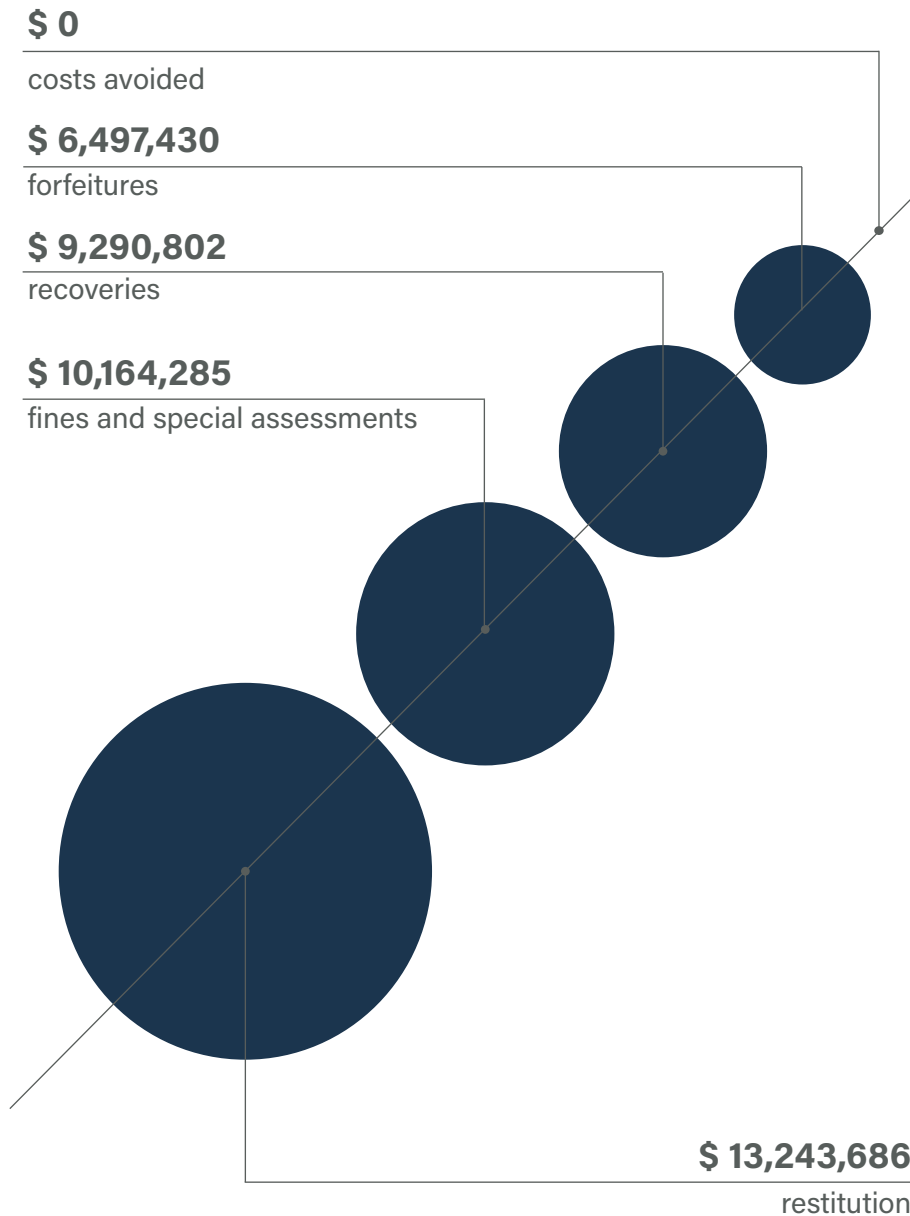
\$39.2m

financial impact of DOT OIG investigations

Investigations Statistical Data

Financial impact of DOT OIG investigations

\$ **\$39,196,203**
total financial impact



Types of criminal monetary impositions

Forfeitures include the seizure of assets that represent the proceeds of, or were used to facilitate, Federal crimes.

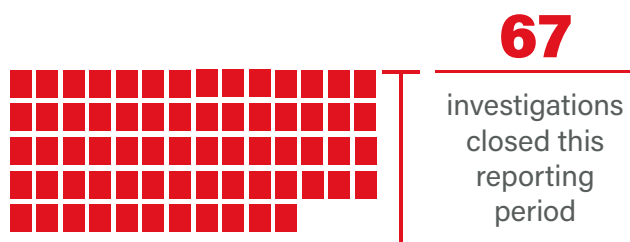
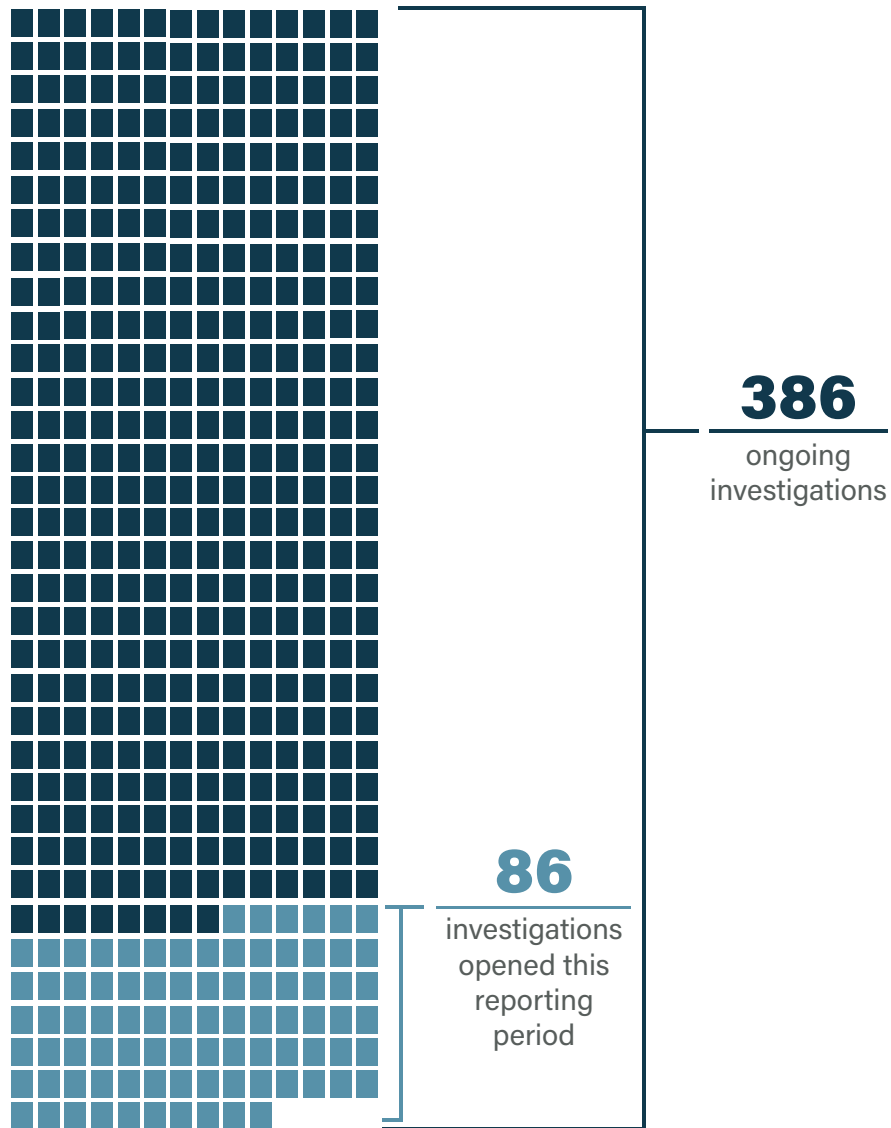
Fines are criminal or civil monetary penalties.

Special assessments are part of the sentence for offenders of Federal crimes, applied on a per-count basis. The money is placed in the Crime Victims Fund to recompense victims of offenses against Federal law.

Restitution is a criminal or civil award to a victim for harm caused by the offender's wrongful acts.

Recoveries include funds returned to the Government resulting from criminal and civil judgments, pleas, and settlements.

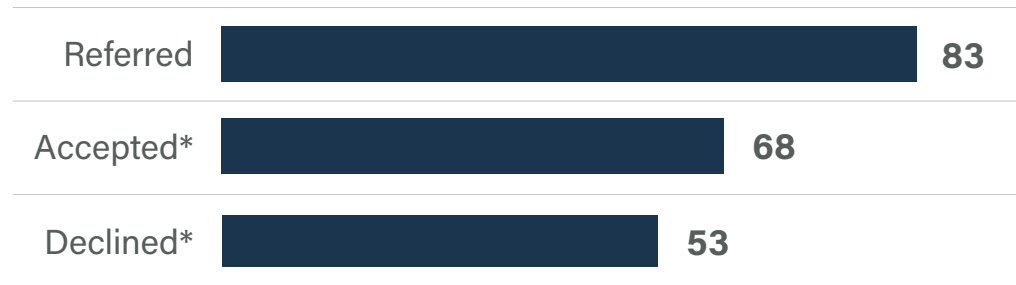
Investigative workload



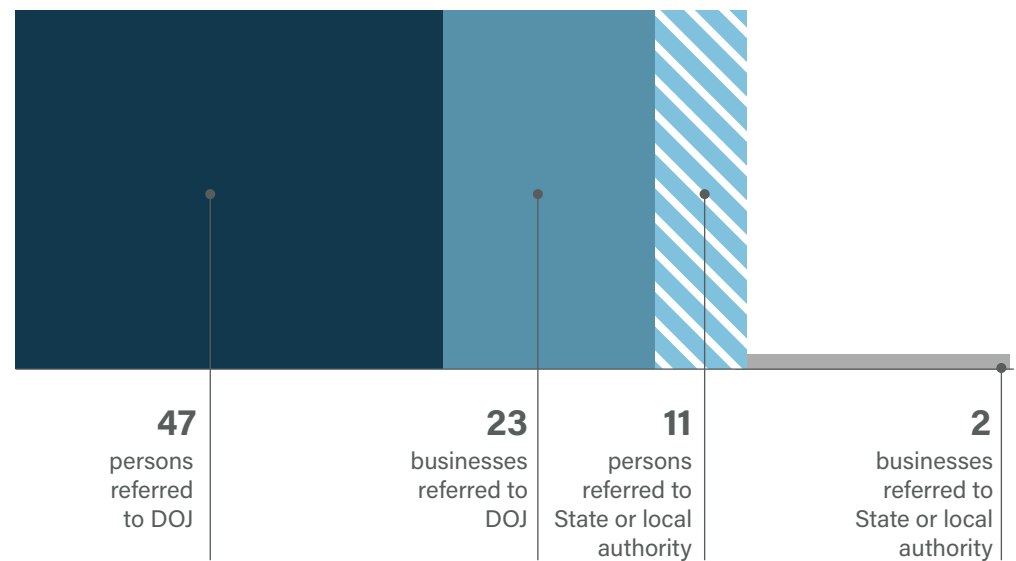
Criminal prosecutions

DOT OIG investigates and refers a variety of matters for criminal prosecution, including cases involving transportation safety, procurement and grant fraud, consumer and workforce fraud, and employee integrity issues.

Number of investigations referred, accepted, and declined for criminal prosecution



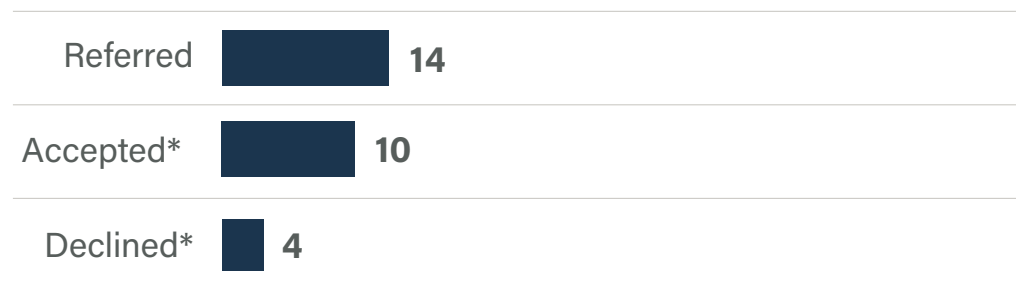
Persons and businesses referred to the U.S. Department of Justice or State/local authorities for criminal prosecution



Civil prosecutions

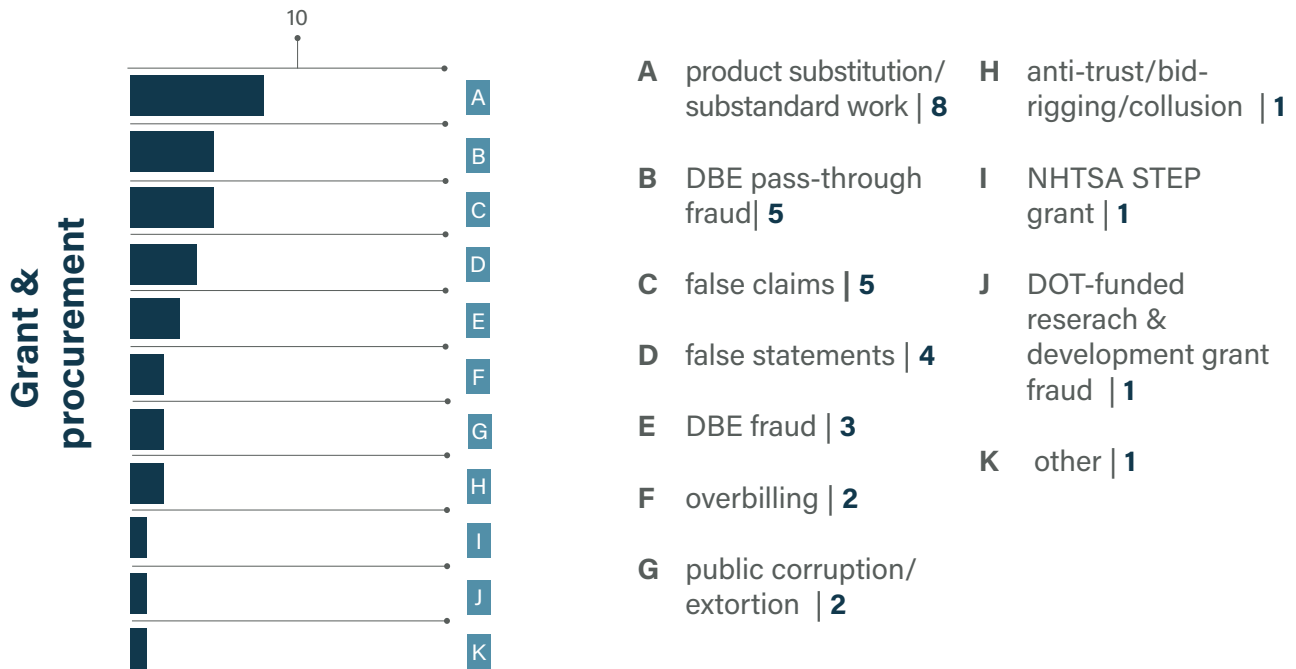
DOT OIG investigates and refers civil matters for prosecution, including False Claims Act cases involving fraud on DOT programs.

Number of investigations referred, accepted, and declined for civil prosecution

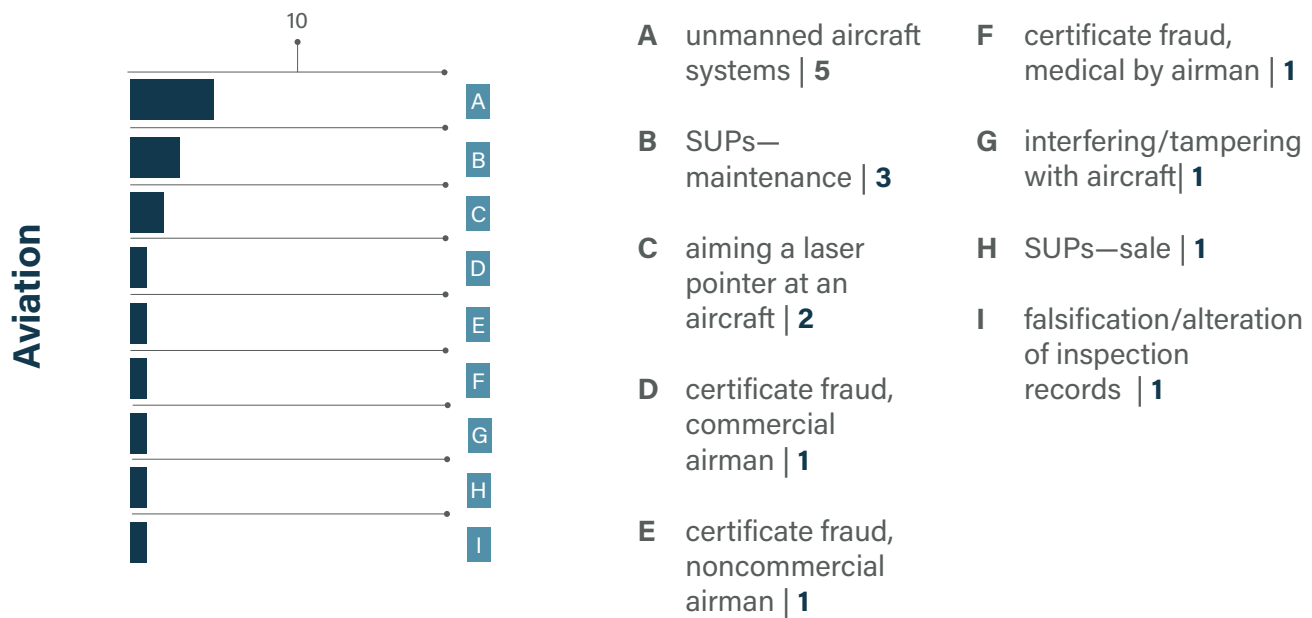


*Number of accepted and declined referrals may include investigations initiated in a prior reporting period.

Summary of referrals for criminal and civil prosecution

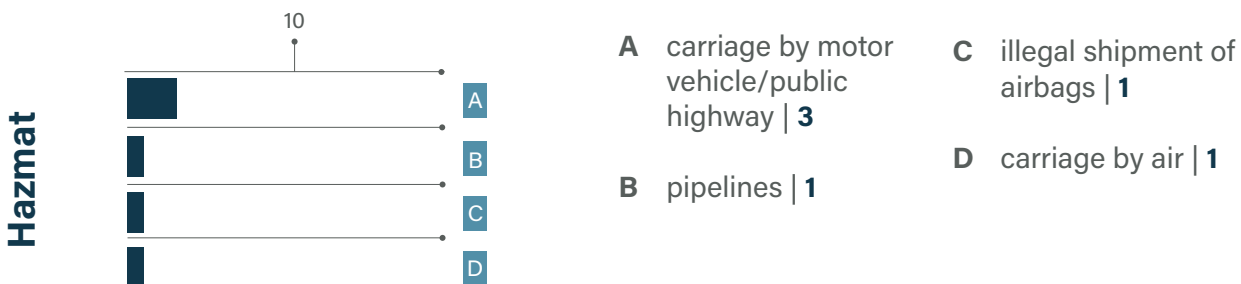
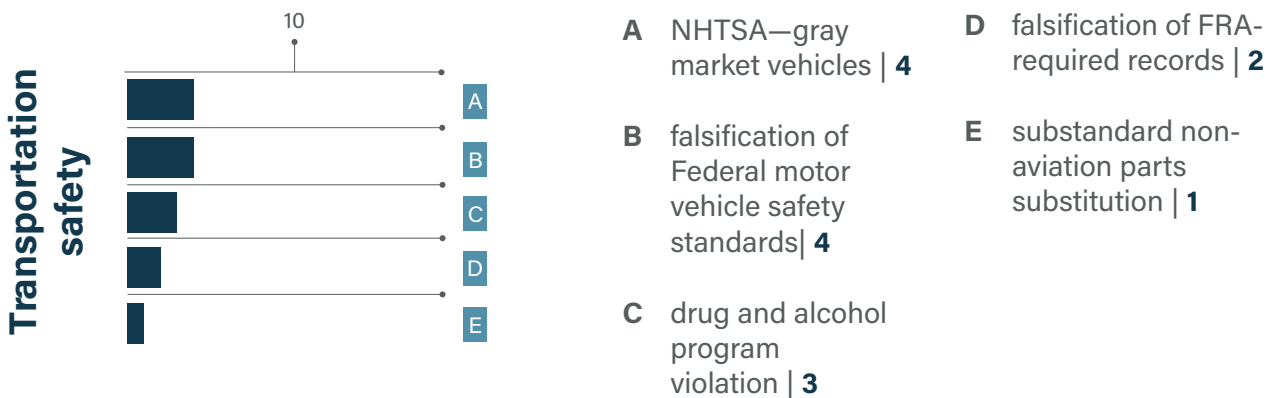
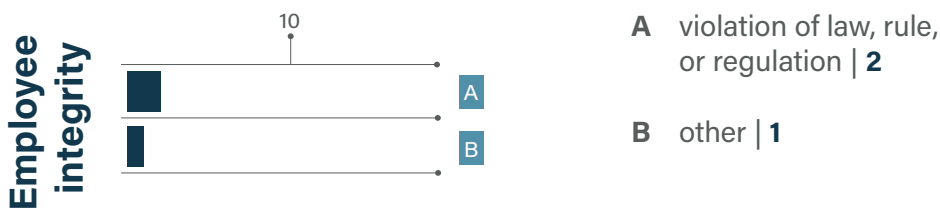
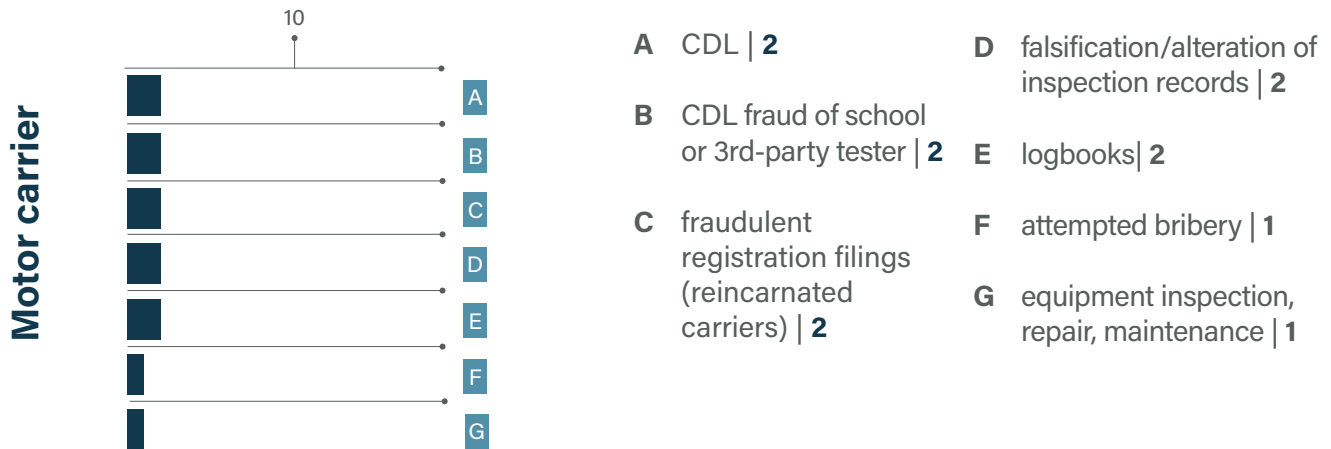


- A** product substitution/substandard work | **8**
- B** DBE pass-through fraud | **5**
- C** false claims | **5**
- D** false statements | **4**
- E** DBE fraud | **3**
- F** overbilling | **2**
- G** public corruption/extortion | **2**
- H** anti-trust/bid-rigging/collusion | **1**
- I** NHTSA STEP grant | **1**
- J** DOT-funded reserach & development grant fraud | **1**
- K** other | **1**

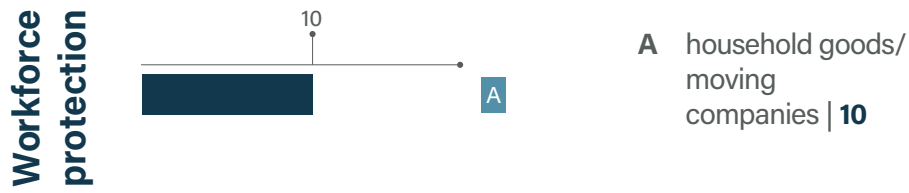
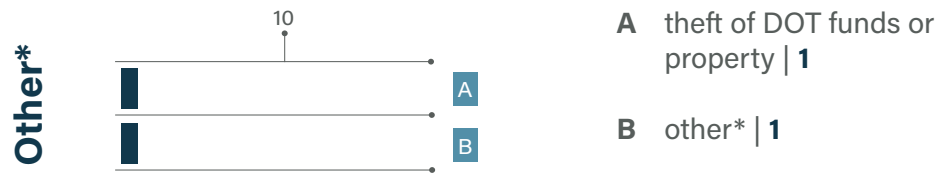


- A** unmanned aircraft systems | **5**
- B** SUPs—maintenance | **3**
- C** aiming a laser pointer at an aircraft | **2**
- D** certificate fraud, commercial airman | **1**
- E** certificate fraud, noncommercial airman | **1**
- F** certificate fraud, medical by airman | **1**
- G** interfering/tampering with aircraft | **1**
- H** SUPs—sale | **1**
- I** falsification/alteration of inspection records | **1**

Summary of referrals for criminal and civil prosecution (cont.)



Summary of referrals for criminal and civil prosecution (cont.)



* For this reporting period, other referrals included misuse of non-DOT CARES Act funds.

Investigative reports

DOT OIG completed 33 investigative reports, including reports of investigation, stakeholder memos, and management implication reports.

Indictments and informations from prior referrals

A total of 30 indictments or criminal informations resulted from previous referrals for prosecution.

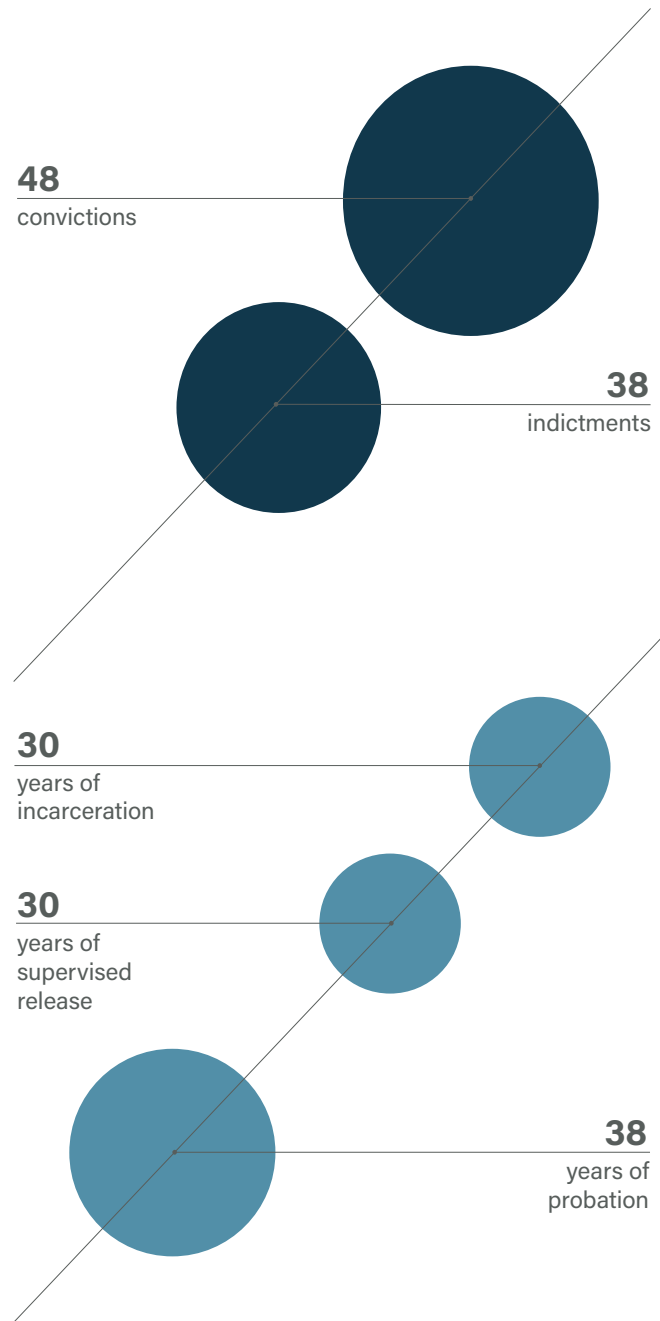
Whistleblower retaliation

DOT OIG did not close any investigations in which a DOT official was found to have engaged in whistleblower retaliation.

Metrics used to develop investigative statistical data

DOT OIG maintains an Investigative Case Management System to track the life of an investigation. It captures hundreds of data points, including dates, significant investigative steps, referrals, and outcomes (criminal, civil, and administrative). It is also the repository for reports of investigation, stakeholder communications, and management implication reports. Each statistic and outcome reported is validated against the appropriate legal documents.

Judicial actions and outcomes



Types of judicial actions

A **conviction** is the verdict that results when a court of law finds a defendant guilty of a crime.

An **indictment** is an official written statement charging a person with a crime.

Supervised release is a period of supervision following an offender's release from prison. It is imposed in addition to a sentence of imprisonment.

Probation is a period of supervision over an offender, ordered by a court instead of a sentence of imprisonment.

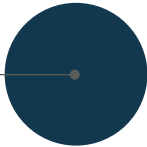
Community service is a sentencing option ordering offenders to perform a number of hours of unpaid work for the benefit of the public.

Administrative actions

Suspension and debarment actions

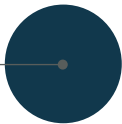
13

suspension referral



11

individual debarment



10

debarment referral



8

suspension & debarment referral*



3

business debarment



3

individual suspension



2

business suspension



Personnel action

2

resigned/retired during investigation



Other actions

4

compliance agreement



3

certificate/license/permit terminated



3

Federal funds reduced



2

enforcement action taken



2

corrective actions taken



1

certificate/license/permit suspended



1

Federal funding participation suspended



Types of administrative actions

Suspension and debarment

excludes an individual or entity from financial and nonfinancial assistance and benefits under Federal programs and activities.

Personnel actions

include significant changes in employee duties, responsibilities, or working conditions.

Compliance agreements

are voluntary agreements aimed at preventing future wrongdoing by putting safeguards in place to correct past misconduct and identify and correct any future misconduct.

*These referrals were made with another agency.

Investigations involving senior Government employees that were closed but not disclosed to the public

■ **substantiated allegations** ■ **unsubstantiated allegations**
(defined as no criminal, civil, or administrative actions taken as a result of the investigation)

1

conflict of interest



1

violation of law, rule, or regulation

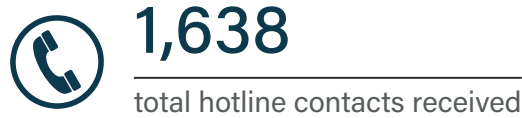


Investigations involving senior Government employees where misconduct was substantiated

There were no investigations involving senior Government employees where misconduct was substantiated.

Hotline Complaint Center

DOT OIG maintains a Hotline Complaint Center for receiving allegations of fraud, waste, abuse, or mismanagement in DOT programs or operations. Allegations may be reported 24 hours a day, 7 days a week by DOT employees, contractors, or the general public.



1 fax

1 (202) 366-7749

33 letters/1 walk-in

1200 New Jersey Ave SE
West Bldg, 7th floor
Washington, DC 20590

296 phone calls

1 (800) 424-9071

451 web contacts

www.oig.dot.gov/hotline

856 emails

hotline@oig.dot.gov

Audits

Audits

Summary of Performance

We conduct independent and objective audits and reviews of DOT programs and activities to ensure they operate economically, efficiently, and effectively. Some of the most significant issues for which we completed reviews during this reporting period include:

- **Buy American oversight.** FAA may have put up to \$127 million in Federal funds at risk due to a lack of Buy American-related guidance and training. Specifically, COs omitted or improperly applied the required clauses, lacked vendor certifications, or did not fulfill contract filing requirements for some Buy American-applicable contracts.
- **Oversight of CDL disqualifications.** While States typically transmitted electronic CDL conviction notifications timely, FMCSA’s oversight is limited by State processes for handling convictions sent by mail. FMCSA also lacks adequate quality control measures for verifying that State CDL programs meet Federal requirements.
- **Grants management.** FRA has not fully adopted a centralized grants management framework for its Amtrak oversight program. The Agency also lacks measurable goals, metrics, and complete policies and procedures for assessing Amtrak’s adherence to requirements.
- **Hurricane Sandy funds.** FTA has disbursed less than half of its Hurricane Sandy funds, does not fully comply with Federal guidance, and inconsistently tracks and reports fund data. The Agency has also not complied with an OMB directive to make these data publically available online.

Audit accomplishments



15

audit reports issued



65

recommendations

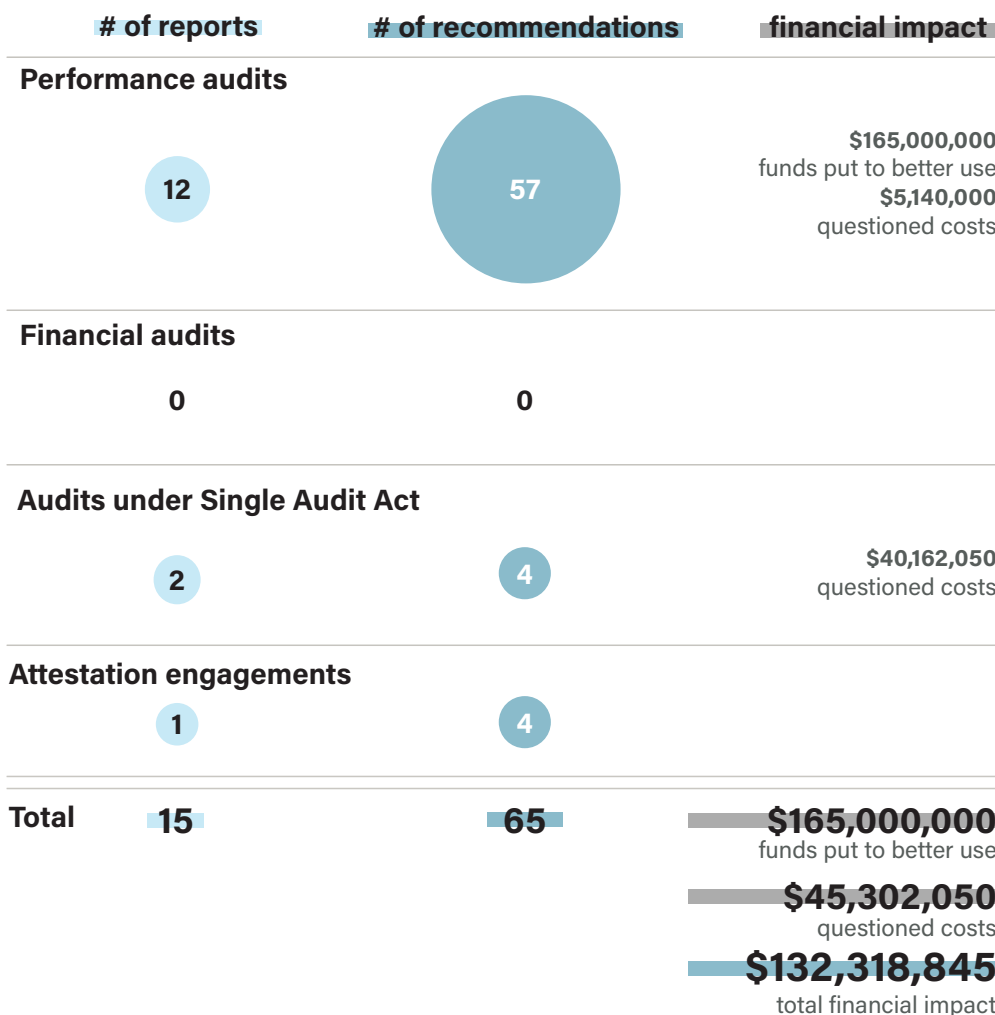


\$210.3m

total financial impact of DOT OIG audits

Audits Statistical Data

Completed audits by type



Types of audits

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria.

Financial audits are assessments that determine whether the reported financial conditions, results, and use of resources are presented fairly in accordance with recognized criteria.

Audits under Single Audit Act are examinations of an entity that expends \$750,000 or more of Federal assistance (i.e., Federal funds, grants, or awards) received for its operations.

Attestation engagements are reviews that evaluate the assertions of another party for compliance with agreed-upon standards and procedures.

NOTE: Dollars shown are amounts reported to management. Actual amounts may change during final resolution. See page 21 for definitions.

Recommendations unresolved by end of reporting period

	Number of reports	Number of recommendations	Funds put to better use	Questioned costs*	Unsupported costs
Unresolved recommendations at the start of the reporting period					
That questioned costs	0	0			
That funds be put to better use	1	1	\$2,200,000		
For safety, efficiency, and economy	4	6			
A Total unresolved recommendations at the start of the reporting period**	5	7	\$2,200,000		
Recommendations made during reporting period					
That questioned costs	3	3		\$45,302,050	
That funds be put to better use	2	2	\$165,000,000		
For safety, efficiency, and economy	14	60			
B Total recommendations made during reporting period**	19	65	\$165,000,000	\$45,302,050	
Total recommendations to be resolved (A+B)**	24	72	\$167,200,000	\$45,302,050	
Recommendations resolved during reporting period					
That questioned costs					
(i) dollar value of recommendations that were agreed to by mgmt	0	0			
(ii) dollar value of recommendations that were not agreed to by mgmt	2	2		\$13,148,786	
That funds be put to better use					
(i) dollar value of recommendations that were agreed to by mgmt	0	0			
(ii) dollar value of recommendations that were not agreed to by mgmt	2	2	\$129,200,000		
For safety, efficiency, and economy	15	61			
C Total resolved at the end of the reporting period**	19	65	\$129,200,000	\$13,148,786	
D Total unresolved at the end of the reporting period [(A+B)-C]**	5	7	\$38,000,000	\$32,153,264	

*Includes reports and recommendations where management both agreed to and disagreed with the costs. Dollars shown are the amounts reported to management. Actual amounts may change during final resolution. **Report totals may not add up precisely because one report may have multiple types of recommendations. NOTE: See next page for definitions.

Definitions

Resolved/unresolved recommendations

OMB Circular A-50 requires DOT OIG recommendations to be resolved within 6 months. Recommendation resolution refers to whether (a) the agency has provided a management decision that agrees with the recommendation and proposes corrective actions and (b) DOT OIG agrees that the proposed corrective actions are appropriate to address the recommendation.

Resolved recommendation

A recommendation is resolved if the agency agrees with the recommendation and DOT OIG agrees to the agency's proposed corrective actions.

Unresolved recommendation

A recommendation is unresolved if agency management does not agree with the recommendation or DOT OIG does not agree to the agency's proposed corrective actions.

Questioned costs

Costs that are questioned by DOT OIG because of an alleged violation of a provision; costs not supported by adequate documentation (unsupported costs); or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Allowed costs

Dollar value that DOT management has agreed should be charged to the Government.

Disallowed costs

Dollar value that DOT management has decided should not be charged to the Government.

Funds put to better use

Funds that could be used more efficiently if management took actions to implement and complete the recommendation. For example, recommendations that funds be put to better use could result in reductions in spending, deobligation of funds, or avoidance of unnecessary spending.

Age of unresolved recommendations

less than
6 months

6 months
to 1 year

1 year to
18 months

18 months
to 2 years

more than
2 years

3

4

\$32,153,264
total questioned costs

\$38,000,000
total funds put to better use

Recommendations unresolved as of the end of the reporting period

Report	Unresolved Recommendations
More than 2 years	
Total Costs, Schedules, and Benefits of FAA's NextGen Transformational Programs Remain Uncertain AV2017009 11/10/2016	Recommendation 1. Develop and implement Agency-wide guidance for a uniform approach to segmentation that provides a common format to aid the management of multiple, complex, and interrelated programs needed to achieve NextGen capabilities for transforming the NAS.
FAA Needs To Strengthen Its Management Controls Over the Use and Oversight of NextGen Developmental Funding AV2018030 3/6/2018	Recommendation 2. Develop and implement a quality control checklist with criteria for determining when the use of incremental funding prior to PLA approval is permissible. Recommendation 3. Develop and implement a control for enforcing the PMA limits on the assessment of program management fees for various administrative and contract support specified in the Agency's standard operating procedures.

Report	Unresolved Recommendations
FAA Needs To Strengthen Its Management Controls Over the Use and Oversight of NextGen Developmental Funding <i>continued</i>	Recommendation 6. Establish and implement a mechanism for providing oversight of developmental funding, to include records of decision regarding selecting, justifying, and measuring the outcomes of PLAs to ensure FAA is funding the highest priority work.

Open audit recommendations

As of September 30, DOT OIG had **523 open recommendations**, which were included in 176 audit reports issued since February 5, 2009. Of these, 63 recommendations (from 48 reports) carry an **estimated monetary or cost savings totaling over \$7.8 billion**, including funds that could be put to better use and questioned costs.

Please visit our [Recommendation Dashboard](#) for accurate and timely data on the status of DOT OIG's audit recommendations, links to audit summaries associated with each recommendation, interactive charts and recommendation data visualizations, and reports on recommendations required by the Inspector General Act.

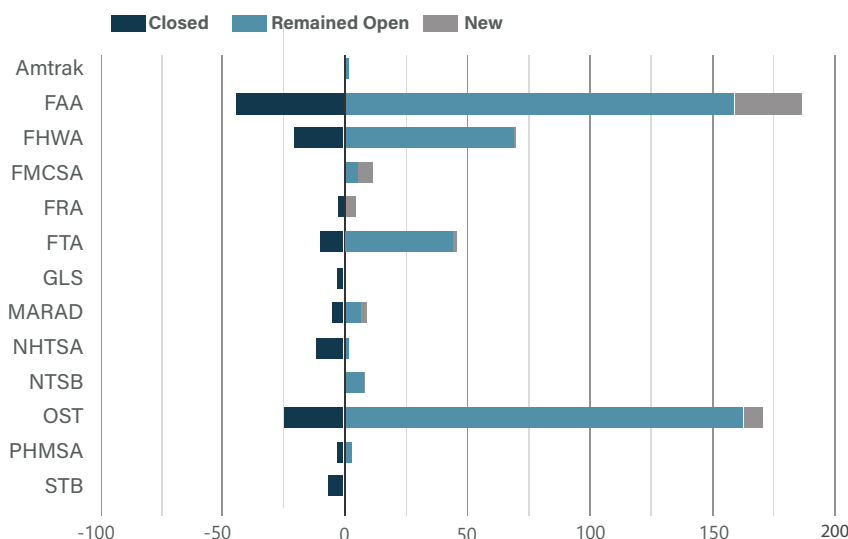


Open and closed audit recommendations

A recommendation is **opened** on the date the audit report is issued. Once opened, a recommendation is “unresolved” until the Department and DOT OIG agree on the step(s) necessary to address the recommendation. Then the recommendation is considered “resolved” and remains open until the Department completes the corrective action and provides DOT OIG with sufficient supporting evidence of the actions taken.

A recommendation is **closed** after the Department has agreed with the recommendation, takes appropriate corrective action, and provides DOT OIG with sufficient supporting evidence to demonstrate that the action was taken.

Status of audit recommendations, Second Half of FY 2021



Note: Amtrak, NTSB, and STB are independent Federal agencies within DOT OIG's audit jurisdiction; they are not DOT Operating Administrations.

Reports with no agency comment within 60 days

We work closely with the Department to ensure timely responses to our draft audit reports. All agency responses were received within 60 calendar days.

Audits closed but not disclosed to the public

It is our practice to post all closed nonsensitive audits and evaluations on our public website. Consequently, we have no previously undisclosed audits and evaluations to report.

Significant revised management decisions

DOT did not revise any significant management decisions.

DOT OIG disagreement with significant management decisions

DOT made no significant management decisions with which DOT OIG disagreed.

Attempts to interfere with DOT OIG independence

We did not encounter any instances where DOT attempted to interfere with DOT OIG independence.

Compliance with Federal Financial Management Improvement Act

DOT is in compliance with the Federal Financial Management Improvement Act.

Information or assistance refused by DOT

DOT did not unreasonably refuse information or assistance.

Audits

Completed Audit Reports

DEPARTMENT-WIDE

DOT Appropriately Relied on Unsubsidized Carriers in Accordance With Its Policy but Conducted Limited Oversight of the Essential Air Service Communities They Serve

Mandated by the Federal Aviation Administration Reauthorization Act of 2018

5.19.2021
AV2021024

The Airline Deregulation Act of 1978 gave airlines the freedom to determine which markets to serve and what fares to charge. However, it also raised concerns that communities with relatively low traffic levels might lose service entirely if carriers shifted their operations to larger, potentially more lucrative markets. Through the Essential Air Service (EAS) Program, DOT determines the requirements for each eligible community and subsidizes air carriers when necessary. In 2018, Congress directed our office to determine whether DOT was providing sufficient oversight of the unsubsidized air carriers providing basic essential air service. Accordingly, our objectives were to evaluate whether DOT (1) appropriately relied on unsubsidized air carriers for small communities and (2) conducted oversight of the services provided by those air carriers. DOT appropriately relied on unsubsidized air carriers in accordance with its policy. Specifically, if an air carrier proposed to provide air service without a subsidy and the Department determined the carrier could reliably do so, DOT relied on the carrier's service as proposed. Federal law does not require DOT to consider community views when it relies on unsubsidized carriers, and the Department did not prescribe specific content for their proposals. We also found that DOT conducted limited oversight of the EAS communities served by unsubsidized carriers. Federal law requires eligible communities to be provided with basic essential air service and air carriers to file a 90-day notice of their intent to end, suspend, or reduce such service. While unsubsidized carriers typically met the minimum departure criteria for their communities, officials in seven of the nine communities we reviewed were unaware that they could petition the Department when issues arose. DOT also did not conduct required periodic reviews of the designated levels of service in unsubsidized communities, which limited its awareness of their essential air service needs. We made two recommendations to improve DOT's oversight of EAS communities served by unsubsidized carriers. The Department concurred with recommendation 1 and partially concurred with recommendation 2, which we consider to be open and unresolved pending a decision from DOT.

DOT's Fiscal Year 2020 Payment Integrity Information Act Compliance Review

Required by the Payment Integrity Information Act of 2019

7.14.2021
FI2021031

The Payment Integrity Information Act of 2019 (PIIA) requires agencies to identify, report, and reduce improper payments in their programs. For fiscal year 2020, DOT reported one program, FHWA's Highway Planning and Construction (HPC) Program, as susceptible to significant improper payments and subject to PIIA reporting requirements. HPC reported total expenditures of over \$46 billion, and DOT estimated that about \$172 million of those payments were improper. PIIA also requires inspectors general to annually report on their agencies' compliance. Our audit objective was to determine whether DOT complied with PIIA's requirements as prescribed by OMB. We reviewed the improper payment testing results published in DOT's fiscal year 2020 Annual Financial Report (AFR) and posted to the Federal Government's Payment Accuracy website and used statistical sampling to test transactions. DOT is in compliance with PIIA. For fiscal year 2020, DOT reported improper payment estimates for FHWA's HPC. The payment integrity information in DOT's 2020 AFR and data posted to the Payment Accuracy website was accurate and complete. DOT also conducted risk assessments of programs as OMB requires. The Department published its planned and completed corrective actions in its supplemental data call posted to the Payment Accuracy website. DOT's corrective action plans appear adequately designed, focused on true root causes, and effectively implemented and prioritized with an emphasis on reducing improper payments. Furthermore, for fiscal year 2020, FHWA's HPC Program surpassed its fiscal year 2020 improper payment reduction target of 0.85 percent, reporting estimated improper payments of 0.37 percent or about \$172 million—a decrease of \$224 million from 2019. Lastly, DOT continues to take steps to reduce and recapture improper payments through its risk assessments, annual improper payment testing, and payment recapture audits. We made no recommendations.

Report on the Quality Control Review of the Independent Service Auditor's Report on DOT's Enterprise Services Center

Required by OMB Bulletin No. 21-04, Auditing Requirements for Financial Statements

9.27.2021
QC2021038

This report presents the results of our quality control review (QCR) of an audit of DOT's Enterprise Services Center (ESC) controls. ESC provides financial management services to DOT and other agencies, and operates under the direction of DOT's Chief Financial Officer. OMB requires ESC, as a management services provider, to either provide its user organizations with independent audit reports on the design and effectiveness of its internal controls, or allow user auditors to perform tests of its controls. We contracted with KPMG LLP to conduct this audit subject to our oversight. The objectives of the review were to determine whether (1) management's descriptions of ESC's systems are fairly presented, (2) ESC's controls are suitably designed, and (3) ESC's controls are operating effectively throughout the period of October 1, 2020, through June 30, 2021. KPMG will do additional testing and issue a follow-up letter to our office for the period July 1, 2021, through September 30, 2021. We performed a QCR on KPMG's report and related documentation. Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards. DOT concurs with KPMG's four recommendations.

The quality control review and attachments have been marked as For Official Use Only to protect sensitive information exempt from public disclosure under the Freedom of Information Act (FOIA), 5 U.S.C. § 552. To receive a copy of the report, please contact our FOIA Office.

FEDERAL AVIATION ADMINISTRATION

Gaps in Guidance, Training, and Oversight Impede FAA's Ability To Comply With Buy American Laws

Requested by the Senate Appropriations Committee

6.2.2021
ZA2021026

\$127 MILLION IN FUNDS PUT TO BETTER USE

To support its mission to provide the safest, most efficient airspace system in the world, FAA seeks to procure state-of-the-art systems, high-quality goods, and first-rate services. In 2017, for example, the Agency made over \$4 billion worth of purchases—of which a range of \$87 million to an estimated \$1.7 billion could be subject to the Buy American Act (BAA) and the FAA-specific Buy American Preference provisions (BAP). In response to a congressional request, we initiated this audit to assess FAA's policies and procedures for awarding and administering contracts in accordance with domestic content laws. Specifically, we evaluated FAA's policies and procedures for (1) implementing Buy American requirements and (2) overseeing Buy American compliance. FAA's Acquisition Management System requires Buy American-applicable contracts to include specific clauses that direct vendors to certify the origins of goods or products and contracting officers (CO) to fully understand BAA and BAP requirements. However, we found Buy American-applicable contracts where COs had omitted or improperly applied the required clauses, lacked vendor certifications, or did not fulfill contract filing requirements—due to a lack of BAA- and BAP-specific guidance and training. As a result, we estimate that FAA may have put up to \$127 million in Federal funds at risk due to contracts missing required vendor certifications. In addition, while Federal policy directed agencies to monitor, enforce, and comply with the Buy American Laws, FAA does not require its staff to assess and report on compliance, although it has tools available for this purpose. The Agency also lacks effective processes for recording “place of manufacture data” or for tracking usage of BAP waivers. As a result, FAA cannot be certain that it is meeting the intent of the Buy American Laws—to purchase American-made materials and goods to strengthen our economic and national security. We made eight recommendations to improve FAA's compliance and oversight for contracts subject to domestic content laws. FAA concurred with all eight recommendations, which we consider resolved but open pending completion of the planned actions.

FAA's Ability To Manage Its National Airspace System Inventory Is Limited by Several Gaps in Its Processes That Remain After Adoption of the Agency's Current Inventory Management System

Self-initiated

7.12.2021
FI2021029

\$38 MILLION IN FUNDS PUT TO BETTER USE

Through its Logistics Center, FAA maintains, repairs, and overhauls equipment for the National Airspace System (NAS). The Logistics Center is FAA's only centralized distribution center for NAS inventory, valued at \$735 million. Each year, it ships and receives approximately 200,000 parts to FAA field offices and other domestic and international customers. Previous reviews have found that FAA did not have sufficient controls in place to track and manage its inventory. Accordingly, we initiated this audit with the following objective: to determine if FAA has effective oversight controls for managing the NAS inventory, including controls to appropriately account for excess, obsolete, or unserviceable (EOU) items. FAA lacks sufficient oversight controls for managing its NAS inventory and continues to maintain excessive quantities of old and unserviceable parts. In part, this is because FAA lost the automatic functionality for monitoring excess inventory levels after it transitioned to a new inventory management system. The transition to the new system also impacted FAA's ability to track EOU inventory to final disposition and monitor exchange and repair (E&R) parts shipped to and

from the field. Furthermore, FAA must manually recalculate inventory values for most E&R parts and faces about \$1 million in quantity discrepancies. The lack of sufficient controls limits FAA's ability to accurately report its inventory values and determine the stock levels it needs to support NAS systems. We made seven recommendations to improve FAA's ability to manage and provide oversight for the NAS inventory. FAA concurred with recommendations 1–4, 6, and 7. Thus, we consider these recommendations resolved but open pending a DOT OIG review and FAA's completion of planned actions. FAA partially concurred with recommendation 5 and provided an alternative action but did not describe the course of action it will take if parts are never returned or the impact of unreturned parts on its financial statements. Therefore, we consider recommendation 5 open and unresolved. We request that the Agency reconsider its position on this recommendation and provide us with its revised response within 30 days of the date of this report in accordance with DOT Order 8000.1C.

FAA Is Taking Steps to Properly Categorize High-Impact Information Systems but Security Risks Remain Until High Security Controls Are Implemented

Self-initiated

8.2.2021
IT2021033

As FAA's operational arm, the Air Traffic Organization (ATO) is responsible for providing safe and efficient air navigation services in U.S. controlled airspace. ATO provides air navigation services in over 17 percent of the world's airspace and includes large portions of international airspace over the Atlantic and Pacific Oceans and the Gulf of Mexico. Until recently, ATO had never applied the high-impact security categorization rating to any of its information systems. While many of these systems provide safety-critical services and would have adverse high impact on FAA's mission in the event of system failure and on the safety and efficiency of the NAS, FAA categorized all of them as low or moderate. Given the importance of ATO's information systems to air traffic control security and traveler safety, we initiated this audit. Our audit objectives were to assess (1) FAA's information system categorization process and (2) the security controls that FAA has selected for the systems it recently re-categorized as high impact. FAA concurred with all six of our recommendations to enhance its categorization process and mitigate security risks until the Agency selects and implements high security controls for its re-categorized high-impact systems.

THE DEPARTMENT HAS DETERMINED THAT THIS REPORT CONTAINS SENSITIVE SECURITY INFORMATION (SSI) that is controlled under 49 CFR parts 15 and 1520 to protect Sensitive Security Information exempt from public disclosure. For U.S. Government agencies, public disclosure is governed by 5 U.S.C. § 552 and 49 CFR parts 15 and 1520. SSI will be redacted from the report version posted on our website.

FAA Can Increase Its Inspector Staffing Model's Effectiveness by Implementing System Improvements and Maximizing Its Capabilities

Mandated by the Federal Aviation Administration Reauthorization Act of 2018

8.11.2021
AV2021034

Much of FAA's safety oversight work is performed by its aviation safety inspector workforce, whose responsibilities include overseeing the maintenance practices of air carriers and other operators, certifying the airworthiness of new aircraft, and monitoring the work performed by individual and organizational designees. To help determine its future needs, FAA uses its inspector staffing model to produce annual forecasts of up to 10 fiscal years of inspector staffing levels. The FAA Reauthorization Act of 2018 directed FAA to update its safety-critical staffing model and our office to conduct an audit to determine the staffing model's assumptions and methodologies and whether it accounts for FAA's authority to fully use designees, which handle certification reviews and approvals on FAA's behalf. Our audit objectives were to (1) assess the changes FAA made to update the inspector staffing model, (2) review the assumptions and methodologies the model uses to predict the number of aviation safety inspectors FAA needs to meet its current and future oversight responsibilities, and (3) determine how FAA's model accounts for the use of designees. Since 2013, FAA has taken constructive steps to improve the model but has not taken substantive action on three recommendations from the National Research Council, including developing performance measures to assess the accuracy of the model's staffing estimates. Further, FAA has yet to implement two new models that would reflect organizational changes, and only uses the model to produce a single, national inspector staffing figure. Finally, the model accounts solely for the time inspectors spend overseeing individual and organizational designees, not the work these outside parties perform on FAA's behalf or may perform in the future. We made seven recommendations to improve the accuracy of FAA's inspector staffing projections and enhance the capabilities of the staffing model. FAA concurred with five of our seven recommendations and partially concurred with two. We consider all seven recommendations resolved but open, pending completion of planned actions.

FAA's Approach for Establishing and Modifying Air Traffic Controller Staffing Levels Needs Improvement To Properly Identify Staffing Needs at Contract Towers

Requested by the U.S. Senate Committee on Appropriations

8.18.2021
AV2021035

The FAA Contract Tower (FCT) Program consists of 257 contract towers in 46 States operated by 3 contractors and the Air National Guard. Contract towers manage about 28 percent of the Nation's air traffic control operations. The FCT Program is governed by seven contracts, based on geographical regions, which establish controller staffing for contract towers. These contracts normally cover a 5-year period and require contractors to submit controller staffing plans for each tower during the contract solicitation process. Our audit objective was to assess FAA's approach for establishing and modifying air traffic controller staffing levels at contract towers. FAA does not establish controller staffing levels at contract towers; instead the Agency reviews and approves staffing levels the contractors submit during the contract solicitation process. While FAA requires a program-wide staffing minimum of four controllers per tower, this minimum is not based on any Agency analysis or a study of controller staffing levels at contract towers. Also, FAA does not adequately monitor whether contractors adhere to the staffing minimum requirement. This is because FAA has not formally documented its process for establishing and reviewing contract tower staffing minimums. In addition, FAA does not proactively review staffing data to

identify when staffing changes are needed; instead it relies on contractors to request and justify such changes. Further, FAA did not provide evidence that it had conducted any reviews of contractor performance relative to the labor hours stated in the approved staffing plans. As a result, the Agency may have missed key indicators of the potential need for staffing modifications. We made four recommendations to improve FAA's approach for staffing contract towers and monitoring performance levels. FAA concurred with recommendations 1 through 3. Thus, we consider these recommendations resolved but open pending FAA's completion of planned actions and a DOT OIG review. FAA partially concurred with recommendation 4, which we consider open and unresolved and request that the Agency reconsider its position within 30 days of the date of this report.

FAA Faces Challenges in Tracking Its Acquisition Workforce and Ensuring Compliance With Training, Certification, and Warrant Requirements

Self-initiated

9.27.2021

ZA2021037

Between fiscal years 2013 and 2018, FAA awarded over \$17 billion in contracts. Within FAA, three key categories of acquisition professionals work together to award and manage contracts critical to meeting the mission of the agency: Contracting Officers (CO), Contracting Officer's Representatives (COR), and Program/Project Managers (P/PM). However, our prior work has raised concerns about the adequacy of FAA's acquisition workforce certification and warrant practices. Given the importance of a high-performing acquisition workforce in managing FAA's multibillion-dollar contract budget, we conducted this audit. Specifically, our audit objective was to assess FAA's oversight and compliance with Federal and Agency requirements for acquisition workforce training, certification, and warrants. FAA faces challenges in tracking its acquisition workforce and ensuring compliance with training, certification, and warrant requirements. First, FAA lacks effective processes for identifying, tracking, and assessing its acquisition workforce. For example, FAA relies on six separate information systems to identify and track its COs, CORs, and P/PMs, making it difficult to ensure the accuracy and completeness of the Agency's workforce-related data. In addition, until recently, FAA had been using the Federal Acquisition Institute's Acquisition Training System (FAITAS) as its system of record for tracking whether acquisition professionals have required certifications. Yet, more than 5 years after adopting FAITAS, FAA did not fully implement nor ensure its use. Second, FAA does not ensure its acquisition workforce meets all certification and warrant requirements. For example, FAA grants COs varying levels of warrant authority authorizing them to obligate funds on the Government's behalf. However, we found that 6 of 46 COs were assigned to contracts without the required certification level to support their warrant. Further, almost half the CORs in our sample (32 out of 69) were uncertified and yet had been assigned to contracts totaling \$184 million. As a result, FAA may be putting Federal funds at risk by allowing its acquisition workforce to manage contracts without the experience, training, and certifications required to manage highly complex, costly, and mission-critical acquisitions. FAA concurred with our eight recommendations to improve its oversight and compliance with certification, training, and warrant requirements for COs, CORs, and P/PMs. We consider all recommendations resolved but open pending completion of planned actions.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION**FMCSA Has Gaps and Challenges in Its Oversight of CDL Disqualification Regulations***Self-initiated*

7.14.2021

ST2021030

The primary mission of FMCSA is to reduce crashes, injuries, and fatalities involving large trucks and buses. To that end, FMCSA regulates commercial driver's license (CDL) holders involved in interstate commerce and the transportation of hazardous materials. In the last 5 years, fatalities in crashes involving large trucks or buses increased by 12.4 percent, from 4,505 in 2014 to 5,064 in 2019. Federal regulations describe the minimum standards States must meet to comply with the Federal CDL program and permits FMCSA to review each State CDL program to determine compliance. Accordingly, the objective for this self-initiated audit was to assess FMCSA's oversight of States' actions to disqualify commercial drivers when warranted. States did not timely transmit electronic conviction notifications 17 percent of the time. Specifically, we estimate that States of Conviction did not timely transmit 18 percent of 2,182 major offenses and 17 percent of 23,628 serious traffic violations in our universe. We also estimate that 11 percent of 2,182 major offenses were not timely posted and 2 percent of 23,628 serious traffic violations in our universe were not posted to driver records at all. While States did take action to disqualify CDLs when appropriate, with exceptions, FMCSA's evaluation of paper conviction notifications is limited by States' processes for recording and tracking convictions sent by mail. Furthermore, FMCSA's Annual Program Review process lacks adequate quality control measures for verifying that State CDL programs meet Federal requirements. Finally, State noncompliance with Federal CDL disqualification requirements and other State actions pose challenges for FMCSA's oversight. For example, some States offered administrative appeals to out-of-State drivers, overturned disqualifications, and backdated CDL disqualification periods. As a result, some drivers served shorter disqualification time periods than Federal law requires. We made seven recommendations to strengthen FMCSA's oversight of States' actions to comply with Federal CDL disqualification requirements. FMCSA concurred with all seven recommendations, which we consider resolved but open pending completion of the planned actions.

FEDERAL RAILROAD ADMINISTRATION**Fully Implementing a Grants Management Framework Will Enhance FRA's Amtrak Funding Oversight***Self-initiated*6.30.2021
ST2021027

FRA provides the National Railroad Passenger Corporation (Amtrak) with funds appropriated by Congress—approximately \$2 billion for fiscal year 2020 and over \$3.7 billion in supplemental appropriations for the response to the Coronavirus Disease 2019 (COVID-19) pandemic. Congress has also authorized FRA to use a portion of the annual Amtrak appropriations for its grant administration and oversight. Given FRA's role in overseeing this large Federal investment, we initiated this audit to assess FRA's program to oversee Amtrak's use of Federal funding. Based on our findings, FRA has not fully adopted a grants management framework for its Amtrak oversight program. It lacks measurable goals and metrics, complete policies and procedures to assess Amtrak's adherence to requirements, and a centralized grants management system. In 2017, FRA began to develop a strategic vision and focus areas for its Amtrak agreements but has not formalized measurable goals or metrics to assess progress in meeting them. Furthermore, FRA's policies and procedures are incomplete on documenting, tracking, and taking action on Amtrak noncompliance that FRA identifies during monitoring. Finally, FRA does not fully use its centralized grant information system to document and analyze findings from its monitoring reviews of Amtrak. According to FRA officials, the program's strategic framework and policies and procedures are incomplete because FRA focused first on improving the information Amtrak provides; these improvements enhanced FRA's ability to understand Amtrak's use of Federal funding. Officials also indicated that Amtrak's unique legal status limits actions FRA can take to prompt Amtrak to remedy problems the Agency identifies and Amtrak's reporting requirements present challenges for FRA to adapt its grants management information system to help oversee Amtrak's Federal funding. These weaknesses may hinder FRA's ability to assess its program's effectiveness, improve the program, and maximize returns on investment in Amtrak. FRA concurred with our four recommendations to help improve its oversight of Amtrak's use of Federal funding. We consider these recommendations resolved but open pending completion of planned actions.

FEDERAL TRANSIT ADMINISTRATION**FTA Made Progress in Providing Hurricane Sandy Funds, but Weaknesses in Tracking and Reporting Reduce Transparency Into Their Use***Self-initiated*7.21.2021
ST2021032

After Hurricane Sandy caused widespread damage to transportation infrastructure in October 2012, the Disaster Relief Appropriations Act (DRAA) designated \$10.9 billion for FTA's new Public Transportation Emergency Relief Program. We assessed (1) FTA's progress in allocating, obligating, and disbursing its Hurricane Sandy funding and (2) any weaknesses in these processes that we identified. We found that, through December 31, 2020, FTA allocated and obligated approximately \$10 billion—most of its Hurricane Sandy appropriation—but only disbursed about \$4.3 billion. The pace was influenced by a number of factors, including but not limited to project construction planning and execution and the complexity of competitive resilience projects. As a result, over 8 years after the storm, more than half of the funds remain to be spent. We also found that FTA inconsistently tracks and reports Hurricane Sandy funding data or does not fully comply with Federal guidance. The Agency has allocation data in a variety of sources, but—as FTA does not have procedures to accurately communicate allocated amounts over time—the data from these sources do not align. Thus, FTA cannot use these data to determine whether obligation amounts for specific recipients and purposes stayed within the allocated amounts in FTA's official documentation. Finally, FTA has not complied with a directive from OMB to make DRAA obligation data readily identifiable on the USAspending.gov website. Overall, the weaknesses we identified reduced transparency for internal users, decision makers, and the public into FTA's use of Hurricane Sandy funds. We made two recommendations to improve FTA's tracking and reporting on its use of Hurricane Sandy funds. FTA concurred with both recommendations and proposed appropriate actions and completion dates. Accordingly, we consider both recommendations as resolved but open pending completion of the planned actions.

MARITIME ADMINISTRATION

MARAD Has Made Progress in Addressing NAPA Recommendations Related to Mission Focus, Program Alignment, and Ability To Meet Objectives

Mandated by the National Defense Authorization Act for Fiscal Year 2020

7.7.2021
ST2021028

In response to a request from MARAD, the National Academy of Public Administration (NAPA) reviewed MARAD's core functions, including its role within DOT and its contributions to the Nation. NAPA's 2017 report included 27 recommendations to address weaknesses it identified in MARAD's ability to articulate and meet its mission. The National Defense Authorization Act for Fiscal Year 2020 directed our office to audit MARAD's actions to address 16 of NAPA's 27 recommendations—related to the Agency's program alignment, training mission, and other issues. Accordingly, the objective of this audit was to assess MARAD's actions to address the 16 recommendations from NAPA's 2017 report specified by Congress. We found that MARAD took action on 15 of the 16 recommendations we reviewed. It completed 5 of 10 recommendations related to overarching issues impacting its effectiveness, and 2 of 6 recommendations that focused on its ability to provide adequate qualified merchant mariners to meet commercial and national security needs. Nine recommendations had not been completed at the time of our audit. MARAD partially completed eight and decided not to take action on the ninth—determining that the costs outweighed the benefits. Five recommendations were partially completed because they were dependent on coordination with MARAD's stakeholders. The other three were partially completed for a variety of reasons, including MARAD's need to finalize policies and procedures. MARAD has indicated that it plans to take action on all of the partially completed recommendations. However, the Agency lacks updated milestones for completion or an ongoing process for tracking implementation that will place it in a better position to fulfill its mission and meet the Nation's commercial and security needs. We made two recommendations to facilitate MARAD's further progress in addressing the NAPA recommendations. MARAD concurred with both recommendations and proposed appropriate actions and completion dates. Accordingly, we consider both recommendations as resolved but open pending completion of the planned actions.

SINGLE AUDITS

Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2021

Self-initiated

5.26.2021

SA2021025

We queried and downloaded 88 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between January 1, 2021, and March 31, 2021, to identify significant findings related to programs directly funded by DOT. We found that reports contained a range of findings that impacted DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 16 grantees that require prompt action from DOT's Operating Administrations (OA). The auditors also identified questioned costs totaling \$8,008,786 for nine grantees. We recommend that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommend that DOT determine the allowability of the questioned transactions and recover \$8,008,786, if applicable.

\$8,008,786 IN QUESTIONED COSTS

Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending June 30, 2021

Self-initiated

8.31.2021

SA2021036

We queried and downloaded 70 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between April 1, 2021, and June 30, 2021. We used the reports to identify significant findings related to programs directly funded by DOT. The reports contained a range of findings that impacted DOT programs. The auditors reported significant noncompliance with Federal guidelines related to 13 grantees that require prompt action from DOT's OAs. The auditors also identified questioned costs totaling \$32,153,264 for eight grantees. Of this amount, \$31.2 million was related to Amtrak and \$212,788 to COVID-19 Formula Grants for the Rural Areas Program. We recommend that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommend that DOT determine the allowability of the questioned transactions and recover \$32,153,264, if applicable.

\$32,153,264 IN QUESTIONED COSTS

Testimony

Challenges Facing the Department of Transportation's COVID-19 Response Efforts

Before the House Committee on Transportation and Infrastructure

7.29.2021
CC2021008

On July 29, 2021, Inspector General Eric J. Soskin testified before the House Committee on Transportation and Infrastructure at a hearing focusing on the Federal Government's response to the COVID-19 pandemic. COVID-19 has impacted the U.S. transportation industry in myriad ways, and DOT agencies have moved quickly to release the over \$106 billion that Congress provided to help workers, families, and businesses deal with the pandemic. As the Inspector General noted, the volume of funds and the speed with which they have been made available present serious oversight challenges for the Department. His testimony focused on the five risk areas our office has identified to help the Department promote effective stewardship of this large investment: (1) airport grants management; (2) surface transportation oversight; (3) contract and grant execution; (4) financial management systems; and (5) prevention of fraud, waste, and abuse. He also discussed the steps the Department will need to take to bolster its oversight of these funds.

Peer Reviews

Peer reviews

DOT OIG's auditing and investigations functions are subject to peer reviews in accordance with generally accepted Government auditing standards, CIGIE guidelines, and the Attorney General Guidelines for Federal OIGs with statutory law enforcement authority. These peer reviews provide formal, objective assessments of DOT OIG's adherence to prescribed standards, regulations, and legislation.

Peer reviews conducted of DOT OIG

The Department of Health and Human Services (HHS) OIG conducted a CIGIE peer review of our Office of Auditing and Evaluation in fiscal year 2019. HHS OIG concluded that the audit organization's system of quality control was suitably designed and complied with to provide DOT OIG with reasonable assurance of performing and reporting with applicable professional standards in all material respects. Accordingly, HHS OIG provided a "pass" rating and did not make any recommendations. The report was released on April 23, 2019.

The Small Business Association (SBA) OIG conducted a CIGIE peer review of our Office of Investigations in fiscal year 2018. SBA OIG concluded that the system of internal controls and management procedures used for our investigative operations complied with the quality standards established by CIGIE and other applicable guidelines and statutes, and did not make any recommendations. The report was released on August 29, 2018.

Both reports are available on our website at <https://www.oig.dot.gov/about-oig/peer-review>.

Peer reviews conducted by DOT OIG

During this reporting period, DOT OIG conducted a CIGIE peer review of the audit organization at DoD OIG. We reported that the system of quality control for the audit organization was designed and complied with to provide DoD OIG with reasonable assurance that its performance and reporting conform with applicable professional standards and statutory and regulatory requirements in all material respects. Accordingly, we gave DoD OIG a rating of "pass." The report was released on September 30, 2021.

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Acronym Glossary

Acronym glossary

Acronym	Definition
AFR	Annual Financial Report
ATO	Air Traffic Organization
BAA	Buy American Act
BAP	Buy American Preference
CDL	commercial driver's license
CIGIE	Council of Inspectors General on Integrity and Efficiency
CO	Contracting Officer
COR	Contracting Officer's Representative
COVID-19	Coronavirus Disease 2019
DBE	Disadvantaged Business Enterprise
DoD	U.S. Department of Defense
DOJ	U.S. Department of Justice
DOT	U.S. or State Department of Transportation
DRAA	Disaster Relief Appropriations Act
EAS	Essential Air Service
EOU	excess, obsolete, or unserviceable
E&R	exchange and repair
ESC	Enterprise Services Center
FAA	Federal Aviation Administration
FAITAS	Federal Acquisition Institute Acquisition Training System
FCT	FAA Contract Tower program
FHWA	Federal Highway Administration
FMCSA	Federal Motor Carrier Safety Administration

Acronym	Definition
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FY	fiscal year
HHS	U.S. Department of Health and Human Services
HPC	Highway Planning and Construction
MARAD	Maritime Administration
NAPA	National Academy of Public Administration
NAS	National Airspace System
NextGen	Next Generation Air Transportation System
NHTSA	National Highway Traffic Safety Administration
OA	Operating Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act
PLA	project level agreement
PMA	program management assessment
P/PM	Program/Project Manager
QCR	quality control review
SBA	Small Business Administration
SSI	sensitive security information
STB	Surface Transportation Board
SUPs	Suspected Unapproved Parts