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Department of Transportation
FOIA Requester Service Center
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Washington, DC 20590
Fax: 202-366-1975 (Attn: FOIA Requester Service Center)
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**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Washington, D.C. 20590

June 26, 2014

RE: FOIA Control No: FI-2014-0086

This letter is in response to your Freedom of Information Act (FOIA) request dated June 3, 2014, sent to the U.S. Department of Transportation (DOT), Office of the Inspector General (OIG). You requested a copy of the DOT OIG "Weekly Activity Reports for the time period January 1, 2011 through the present."

My office does not prepare "Weekly Activity Reports," however, we do prepare "Activity Reports" on a monthly basis. Please find attached our 2011 through May 2014 Monthly Activity Reports. There are 264 pages of documents responsive to your request and we are providing all pages to you without redaction. Please let me know if this is not acceptable. This letter closes your FOIA request and no further action is contemplated regarding this matter.

The FOIA gives you the right to appeal adverse determinations to the appeal official for the agency. The appeal official for the OIG is the Assistant Inspector General Brian A. Dettelbach. Appeals to Mr. Dettelbach should be prominently marked as a "FOIA Appeal" addressed to: U.S. Department of Transportation, Office of Inspector General, 7th Floor West (J3), 1200 New Jersey Avenue, SE, Washington, DC 20590. If you prefer, your appeal may be sent via electronic mail to FOIAAPPEALS@oig.dot.gov. An appeal must be received within 45 days of the date of this determination and should contain any information and arguments you wish to rely on. The Assistant Inspector General's determination will be administratively final.

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. See 5 U.S.C. 552(c) (2006 & Supp. IV 2010). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all our requesters and should not be taken as an indication that excluded records do, or do not, exist.

If you have any questions regarding this message, please contact me at either (202) 366-6131 or by email at angel.simmons@oig.dot.gov and reference the FOIA control number above. You may also contact our FOIA Public Liaison, David Wonnemberg, at either (202)366-1544 or david.wonnemberg@oig.dot.gov to discuss any aspect of your request.

Sincerely,

A handwritten signature in blue ink that reads "Angel Simmons". The signature is fluid and cursive, with the first name "Angel" and last name "Simmons" clearly distinguishable.

Angel Simmons
OIG FOIA/Privacy Act Officer



Department of Transportation
Office of Inspector General

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- 01.24.2011 [Quality Control Review of Single Audit on the Chicago Transit Authority](#)

On January 24, we issued a quality control review report on a single audit performed by Crowe Horwath LLP on the Chicago Transit Authority's use of United States Department of Transportation grants for the fiscal year ending December 31, 2009. During this period, the Authority expended about \$529 million from the Federal Transit Administration and the Federal Highway Administration. Crowe Horwath LLP rendered an unqualified (clean) opinion on the Authority's financial statements and identified internal control and compliance deficiencies related to Davis-Bacon Act requirements and American Recovery and Reinvestment Act reporting. We determined that Crowe Horwath's work generally met the necessary requirements. We found nothing to indicate that Crowe Horwath's opinion on the financial statements or reports on internal control and compliance were inappropriate or unreliable.

- 01.21.2011 [Federal Motor Carrier Safety Supervisor Charged of Taking Bribes from Company Officials](#)

On January 21, 2011, James H. Wood, a supervisor of the Federal Motor Carriers Safety Administration (FMCSA) Buffalo, New York, field office, was arrested and charged with accepting bribes in his official duties from or on behalf of motor carriers. The offense carries a maximum penalty of 15 years imprisonment and/or a fine of \$250,000. Our investigation revealed that Mr. Wood accepted bribes from safety consultants for Canadian commercial trucking companies who paid him to provide inside information that enabled some trucking companies to avoid or delay inspections of their vehicles. Mr. Wood allegedly also accepted cash bribes to initiate compliance audits that could put a competitor company out of business, and at times Mr. Wood helped trucking firms get friendly audits that allowed companies to keep potentially unsafe vehicles on the road. A cooperating witness admitted to paying approximately \$70,000 to Mr. Wood over the past two years for information and assistance. The OIG is working closely with FMCSA to assist them in taking follow-up actions.

This investigation is being worked jointly with the Federal Bureau of Investigation.

Note: Indictments, informations, and criminal complaints are only accusations by the government, all defendants are presumed innocent unless and until proven guilty.

- 01.21.2011 [Former New York Construction Company Vice President Sentenced for Soliciting Kickbacks from Subcontractor](#)

On January 21, 2011, Joseph Iorio, former Vice President of Construction for Yonkers Contracting Company (Yonkers), was sentenced in U.S. District Court Brooklyn, New York, to three months home confinement, five years probation, 500 hours of community service and ordered to pay a \$500 special assessment for soliciting kickbacks from a trucking subcontractor on construction projects. Mr. Iorio was convicted at trial on September 23, 2010.

The investigation revealed that between March and October 2008, Mr. Iorio solicited kick-backs from a trucking company subcontractor in connection with at least three New York State Metropolitan Transportation Authority construction projects on which Yonkers was bidding.

One of the projects included a Federal Highway Administration funded project, on which Yonkers was bidding around \$346 million. Mr. Iorio's arranged for the trucking company owner to build into his price proposals \$.25-\$.50 a ton in kickbacks payable to Mr. Iorio by checks, made out to JJA Construction, a business entity associated with Mr. Iorio, and to keep their arrangement discrete and hidden from Yonkers. In exchange, Mr. Iorio would use his influence to ensure the trucking company was chosen for the sub-contract work if Yonkers was awarded the projects.

This investigation was conducted jointly with Department of Labor Office of Inspector General and the Port Authority of New York and New Jersey, Office of Inspector General.

- 01.20.2011 [Florida Man Charged with Illegally Transporting Hazardous Material](#)

On January 20, 2011, Hobert H. Gibson, was charged in U.S. District Court, Tampa, Florida, with Conspiracy, and Transportation of Hazardous Materials for his role in illegally transporting stolen gasoline and diesel fuel from underground reservoir tanks to numerous service stations.

The investigation revealed that Mr. Gibson routinely used a hose, batteries, pump, and other equipment to siphoned gasoline and diesel fuel into three unapproved tanks, with a capacity to hold over 1,600 gallons of fuel, which were mounted on an unmarked box trailer and pulled by a pickup truck. Mr. Gibson is alleged to have illegally transported the fuel to his place of business and to select customers in Polk County, Florida, without properly placarding the motor vehicle and without possessing a commercial driver's license with a HAZMAT endorsement.

This investigation was conducted jointly with the Polk County Sheriff's Office with substantial assistance from Federal Motor Carrier Safety Administration and Pipeline and Hazardous Material Safety Administration.

Note: Indictments, informations, and criminal complaints are only accusations by the government, all defendants are presumed innocent unless and until proven guilty.

- 01.20.2011 [Massachusetts Man Indicted for Illegally Transporting Ammunition Primers on Passenger Aircraft](#)

On January 20, Orville A. Braham, was indicted in U.S. District Court, Miami, Florida, with four counts of illegally transporting ammunition primers in his luggage on a passenger aircraft.

In December 2010, Mr. Braham boarded an American Airlines flight with two pieces of luggage that contained hundreds of concealed .45 caliber ammunition primers, an explosive and hazardous material. One of the pieces of luggage exploded and injured a baggage handler who was unloading the luggage at Miami International Airport. Mr. Braham also concealed components of a disassembled ammunition reloading press used to assemble component parts, including ammunition primers, and to create ammunition. The investigation is being conducted jointly with the Federal Bureau of Investigation and the Bureau of Alcohol Tobacco, Firearms and Explosives, with assistance provided by the Federal Aviation Administration.

Note: Indictments, informations, and criminal complaints are only accusations by the government, all defendants are presumed innocent unless and until proven guilty.

- 01.19.2011 [Audit Initiated of FAA's Oversight of ARRA Expenditures](#)

The Office of Inspector General plans to review the Federal Aviation Administration's (FAA) oversight of airport expenditures from 2009 to the present with funds designated through the American Recovery and Reinvestment Act (ARRA). Upon issuing ARRA in 2009, the President called for Federal agencies to exercise unprecedented levels of transparency and accountability with ARRA funds. Therefore, we will specifically assess whether FAA has increased its oversight to prevent improper payments and ensured airports used ARRA funds only for authorized purposes.

- 01.19.2011 [Mississippi State Trooper and Former Department of Public Safety Employee Indicted for False Statements Related to Fraudulent CDLs](#)

On January 19, 2011, Joseph Rigby, a retired Mississippi Department of Public Safety Lieutenant Colonel Trooper, and Rene Morris, a former Mississippi Department of Public Safety employee, were charged with a superseding indictment in U.S. District Court, Jackson, Mississippi, for conspiracy and false statements relating to commercial driver's licenses.

This investigation was predicated as a result of a request for assistance from the Mississippi Bureau of Investigation (MBI) regarding allegations that State troopers had aided and abetted others in creating false commercial driver's license (CDL) test scores to obtain CDLs, and operational enhancements, such as HAZMAT and passenger endorsements, without going through the mandated state and Federal testing requirements. The troopers were also alleged to have aided and abetted others in altering CDL driver records to reduce speeding infractions to lesser charges and altered the guilty judicial dispositions of driver records to aid and abet others from receiving judgments in accordance with the State of Mississippi's due process of law.

This investigation is being conducted jointly with the FBI and MBI. The assistance garnered from the FMCSA Southern Service Center and their Headquarters has been instrumental to the progress of the investigation.

Note: Indictments, informations, and criminal complaints are only accusations by the government, all defendants are presumed innocent unless and until proven guilty.

- 01.18.2011 [Former Tennessee Department of Transportation Employee Charged with Soliciting and Accepting Bribes from a Sub-Contractor](#)

On January 18, 2011, James D. Hagar was charged in U.S. District Court, Nashville, Tennessee, with soliciting and accepting \$30,000 from a Tennessee Department of Transportation (TDOT) sub-contractor.

From 2001 through 2005, the State of Tennessee, through TDOT received more than \$10,000 per year from a federal program aimed at building and maintaining public roadways. One of the road projects involved widening a stretch of Interstate 65 and installing five "impact attenuators", devices that absorb errant motor vehicle's kinetic energy and/or redirecting an errant motor vehicle away from a hazard or from machinery or workers engaged in road work, at a cost of \$16,000 to the state. However, based on Mr. Hagar's recommendation, 17 additional attenuators were installed and approved by TDOT that resulted in the state paying an additional \$272,000 to one of the sub-contractors. Mr. Hagar solicited and accepted \$30,000 from a principal/employee of that sub-contractor on account of and in connection with Hagar's recommendations that TDOT approve the additional attenuators. If convicted, Mr. Hagar faces up to 10 years in prison and a \$250,000 fine.

This investigation was conducted jointly with the Tennessee Bureau of Investigation.

Note: Indictments, informations, and criminal complaints are only accusations by the government, all defendants are presumed innocent unless and until proven guilty.

- 01.13.2011 [Letter to Senators Grassley and Coburn Regarding Information in Support of the OIG's Mission](#)

On January 13, 2011, we sent our second biannual response to Senators Grassley and Coburn regarding their April 8, 2010, request that we provide a summary of our non-public management advisories and closed investigations.

- 01.07.2011 [Audit Initiated of DOT's Information Security Program and Practices for Fiscal Year 2011](#)

As required by the Federal Information Security Management Act of 2002 (FISMA), the Office of Inspector General is initiating its Fiscal Year 2011 audit of the Department of Transportation's (DOT) information security program and practices. Our audit objective is to determine the effectiveness of DOT's information security program and practices.

- 01.07.2011 [ARRA Financial and Activity Report - December 2010](#)

On January 7, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of December 2010. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 01.07.2011 [Philadelphia Flight Instructor Charged with False Statements](#)

On January 7, 2010, Joseph Konrad, an FAA certified commercial pilot and flight instructor, was charged by Information in U.S. District Court, Philadelphia, Pennsylvania, with false statements related to his application for an Airman Medical Certificate.

The investigation revealed that in 2007, 2008, and 2009, Mr. Konrad intentionally failed to disclose his opioid abuse and bipolar disorder diagnosis on FAA applications to become a commercial pilot and flight instructor. Mr. Konrad began working as a flight instructor for FAA approved flight schools in Philadelphia and Southern New Jersey. He admitted that he did not disclose his medical diagnosis to the FAA for fear the FAA would revoke his commercial pilot and flight instructor licenses.

This investigation was conducted jointly with DHS/ICE and the FBI.

Note: Indictments, informations, and criminal complaints are only accusations by the government, all defendants are presumed innocent unless and until proven guilty.

- 01.06.2011 [Actions Needed To Strengthen The Federal Highway Administration's National Review Teams](#)

On January 6, 2011, we issued our final report on the Federal Highway Administration's (FHWA) National Review Teams (NRT). Our objective was to evaluate the effectiveness of the NRTs in conducting national oversight and mitigating risks posed by the rapid infusion of American Recovery and Reinvestment Act dollars.

We found that NRTs were conducting thorough reviews in a consistent manner—yielding useful data. However, we identified vulnerabilities that demonstrated the need for increased management oversight, such as teams not including all NRT observations in summary reports that FHWA Division Offices use to identify instances where corrective actions are needed, and not properly recording corrective actions in FHWA's Recovery Act Database System (RADS). Without comprehensive summary reports and target action dates, FHWA cannot be certain that all corrective actions were taken. In addition, FHWA had not defined the critical role of its three Directors of Field Services in monitoring corrective action plans and resolving issues that could impact their prompt and effective implementation. We also found that FHWA had conducted limited analysis of NRT results to identify national trends and emergent risks or assess the effectiveness of ARRA risk response strategies.

We recommended that FHWA: (1) define the role of the Directors of Field Services to ensure proactive and consistent oversight of Division Offices' implementation of corrective action plans, including expectations for monitoring the plans and resolving issues that could impact their prompt and effective implementation; (2) require the NRTs to include in the summary reports all observations that contain recommendations or necessitate some follow-up by the Division Office or state; and (3) improve national-level data analysis by a) using additional methods to help identify national trends and new risks; b) modifying RADS to allow teams to more effectively classify observations as they conduct reviews; c) revising the not applicable response in RADS to distinguish between questions that do not apply to a project and those that the NRT could not determine; and d) requiring explanations for all RADS not applicable responses that indicate noncompliance with Federal requirements. We consider the actions FHWA has taken as being fully responsive to our recommendations.



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- 02.23.2011 [Quality Control Review of Single Audit on the City and County of San Francisco](#)

On February 23, we issued a quality control review report on a single audit performed by Marcias Gini & O'Connell LLP with supporting work from KMPG, LLP on the City and County of San Francisco's use of United States Department of Transportation grants for the fiscal year ending June 30, 2009. During this period, the City and County expended about \$84 million on DOT grant programs. We determined the work of Macias Gini & O'Connell and KPMG to be acceptable with deficiencies, and therefore, generally met the requirements of the Act, OMB Circular A-133, and the DOT Programs. We found nothing to indicate that Marcias Gini & O'Connell and KPMG's reports on internal control and compliance were inappropriate or unreliable. However, we identified the need for Marcias Gini & O'Connell LLP to expand internal control testing on the special tests and provisions compliance requirement and for KPMG to correct a deficiency in audit documentation.

- 02.23.2011 [Quality Control Review of Single Audit on the Metropolitan Washington Airports Authority](#)

On February 23, we issued a quality control review report on a single audit performed by Bert Smith & Co. on the Metropolitan Washington Airports Authority's use of United States Department of Transportation grants for the fiscal year ending December 31, 2009. During this period, the Authority expended about \$211 million on DOT grant programs. We determined that Bert Smith's work was acceptable with deficiencies, and therefore generally met the requirements of the Act, OMB Circular A-133, and the Transit Capital Investment Grants Program. We found nothing to indicate that Bert Smith's opinion or reports on internal control and compliance were inappropriate or unreliable. However, we identified audit documentation deficiencies and the need for expanded compliance testing in future audits.

- 02.23.2011 [Quality Control Review of Single Audit on the Regional Transportation Commission of Southern Nevada](#)

On February 23, we issued a quality control review report on a single audit performed by Piercy Bowler Taylor & Kern on the Regional Transportation Commission of Southern Nevada's use of United States Department of Transportation grants for the fiscal year ending June 30, 2009. During this period, the Commission expended about \$131 million on DOT programs. We determined that Piercy Bowler Taylor & Kern's work was acceptable with deficiencies, and therefore generally met the requirements of generally accepted government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that Piercy Bowler Taylor & Kern's opinion or reports on internal control and compliance were inappropriate or unreliable. However, we identified audit documentation deficiencies that the firm agreed to correct in future audits.

- 02.22.2011 [Audit Initiated of FRA's Progress in Implementing PRIIA](#)

As required by section 221 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), the Office of Inspector General is initiating an audit to assess the Federal Railroad Administration's (FRA) implementation of the provisions of this Act. The objectives of the audit are to: (1) evaluate FRA's progress in implementing its PRIIA responsibilities; (2) assess the effectiveness of FRA's process for implementing grants, studies, and oversight as required by PRIIA; and (3) determine the impact of PRIIA's implementation on rail stakeholder operations.

- 02.17.2011 [FAA Fulfilled Most ARRA Requirements in Awarding Airport Grants](#)

On February 17, we issued our report on the Federal Aviation Administration's (FAA's) process for awarding American Recovery and Reinvestment Act (ARRA) grants to Airport Improvement Program (AIP) projects. We initiated this audit after our work in 2009 highlighted concerns with some projects and grantees that received ARRA funds.

Our audit objective was to determine the extent to which FAA's process for awarding ARRA grants complied with ARRA requirements and other associated guidance. Overall, we found that FAA's process for awarding \$1.1 billion in AIP grants fulfilled most ARRA requirements. These include meeting tight timeframes for distributing and expending funds and giving preference to projects that could be completed within 2 years. In addition, FAA avoided supplanting other expenditures with ARRA funds and increased its oversight of grant recipients but will need to take more actions to comply with updated guidance from the Office of Management and Budget regarding recipient oversight. We also found that, to fully meet Presidential direction, FAA should have used a more transparent project selection process and given more consideration to projects' potential economic impact before awarding grants. Meeting these last two objectives would have provided greater assurance that ARRA funds went to the best candidates.

We made three recommendations to further improve FAA's public transparency and oversight of existing ARRA grant selections. The FAA concurred with our

recommendations, and we have already closed one recommendation based on FAA's corrective actions taken to date.

- 02.16.2011 [Actions Needed To Meet FAA's Long-Term Goals for NextGen](#)

On February 16, the Inspector General testified before the House Subcommittee on Space and Aeronautics regarding the Federal Aviation Administration's (FAA) efforts to develop and transition to the Next Generation Air Transportation System (NextGen). The Inspector General noted significant challenges FAA faces in achieving its long-term goals for NextGen across two areas: (1) addressing schedule delays and cost overruns with the En Route Automation Modernization (ERAM) program--without ERAM, other programs intended to provide more efficient data sharing and airspace routes will not be possible--and (2) reaching consensus with partner agencies on key research and development efforts that will affect the cost, schedule, and capabilities of NextGen. The Inspector General also highlighted several management actions that FAA can take now to strengthen FAA's management of long-term NextGen initiatives. These include clarifying responsibility within FAA for critical NextGen development areas, finalizing performance goals and metrics for NextGen, establishing an integrated budget document to align and track all partner agencies' NextGen resources, and fully leveraging the technology portfolios of partner agencies to assist with NextGen development.

- 02.09.2011 [Letter to Senators Rockefeller, Hutchison and DeMint Regarding Commercial Aviation Accidents, Pilot Experience and Pilot Compensation](#)

On February 9, we issued a letter to Chairman Rockefeller and Ranking Member Hutchison of the Committee on Commerce, Science, and Transportation and to Ranking Member DeMint of the Subcommittee on Aviation Operations, Safety, and Security regarding their request that we determine whether there is a direct relationship among commercial aviation accidents, pilot experience, and pilot compensation. This request was prompted by the fatal crash of Colgan flight 3407 in February 2009. The National Transportation Safety Board's (NTSB) investigation into the accident and subsequent congressional hearings highlighted, among other things, safety concerns about pilots with low levels of experience and pay.

Overall, we could not identify a direct relationship between accidents and pilot experience because pilots involved in accidents had varying ranges of flight hours. However, there were fewer accidents among pilots who had spent more flight time in the accident aircraft make and model. In addition, pilot performance was cited in 7 of the 10 major accidents that occurred over the last decade, including the Colgan accident. This indicates that factors beyond flight experience are also important, such as quality of training, professionalism, and mentoring. We also found only a weak relationship between pilot experience and compensation because pilots' level of pay is usually based more on their seniority with the airline instead of their total flight time. Compensation levels also vary significantly depending on seat (i.e., captain or first officer) and aircraft type. Generally, the larger the aircraft, the higher the compensation. Based on the results of our independent analysis, we are not making any recommendations to FAA regarding the relationship among commercial aviation accidents, pilot experience, and pilot compensation.

- 02.09.2011 [DOT Can Improve Oversight of Denali Commission's Use of Federal Transportation Funds](#)

On February 9, the Office of Inspector General (OIG) issued its report on the Denali Commission's Use of Federal-aid Highway Funds. At the request of U.S. Senator Christopher S. Bond, we reviewed the Department of Transportation's (DOT's) administration of the program and the Denali Commission's use of Federal transportation funds. Our objectives were to: (1) identify the purpose, funding, and status of the Commission's projects funded through FHWA and FTA; (2) assess the Commission's project selection process; and (3) examine the Federal Highway Administration's (FHWA's) oversight of the Commission's use of DOT funds.

While we found that the Denali Commission had project evaluation criteria and approved appropriate types of projects, its project selection policy and process were insufficient to ensure that selections were made objectively and were transparent. Moreover, the Commission's limited ethics guidance did not ensure that project selection officials appropriately recuse themselves from the selection process. Also, the Commission had no mechanisms by which to verify and hold selection officials accountable for appropriately recusing themselves. Nevertheless, we did not find specific instances of conflicts of interest. Further, Federal oversight of the transportation program was limited and we found shortfalls with required project documentation.

We made a series of recommendations for FHWA to assist the Commission and to ensure that Federal transportation funds are spent efficiently, effectively, and appropriately. Based on actions FHWA has taken, and our review of the documentation provided in response to our draft report, we consider all recommendations resolved. No further actions are required.

- 02.08.2011 [Two Construction Company Executives Sentenced for Violating the Sherman Antitrust Act Affecting the Concrete Market in Iowa](#)

On February 8, Steve VandeBrake, Executive of GCC Alliance Concrete, Inc., was sentenced in U.S. District Court, Sioux Falls, Iowa, to 48 months imprisonment followed by 500 hours of community service, three years of supervised release, and ordered to pay \$829,715 in fines. On the same day, Kent Stewart, President of Great Lakes Concrete, Inc., was also sentenced to serve twelve months and one day in prison, followed by 100 hours of community service, three years of supervised release, fined \$83,427 and ordered to pay \$25,918 in restitution for their role in a scheme to manipulate the concrete market. Both Mr. VandeBrake and Mr. Stewart were ordered to self surrender to the U.S. Marshal's Service by February 11, 2011.

As early as January 2006, and continuing as late as August 2009, Mr. VandeBrake conspired with Chad Van Zee, President, Tri-State Ready Mix, to fix ready-mix concrete prices sold in the Northern District of Iowa, by engaging in meetings to discuss agreements on pricing the concrete to be sold by their respective companies. The concrete, equipment and materials used to produce and move the concrete, and payments for the concrete, traveled in interstate commerce.

This was a joint investigation with the FBI and the U.S. Attorney's Office-Antitrust Division and the Department of Justice Antitrust Division's Chicago Field Office.

- 02.07.2011 [ARRA Financial & Activity Report - January 2011](#)

On February 7, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of January 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 02.07.2011 [FAA A&P Mechanic Sentenced to Three Years Probation for Falsifying Aircraft Parts Repairs and Aircraft Inspections](#)

On February 7, David Stanley Fisher was sentenced in U.S. District Court, Gainesville, Florida, to three years probation and a \$300 special assessment for falsifying the overhaul of a Bell Helicopter main rotor hub assembly and for falsifying the 100 hour inspections on two Bell Helicopters.

Mr. Fisher admitted that while employed at World Aircraft Connections, Inc., in Williston, Florida, as a Federal Aviation Administration (FAA) licensed mechanic with Airframe and Powerplant (A&P) ratings, he signed off that he overhauled a main rotor hub assembly, a compressor assembly, a turbine assembly, and a gearbox assembly with new parts when the investigation revealed the parts were removed from a crashed helicopter. He further admitted that he signed off on two 100 hour inspections for the same two helicopters when in fact he did not complete proper inspections of the aircraft.

As a condition of his plea and sentence, Mr. Fisher agreed to permanently surrender and forfeit his FAA aircraft and mechanics license, and to not reapply for this license upon completion of his sentence. Mr. Fisher surrendered his A&P certificate to the USDC at sentencing, and the certificate will be provided to the FAA.

This investigation was conducted with assistance from the Federal Aviation Administration.

- 02.04.2011 [Audit Initiated of the Effectiveness of DOT's Enterprise Architecture Program](#)

The Office of Inspector General (OIG) is initiating an audit of the Department of Transportation's (DOT's) Enterprise Architecture (EA) program. An enterprise architecture is a blueprint that describes the current and desired state of an organization or functional area in both logical terms (such as interrelated business processes and business rules, information needs and flows, and work locations and users) and technical terms (such as hardware, software, data, communications, and security attributes and performance standards), as well as a plan for transitioning between the two states. The audit objectives are to determine whether DOT: (1) has established adequate baseline and target architectures; (2) has effective management practices, policies, and processes for the development, implementation,

maintenance, and oversight of the EA program; and (3) is reporting actual results from this program.

- 02.03.2011 [Audit Initiated of the United States Merchant Marine Academy's Technical Security Controls](#)

The Office of Inspector General is initiating an audit of the United States Merchant Marine Academy's (USMMA's) technical security controls for its Local Area Network (LAN) and website. Our audit objectives are to: (1) evaluate the implementation of USMMA's LAN and website technical security controls intended to prevent intrusion and protect personally identifiable information; and, (2) identify security vulnerabilities and weaknesses.

- 02.03.2011 [Federal Charges in Fraudulent Driver's Logbook Case Involving Fatality](#)

On February 3, a federal grand jury in Philadelphia, Pennsylvania, indicted Valerjis Belovs and charged him with 15-counts of making false statements to the U.S. Department of Transportation. The indictment alleges that Mr. Belovs falsified his driver daily logbooks to conceal the fact that he drove in excess of the allowable driving hours without the required period of rest.

The federal charges are related to a fatality accident on US-76 in Philadelphia, Pennsylvania, in which one person died and five others were seriously injured when a truck operated by Mr. Belovs plowed into stopped traffic.

Mr. Belovs previously pled guilty to various state charges including one count of vehicular homicide. OIG analysis of Mr. Belovs' regulated driver logbooks revealed that he was driving in excess of the maximum allowable hours of operating a commercial vehicle at the time of the accident. According to the indictment, Mr. Belovs made fifteen false entries in his logbooks. In one example, Mr. Belovs recorded that he was in a sleeper berth in Wyethville, Virginia, when he was actually driving in Pennsylvania.

This is a joint investigation with the Montgomery County District Attorney's Office and the Pennsylvania State Police. FMSCA assisted with the investigation.

- 02.01.2011 [Inspector General Review of Fiscal Year 2010 Drug Control Funds and Performance Summary](#)

On February 1, we issued our final report on the Review of NHTSA's FY 2010 Drug Control Obligation Summary and Performance Summary reports. No information came to our attention that would reverse management's assertions that the reports presented complied with the Office of National Drug Control Policy Circular, Drug Control Accounting, requirements, in all material respects.



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- 03.30.2011 [FAA Must Improve Its Controller Training Metrics To Help Identify Program Needs](#)

On March 30, 2011, we issued a follow-up report to our 2009 audit on training failures among newly hired air traffic controllers. Our audit objectives were to: (1) evaluate the Federal Aviation Administration's (FAA) actions to improve its system for tracking the training progress of newly hired controllers; and (2) review FAA's metrics for measuring and reporting the effectiveness of its controller training program. We found that FAA has taken several steps to address problems we identified in 2009 that contributed to an inaccurate training failure rate reported for new controllers. However, FAA continues to face challenges in identifying training program needs and measuring the overall success of the training program. FAA's current metrics do not provide a complete picture of program success because they assume that all in-progress controllers will successfully complete their initial training. As a result, FAA is not reporting an attrition rate that it can rely on to make warranted adjustments to the training program. During our review, we used alternate metrics that focused on the annual output of the training program. These showed a significantly higher fiscal year 2009 attrition rate for new controller training than what FAA reported. We recommended that FAA replace its current training metrics with metrics that focus on how many controllers complete their training or leave the program during a given period of time. FAA concurred with our recommendation and took appropriate actions, and we consider the recommendation closed.

- 03.30.2011 [New York Construction Firm Owners Indicted on \\$19.6 Million Dollar Public Works Fraud Involving Disadvantaged Business Enterprise](#)

On March 30, 2011, Balu Kamat and Carmine Desio, president and vice president, respectively, of Environmental Energy Associates (EEA), were indicted in the U.S. District Court of New York for conspiracy and mail fraud regarding the use of EEA, a Disadvantaged Business Enterprise (DBE), as a "front" DBE on projects receiving DOT grant funds.

The indictment alleges that since approximately 1997, Mr. Kamat and Mr. Desio caused EEA to enter into public contracts to perform an array of subcontract work knowing that EEA

lacked the labor, equipment, and financial wherewithal to perform the work. As part of the alleged scheme, they agreed to put employees of a specific general contractor (unnamed in the indictment) on EEA certified payrolls in exchange for a 5% markup to each invoice as their fee for the use of their DBE status. This scheme occurred on the Metropolitan Transportation Authority (MTA) New York City Transit Authority (NYCTA) Fulton Street Transit Center-Dey Street Concourse project and on approximately six other MTA-NYCTA projects, with a total DBE subcontract value of \$19.6 million.

It was further alleged that EEA entered into a similar fraud scheme with other general contractors on the Port Authority of New York & New Jersey (PANYNJ) World Trade Center (WTC) Transportation Hub and other projects. The MTA-NYCTA projects and the PANYNJ-WTC project were all funded in part by the Federal Transit Administration.

Mr. Kamat and Mr. Desio surrendered to USDOT agents. If convicted, Mr. Kamat and Mr. Desio each face a maximum of 40 years in prison.

The investigation is being conducted jointly with the MTA-OIG, the U.S. Department of Labor, Office of Labor Racketeering and Fraud Investigations, and the PANYNJ-OIG.

Note: Indictments, informations, and criminal complaints are only accusations by the government, all defendants are presumed innocent unless and until proven guilty.

- 03.23.2011 [Letter to Chairman Issa, Chairman Mica and Ranking Member Grassley Regarding our Review of the Departure of Former Amtrak Inspector General Fred Weiderhold](#)

On March 23, 2011, we issued a letter concerning our review of the departure of Mr. Fred Weiderhold, Amtrak's former Inspector General. Congressman Darrell Issa, Chairman of the House Committee on Oversight and Government Reform, Congressman John Mica, Chairman of the House Committee on Transportation and Infrastructure, and Senator Charles E. Grassley, Ranking Member of the Senate Committee on the Judiciary requested that we review whether Amtrak violated the Inspector General Act when it did not notify Congress 30 days prior to the departure of Mr. Fred Weiderhold. This review was within our jurisdiction because Amtrak is a DOT grant recipient. Our review showed that Amtrak's Board decided to allow Mr. Weiderhold to choose between accepting a separation agreement or having a 30-day notice of removal sent to Congress. Mr. Weiderhold chose to accept the separation agreement. The IG Act, which requires a 30-day notice letter prior to the removal of an Inspector General, does not define "removal." If "removal" is defined using Federal Civil Service employment law—the approach recently taken by the Court of Appeals for the D.C. Circuit—Mr. Weiderhold's departure would not constitute a removal unless Amtrak's actions were sufficiently coercive to render Mr. Weiderhold's decision to leave office involuntary. In our review we did not find this level of coercion. We noted, however, that basing an analysis on Federal employment law may frustrate the intended purpose of the 30-day notice requirement to allow Congress to inquire into whether an Inspector General is departing for legitimate reasons.

- 03.21.2011 [Letter to Ranking Member Costello Regarding FAA's Oversight of On-Demand Aircraft Operators](#)

On March 21, 2011, we issued a letter to Representative Jerry F. Costello, Ranking Member of the House Committee on Transportation and Infrastructure's Subcommittee on Aviation, to convey the results of our review regarding challenges in the Federal Aviation Administration's (FAA) oversight of on-demand aircraft operators. We conducted this review to follow up on our July 2009 report that evaluated the differences between FAA regulations and oversight for on-demand operators and larger, commercial air carriers. Our report recommended actions for FAA to revise outdated safety regulations and improve its risk assessment processes. We also testified before that subcommittee in March 2010 on aspects of the industry where FAA should focus its oversight efforts.

Since then, FAA has made notable progress in addressing our recommendations. Specifically, FAA has developed risk-based tools to target safety issues inherent to on-demand operations and improved surveillance resources for FAA inspectors. The FAA also is updating the regulatory structure for on-demand operators to address risks within Helicopter Emergency Medical Services operations and reduce human error in the cockpit through required crew resource management training. We commend FAA for these safety advancements but note that it also should focus on a number of National Transportation Safety Board recommendations aimed at closing regulatory and oversight gaps in areas such as air tours and illegal operators.

- 03.16.2011 [Former Commercial Airline Pilot Charged with Operating a Common Carrier Under the Influence of Alcohol](#)

On March 16, 2011, Aaron J. Cope of Norfolk, Virginia, was indicted in U.S. District Court, Denver, Colorado, on a charge of operating a common carrier under the influence of alcohol.

Mr. Cope served as the second-in-command (co-pilot) of a United Express flight that departed Austin, Texas, on December 8, 2009, bound for Denver, Colorado. Upon arrival in Denver, it was reported to officials of United Express' parent company Shuttle Express that Mr. Cope smelled of alcohol and appeared to be under the influence of alcohol. Arrangements were made to obtain a breath alcohol specimen from Mr. Cope at the Denver airport.

Mr. Cope was determined to be under the influence of alcohol based on the subsequent analysis of his blood alcohol content and was subsequently terminated by Shuttle America on December 9, 2009. The flight he co-piloted the previous day included 48 passengers and four crew members. In January 2010, FAA issued an emergency order of revocation of Mr. Cope's pilot license and medical certificate. This is an ongoing investigation being conducted with assistance from FAA.

Note: Indictments, informations, and criminal complaints are only accusations by the government. All defendants are presumed innocent unless and until proven guilty.

- 03.15.2011 [Audit Initiated of FAA's Wildlife Hazard Mitigation Program](#)

The Office of Inspector General plans to review the Federal Aviation Administration's (FAA) wildlife mitigation program. The number of aircraft collisions with wildlife has risen rapidly over the last two decades, creating a growing safety concern. Public interest in this program has increased due to recent aviation bird strikes. These include the January 2009 bird strike that caused the crew of a US Airways flight to land in the Hudson River as well as the February 2011 bird strike that caused an engine failure on a Continental Airlines flight departing from Washington National Airport. Through the Airport Improvement Program, FAA provides funds to airports nationwide for projects to help assess and mitigate wildlife hazards. Accordingly, we plan to review FAA's implementation of its Wildlife Hazard Mitigation Program. Our objectives are to assess the effectiveness of FAA's: (1) policies and guidance for monitoring, reporting, and mitigating wildlife hazards; (2) coordination with Federal, state, and local government agencies responsible for reducing wildlife hazards; and (3) oversight and enforcement of airports' adherence to wildlife hazard reporting, assessment requirements, and implementation of wildlife hazard management plans.

- 03.14.2011 [Audit Initiated of FRA's Progress in Administering Major Grants](#)

The Office of Inspector General is initiating an audit of the Federal Railroad Administration's (FRA) progress in administering major grants. FRA's responsibilities significantly expanded with passage of the Passenger Rail Investment and Improvement Act of 2008, which tasked the agency with administering several large grant programs including the High Speed Intercity Passenger Rail Program. The objectives of this audit are to: (1) evaluate FRA's grant management framework; (2) evaluate FRA's process for determining its expanded grant management workforce needs; and (3) identify the challenges FRA faces in awarding, obligating, and disbursing grant funds to states.

- 03.11.2011 [Audit Initiated of FAA's Terminal Automation Modernization Program](#)

The Office of Inspector General plans to review the Federal Aviation Administration's (FAA) Terminal Automation Modernization Program. FAA plans to invest about \$1 billion through 2018 to modernize terminal automation systems that controllers rely on to manage air traffic near airports. This effort is key to replacing aging equipment and achieving FAA's goals for the Next Generation Air Transportation System (NextGen). Our audit objectives are to determine whether: (1) FAA's acquisition strategy for terminal modernization effectively addresses technological and operational risks; and (2) FAA's terminal modernization efforts are compatible with key NextGen programs and schedules.

- 03.11.2011 [Audit Initiated of FTA's Regional Oversight of Transit Grants](#)

The Office of Inspector General is initiating an audit of the Federal Transit Administration's (FTA's) regional oversight of transit grants. FTA's regional offices play an important role in overseeing grantees' use of Federal funds to ensure they are spent efficiently and effectively and to prevent fraud, waste, and abuse. FTA's programs received over \$10 billion in appropriations in fiscal year 2010. In addition to the annual appropriations, the American

Recovery and Reinvestment Act of 2009 provided FTA with a one-time infusion of over \$8 billion for capital investments and increased the scope of FTA's already significant oversight responsibilities. Accordingly, we plan to assess FTA's regional oversight of transit grants to determine whether those oversight efforts are effective in ensuring proper stewardship of Federal funds and preventing waste, fraud, and abuse.

For each selected regional office, our objectives will be to assess: (1) regional oversight responsibilities and types of support provided by FTA Headquarters; (2) the regional office's use of key oversight tools to identify grantees' management weaknesses and make funding decisions; and (3) the regional office's efforts to ensure that grantees are correcting identified management weaknesses.

- 03.09.2011 [Former President of International Construction Company Found Guilty](#)

On March 9, 2011, following a four-week trial, Zohrab B. Marashlian, the former president of Perini Corporation's Civil Division, an international construction services corporation, was found guilty of mail fraud, conspiracy, and conspiracy to launder money for making false representations to New York government agencies regarding their use of Disadvantaged Business Enterprise ("DBEs").

The government's evidence established that while Mr. Marashlian was President of Perini Corporation's Civil Division, he and others used front companies to falsely certify that construction work was performed by DBEs on subcontracts valued at approximately \$19 million. The public works contracts included the West Side Highway, the Long Island Expressway, the Brooklyn-Queens Expressway, the Williamsburg Bridge, and the Queens Boulevard, among others. As a result of his fraudulent acts, Mr. Marashlian won public works contracts from the government for Perini and also gained \$14 million in personal bonuses.

This investigation was conducted by the Federal Construction Fraud Task Force.

- 03.07.2011 [ARRA Financial & Activity Report - February 2011](#)

On March 7, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of February 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 03.04.2011 [Father and Sons Sentenced to Jail and Ordered to Pay \\$1 million in a Consumer Fraud Scheme](#)

On March 4, 2011, Rubik Avetyan and his two sons, Alfred and Allen Avetyan, were sentenced in U.S. District Court for the Middle District of Pennsylvania, for their role in a consumer fraud scheme involving illicit double brokering of motor carrier loads. Alfred and

Allen Avetyan were sentenced to 60 months in jail, Rubik Avetyan was sentenced to 50 months in jail and each defendant was ordered to pay joint and severally \$1,118,723 in restitution.

The Avetyans participated in a "double brokering" scheme in which they provided false information to the Federal Motor Carrier Safety Administration (FMCSA) to illicitly acquire a DOT motor carrier registration number for their company, State Transport, Inc. The Avetyans obtained loads under the name of State Transport from unsuspecting brokers, and then using a different company name, brokered the loads to other carriers without the intent of paying those motor carriers that actually delivered the loads. The Avetyans received payments from the original brokers but did not pay the carriers. State Transport used a post office mail box drop and a telephone service to forward telephone calls and facsimile transmissions from Pennsylvania to California to conceal their identity and location.

In June 2009, FMCSA revoked State Transport's New Entrant registration and ordered it to cease interstate operations. The investigation identified approximately 165 victims as a result of the consumer fraud scheme.

The investigation was conducted jointly with the U.S. Postal Inspection Service and the Bureau of Alcohol Tobacco and Firearms, with assistance from FMCSA.



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- **04.15.2011 [Quality Control Review on the Vulnerability Assessment of FAA's Operational Air Traffic Control System](#)**

On April 15, 2011, we issued a quality control review report on the vulnerability assessment of the Federal Aviation Administration's (FAA's) operational air traffic control (ATC) system. We conducted this review at the request of the current Chairmen of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation. The objective of this audit was to determine whether the systems can be accessed by unauthorized users from inside ATC facilities through FAA's Mission Support System Network by assessing systems and networks at two FAA facilities. Clifton Gunderson LLP, of Calverton, Maryland, completed the audit under contract to the Office of Inspector General (OIG). OIG staff performed a quality control review of Clifton Gunderson's audit work to ensure that it complied with generally accepted government auditing standards. Our review disclosed no instances in which Clifton Gunderson did not comply in all material respects with applicable auditing standards. Clifton Gunderson concluded that they were unable to gain access to FAA's operational ATC systems. However, they identified the following weaknesses at the Air Route Traffic Control Centers: 1) information disclosure vulnerabilities; 2) inadequate system patch levels and unsupported operating systems; 3) improper network configurations; and 4) communication system vulnerabilities.

- **04.14.2011 [Audit Initiated of FMCSA's Implementation of Cross-Border Trucking Provisions](#)**

On April 13, 2011, the Federal Motor Carrier Safety Administration (FMCSA) published in the Federal Register its proposal for the initiation of a United States-Mexico cross-border trucking pilot program. The pilot program is part of FMCSA's implementation of the North American Free Trade Agreement (NAFTA) cross-border trucking provisions. Legislation passed in fiscal year 2007 requires the Office of Inspector General (OIG) to review FMCSA's implementation of pilot programs for granting long-haul authority to Mexico-domiciled motor carriers. Accordingly, the Transportation OIG is initiating an audit. Our overall audit objective is to assess FMCSA's policies, procedures, and processes for granting operating authority to Mexico-domiciled motor carriers under the pilot program and for monitoring and ensuring the carriers' compliance with U.S. laws and regulations.

- **04.14.2011 [Audit Initiated of DOT's Administration of its Disadvantaged Business Enterprise Program](#)**

The Office of Inspector General is initiating an audit of the Department of Transportation's (DOT's) administration of its Disadvantaged Business Enterprise (DBE) program. The Department's DBE program provides a vehicle for increasing the participation of socially and economically disadvantaged businesses in state and local procurement with its main objectives being: (1) provide a level playing field so that DBEs can compete fairly for DOT assisted projects; (2) ensure that only eligible firms participate as DBEs; and (3) assist in the development of DBE firms so that they can successfully compete outside of the DBE program. Our audit objective is to determine whether DOT's oversight, internal controls, and program management used to implement its DBE program are adequate to ensure DBE funds are effectively utilized to meet the program's objectives.

- **04.07.2011 [Audit Initiated of FAA's Aviation Safety Inspector and Analyst Staffing](#)**

As directed by Congress in the Airline Safety and FAA Extension Act of 2010, the Office of Inspector General plans to review the Federal Aviation Administration's (FAA) Aviation Safety Inspector (ASI) and Operations Research Analyst (ORA) staffing at commercial (i.e., Part 121) air carriers. The National Transportation Safety Board also highlighted this issue in its report on the 2009 Colgan Air accident, concluding that commercial carriers that experience rapid growth, increased complexity of operations, or increased accidents or incidents warrant more stringent FAA oversight. Therefore, our audit objectives are to: (1) evaluate FAA's process for assigning ASIs and ORAs to each Part 121 air carrier; (2) assess the number and level of experience of ASIs and ORAs assigned to each Part 121 air carrier; and (3) evaluate FAA's use of other surveillance processes to supplement the inspections performed by assigned oversight offices.

- **04.07.2011 [ARRA Financial & Activity Report - March 2011](#)**

On April 7, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of March 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- **04.06.2011 [Cost in Support of the Kabul Afghanistan Airport Infrastructure Improvement and Capacity Building Project are Supported and Valid](#)**

On April 6, 2011, we issued our report on the audit of the Kabul Afghanistan International Airport (KAIA) Infrastructure and Capacity Building Project. Under agreement with the U.S. Agency for International Development (USAID), the Federal Aviation Administration's (FAA) Office of International Aviation (API) received \$25 million to carry out infrastructure and capacity building improvements at KAIA. In support of this effort, API entered into a \$19.6 million agreement with FAA's Logistics Center (AML) to provide services, including terminal surveillance equipment and appropriate training, airport security equipment and services, control tower refurbishment, and communications equipment. At the request of AML, we

conducted this audit on a reimbursable basis, focusing on the \$19.6 million agreement between API and AML. Our objective was to determine if costs in support of the KAIA infrastructure and capacity building project were supported and valid under the terms and conditions of that agreement. Overall, we found these costs to be supported and valid, and are therefore making no recommendations.

- **04.06.2011 [Audit Initiated of FAA's Contract Tower Program](#)**

The Office of Inspector General plans to review the Federal Aviation Administration's (FAA) Contract Tower Program. Beginning with a pilot program in 1982 that has since expanded, FAA has been engaged in converting FAA-operated low-activity air traffic control towers to contract operations and instituting a cost-sharing program with local communities. Our previous audits of the program have found that the program successfully provided safe, low-cost air traffic services to users and that the quality of those services was comparable to FAA-operated towers. Congress recognized this in its report accompanying its Fiscal Year 2011 Department of Transportation, Housing and Urban Development, and Related Agencies bill but noted that continued funding for the program warrants another more recent review. Therefore, our current audit objectives are to evaluate whether the program continues to have cost effectiveness, safety benefits, and overall value to users.

- **04.04.2011 [Letter to Chairmen Rockefeller and Pryor Regarding Whether Former NHTSA Employees Exerted Undue Influence on Safety Defect Investigations](#)**

At the request of Chairman Rockefeller of the Committee on Commerce, Science, and Transportation and Chairman Pryor of the Subcommittee on Consumer Protection, Product Safety, and Insurance, we conducted a review of former National Highway Traffic Safety Administration (NHTSA) officials employed or under contract with automakers. Our aim was to determine whether these individuals are in a position to exert undue influence on NHTSA's safety defect investigations. In our review, we identified and reviewed cases for current Office of Defect Investigations (ODI) employees who joined NHTSA from the auto industry as well as for former NHTSA employees who now work for automakers and found no evidence of internal or external undue pressure or influence on ODI staff decisions. We also found no statistical differences in the way these cases were disposed by either the automakers or NHTSA. In addition, we found that NHTSA complied with the U.S. Office of Government Ethics rules and reviewed financial disclosures appropriately and that former NHTSA employees received required ethics training as well as post-employment training. We also determined that NHTSA's ethics policies and procedures are similar to those of other Operating Administrations within the Department of Transportation. Based on our findings, we are not making any recommendations regarding NHTSA's ethics policies, procedures, and practices at this time. Per the Chairmen's request, we are currently reviewing NHTSA's processes for investigating industry-wide complaints of sudden unintended acceleration and brake failure and will report on our results later this year.

- **04.04.2011 [Audit Initiated on the U.S. Department of Transportation's Purchase Card Program](#)**

The Office of Inspector General (OIG) is initiating an audit on the U.S. Department of Transportation's (DOT) purchase card program. Issued via the General Services Administration's SmartPay® program,

these cards offer a convenient and efficient way for government agencies to purchase a wide variety of goods and services. In fiscal year 2010, Department employees made more than \$200 million in purchases with purchase cards. Recent OIG investigations have identified internal control issues leading to instances of fraud within the program. Our audit objective is to assess the adequacy of controls established to prevent and detect inappropriate or unauthorized use of DOT- issued purchase cards.

- **04.04.2011 [Audit Initiated of Improper Payment Oversight in FTA ARRA Programs](#)**

The Office of Inspector General plans to review improper payment oversight in the Federal Transit Administration's (FTA) programs funded by the American Recovery and Reinvestment Act (ARRA). The Improper Payments Information Act of 2002 holds Federal agencies accountable for preventing and detecting improper payments within their programs. More recent legislation has implemented consequences for non-compliance with statutory requirements for the reduction and recovery of improper payments. The Department of Transportation has identified FTA's Formula Grant and Capital Investment Grant Programs as susceptible to significant improper payments. Ninety-nine percent of FTA's ARRA funds were awarded through these programs. Our objective is to evaluate whether FTA has adequate internal controls to prevent and detect improper payments to ARRA grant recipients.



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- 05.31.2011 [South Florida FAA Repair Station Owner and His Chief Inspector Pled Guilty to Aircraft Parts Fraud on A Commercial Aircraft](#)

On May 19, 2011, Guillermo Galvan, president and owner of Aviation Engine Services (AES), a Federal Aviation Administration (FAA)-approved repair station, and Jorge Gomez, AES's Chief Inspector pled guilty in U.S. District Court to one count of false statements concerning aircraft parts. The investigation revealed that AES performed maintenance, returned aircraft parts to service, and issued FAA 8130 Airworthiness Certificates, using tools and equipment that had not been timely calibrated. Specifically, Mr. Galvan and Mr. Gomez made false representations to a customer of AES concerning the calibration of an Almen Gauge, a tool used to measure the intensity of the "shotpeening" process as required by the turbine engine manufacturer's Standard Practices Manual which is adhered to in repairing and certifying the turbine engine airworthy so it can be returned to service. Ultimately, the aircraft parts were installed in a turbine engine on a commercial aircraft. Sentencing is set for July 13, 2011. This investigation was conducted by DOT OIG with assistance from the FAA South Florida Flight Standards District Office.

- 05.31.2011 [Aviation Mechanic Convicted for Role in Fraudulent Parts Repairs](#)

On May 19, 2011, after a four-day trial in U.S. District Court, Dallas, Texas, a federal jury found Dennis R. Lauterbach, a former Federal Aviation Administration (FAA)-licensed mechanic, guilty of fraudulently altering the historical service record for main rotor helicopter blades he sold in 2005. Mr. Lauterbach was immediately remanded to custody. Mr. Lauterbach obscured the service records that revealed the blades had been rejected for skin debonding and recommended that they be scrapped. Mr. Lauterbach concealed this information by making an entry in the service record that he "profiled the spar leading edge" and refinished the blade's paint. He used an Airframe and Powerplant certificate number issued to him by FAA to sign off on the service record entry in an effort to conceal maintenance problems with the blades. The rotor blades were purchased from Mr. Lauterbach for \$42,000 in 2005 and installed on a Bell helicopter owned by a North Carolina man for use in a helicopter sightseeing business. When the blades could not be balanced properly a secondary inspection of the blades revealed their true condition. The customer returned the blades to Mr. Lauterbach for a refund before they were used in flight. Mr. Lauterbach is expected to appear

for sentencing on September 8, 2011. This investigation was conducted with assistance from FAA's Dallas Flight Standards District Office.

- 05.27.2011 [Audit Initiated of Highway Safety Grants to Mississippi Department of Public Safety, Office of Highway Safety](#)

Over the past four years, the National Highway Traffic Safety Administration (NHTSA) provided more than \$57 million in highway safety grants to the State of Mississippi, Department of Public Safety, Office of Highway Safety (MOHS). OIG is initiating an audit of MOHS's management of highway safety grants. Our audit objectives are to: (1) determine whether MOHS has sufficient management controls to ensure its compliance with Federal grant requirements and proper expenditure of Federal grant funds; and (2) assess NHTSA's actions designed to ensure MOHS's compliance with Federal grant requirements.

- 05.25.2011 [Weaknesses In The Office Of The Secretary's Acquisition Function Limit Its Capacity to Support DOT's Mission](#)

On May 25, 2011, we issued a report on our review of the Office of the Secretary of Transportation's (OST's) acquisition function. The objective of our review was to assess the effectiveness of OST's acquisition function focusing on its: (1) organizational structure and leadership; (2) policies and processes; and (3) management controls over acquisition data. We found significant weaknesses in OST's acquisition function that limits its ability to carry out its responsibilities in support of DOT's mission. Specifically, OST's current acquisition organizational structure does not support an effective acquisition function for the Department, a problem further complicated by long-standing vacancies in OST acquisition leadership and staff positions. Second, the acquisition function lacks adequate and comprehensive policies and procedures to effectively manage and perform its acquisition tasks. Finally, OST lacks management controls to ensure its acquisition data are accurate, complete, and timely. We made fifteen recommendations to OST, which concurred with all but four of our recommendations, and provided acceptable planned actions and implementation dates.

- 05.24.2011 [Air Traffic Control Safety Oversight](#)

On May 24, 2011, the Inspector General testified before the Senate Commerce, Science, and Transportation Subcommittee on Aviation Operations, Safety, and Security about Federal Aviation Administration's (FAA) oversight and management of air traffic operations. The Inspector General identified four areas where FAA faces particular challenges: (1) identifying and addressing the causes of operational errors, (2) mitigating controller fatigue risks, (3) adequately staffing the controller workforce, and (4) training new controllers. FAA statistics show a recent significant increase in operational errors by controllers; however, the causes of this reported increase remain unclear. FAA has also not yet fully implemented recommendations to identify potential factors that may contribute to controller fatigue and mitigate that risk. In addition, while FAA is working to hire and train nearly 11,000 new controllers, expected improvements to controller training have not been realized. Further, FAA's placement process does not adequately consider new controllers' aptitude, and critical facilities have a high percentage of controllers in training.

- 05.23.2011 [Quality Control Review of Single Audit on the Port Authority of New Jersey and New York](#)

On May 23, 2011, we issued a quality control review report on a single audit performed by Deloitte & Touche, LLP on the Port Authority of New York and New Jersey (Port Authority)'s use of United States Department of Transportation grants for the fiscal year ending December 31, 2010. During this period, the Port Authority expended approximately \$311 million from DOT grant programs. We determined the work of Deloitte & Touche to be acceptable, and therefore, met the requirements of generally accepted government auditing standards, the Single Audit Act, and OMB Circular A-133. We found nothing to indicate that Deloitte & Touche's opinion on the Port Authority's financial statements or reports on the Port Authority's internal controls and compliance were inappropriate or unreliable.

- 05.20.2011 [New York Construction Company Associate Sentenced to Three Years Probation for DBE Fraud Scheme](#)

On May 20, 2011, Lester Hamilton, salesman for V.V.S.S. Co., Inc. (VVSS) was sentenced in U.S. District Court, Central Islip, New York, for his role in a \$21 million Disadvantaged Business Enterprise (DBE) fraud scheme. Mr. Hamilton was sentenced to serve three years probation; pay a \$100 special assessment and restitution to the IRS in the amount of \$12,161.86 for unpaid taxes, interest and penalties. Mr. Hamilton admitted that VVSS, a certified DBE, acted as a DBE "front" on approximately 35 public works construction projects for numerous general contractors in the New York City area. He further admitted that he helped negotiate some of these fraudulent subcontracts between VVSS and the general contractors. In return, VVSS agreed to receive "fees" from the general contractors of approximately 5 percent of the value of the subcontracts for the use of their DBE status. VVSS served as a payroll and invoice processing service for the general contractors. Mr. Hamilton admitted that he falsified the books and records of VVSS and submitted false documentation to various unions and union benefit funds to conceal the fact that the VVSS DBE subcontracts were actually performed by the general contractors. VVSS prepared and routinely submitted false certified payrolls and other documents to public contracting agencies who received DOT grant funds, including the New York State Department of Transportation, the New York City Department of Transportation, the New York State Metropolitan Transportation Authority, and the Port Authority of New York & New Jersey. The investigation was conducted by the Federal Construction Fraud Task Force for the Eastern District of New York, whose members include the DOT OIG; the Internal Revenue Service, Criminal Investigation Division; the U.S. Department of Labor OIG Office of Labor Racketeering and Fraud Investigations; and the New York City Department of Investigation.

- 05.20.2011 [Audit Initiated of FAA's En Route Automation Modernization Program Information Security Controls](#)

The Office of Inspector General is initiating an Information Security Controls audit of the Federal Aviation Administration's (FAA) En Route Automation Modernization (ERAM) Program. ERAM will replace the 30-year old En Route Host computer and backup system, as well as more than 800 controller workstations at FAA's Air Route Traffic Control Centers nationwide. The program will

facilitate reduced aircraft separation and improved flight plan processing by offering flexible routing options, provide safety alerts to prevent collisions and congestion, and enable controllers to better handle unplanned events. The objective of this audit is to determine the effectiveness of ERAM's information security controls, including whether or not FAA is identifying security risks and properly mitigating them.

- 05.19.2011 [Audit Initiated of FHWA's Full Oversight Activities During ARRA Construction](#)

The Federal Highway Administration (FHWA) has recently assumed "full oversight" of a number of American Recovery and Reinvestment Act of 2009 (ARRA) funded projects. Accordingly, the Office of Inspector General will conduct an audit to assess FHWA's guidance for conducting full oversight during project construction and determine whether FHWA's implementation of its full oversight guidance results in ARRA projects meeting quality and cost requirements.

- 05.19.2011 [Audit Initiated of Follow-Up Review of FAA and Industry Efforts To Enhance Airline Safety in Response to the Colgan Air Accident](#)

The Office of Inspector General plans to conduct a follow-up review of Federal Aviation Administration (FAA) and industry efforts to enhance safety in response to the 2009 fatal crash of Colgan Air flight 3407. We are conducting this review at the request of the Ranking Member of the House Committee on Transportation and Infrastructure and the Ranking Member of the Subcommittee on Aviation. Several safety initiatives were introduced following the Colgan Air crash through FAA's Call to Action on Airline Safety and Pilot Training and subsequently became requirements under the Airline Safety and FAA Extension Act of 2010. Effectively implementing these requirements in a timely manner is critical to enhancing safety for the traveling public. Accordingly, our audit objectives are to: (1) examine FAA and industry progress in implementing elements of the Act; and (2) identify any challenges to completing these actions.

- 05.19.2011 [FAA Must Strengthen Its Cost and Price Analysis Processes to Prevent Overpaying for Noncompetitive Contracts](#)

On May 19, 2011, we issued our final report on the Federal Aviation Administration's (FAA) cost and price analyses. The Office of Management and Budget emphasizes the importance of conducting effective cost and price analyses to avoid overpaying for high-risk noncompetitive contracts. Our audit objectives were to: (1) determine the extent to which FAA procurement offices used sufficient price analysis methods for noncompetitive contracts awarded within FAA; and (2) assess FAA's ability to adequately account for its noncompetitive contract awards. We found that FAA did not perform effective cost and price analysis for 8 of the 25 noncompetitive contracts we reviewed. We also found that FAA was unable to demonstrate that reasonable prices were paid for the eight contracts. Additionally, FAA did not accurately account for its noncompetitive contract awards because it does not have an effective contract writing system. We made six recommendations to improve FAA's cost and price analysis and its tracking of noncompetitive contract awards. FAA concurred with all recommendations and provided action plans to implement five of the recommendations. We requested that FAA provide us with a firm date for the action planned to implement the remaining recommendation.

- 05.19.2011 [Jury Convicts North Carolina Civil Engineer for Fraud Involving Federal Aviation Administration Airport Improvement Projects](#)

On May 19, 2011, G. Martin Wynn, a civil engineer and project manager, was convicted by a Federal jury in U.S. District Court, Anderson, South Carolina of mail and wire fraud for falsifying and forging a set of plans used in connection with \$4.3 million in Federal Aviation Administration (FAA) funded airport improvement projects. The investigation revealed that Mr. Wynn transferred a South Carolina Department of Health and Environmental Control (DHEC) seal from a previously approved runway extension construction plan onto an unapproved set of plans that were going to be used on the continuing airport improvement projects at the Oconee Regional Airport. Mr. Wynn engaged in the forgery to avoid the scrutiny of state environmental regulators, which would have led to additional changes to his plans and possibly substantial delays in construction of the project. The forged seal represented that the plans had a necessary storm water permit, which guarded against excessive erosion and run-off. The work at the airport, based on the unapproved plans, coincided with significant run-off of sediment and mud from the airport onto private property and into a nearby lake. This investigation was conducted jointly with the South Carolina Department of Health and Environmental Control.

- 05.16.2011 [Virginia Man and Tank Cleaning Company Convicted of Refuse and Clean Water Act Violations](#)

On May 16, 2011, Jerry Askew, general manager of Marine Environmental Services, Inc. (MES), a tank cleaning company, pled guilty in U.S. District Court, Eastern District of Virginia, to a misdemeanor charge of violating the Refuse Act. Additionally, Mr. Askew, acting on behalf of MES, entered a guilty plea to the felony charge of violating the Clean Water Act. In October 2010, Mr. Askew and MES were indicted on multiple charges associated with the illegal discharge of approximately 500,000 gallons of contaminated ballast water into the Elizabeth River and the Hampton Roads Sanitation District sewer system. MES was the subcontractor hired by Bay Bridge Enterprises to remove fluids from the USS Pawcatuck as part of a ship scrapping contract with the United States Maritime Administration (MARAD). MARAD's contract required compliance with all Federal, State, and local environmental laws and regulations. The indictment also charged Mr. Askew and MES with making material false statements by way of omission with respect to these illegal discharges in reports that were submitted to MARAD. Additionally, the indictment charged Mr. Askew with making false statements to the Environmental Protection Agency, Department of Defense, and the Coast Guard, when he advised them that he had authority from the Coast Guard to discharge ballast water from the USS Pawcatuck into the Elizabeth River, when the Coast Guard had not advised him or given him such permission. This investigation was conducted jointly with EPA-CID, DCIS, NCIS, and CGIS.

- 05.13.2011 [New York Construction Company President Sentenced to Three Years Probation and Ordered to Pay \\$262,000 for DBE Fraud Scheme](#)

On May 13, 2011, Walter Bale, president of Walter Constructions Associates, Inc. (WCA), was sentenced in U.S. District Court for the Eastern District of New York for his role in a \$7.9 million Disadvantaged Business Enterprise (DBE) fraud scheme. Mr. Bale was sentenced to serve three years probation, and ordered to pay a \$25,000 fine and a \$100 special assessment. In addition, Mr. Bale forfeited \$237,000 to the government. Mr. Bale previously admitted that between January 2000 and December 2001, WCA obtained three subcontracts from the Perini Corporation (Perini), valued at approximately \$7.9 million, to install rebar while posing as a DBE known as Fairview Contracting Corporation (Fairview). Mr. Bale conspired with Stephen Funny, the owner of Fairview, to transfer WCA's employees and expenses to the books and records of Fairview to generate the false appearance that Fairview was performing the subcontracts for Perini. These projects included work on the Cross Island Parkway/Long Island Expressway interchange, the BQE/Williamsburg Bridge connector ramp, and the Queens Boulevard Bridge/Honeywell Street Bridge projects. The investigation was conducted jointly by the Federal Construction Fraud Task Force for the Eastern District of New York, whose members include the Internal Revenue Service, Criminal Investigation Division; the U.S. Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations; and the New York City Department of Investigation.

- 05.12.2011 [FAA's Fiscal Year 2012 Budget Request: Key Issues Facing the Agency](#)

On May 12, 2011, the Inspector General testified before the Senate Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies on the Federal Aviation Administration's (FAA) fiscal year 2012 budget request. The Inspector General outlined three major challenges that FAA faces in the current constrained fiscal environment: (1) addressing ongoing safety concerns, (2) managing Next Generation Air Transportation System (NextGen) advancement while controlling costs, and (3) maximizing airport infrastructure funding to accommodate aviation growth. FAA's first priority remains the safety of the National Airspace System, which requires directing resources to address the recent increase in air traffic controller operational errors, controller staffing and training, air carrier and repair station inspector oversight, and pilot training and fatigue. At the same time, FAA must ensure that operating costs do not crowd out its investments to advance NextGen. Managing the long-term costs, schedule, and success of this effort will depend on recovering from costly technical problems with the En Route Automation Modernization (ERAM) program, effectively implementing transformational programs, and readying its workforce to better manage NextGen acquisitions and contracts. Finally, FAA must prepare for upcoming rapid aviation growth by keeping existing runway construction projects on track and improving financial oversight of airport grants.

- 05.11.2011 [Audits Initiated of FAA's Metric to Track Air Traffic Losses of Separation and Implementation of Air Traffic Safety Action Program](#)

The Office of Inspector General plans to review the Federal Aviation Administration's (FAA) process for reporting and mitigating the risk of operational errors by air traffic controllers. We are conducting this review at the request of the Chairmen and Ranking Members of the Senate

Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security as well as the Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation. FAA statistics show that the number of operational errors—when a controller fails to maintain a safe separation distance between aircraft—increased by more than 50 percent in fiscal year 2010. According to FAA, this increase is mostly due to the introduction of voluntary, non-punitive safety reporting, such as through the Air Traffic Safety Action Program (ATSAP). FAA also recently implemented the System Loss of Standard Separation (LoSS) Index, which aims to capture incidents where there is a loss of separation between aircraft. We plan to initiate two audits to review these programs in relation to the recent rise of operational errors. The first will evaluate the policies and process by which FAA is using the LoSS index to (1) collect, measure, evaluate, and report separation losses and (2) mitigate those risks. The second audit will evaluate FAA's implementation and oversight of ATSAP.

- 05.09.2011 [Audit Initiated of MARAD's Oversight and Coordination of Port Infrastructure Development Projects](#)

The Office of Inspector General is initiating an audit of the Maritime Administration's (MARAD) coordination and oversight of port infrastructure projects for state, local, and territorial authorities. Since 2003, MARAD has engaged in port infrastructure development projects, with a role in providing oversight and coordination of projects, acting as a central procurement organization, leveraging Federal and non-Federal funding resources, and streamlining environmental review and permitting processes. The objectives of this audit are to: (1) evaluate MARAD's oversight and risk management of port infrastructure development projects, and (2) evaluate MARAD's oversight of port infrastructure projects' contract awards and administration.

- 05.09.2011 [Former Buffalo FMCSA Supervisory Safety Inspector Charged in Bribery Investigation](#)

On April 27, 2011, a criminal Information was filed in U.S. District Court, Western District of New York, charging former Federal Motor Carrier Safety Administration (FMCSA) supervisory safety inspector James Wood with bribery. The one count Information also seeks forfeiture of \$41,300. Mr. Wood was arrested in January 2011, in connection with bribery allegations. The Information alleges that Mr. Wood requested and accepted payments from Canadian safety consultants to: (1) postpone safety audits of Canadian trucking companies; (2) to provide satisfactory ratings to Canadian trucking companies; and (3) provide FMCSA internal information to Canadian trucking safety consultants. Subsequent to his arrest, Mr. Wood was removed from employment by FMCSA. This case was conducted jointly with the FBI. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 05.06.2011 [ARRA Financial & Activity Report - April 2011](#)

On May 6, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of April 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA

major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 05.04.2011 [Ensuring ARRA Funds are Spent Appropriately to Maximize Program Goals](#)

On May 4, 2011, the Department of Transportation (DOT) Inspector General testified before the House Committee on Transportation and Infrastructure. The testimony focused on four key challenges DOT faces in ensuring American Recovery and Reinvestment Act (ARRA) dollars are spent appropriately to maximize program goals: (1) addressing vulnerabilities in two ARRA-funded discretionary grant programs -- High-Speed Intercity Passenger Rail (HSIPR) and Transportation Investment Generating Economic Recovery (TIGER); (2) meeting ARRA requirements for reporting on jobs and considering economic impact; (3) ensuring grantees provide effective project and financial management; and (4) preventing fraud, waste, and abuse. DOT faces substantial challenges in ensuring its HSIPR and TIGER programs meet ARRA's reporting, transparency, and program and financial management requirements, and that the significant ARRA dollars obligated under these programs are not wasted. DOT Office of Inspector General ARRA audits—which have primarily targeted the Federal Highway Administration, the largest custodian of DOT's ARRA dollars, and the Federal Aviation Administration—can help inform DOT regarding the critical decisions it must make in the future. Specifically, DOT needs to improve jobs data reporting and grant selection processes to meet ARRA's transparency and accountability requirements and its goal to optimize economic growth; strengthen project and financial oversight to ensure quality and maximize efficiency; and take proactive measures to combat fraud, waste, and abuse.

- 05.02.2011 [Audit Initiated of FHWA's Stewardship and Oversight Agreements with States](#)

The Office of Inspector General will conduct an audit to determine whether the Federal Highway Administration (FHWA) provides sufficient guidance and direction to its Division Offices so that Stewardship and Oversight Agreements between FHWA and states address Federal requirements and program risks, including those resulting from the American Recovery and Reinvestment Act of 2009.



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- 06.27.2011 [Quality Control Review of Single Audit on Dallas Area Rapid Transit](#)

On June 27, 2011, we issued a quality control review report on a single audit performed by Deloitte & Touche, LLP on the Dallas Area Rapid Transit's (DART's) use of U.S. Department of Transportation (DOT) grants for the fiscal year ending September 30, 2010. During this period, DART expended approximately \$198 million from DOT grant programs. We determined the work of Deloitte & Touche to be acceptable, and therefore, met the necessary requirements. We found nothing to indicate that Deloitte & Touche's opinion on DART's financial statements or reports on DART's internal controls and compliance were inappropriate or unreliable.

- 06.24.2011 [Former Vice President of FTA Grantee Convicted of Conspiracy, Wire Fraud and False Claims in Massachusetts Trial](#)

On June 21, 2011, Christopher Willson, former senior vice-president of EV Worldwide LLC (EVW), was convicted after a two week jury trial in U.S. District Court, Boston, Massachusetts, of one count of conspiracy to defraud the U.S., six counts of wire fraud and four counts of submitting false claims to the U.S. Charges related to obstruction of an audit were dismissed. Mr. Willson, former EVW CEO Michael Armitage, and EVW were indicted in April 2009 on various charges including wire fraud, conspiracy, false claims, and endeavoring to obstruct a U.S. Department of Transportation, Office of Inspector General audit. Mr. Armitage also was charged with numerous unrelated criminal tax violations and pled guilty to all charges on October 20, 2010. Mr. Armitage is scheduled to be sentenced on September 26, 2011.

The indictment against the defunct EVW was dismissed on June 22, 2011. EVW and its wholly-owned subsidiary ElectraStor LLC received funding from the Federal Transit Administration (FTA) through the Pioneer Valley Transit Authority (PVTa) to develop a nickel-hydride battery to power a bus. EVW received approximately \$4.2 million in FTA funds via Congressional earmarks between 2000 and 2006. The investigation disclosed that between November 2004 and July 2006, Mr. Armitage, Mr. Willson, and EVW conspired to defraud FTA by submitting fraudulent invoices to FTA through PVTa which claimed that the FTA share of project costs did not exceed the 50% level required under the terms of the funding and sought reimbursement for fictitious, inflated, or ineligible expenses. Through

proceeds from the invoices, Mr. Armitage, Mr. Willson, and EVW received wire transfers of approximately \$703,000 which they used for their own benefit as well as for the benefit of HSM Systems, Inc., a Canadian company founded by Mr. Armitage and Mr. Willson. The investigation was jointly conducted with Internal Revenue Service-Criminal Investigative Division and assisted by the Defense Contract Audit Agency. Mr. Willson is scheduled to be sentenced on October 11, 2011. For more information please see the above link to the U.S. Attorney's Office press release.

- 06.21.2011 [Audit Initiated of the Management of the Metropolitan Washington Airports Authority](#)

At the request of Representatives Frank R. Wolf and Tom Latham, the Office of Inspector General plans to review the management policies and processes of the Metropolitan Washington Airports Authority (MWAA). In 1986, Congress passed a law that authorized the transfer of operating responsibilities for the federally owned Washington Dulles International and Washington National Airports to MWAA under a long-term lease with the Department of Transportation (DOT). In 2006, MWAA also became the sponsor for the Dulles Corridor Metrorail, a high-profile commuter rail project with a \$975 million DOT investment. Our audit objectives are to determine whether: (1) the policies and processes under which MWAA operates comply with the terms of the law and the lease between DOT and MWAA; and (2) MWAA's policies and processes are sufficient to ensure accountability and transparency of its Board's activities.

- 06.20.2011 [Iowa Ready-Mix Company Pled Guilty to Violations of the Sherman Antitrust Act](#)

On June 20, 2011, Tri-State Ready Mix, Inc. (TRM) pled guilty in U.S. District Court, Sioux Falls, Iowa, to Sherman Antitrust Act charges for their role in the scheme to manipulate the ready-mix concrete market. TRM admitted that as early as January 2006 and continuing through August 2009, Chad Van Zee, owner and president, conspired with others to fix ready-mix concrete prices and/or submit non-competitive and rigged bids for ready-mix sold in Iowa. On June 21, 2011, Chad Van Zee, co-conspirator, was sentenced to 45 days incarceration followed by 36 months of supervised release and 80 hours of community service. In addition, Van Zee, co-conspirator, was ordered to pay a \$50,000 fine and pay a \$100 special assessment. During the period of the conspiracy, TRM had ready-mix sales that exceeded \$2 million. This investigation was conducted jointly with the Federal Bureau of Investigation, the US Attorney's Office-Antitrust Division, and the U.S. Department of Justice-Antitrust Division.

- 06.17.2011 [Colton Harris Moore "The Barefoot Bandit" Pleads Guilty to Multi-State Crime Spree](#)

On June 17, 2011, Colton Harris-Moore, pled guilty in U.S. District Court, Seattle, Washington, to bank burglary, interstate transportation of a stolen aircraft, interstate and foreign transportation of a stolen firearm, being a fugitive in possession of a firearm, piloting an aircraft without a valid airman's certificate, and interstate transportation of a stolen vessel. In 2008, Mr. Harris-Moore allegedly began a crime spree that involved the theft of aircraft, boats, vehicles, and firearms. On more than one occasion, Mr. Harris-Moore piloted a stolen aircraft, without a valid airman's certificate. It is estimated that based on Mr. Harris-Moore's conduct, 80 investigations have been initiated into residential and commercial burglaries, vehicle prowls, vehicle thefts, assault on law enforcement officials, and the theft

of five aircraft. In June 2010, Mr. Harris-Moore is alleged to have shifted his crime spree in an easterly direction where on July 4, 2010; Mr. Harris-Moore allegedly stole an aircraft in Indiana, which he flew to Grand Abaco Island in the Bahamas. Mr. Harris-Moore survived the crash landing, his reportedly usual method of landing, in the Bahamas. After being apprehended by the Royal Bahamas Police, Mr. Harris-Moore was transported and remains in custody at the State Center at SeaTac, Washington. Under the terms of the plea agreement, Mr. Harris-Moore forfeits any financial gain from telling his story and the proceeds are to be used to compensate the victims of his crimes. Mr. Harris-Moore acknowledged that the amount of loss caused to victims of his crimes is at least \$1.4 million. Under the terms of the plea agreement, the recommend prison sentence will range between 63 and 78 months. This investigation was conducted with the FBI and numerous other state and local law enforcement agencies from across the country.

- 06.17.2011 [South Florida Man Pleads Guilty To Aircraft Parts Fraud](#)

On June 17, 2011, Saif Cheema, employee of Daytona Aerospace, pled guilty in U.S. District Court, Miami, Florida, to one count of aircraft parts fraud. This investigation revealed that Mr. Cheema made a false statement on an "ATA 106 Part or Material Certification Form" stating that an aircraft part belonging to Boeing, was in New Surplus "NS" condition and had been received from the defunct, Pan Am Airlines. Mr. Cheema knew the aircraft part had been recently manufactured by Zerene Aircraft Inventory, an airplane parts broker in Miami, Florida, a company not authorized to manufacture Boeing parts for either U.S. Military or the commercial aviation sector. Sentencing is scheduled for August 26, 2011. This investigation is being conducted jointly with Defense Criminal Investigative Service, Air Force Office of Special Investigations, Federal Bureau of Investigation, Department of Homeland Security/US Immigration and Customs Enforcement, with the Federal Aviation Administration providing technical assistance.

- 06.17.2011 [New York Construction Company President Sentenced to Three Years Probation for DBE Fraud Scheme](#)

On June 17, 2011, Stephen Funny, president of Fairview Contracting Corporation (Fairview) was sentenced in U.S. District Court, Central Islip, New York, to three years probation and ordered to pay \$100 special assessment for his role in a \$7.9 million Disadvantaged Business Enterprise (DBE) fraud scheme. Between January 2000 and December 2001, Fairview, a certified DBE, obtained three DBE subcontracts from the Perini Corporation (Perini) to install rebar. Mr. Funny conspired with Walter Bale, the owner of Walter Construction Associates (WCA), to have WCA perform the work on the subcontracts. Mr. Funny also transferred Mr. Bale's employees and expenses to Fairview's books and records to give the false appearance that Fairview was performing the DBE subcontracts for Perini. The investigation was conducted by the Federal Construction Fraud Task Force for the Eastern District of New York, whose members include the Internal Revenue Service, Criminal Investigation Division; the U.S. Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations; and the New York City Department of Investigation.

- 06.17.2011 [United Express Pilot Found Guilty of Operating an Aircraft Under the Influence of Alcohol](#)

On June 17, 2011, after a two day bench trial in U.S. District Court, Denver, Colorado, Aaron J. Cope of Norfolk, Virginia, was found guilty of operating a common carrier under the influence of alcohol. Mr. Cope served as the second-in-command (co-pilot) of a United Express flight that departed Austin, Texas, on December 8, 2009, bound for Denver, Colorado. Upon arrival in Denver, it was reported to officials of the operating carrier, Shuttle America, that Mr. Cope smelled of alcohol and appeared to be under the influence of alcohol. Arrangements were made to obtain a breath alcohol specimen from Mr. Cope at the Denver airport. Mr. Cope was presumed to be under the influence of alcohol while operating the commercial aircraft based on the subsequent analysis of his blood alcohol content. The flight he co-piloted that day included 48 passengers and four crew members. Mr. Cope was terminated by Shuttle America on December 9, 2009. In January 2010, the Federal Aviation Administration (FAA) issued an emergency order of revocation of Mr. Cope's pilot license and medical certificate. A sentencing date for Mr. Cope is pending. This investigation was conducted with assistance from FAA. For more information please see the above link to the U.S. Attorney's Office press release.

- 06.15.2011 [FAA's Approach To SWIM Has Led To Cost And Schedule Uncertainty And No Clear Path For Achieving NextGen Goals](#)

On June 15, 2011, we issued a report on the Federal Aviation Administration's (FAA) development and implementation of the System Wide Information Management (SWIM) program. SWIM is a key program in the Next Generation Air Transportation System (NextGen) that, as envisioned, will streamline data communications among all NextGen air traffic systems. We found that although FAA is still in the early stages of developing SWIM, the Agency has already increased the costs for the program's first of three segments by more than \$100 million and delayed its completion by two years. Further cost increases and delays remain likely because of a lack of clear lines of accountability for overseeing and managing the program. FAA concurred with all six of our recommendations for improving the management of SWIM and reducing risks.

- 06.09.2011 [FAA Needs to Strengthen Controls Over the 2009 FAA/NATCA Collective Bargaining Agreement](#)

On June 9, 2011, we issued a report on cost issues related to the 2009 collective bargaining agreement (CBA) between the Federal Aviation Administration (FAA) and the National Air Traffic Controllers Association (NATCA). We conducted our review at the request of the Chairman of the House Committee on Transportation and Infrastructure. The 2009 CBA is the first successfully negotiated CBA since a 5-year agreement ratified in 1998, which was associated with significant cost overruns. FAA estimates that the 2009 agreement will cost \$669 million more than extending the controller work rules that were in place prior to the 2009 agreement. We found that while FAA's methodology for developing this estimate appears to be reasonable, it includes several assumptions that may increase total costs, such as the rate at which veteran controllers retire. There also are some provisions in the 2009 CBA that could escalate costs beyond FAA's estimate, including negotiated memoranda of understanding (MOU). While FAA established controls in 2003 to prevent additional costs with MOUs, we found that those controls

are insufficient and that Agency personnel do not consistently adhere to them. We made four recommendations to help FAA ensure its internal control policies are sufficient to prevent cost escalations. FAA concurred with or met the intent of our recommendations, and we consider them resolved pending completion of planned actions.

- 06.09.2011 [Audit Initiated of FTA's Oversight of Grantees' ARRA Contract Award and Administration Practices](#)

The Office of Inspector General is initiating an audit of the Federal Transit Administration's (FTA's) oversight of grantees' American Recovery and Reinvestment Act (ARRA) contract award and administration practices. In February 2009, the President signed ARRA into law, designating \$8.4 billion for the FTA transit programs. FTA has awarded 1072 ARRA grants supporting construction or renovation of over 850 transit facilities costing over \$4 billion, the purchase of nearly 12,000 transit vehicles at more than \$2 billion, and preventive maintenance projects totaling \$700 million. The audit objective is to determine whether FTA's oversight of transit agencies' ARRA construction and renovation grants is sufficient to ensure: (1) that grantees' contract award and administration practices comply with laws, regulations, policies, and procedures; and (2) that grantees achieve the cost, schedule, and performance goals of their ARRA-funded infrastructure investments.

- 06.08.2011 [FMCSA Motor Carrier Safety Specialist Indicted for Accepting Bribes](#)

On June 8, 2011, Eric Hernandez, a Federal Motor Carrier Safety Administration (FMCSA) Motor Carrier Safety Specialist, was indicted in U.S. District Court, Laredo, Texas, on a charge of accepting a bribe. Mr. Hernandez, a border inspector, allegedly sold a Level I Commercial Vehicle Safety Alliance (CVSA) decal to the driver of a commercial motor vehicle knowing that the vehicle had not been inspected. A CVSA decal is issued to commercial motor vehicles passing roadside or periodic inspections performed under the authority of any state government or the FMCSA. The alleged activity was reported to the Texas Department of Public Safety (Texas DPS), who initiated an investigation and obtained video footage capturing the incident. Mr. Hernandez was subsequently arrested. Mr. Hernandez has been placed on administrative leave by FMCSA. This is an ongoing investigation being conducted with assistance from Texas DPS and FMCSA. Note: Indictments, informations, and criminal complaints are only accusations by the government. All defendants are presumed innocent unless and until proven guilty.

- 06.07.2011 [Texas Man Sentenced for Making a False Statement to the Federal Aviation Administration](#)

On June 7, 2011, Darryl G. Reynolds was sentenced in U.S. District Court, Tyler, Texas for making a false statement to the Federal Aviation Administration (FAA) to obtain an Airworthiness Certificate for an aircraft, which Mr. Reynolds obtained through the General Services Administration Federal Surplus Property Program. Mr. Reynolds was sentenced to serve five months imprisonment, five months home confinement and three years of supervised release. He also was ordered to pay a \$10,000 fine and a \$100 special assessment. In addition, Mr. Reynolds must surrender to the government three UH-1H helicopters he obtained through the surplus program and pay all associated expenses related to their

return. Mr. Reynolds operated the Texas Firebirds Volunteer Fire Department (TFVFB), a non-profit corporation located in Van Zandt County, Texas. The stated purpose of the TFVFD was to provide aerial firefighting support. On behalf of TFVFD, Mr. Reynolds obtained surplus aircraft through the federal surplus property program. One of the aircraft was a twin-engine aircraft, previously owned and operated by the U. S. Forest Service. Mr. Reynolds obtained the aircraft without an airworthiness certificate because the U.S Forest Service had surrendered the certificate to the FAA due to the fact that the aircraft was determined to have reached the end of its useful life. Mr. Reynolds then applied for a new airworthiness certificate for the aircraft by submitting an application to the FAA in which he represented that the original airworthiness certificate had been lost, when he knew the certificate had been surrendered. This investigation was conducted jointly with the Defense Criminal Investigative Service; General Services Administration OIG; Texas Department of Public Safety, Texas Ranger Division; and FAA.

- 06.07.2011 [ARRA Financial & Activity Report - May 2011](#)

On June 7, 2011 we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of May 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 06.03.2011 [South Florida Aircraft Parts Broker Employee Pleads Guilty To Aircraft Parts Fraud](#)

On June 3, 2011, in the U.S. District Court, Miami, Florida, Mr. Hector Sorvik, aka Hector Arias, pleaded guilty to a charge of aircraft parts fraud for his involvement in falsifying aircraft parts traceability documentation while employed with Daytona Aerospace, Inc. (DAI), a South Florida aircraft parts broker and licensed Department of Defense contractor. As part of the plea agreement, Mr. Sorvik admitted that while employed at DAI, he created, maintained, and updated a computer program entitled "TRACEFORALL", which was designed to create traceability documentation that was later utilized to aid in the certification of the origin of numerous aircraft parts sold by DAI. Mr. Sorvik further admitted the traceability documentation created by this program did not accurately reflect an aircraft part's origin. Sentencing is set for August 26, 2011. This investigation was based on allegations that a conspiracy existed in which companies that were not approved by the FAA or Department of Defense (DoD), had manufactured aircraft for military and civilian aircraft. These manufacturers conspired with brokers and authorized DoD contractors to sell these unapproved aircraft parts to the United States Air Force (USAF). In cases where the customer required supporting FAA authentication documents, brokers would further conspire with FAA repair stations to falsify FAA forms, giving the illusion that the manufactured parts had been approved by the FAA and were suitable for installation on an aircraft. This investigation was conducted joint with Defense Criminal Investigative Service, USAF Office of Special Investigations, FBI, Department of Homeland Security/Immigration and Customs Enforcement, with the FAA providing technical assistance.

- 06.01.2011 Former Federal Motor Carrier Safety Supervisor Pleads Guilty to Bribery Charge

On June 1, 2011, James H. Wood, former Supervisory Highway Safety Specialist, Federal Motor Carrier Safety Administration (FMCSA), Buffalo, New York, pled guilty in U.S. District Court, Buffalo, New York to an Information charging him with bribery. The investigation disclosed that Mr. Wood requested and accepted payments from Canadian safety consultants to postpone safety audits of Canadian trucking companies; to provide satisfactory ratings to Canadian trucking companies; and to provide internal FMCSA information, including lists of scheduled safety audits, to Canadian trucking safety consultants. Subsequent to his arrest, FMCSA terminated Mr. Wood's employment. Sentencing is scheduled for October 19, 2011. This investigation was conducted jointly with the FBI.



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- 07.28.2011 [Financial Analysis of Transportation-Related Public Private Partnerships](#)

On July 28, 2011 we issued a report on our financial analyses of transportation-related Public Private Partnerships (PPPs). Our objectives were to: (1) identify financial disadvantages to the public sector of PPP transactions compared to more traditional public financing methods; (2) identify factors that allow the public sector to derive financial value from PPP transactions; and (3) assess the extent to which PPPs can close the infrastructure funding gap. We found that PPPs have several financial disadvantages when compared to traditional public sector financing, however, certain private sector efficiencies can meaningfully offset PPPs' cost disadvantages. PPPs have a higher cost of capital than traditional public financing, and they incur certain tax obligations that do not exist for public entities. Principal among private sector efficiencies that can offset cost disadvantages are those which lower new facility design and construction costs, as well as efficiencies in revenue generation. Innovative financing mechanisms, such as those provided under the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Department of Transportation's Private Activity Bonds (PABs), also may improve PPPs' financial attractiveness. In addition, we found that PPPs are not likely to significantly decrease the infrastructure funding gap because private sector investment in transportation through PPPs generally does not entail new or incremental funds. Ultimately, the difference in the relative values that PPP financing and conventional public financing can provide must be determined on a project-by-project basis after careful consideration of all factors, including those not incorporated into our analysis, such as the potential impacts of risk sharing arrangements or the ability of the private sector to deliver a project more expeditiously, which can be significant.

- 07.21.2011 [Statement for the Record: FMCSA is Strengthening Motor Carrier Safety Oversight But Further Action and Attention Are Needed](#)

On July 21, 2011, we provided a statement for the record for the hearing on reauthorization of the motor carrier safety programs before the U.S. Senate Committee on Commerce, Science, and Transportation, Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety and Security. Over the past several years, the Federal Motor Carrier Safety Administration (FMCSA) has

made progress in improving its motor carrier safety programs, but our completed and ongoing audits and investigations continue to identify weaknesses and challenges FMCSA must overcome to ensure the effective implementation of its programs. This statement discussed: (1) challenges in implementing regulations and countering fraud in the Commercial Driver's License Program; (2) FMCSA's progress in responding to National Transportation Safety Board bus safety recommendations, including identifying "reincarnated carriers"; and (3) our audit and investigative work in areas of past and present interest to the committee—including household goods fraud and cross-border trucking—and important actions FMCSA must take to improve internal acquisition and contracting practices.

- 07.19.2011 [South Carolina Department of Motor Vehicle Employee Indicted for Issuing Fraudulent Commercial Driver Licenses](#)

On July 19, 2011, in U.S. District Court, Columbia, South Carolina, Brenda Kay Poston, a former South Carolina Department of Motor Vehicles (SCDMV) Customer Service Representative, was indicted on multiple counts of making false statements related to a scheme which resulted in the issuance of Commercial Driver Licenses (CDL) to unqualified applicants. This investigation resulted from a request for assistance from the SCDMV following their discovery that Ms. Poston aided several individuals in the creation of false CDL test scores, knowledge and road test scores, and operational enhancements, such as HAZMAT and passenger endorsements by entering false information into the SCDMV databases. The OIG and SCDMV conducted a historical review of the Driver History Records System which identified 19 drivers with suspicious or unverifiable credentials dating back to 2004. Ms. Poston confessed to her role in the issuance of 19 CDL and 13 drivers admitted to obtaining their CDL or endorsements fraudulently. SCDMV officials instituted Administrative Revocations of those drivers' credentials and offered re-examinations of all drivers believed to be the recipient of fraudulent CDL. Ms. Poston was terminated from her position. She has currently fled the jurisdiction of U.S. District Court in South Carolina and remains at large. This investigation was conducted jointly with the South Carolina Department of Law Enforcement Division.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. Defendants are presumed innocent unless and until proven guilty.

- 07.15.2011 [Federal Highway Administration's Oversight of Federal-Aid and Recovery Act Projects Administered by Local Public Agencies Needs Strengthening](#)

On July 15, 2011, we issued a final report on the Federal Highway Administration's (FHWA) oversight of federal-aid and Recovery Act projects administered by Local Public Agencies (LPA). We initiated the audit since LPAs received up to \$8 billion in Recovery Act highway funds and FHWA previously acknowledged that LPAs were an internal control weakness. Our audit objectives were to assess: (1) the extent of LPA compliance with Federal requirements; and (2) the effectiveness of FHWA's actions in ensuring that states have adequate LPA oversight programs. We found at least one instance of noncompliance with Federal requirements in 88 percent of the 59 LPA projects reviewed in four states and identified \$5 million in unsupported costs. Most prevalent were shortcomings related to construction management requirements. Our report has identified weaknesses in the actions FHWA has

taken in addressing state LPA oversight weaknesses. We made four recommendations for improving FHWA oversight. FHWA concurred with all four recommendations.

- 07.12.2011 [ARRA Financial & Activity Report - June 2011](#)

On July 7, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of June 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 07.06.2011 [IMPACT Magazine](#)

IMPACT Magazine is intended to provide an annual behind-the-scenes look at some of the more significant investigations conducted by DOT OIG special agents. This publication highlights the unique nature of our mission and the work of our talented and motivated workforce in the areas of transportation safety, procurement and grant fraud, consumer and workforce fraud, and employee integrity. Like all Offices of Inspector General, we issue Semiannual Reports to Congress which provide statistical data and discuss our audit and investigative accomplishments. However, Semiannual Reports do not always provide us an opportunity to discuss the stories behind our investigations. We hope the stories in our IMPACT Magazine will inform our stakeholders and raise public awareness, including among potential victims of fraud.



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- 08.24.2011 [Quality Control Review of Single Audit on the New Jersey Transit Corporation](#)

On August 24, 2011, we issued a quality control report on a single audit performed by Ernst & Young, LLP, on the New Jersey Transit Corporation's (NJT) use of U.S. Department of Transportation (DOT) grants for the fiscal year ending June 30, 2010. During this period, NJT expended approximately \$715 million from DOT grant programs, as shown in the attached Schedule of Expenditures of Federal Awards. The major programs tested by Ernst & Young included the Federal Transit Cluster and Formula Grants for Other than Urbanized Areas Program. We determined the work of Ernst & Young to be acceptable, and therefore met the requirements of generally accepted government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that Ernst & Young's opinion on NJT's financial statements or reports on NJT's internal controls and compliance were inappropriate or unreliable.

- 08.22.2011 [Former Pilot of Luxury Charter Jet Company Sentenced for Illegal Flights and Falsifying Safety Records](#)

On August 22, 2011, a former pilot of the now-defunct luxury charter jet company Platinum Jet Management, LLC was sentenced to six months in prison for his role in a conspiracy to defraud charter customers and brokers using interstate wires and to impede and obstruct the Federal Aviation Administration (FAA). Francis Vieira, 61, of Ft. Lauderdale, Florida, previously pleaded guilty to the lead count of a Superseding Indictment, charging him with conspiracy to commit wire fraud and to defraud the United States. He entered his guilty plea before U.S. District Judge Dennis M. Cavanaugh, who also imposed the sentence in Newark federal court.

- 08.17.2011 [The Owner and the Chief Inspector of a South Florida FAA Repair Station Sentenced for Aircraft Parts Fraud](#)

On August 17, 2011, Guillermo Galvan, president and owner of Aviation Engine Services (AES), an FAA Approved Repair Station, and Jorge Gomez, AES' Chief Inspector were sentenced in U.S. District Court Miami, Florida, for making false representations to a customer of AES concerning the calibration of an Almen Gauge, a tool used to measure the intensity of the "shotpeening" process as required by the turbine engine manufacturer's Standard Practices Manual, which is adhered to in repairing and certifying the turbine engine airworthy so it can be returned to service. Ultimately, the aircraft parts were installed in a commercial aircraft's turbine engine. The investigation revealed that AES performed maintenance, returned aircraft parts to service, and issued FAA 8130 Airworthiness Certificates, using tools and equipment that had not been timely calibrated. Galvan was sentenced to five years probation, ordered to pay a \$50,000 fine, and perform 150 hours of community service per year of probation, and a special assessment fee of \$100. Gomez was sentenced to five years probation, ordered to pay a \$7,500 fine, and perform 165 hours of community service per year of probation, and a special assessment fee of \$100. Additionally, the Judge ordered a "Related Concern Restriction" that Galvan and Gomez not perform any duties consistent with an "aircraft inspector" unless supervised by a licensed aircraft inspector or unless specifically authorized by the Court while serving their probation sentence. This investigation was conducted with assistance from the FAA South Florida Flight Standards District Office.

- 08.16.2011 [Former Charter Jet Company Director Sentenced for Conspiring to Defraud the FAA by Using Unqualified Pilots](#)

On August 16, 2011, Joseph Singh, the former Director of Charters for Platinum Jet Management (PJM), was sentenced in U.S. District Court, Newark, New Jersey, to one year probation, restitution in the amount of \$200,000 (payable to victims of the impacted flights) and a \$5,000 fine. On July 7, 2009, Singh pled guilty to conspiracy to defraud charter customers and brokers and to impede and obstruct the FAA. Singh admitted that as Director of Charters for PJM, he dispatched unqualified or unrested pilots, including the pilot of the jet that crashed at Teterboro Airport, Teterboro, New Jersey, on February 2, 2005. He further admitted that from November 2003, until shortly after the Teterboro crash, he booked charter flights for PJM using charter brokers and dispatched unqualified PJM pilots to fly a number of the flights, while representing to the charter brokers through wire communications that PJM would operate in compliance with federal law. According to Singh, he dispatched John Kimberling, who was not a qualified commercial pilot, to fly the ill-fated flight from Teterboro to Chicago. The plane crashed into a warehouse after failing to lift off. Singh admitted that he knew Kimberling was not qualified to fly that flight, and he further admitted to dispatching Kimberling on other flights. He also helped his lead co-defendant, Michael Brassington, cover up PJM's illegal conduct surrounding the Teterboro crash by drafting a pair of bogus letters for submission to the National Transportation Safety Board.

- 08.16.2011 [North Carolina Civil Engineer Sentenced for Fraud Involving Federal Aviation Administration Airport Improvement Projects](#)

On August 16, 2011, in U.S. District Court, Anderson, South Carolina, G. Martin Wynn, a civil engineer and project manager, was sentenced to twelve months and one day imprisonment, followed by three years supervised release, ordered to pay \$118,000 in restitution and a special assessment in the amount of \$200. Earlier this year, Wynn was convicted in a federal jury trial of mail and wire fraud for falsifying a state seal used in connection with a \$4.3 million Federal Aviation Administration funded airport improvement project. The investigation revealed that Wynn transferred a South Carolina Department of Health and Environmental Control seal from a previously approved runway extension construction plan onto an unapproved set of plans that were going to be used on the continuing airport improvement projects at the Oconee Regional Airport. Wynn engaged in the forgery to avoid the scrutiny of state environmental regulators, which would have led to additional changes to his plans and possibly substantial delays in construction of the project. The forged seal represented that the plans had a necessary storm water permit, which guarded against excessive erosion and run-off. The work at the airport, based on the unapproved plans, coincided with significant run-off of sediment and mud from the airport onto private property and into a nearby lake. This investigation was conducted jointly with the South Carolina Department of Health and Environmental Control.

- 08.15.2011 [New York City Fulton Street Transit Center: FTA's Sustained Focus on Key Risk Areas Is Needed Until the Project Is Completed](#)

On August 15, 2011, we issued our final report on the Federal Transit Administration's (FTA's) oversight of the New York City Fulton Street Transit Center (Fulton Street) Project. FTA is responsible for overseeing the New York Metropolitan Transportation Authority's (MTA's) construction of the project. The project's funding includes \$423 million in American Recovery and Reinvestment Act (ARRA) funds- the largest single award for any of FTA's ARRA projects. Our objectives were to: (1) evaluate the effectiveness of its project oversight, including cost, schedule, funding, and any grantee management issues; and (2) assess whether ARRA requirements are being met. We found that FTA has provided sufficient oversight of the project, but FTA and MTA must maintain vigilance in preventing schedule delays; maintaining the project's budget; ensuring the project remains within current committed funding amounts; and combating fraud, waste, and abuse, with a particular focus on Disadvantaged Business Enterprise (DBE) fraud. Further, FTA's oversight has ensured MTA established controls to comply with ARRA requirements on accounting for ARRA dollars, but FTA did not detect errors in the number of ARRA-funded jobs MTA reported. We recommended that FTA take additional steps to: (1) finalize a compliance review of MTA's DBE program; and (2) increase its level of oversight of the ARRA information MTA submits to the Federal Government to reduce omissions or errors in future submissions. FTA completed action on recommendation 1 but disagreed with recommendation 2, stating that it has complied with Office of Management and Budget (OMB) requirements. After consulting with OMB, we maintain that further FTA action is needed to reduce omissions or errors in MTA's future job data submissions, and the recommendation remains open.

- 08.15.2011 [Former Tennessee Department of Transportation Employee Sentenced for Soliciting and Accepting Bribes from a Sub-Contractor](#)

On August 15, 2011, in U.S. District Court, Nashville, Tennessee, James D. Hagar, former Tennessee Department of Transportation (TDOT) Operations Specialist, was sentenced to six months incarceration, two years supervised release, ordered to pay \$30,000 in restitution (payable to the Federal Highway Administration), and fined \$4,000 in connection with his guilty plea to accepting a bribe from a subcontractor in connection with a roadway project receiving federal funds. While working on the federally funded contract in his capacity as a TDOT Operations Specialist, Hagar approved the installation of additional impact attenuators (impact reduction devices) by a subcontractor, over and above the original number of devices specified in the initial contract. In exchange for his approval of \$272,000 in additional devices, Hagar solicited and accepted \$30,000 in unauthorized payments from the subcontractor. This investigation was conducted jointly with the Tennessee Bureau of Investigation, with assistance provided by the State Attorney General's Office.

- 08.05.2011 [Monthly Financial and Activity Report for July 2011](#)

On August 5, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of July 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 08.04.2011 [FAA Oversight Is Key For Contractor-Owned Air Traffic Control Systems That Are Not Certified](#)

On August 4, 2011, we issued a report on the Federal Aviation Administration's (FAA) oversight process for contractor-owned air traffic control systems. We conducted our review at the request of the former Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation. In 2007, FAA revised its certification policy to no longer require certification—a quality control method designed to ensure the safety and efficacy of systems and services—for contractor-owned systems. For example, to oversee the contractor-owned ground infrastructure of the Automatic Dependent Surveillance - Broadcast (ADS-B) system, FAA is using an automated monitoring tool in lieu of certification. We found that it is too early to fully assess the impact of FAA's revised certification policy given that FAA is still in the initial stages of its experience with overseeing non-certified systems. However, FAA's monitoring oversight approach to ADS-B presents risks, particularly in regards to limited data analysis resources and ensuring network reliability. We also found that, as FAA shifts from operating its own systems to overseeing contractor-owned and -managed systems, the Agency faces long-term vulnerabilities because FAA's commitment to applying the same safety and quality control standards to contractor-owned systems remains unclear. Further, FAA does not yet have sufficient logistics expertise personnel for effective contractor oversight. We made several recommendations to FAA to enhance its oversight

of these systems. FAA concurred with all of our recommendations, but we have requested clarification on the Agency's response to two of them.

- 08.03.2011 [FAA Policies and Plans are Insufficient to Ensure an Adequate and Effective Acquisition Workforce](#)

On August 3, 2011, we issued our final report on the Federal Aviation Administration's (FAA's) acquisition workforce. In 2009, the President identified acquisition workforce development as a pillar for improving agency acquisition practices and performance. In response, the Office of Management and Budget initiated a strategic plan to improve the capacity and capability of the acquisition workforce. FAA issued an initial Acquisition Workforce Plan on the agency's workforce needs from fiscal year 2009 through fiscal year 2011, and updated the plan in 2010 to project these needs through fiscal year 2014. Our audit objectives were to assess FAA's Acquisition Workforce Plan to determine whether it: (1) comprehensively identifies FAA's acquisition workforce and the required skills and competencies needed now and in the future; (2) addressed gaps in the hiring and development of this important workforce; and (3) identified and implemented the programs, policies, and practices needed to ensure it has an adequate acquisition workforce. We found that FAA's Acquisition Workforce Plan is not comprehensive and has not sufficiently addressed gaps in hiring and developing its acquisitions workforce. In addition, FAA has not fully implemented the programs, policies, and practices needed to ensure an adequate workforce. We made 11 recommendations aimed at strengthening FAA's acquisition workforce planning. FAA concurred with all but one recommendation and has provided acceptable actions for 8 recommendations. FAA has begun actions to address many of the issues identified during our audit. We requested that FAA clarify how it plans to meet the intent of the remaining three recommendations and provide corrective action plans and target dates for completion.

- 08.03.2011 [Georgia Pilot Sentenced for Making A False Statement on his FAA Airman Medical Certificate](#)

On August 3, 2011, William G. Bartlett, a Federal Aviation Administration (FAA) certified commercial pilot, was sentenced to three years probation, fined \$5,000, and ordered to pay a \$100 special assessment for making false statements to the FAA related to his applications for an FAA Airman Medical Certificate. The U.S. Department of Transportation Office of Inspector General investigation revealed that in 2006, 2007, and 2008, Mr. Bartlett falsified his medical certificates to conceal prior convictions involving driving while intoxicated and the revocation of his driving privileges. This investigation was conducted jointly with FAA Security.



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- 09.29.2011 [More Rigorous Oversight is Needed to Ensure Venice Municipal Airport Land Sales and Leases are Used Appropriately](#)

On September 29, 2011, we issued a report on the Federal Aviation Administration's (FAA) oversight of the land sales and leases of Venice Municipal Airport. We conducted our review at the request of former Senator George LeMieux, who identified issues warranting a more detailed review of how the City of Venice, the airport sponsor, uses airport revenue. We found that FAA has not ensured that the City of Venice used airport revenue for appropriate purposes or that the airport is as self-sustaining as possible. For example, Agency policy requires that all airport property be sold at fair market value; however, FAA permitted the City (as both the airport sponsor and the provider of municipal functions) to transfer airport properties to itself at prices well below assessed values. FAA's oversight also did not prevent the City from misallocating lease revenue and parking lot improvement costs. We made five recommendations to improve FAA's oversight of airport property sales and the Venice airport's self-sustainability. FAA concurred with four and partially-concurred with one recommendation. We asked FAA to reconsider its position for three of the recommendations.

- 09.29.2011 [Six Individuals Charged with Making Fraudulent Aircraft Repairs](#)

On September 29, 2011, a federal grand jury in Sacramento, California, indicted Jerry Kuwata, Michael Maupin, Scott Durham, Christopher MacQueen, Douglas Johnson, and Anthony Zito on charges of conspiracy to commit fraud involving aircraft parts in interstate commerce and mail fraud. The defendants are former executives and supervisors at WECO Aerospace Systems Inc., (WECO) a Federal Aviation Administration (FAA)-certified air repair station based in Lincoln, which was purchased in 2007 by Gulfstream Aerospace Corporation. WECO was required to use FAA approved parts and procedures in the repair and overhaul of aircraft parts. The defendants are charged with directing WECO technicians to use unapproved parts in repairs and overhauls. In addition, the defendants are alleged to have regularly failed to follow the proper, approved procedures in the repair of aircraft parts. Furthermore, it is alleged the defendants did not even have the equipment needed to perform many of the tests required by the approved

procedures. According to the indictment, the defendants nonetheless performed repairs or directed WECO technicians to perform repairs of parts and returned those parts to customers, falsely certifying for each one that the part had been repaired in accordance with FAA regulations. This investigation was worked jointly with the Federal Bureau of Investigation; Defense Criminal Investigative Service; and Department of Homeland Security, Office of Inspector General. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 09.29.2011 [Quality Control Review of Single Audit on the Michigan Department of Transportation](#)

On September 29, 2011, we issued a quality control report on a single audit performed by the Auditor General of the State of Michigan, on the Michigan Department of Transportation's (Michigan DOT) use of U.S. Department of Transportation (DOT) grants for the fiscal year ending September 30, 2010. During this period, Michigan DOT expended approximately \$2.7 billion from DOT grant programs. The major DOT programs tested by the Auditor General included the 1) Highway Planning and Construction Program, 2) the Federal Transit Cluster, 3) the Federal Transit Services Cluster, 4) the Formula Grants for Other Than Urbanized Areas, and 5) the Airport Improvement Program. We determined the work of the Auditor General to be acceptable, and therefore met the requirements of generally accepted government auditing standards, the Single Audit Act, and OMB Circular A-133. We found nothing to indicate that the Auditor General's opinion on Michigan DOT's financial statements or reports on Michigan DOT's internal controls and compliance were inappropriate or unreliable.

- 09.22.2011 [Amtrak Faces Challenges Sustaining Increased Utilization At Its Heavy Maintenance Facilities](#)

On September 22, 2011, we issued a report on the challenges Amtrak will face to sustain recent increases in the utilization of its heavy maintenance facilities once its American Recovery and Reinvestment Act (ARRA) funding expires. We conducted this review under the direction of the Passenger Rail Investment and Improvement Act of 2008, which required DOT-OIG to conduct a utilization study of Amtrak's maintenance facilities. We found that Amtrak used part of its ARRA funding to increase its heavy maintenance workforce and more fully utilize available capacity at two of three heavy maintenance facilities. However, when ARRA funding expires in September 2011, Amtrak will no longer be able to sustain this expanded workforce and will have to lay off the majority, if not all, of these employees and incur costs associated with the layoffs. To help address this challenge, Amtrak has decided to market its maintenance services to other rail carriers to increase utilization and generate new revenues through its Beech Grove facility. The company has improved Beech Grove's maintenance processes, but still must overcome the facility's aged infrastructure to become more competitive in the maintenance services market. Furthermore, Amtrak's inexperience in this market puts it at a competitive disadvantage. We

made two recommendations to the Federal Railroad Administration's (FRA) Administrator regarding Amtrak's planning to meet its workforce challenges and increase the Beech Grove facility's utilization. FRA concurred with both recommendations and we consider those recommendations resolved but open pending completion of FRA's planned actions to address them.

- 09.20.2011 [Co-founders of Luxury Air Charter Company Sentenced for Operating Illegal Charter Flights and Causing Plane Crash in New Jersey](#)

On September 20, 2011, Michael and Paul Brassington, co-founders of the now-defunct Platinum Jet Management (PJM), a luxury air charter service based in Fort Lauderdale, Florida, were sentenced in U.S. District Court, Newark, New Jersey. Michael Brassington was sentenced to serve 30 months in prison and 36 months of supervised release. Paul Brassington was sentenced to serve 18 months in prison and 36 months of supervised release. Michael Brassington is also expected to face deportation to Guyana after his term of incarceration. On November 15, 2010, following a four-week trial, Michael and Paul Brassington were convicted by a federal jury on a series of charges stemming from a February 2005 airplane crash in Teterboro, New Jersey. The PJM jet over ran the runway at Teterboro Airport, struck two cars as it crossed a roadway and crashed into a warehouse, resulting in injuries. The National Transportation Safety Board investigation concluded that the aircraft's incorrect center of gravity contributed to the crash. The DOT-OIG investigation revealed that the flight's first officer relied on Michael Brassington's representations concerning the weight of the aircraft, which caused the plane to be over-fueled; causing an imbalance in the center of gravity.

- 09.20.2011 [Jury Returns Guilty Verdict for Pennsylvania Resident](#)

On September 20, 2011, following a five-day trial, Irina Rakhman, was found guilty by a federal jury in Philadelphia, Pennsylvania, for conspiracy to produce identification documents without lawful authority. Ms. Rakhman and ten co-conspirators were indicted on charges of making false statements, identification document fraud, and bank fraud for their role in a conspiracy that aided more than 400 unqualified individuals in obtaining false Pennsylvania commercial drivers' licenses. The conspirators operated as the International Training Academy which purported to be both a truck-driving school and a business which rented tractor-trailers for the FMCSA regulated CDL Skills Tests. The conspirators bypassed FMCSA regulations by providing customers with false Pennsylvania residency documents used to satisfy Pennsylvania Department Transportation requirements and to open illicit banks accounts to facilitate the scheme. The scheme also included giving the unqualified applicants the answers to the CDL Knowledge Test. According to evidence presented at the trial, Ms. Rakhman and her co-conspirators provided non-residents of Pennsylvania with false residency documents in order to fraudulently obtain CDLs from 2006 to 2010. They also provided foreign language interpreters who, under the guise of providing translations, gave CDL applicants the answers to the written CDL permit test. The evidence at trial also established that Ms. Rakhman and others received

payment for allowing their home addresses to be used by the applicants. This is a joint investigation with the FBI and assistance from FMCSA and the Pennsylvania State Police.

- 09.19.2011 [Company Employee Pleads Guilty in Fraud Scheme Involving Highway Projects](#)

On September 19, 2011, Santos Eliazar Rivas pled guilty in U.S. District Court in Baltimore, Maryland, to three counts of making false statements in a matter involving the Federal Highway Administration (FHWA). According to the plea agreement, Mr. Rivas became the Director of Quality Control for Frederick Precast Concrete, Inc. (FPC), a company that produced precast concrete structures, including structures for drainage, used in construction projects involving the Woodrow Wilson Bridge and the I-70/Baltimore National Pike Project. Mr. Rivas' duties included overseeing the manufacturing of the company's precast products and ensuring the company's compliance with state regulations. The investigation disclosed that FPC's products delivered to federally-funded project sites failed to conform to state-approved specifications. Certain structures contained the wrong number and/or type of steel rebar pieces in their frames; others contained unapproved substitutions of wire mesh in place of steel rebar. Accordingly, none of these structures conformed to state-approved specifications, and all of them were materially weaker than if they had been produced according to design. The investigation further disclosed that on numerous occasions, Mr. Rivas signed off on shipping tickets listing precast structures whose concrete mix either had not been tested at all, or had been tested and failed to reach the requirement to withstand at least 4,500 pounds per square inch. Based on the shipping tickets that Mr. Rivas falsely certified on behalf of FPC, the Maryland State Highway Administration (MSHA) paid three prime contractors at least \$131,410 for the deficient materials, who in turn, paid FPC. Mr. Rivas' sentencing is scheduled for December 19, 2011. Mr. Rivas is an illegal alien and is currently being detained by the U.S. Immigration and Customs Enforcement (ICE) pending sentencing. This is a joint investigation with ICE, FHWA, and MSHA.

- 09.14.2011 [Federal Railroad Administration's Progress Implementing the Passenger Rail Investment and Improvement Act](#)

On September 14, 2011, the Assistant Inspector General for Rail, Maritime and Economic Analysis testified before the Senate Commerce, Science, and Transportation Subcommittee on Surface Transportation and Merchant Marine Infrastructure, Safety, and Security about (1) the Federal Railroad Administration's (FRA) progress in meeting its Passenger Rail Investment and Improvement Act of 2008 (PRIIA) responsibilities, and (2) the challenges FRA continues to face in the expansion and improvement of intercity passenger rail. FRA has made progress in meeting many of its responsibilities outlined in PRIIA. Most notably, FRA has made significant progress on requirements intended to improve its oversight of Amtrak. However, FRA has yet to complete its implementation of other PRIIA provisions, including finalization of rules that will provide specific guidance to HSIPR grant applicants in areas such as the forecasting of high speed rail projects' net benefits. Delays in the implementation of certain PRIIA provisions—particularly

the final National Rail Plan—significantly challenge FRA's ability to improve and expand intercity passenger rail. Without a final Plan, other PRIIA requirements cannot be completed and stakeholders' roles are uncertain. Furthermore, FRA has obligated more than half of its \$10 billion HSIPR grant program budget for dozens of projects without providing applicants detailed guidance on how to prepare reasonable and reliable ridership and revenue forecasts, public benefits valuations, and operating cost estimates. As a result, FRA cannot be sure that it based these awards on the relative value of competing projects, or that its high-speed rail investments are prudent.

- 09.12.2011 [FAA and Industry Are Taking Action To Address Pilot Fatigue, But More Information On Pilot Commuting Is Needed](#)

On September 12, 2011, we issued a report on Federal Aviation Administration (FAA) and industry efforts to address and enforce Federal regulations for flight crew rest requirements and fatigue issues. We conducted this review at the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and Subcommittee on Aviation Operations, Safety, and Security, as well as the former Chairman of the House Subcommittee on Aviation. This request was also reiterated by Representatives Louise Slaughter and Brian Higgins. We found that FAA has taken important and much needed steps to update flight, duty, and rest requirements for pilots, including publishing a Notice of Proposed Rulemaking (NPRM) with revised regulations. However, FAA's NPRM has encountered significant opposition from the aviation industry, posing a challenge for the Agency to implement. Additionally, the NPRM does not require carriers to identify pilots who commute, or to have policies addressing pilot domicile issues that impact commuting and fatigue. We also found that both air carriers and FAA have generally ensured compliance with current Federal flight, duty, and rest requirements. However, FAA inspectors do not fully review carriers' self-disclosure data in instances of non-compliance with flight crew rest requirements, and there are areas where carriers can improve internal oversight controls. We made four recommendations to FAA to improve awareness of pilot commuting and fatigue. FAA concurred with or met the intent of two of our recommendations regarding self-disclosure data, which we now consider closed, but we are requesting a revised response for the remaining two recommendations regarding the collection and analysis of pilot domicile and commuting data.

- 09.08.2011 [ARRA Financial & Activity Report - August 2011](#)

On September 8, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of August 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 09.08.2011 [Main Defendants Plead Guilty on the Eve of Trial in Pennsylvania CDL Fraud Case](#)

On September 8, 2011, Vitaliy Kroshnev, Tatyana Kroshnev, and Tair Rustamov each pled guilty in Philadelphia, Pennsylvania, to one count of conspiracy to produce and aiding and abetting the production of identification documents. Vitaliy Kroshnev also pled guilty to an additional false statement count. A federal grand jury charged Vitaliy Kroshnev, Tatyana Kroshnev, Tair Rustamov, and seven others with false statements, identification document fraud, and bank fraud for their role in an alleged conspiracy that aided more than 400 unqualified individuals in obtaining false Pennsylvania commercial drivers' licenses (CDL's). The conspirators operated as the International Training Academy (ITA) which purported to be both a truck-driving school and a business which rented tractor-trailers for the Federal Motor Carrier Safety Administration (FMCSA) regulated CDL Skills Tests. The conspirators allegedly bypassed the FMCSA regulations by providing customers with false Pennsylvania residency documents used to satisfy PENNDOT requirements and to open illicit banks accounts to facilitate the scheme. Then, once ITA established the false Pennsylvania residency of the unqualified applicant, corrupt interpreters nefariously provided answers to the customers while taking the FMCSA regulated CDL Knowledge Test. This is a joint investigation with the FBI with assistance from FMCSA and the Pennsylvania State Police.

- 09.08.2011 [Aviation Mechanic Sentenced for Role in Fraudulent Parts Repairs](#)

On September 8, 2011, Dennis R. Lauterbach, a former FAA-licensed mechanic, was sentenced in U.S. District Court, Dallas, Texas, for fraudulently altering the historical service record for main rotor helicopter blades he sold in 2005. Mr. Lauterbach was sentenced to serve five years probation and ordered to pay \$5,651 in restitution and a \$100 special assessment fine. Mr. Lauterbach was also ordered to forfeit \$21,000, amount determined traceable to the offense. Mr. Lauterbach obscured the service records that revealed the blades had been rejected for skin debonding and recommended that they be scrapped. Mr. Lauterbach concealed this information by making an entry in the service record that he "profiled the spar leading edge" and refinished the blade's paint. He used an Airframe and Powerplant certificate number issued to him by FAA to sign off on the service record entry in an effort to conceal maintenance problems with the blades. The rotor blades were purchased from Mr. Lauterbach for \$42,000 in 2005 and installed on a Bell helicopter owned by a North Carolina man for use in a helicopter sightseeing business. When the blades could not be balanced properly a secondary inspection of the blades revealed their true condition. The customer returned the blades to Mr. Lauterbach for a refund before they were used in flight. This investigation was conducted with assistance from FAA's Dallas Flight Standards District Office.

- 09.07.2011 [Audit Initiated of Departmental Review Processes for FAA's High-Risk Major Systems Acquisitions](#)

The Department of Transportation's (DOT's) Investment Review Board (IRB) and the Federal Aviation Administration's (FAA's) Joint Resources Council (JRC) are executive governance boards responsible for the approval and oversight of the annual investment of billions of dollars in major systems acquisitions. FAA's fiscal year 2012 request for its capital investment portfolio exceeds \$3.1 billion. Our objective is to assess the effectiveness of the DOT's IRB and FAA's JRC investment and acquisition review processes to ensure that the FAA's high-risk major program acquisitions are effectively planned and implemented to meet mission needs and achieve desired cost, schedule, and performance goals.

- 09.07.2011 [DOT OIG Announcement Letter Regarding DOT's FY 2012 Top Management Challenges](#)

The Office of Inspector General has identified nine top management challenges for the Department of Transportation (DOT) for FY 2012. When issued, this report and the Department's response will be incorporated into the DOT Annual Financial Report, as required by law.

- 09.07.2011 [New York Construction Company Owner Sentenced for Highway Fraud](#)

On September 7, 2011, Oscar Rayford was sentenced in U.S. District Court in Buffalo, New York. Mr. Rayford, owner of Rayford Enterprises, Inc., a certified Disadvantaged Business Enterprise (DBE), was sentenced to eight months of home confinement, one year of probation, a \$7,500 fine, and a \$100 special penalty assessment. Mr. Rayford also was ordered to forfeit \$1.8 million to the government. Mr. Rayford previously pled guilty to a one-count information charging him with mail fraud. Mr. Rayford admitted that between 2001 and 2007, he falsely represented to various government agencies that his company was performing a "commercially useful function" as a DBE manufacturer of concrete, when he entered into a series of agreements with Lafarge North America (Lafarge), a non-DBE, where Lafarge performed virtually all the work functions associated with concrete production and delivery on five highway construction projects funded by the Federal Highway Administration. Mr. Rayford obtained payments from the general contractors, retained a small percentage as his fee, and passed on the remainder to Lafarge. The total value of the work performed by Lafarge on behalf of Mr. Rayford was in excess of \$3.2 million.

- 09.05.2011 [Three Former Fort Worth Police Officers Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Money](#)

In early September 2011, Marcus B. Mosqueda, Maurice Middleton, and James Dunn, former Fort Worth, Texas police officers, were indicted in Tarrant County District Court, Fort Worth, Texas. Mr. Mosqueda, Mr. Middleton and Mr. Dunn were all indicted on charges of tampering with a government record and theft by a public servant. Mr. Mosqueda is accused of entering

false times on 18 traffic tickets and receiving overtime pay for hours he did not work in 2008, 2009, and 2010. Mr. Middleton is accused of entering false times on 19 traffic tickets and receiving overtime pay for hours he did not work in 2008, 2009, and 2010. Mr. Dunn is accused of entering false times on 21 traffic tickets and receiving overtime pay for hours he did not work in 2008, 2009, and 2010. Mr. Mosqueda, Mr. Middleton, and Mr. Dunn are three of nine Fort Worth police officers suspected in this traffic ticket scheme. The officers allegedly issued tickets during normal assigned duty hours but indicated that the tickets were issued while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Transportation Safety Administration (NHTSA) grant. In March 2011, the Fort Worth City Council approved reimbursing the Texas Department of Transportation \$231,000 in grant money that had been used to pay the nine officers' overtime. This investigation is being conducted jointly with the Fort Worth Police Department and the FBI, with assistance from NHTSA and Texas Department of Transportation. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



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- 10.27.2011 [Audit Initiated of DOT's Contract Closeout Processes](#)

In FY 2010, the Department of Transportation (DOT) obligated approximately \$5.8 billion on contracts for goods and services, a significant pool of contracts that may require careful contract closeout. Effective contract closeout processes protect the Government's interests, minimize administrative costs for both Government and the contractor, and free excess funds for possible use elsewhere. Failure to effectively close out contracts hinders an Agency's ability to manage and effectively utilize remaining funds. The Office of the Inspector General is initiating an audit of DOT's contract closeout processes to determine whether DOT's Office of the Secretary and DOT Operating Administrations (OAs) are closing contracts efficiently and effectively, including de-obligating excess funds on completed contracts.

- 10.27.2011 [FAA Safety Inspector Pleads Guilty to Accepting Bribes Over 7 Year Period](#)

Harrington Bishop, 63, of Browns Mills, N.J., pleaded guilty before U.S. District Judge Robert B. Kugler in Camden federal court to an information charging him with one count of receiving illegal gratuities by a public official. Harrington admitted to accepting tens of thousands of dollars of "tips" in exchange for hundreds of unauthorized pilot check rides he performed, U.S. Attorney Paul J. Fishman announced. Please click on the link above to read the complete press release from the United States Attorney, District of New Jersey.

- 10.27.2011 [Florida Woman Sentenced for Trafficking Counterfeit High Tech Devices](#)

On October 25, 2011, Stephanie McCloskey was sentenced in U.S. District Court for the District of Columbia for her role in a scheme in which she and others imported counterfeit integrated circuits from China and Hong Kong and sold hundreds of thousands of them to the military and transportation contractors. McCloskey, former Administrative Manager of VisionTech Components, located in Clearwater, Florida, was sentenced to 38 months incarceration, 3 years of supervised release, and ordered to forfeit \$166,141.23, which represents the income she earned at VisionTech. Additionally, a restitution order will follow within 90 days which could be as much as \$578,062.23.

In September 2010, McCloskey and Shannon L. Wren, owner of VisionTech Components, were arrested on charges in connection with the sale of counterfeit integrated circuits. On the day of their arrest, search warrants were executed on the business and residents which resulted in the seizure of proceeds from their criminal activity. Following their arrest, McCloskey and Wren were indicted on conspiracy, trafficking in counterfeit goods, and mail fraud. McCloskey pled guilty in November 2010, for her role in the conspiracy. This investigation is being conducted jointly with Immigration and Customs Enforcement, Naval Criminal Investigative Service, U.S. Postal Inspection Service, Internal Revenue Service Criminal Investigations, and the General Services Administration Office of Inspector General.

- 10.25.2011 [Sentence Handed Down in VisionTech Components, LLC Sales of Counterfeit Integrated Circuits Case](#)

Stephanie A. McCloskey, of Clearwater, Fla., was sentenced today to 38 months in prison for her role in a scheme in which she and others imported counterfeit integrated circuits from China and Hong Kong and sold hundreds of thousands of them to the U.S. Navy, defense contractors and others, marketing some of these products as "military-grade."

- 10.20.2011 [Audit Initiated of NAFTA Cross-Border Trucking Pilot Program](#)

On October 14, 2011, the Department granted provisional authority to the first Mexican carrier in its North American Free Trade Agreement (NAFTA) cross-border trucking pilot program. This action formally initiated the pilot program. Legislation passed in fiscal year 2007 requires the Office of Inspector General (OIG) to review FMCSA's implementation of pilot programs for granting long-haul authority to Mexico-domiciled motor carriers. Accordingly, we are initiating this audit. The specific objectives will be to determine whether: (1) the Department has established sufficient mechanisms to determine whether the pilot program is adversely affecting motor carrier safety, (2) Federal and State monitoring and enforcement activities are sufficient to ensure that participants in the pilot program are complying with all applicable laws and regulations, and (3) the pilot program consists of a representative and adequate sample of Mexico-domiciled carriers that are likely to engage in cross-border operations beyond the United States municipalities and commercial zones on the United States-Mexico border.

- 10.19.2011 [New York Truck Broker Sentenced to Jail and ordered to pay \\$97,321 for DBE Fraud Scheme](#)

On October 19, 2011, Brian Hotton, owner of BCM Industries, Inc. (BCM), was sentenced in U.S. District Court, Central Islip, New York, for his role in a \$3.1 million Disadvantaged Business Enterprise (DBE) fraud scheme. Hotton was sentenced to serve six months in jail, to be followed by three years supervised release; pay a \$200 special assessment and restitution to the IRS in the amount of \$97,321 for unpaid taxes, interest and penalties. Mr. Hotton previously admitted that between 1998 and 2001, BCM obtained a trucking subcontract with a DBE subcontract value of \$3,150,000, while posing as a DBE known as VVSS Co. Inc. This occurred on a Federal Highway

Administration funded project on the Westside Highway in NYC. Mr. Hotton conspired with Vijay Havaladar, the owner of VVSS, to create fraudulent documents in order to generate the false appearance that VVSS was performing the DBE trucking subcontract. The investigation was conducted by the Federal Construction Fraud Task Force for the Eastern District of New York, whose members include the DOT-OIG; the Internal Revenue Service, Criminal Investigation Division; the U.S. Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations; and the New York City Department of Investigation.

- 10.13.2011 [California Concrete Supplier Convicted of Impersonating a Professional Engineer on Stimulus funded Project](#)

On October 13, 2011, Gary Dyrr, the owner of Feather River Materials, Inc., a concrete supplier, entered a guilty plea and was sentenced to two years of probation, ordered to pay \$4,186 in restitution and fined \$580 for impersonating and using the seal of a licensed professional engineer on a \$28.25 million bridge replacement project funded with American Recovery and Reinvestment Act funds. Mr. Dyrr was investigated for submitting altered laboratory findings, misrepresenting concrete aggregate physical properties, and altering a Professional Engineer's stamp on concrete mix designs, on the Spanish Creek Bridge Replacement. This investigation was conducted jointly with the California Department of Consumer Affairs and was prosecuted by the Plumas County District Attorney's Office.

- 10.07.2011 [ARRA Financial & Activity Report - September 2011](#)

On October 7, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of September 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 10.06.2011 [Process Improvements Are Needed for Identifying and Addressing Vehicle Safety Defects](#)

On October 6, 2011, we issued a report on NHTSA's oversight of vehicle safety. We found that NHTSA followed its established procedures in investigating unintended acceleration (UA) issues for Toyota and other manufacturers and that UA issues affected multiple vehicles manufacturers. Also, despite NASA's validation of ODI's investigative results for the Toyota UA-related cases, we found process improvements are needed for identifying and addressing vehicle safety defects. Finally, ODI's processes are well respected internationally, but its limited information sharing and coordination with foreign countries reduced opportunities to identify safety defects or recalls in an increasingly global automobile industry. We made ten recommendations to enhance ODI's processes and increase coordination with foreign countries. NHTSA fully or partially concurred with all of our recommendations. We consider NHTSA's planned actions to address our first eight

recommendations sufficient but open, pending completion of the planned action. We requested NHTSA provide additional information on recommendations nine and ten.

- 10.06.2011 [President and Owner of New York-Based DBE Contractor Indicted for Role in DBE Scheme](#)

On October 6, 2011, in U.S. District Court, New York, NY, Yona Jimenez, the president and owner of Global Marine Construction Supply (GMCS), a certified Disadvantaged Business Enterprise (DBE), was indicted on a mail fraud charge for her role as a pass-through DBE purporting to provide structural steel on the Federal Highway Administration-funded Cross Westchester Expressway Project. The general contractor of the project claimed that GMCS had been awarded a subcontract of over \$6 million to supply structural steel to reconstruct bridges on the project although another company (a non-DBE) actually supplied the steel. The general contractor then claimed credit for the "services" provided by GMCS toward meeting the DBE goal. GMCS was paid approximately 1% of the subcontract value as a commission for its DBE "services". The indictment also seeks forfeiture in the amount of the illegal proceeds gained by Ms. Jimenez. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 10.05.2011 [Federal Aviation Administration's Progress and Challenges in Developing and Transitioning to the Next Generation Air Transportation System](#)

On October 5, 2011, the Inspector General testified before the House Subcommittee on Aviation regarding the Federal Aviation Administration's (FAA) progress and challenges in developing and transitioning to the Next Generation Air Transportation System (NextGen). The Inspector General identified three challenges that will impact FAA's ability to manage NextGen's implementation and realize its benefits: (1) addressing concerns with FAA's timely execution of recommendations in five critical areas, (2) resolving technical and program management problems with the En Route Automation Modernization (ERAM) program, and (3) managing program costs and schedules with NextGen's transformational programs. The Inspector General noted that delays in addressing key task force recommendations could discourage industry investment in NextGen. In addition, ongoing problems with ERAM's implementation have caused significant delays that impact the cost and pace of NextGen, and total costs, schedules, and benefits remain uncertain for NextGen's transformational programs. The Inspector General highlighted three management areas that FAA must focus on now to advance NextGen and protect taxpayers' interests: (1) NextGen budget priorities, detailed milestones, and performance goals and metrics; (2) problems with ERAM; and (3) an integrated master schedule for all NextGen programs.

- 10.03.2011 [Philadelphia Trucker in Deadly Crash Pleads Guilty in Federal Court](#)

On October 3, 2011, Valerjis Belovs, a truck driver responsible for a crash that killed one and injured several others, pled guilty to fifteen false statement counts in Philadelphia, Pennsylvania. Mr. Belovs admitted to falsifying his Federal Motor Carrier Safety Administration (FMCSA) regulated logbooks

to conceal the fact that he drove in excess of the allowable driving hours without the required period of rest. The federal charges are related to an accident on U.S. 76 in Philadelphia in which one person died and five others were seriously injured when Mr. Belov's truck plowed into stopped traffic. Mr. Belovs previously pled guilty to various state charges related to the same incident, including one count of vehicular homicide. An analysis of Mr. Belovs' regulated driver logbooks revealed that at the time of the accident, he was driving in excess of FMSCA maximum hours of operating a commercial vehicle. The truck's owner, Victor KalinitchII, was previously sentenced on state charges; as was Joseph Jadcak, who admitted to selling inspection stickers to Mr. KalinitchII without inspecting the truck that plunged into stopped traffic. The investigation was conducted jointly with the Montgomery County District Attorney's Office and the Pennsylvania State Police. FMSCA assisted with the investigation.

- 10.03.2011 [Pilot Pleads Guilty to False Statement after Conducting an Illegal Charter Flight to North Carolina](#)

On October 3, 2011, in U.S. District Court, Raleigh, North Carolina, Jose C. Joga, an Federal Aviation Administration (FAA) licensed Airline Transport Pilot entered a plea of guilty to one count of false statements in connection with his role in an unlicensed charter airline operation in south Florida. The investigation revealed that Caribair, Inc., operated a chartered commercial flight (Flight N815MA), which had been booked through an aircraft charter broker to fly a family of five passengers to New York. On January 3, 2009, Mr. Joga, the captain and pilot of Flight N815MA, departed Santo Domingo, Dominican Republic, with five passengers on board and instructed them that upon arriving in Wilmington, North Carolina, they should not say to authorities that they had paid for the flight, but rather should falsely state that they were friends of the plane's owner. Approximately, thirty minutes into the flight, Mr. Joga threatened to return to Santo Domingo if the passengers did not agree to say what he had instructed them to say upon arrival in Wilmington, North Carolina, when clearing U.S. Customs and Border Protection inspection. Upon nearing the Wilmington airport the aircraft was damaged as it impacted the runway during a forced landing, with the landing gear retracted. In spite of the accident, no serious injuries were sustained. A post-accident investigation conducted by FAA determined that neither Caribair, nor N815MA involved in the transportation of the family were certificated under Title 14, Code of Federal Regulations, Part 135 (Charter Operations). As part of the investigation, FAA interviewed Mr. Joga and he stated that the flight was conducted under Part 91, and that all five passengers on the aircraft were friends of the owner. This investigation was conducted jointly with the Department of Homeland Security/Immigration Customs Enforcement, along with technical assistance from FAA.



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- [DOT OIG's Semiannual Report to Congress: April 1, 2011 - September 30, 2011](#)

The Department of Transportation Office of Inspector General issued its Semiannual Report to Congress for the second half of fiscal year 2011. Our audit and investigative work reflects a strong commitment to providing in-depth analyses of important transportation issues to serve and inform the Secretary of Transportation, Congress, and the public. Over the past six months, we issued 109 reports with a total of 318 recommendations, including financial recommendations totaling over \$73.5 million. Our investigative work resulted in 41 indictments, 44 convictions, and a total of more than \$46 million in fines, restitutions, and recoveries.

- 11.23.2011 [Review Initiated of NHTSA's fiscal year 2011 Drug Control Obligation and Performance Summary Reports](#)

The Office of National Drug Control Policy (ONDCP) was created by the Anti-Drug Abuse Act of 1988. The ONDCP advises the President on drug-control issues, coordinates drug-control activities and related funding across the Federal government, and produces the annual National Drug Control Strategy, which outlines Administration efforts to reduce illicit drug use, manufacturing and trafficking, drug-related crime and violence, and drug-related health consequences. The National Highway Traffic Safety Administration (NHTSA) receives funding for its Drug Impaired Driving program and is required to submit annual reports to ONDCP on its drug control activities that have been reviewed by the Office of Inspector General. Accordingly, the Office of Inspector General is initiating a review of NHTSA's fiscal year 2011 Drug Control Obligation and Performance summary reports.

- 11.15.2011 [Owner and Project Manager of Environmental and Industrial Services Company Indicted for Violating Clean Water Act](#)

On November 3, 2011, NH Environmental Group, Incorporated, d/b/a Tierra Environmental & Industrial Services, Incorporated; Ronald Holmes, Owner; and Stewart Roth, Project Manager, were indicted in U.S. District Court, Hammond, Indiana, on one count of Conspiracy and six counts of violating the Clean Water Act. From about January 2008 through June 2008, Mr. Holmes and Mr.

Roth conspired to violate the Clean Water Act by instructing drivers to transport liquid waste and unlawfully discharge that wastewater in a facility owned by Mr. Holmes that was not permitted to receive it. That wastewater was subsequently discharged into a local sanitary system, also known as a publicly-owned treatment works. Mr. Holmes and Mr. Roth took steps to conceal this crime and charged customers for the same. This case was investigated by the Northern District of Indiana Environmental Crimes Task Force, including agents from the U.S. Environmental Protection Agency's Criminal Investigation Division, the U.S. Department of Transportation, Office of Inspector General, and the U.S. Coast Guard Criminal Investigative Service. The case is being prosecuted by the U.S. Attorney's Office for the Northern District of Indiana and the Environmental Crimes Section of the Justice Department's Environment and Natural Resources Division. A press release was issued by the Department of Justice, Environmental Crimes Division.

- 11.15.2011 [Quality Control Review of the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2011 and 2010](#)

On November 15, 2011, we issued an audit report on our quality control review of the audit of the Department of Transportation's (DOT) consolidated financial statements for fiscal years 2011 and 2010. Clifton Gunderson, LLP, under contract to the OIG, issued a clean (unqualified) audit opinion on DOT's financial statements, but reported three significant deficiencies in internal control and seven actual or potential instances of reportable noncompliance with laws and regulations. Complete financial statements will be included in DOT's Agency Financial Report, which will also contain a copy of the Clifton Gunderson, LLP's report. This page will be updated when the link is available.

- 11.15.2011 [DOT's FY 2012 Top Management Challenges](#)

On November 15, 2011, we issued our annual report on the top management challenges facing the Department in FY 2012. The issues comprising this year's report are: enhancing the Department's oversight of highway, bridge, and transit safety; ensuring effective oversight on key initiatives that can improve aviation safety; ensuring effective oversight of hazardous liquid and natural gas pipeline safety; ensuring effective oversight of ARRA projects and applying related lessons learned to improve DOT's infrastructure programs; managing the next generation air transportation system advancement while controlling costs; managing DOT acquisitions in a more strategic manner to maximize limited resources and achieve better mission results; improving the Department's cyber security; defining clear goals to guide the Federal Railroad Administration in its transformation; and utilizing Department credit programs to leverage limited federal transportation infrastructure resources. This report was included in the Department's Annual Financial Report, as required by law.

- 11.14.2011 [Quality Control Review of the Federal Aviation Administration's Audited Financial Statements for Fiscal Years 2011 and 2010](#)

On November 14, 2011, we issued an audit report on our quality control review of the audit of the Federal Aviation Administration's (FAA) financial statements for fiscal years 2011 and 2010. Clifton Gunderson, LLP, under contract to the OIG, issued a clean (unqualified) audit opinion on FAA's financial statements. Clifton Gunderson, LLP's report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested. Complete financial statements will be included in FAA's Annual Report which will also contain a copy of our quality control report and Clifton Gunderson, LLP's report. This page will be updated when the link is available.

- 11.14.2011 [FISMA 2011: Persistent Weaknesses in DOT's Controls Challenge the Protection and Security of its Information Systems](#)

On November 14, 2011, we issued a report on the results of our annual audit of DOT's information security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). Consistent with FISMA and OMB requirements, our overall objective was to determine the effectiveness of DOT's information security program and practices. We found that since our last report, DOT has made some improvements in its cyber security. For example, it developed comprehensive cyber security policy for the entire Department, except for the Office of the Secretary, and reported all major security incidents to the Department of Homeland Security. However, the Department has not yet corrected weaknesses in its information security procedures, enterprise-level and system-level controls, and management of corrective actions. We are making new recommendations to address these vulnerabilities. DOT's Chief Information Officer will provide a description, along with milestone dates, of the specific actions to implement these recommendations.

- 11.07.2011 [DOT OIG Fiscal Year 2012 Recovery Act Audit Work Plan](#)

The American Recovery and Reinvestment Act (ARRA) of 2009 designated \$20 million to the Department of Transportation (DOT) Office of Inspector General (OIG) to conduct audits and investigations of DOT projects and activities funded by ARRA. Updated as of October 1, 2011, the OIG's Recovery Act Audit Work Plan provides an overview of its Recovery Act goals, issued products, ongoing audits, and planned audits.

- 11.07.2011 [Actions Needed to Ensure Accurate Executive Order 13520 Reporting](#)

On November 7, 2011, we issued our report on DOT's Executive Order 13520 Reporting. We found DOT's September 2010 report to OIG did not accurately account for high-dollar overpayments and recoveries, or meet reporting requirements for high-priority programs and high-dollar overpayments. The January 2011 report also did not meet reporting requirements for high-dollar overpayments. While DOT intended to ensure transparency, both reports included improper payment amounts that did not need to be reported. We did not identify any high-dollar

overpayments that should have been reported, and actual payment recoveries were understated in the report. We made a recommendation to assist the Department in its preparation of quarterly reports on high dollar improper payments. DOT concurred with our recommendation and provided appropriate planned actions and timeframes.

- 11.07.2011 [ARRA Financial & Activity Report - October 2011](#)

On November 7, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of October 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 11.07.2011 [Quality Control Review of the National Transportation Safety Board's Audited Financial Statements for Fiscal Years 2011 and 2010](#)

On November 7, 2011, we issued an audit report on our quality control review of the audit of the National Transportation Safety Board's (NTSB) financial statements for fiscal years 2011 and 2010. Leon Snead & Company, P.C., under contract to the OIG, issued a clean (unqualified) audit opinion on NTSB's financial statements. Leon Snead & Company, P.C.'s report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested. Complete financial statements will be included in NTSB's Annual Report which will also contain a copy of our quality control report and Leon Snead & Company, P.C.'s report. This page will be updated when the link is available.

- 11.04.2011 [Quality Control Review of Controls over DOT's Enterprise Services Center](#)

On November 4, 2011, we issued our quality control report of Clifton Gunderson LLP's report attestation engagement pertaining to the Enterprise Services Center's (ESC) description of its system and the suitability of the controls' design and operating effectiveness. Clifton Gunderson found that in all material respects, for the period of October 1, 2010 to June 30, 2011: 1) ESC's description of its controls fairly presents ESC's system that was designed and implemented throughout that period; 2) the controls were suitably designed to provide reasonable assurance that the controls' objectives would be achieved if the controls operated effectively throughout that period and user entities applied the complementary user controls contemplated in the design of ESC's controls throughout that period; and 3) the controls tested, which together with the complementary user entities' controls, if operating effectively, were those necessary to provide reasonable assurance that the control objectives were achieved, operated effectively throughout that period. Our quality control review disclosed no instances in which Clifton Gunderson did not comply, in all material respects, with generally accepted government auditing standards.

- 11.04.2011 [Co-Owner of New York Construction Firm Sentenced in Relation to a \\$5.2 million DBE Fraud Scheme](#)

On November 4, 2011, Carmine Desio, vice president of Environmental Energy Associates (EEA), was sentenced in U.S. District Court, Manhattan, New York, for his role in a scheme in which he defrauded legitimate disadvantaged business enterprises (DBE) from acquiring construction contract work. Mr. Desio was sentenced to six months home confinement with electronic monitoring, two years of supervised release, a \$50,000 fine, and \$188,000 criminal restitution that is payable jointly with co-defendant Balu Kamat. Beginning in approximately 1997, Mr. Desio and Mr. Kamat caused EEA to enter into public contracts to perform an array of subcontract work knowing that they lacked the labor, equipment, and financial capability to perform the work. As part of the scheme, they agreed to put employees of a specific general contractor on EEA certified payrolls. This scheme occurred on the Metropolitan Transportation Authority (MTA), New York City Transit Authority's Fulton Street Transit Center-Dey Street Concourse, with a total DBE subcontract value of \$5.2 million. The investigation is being conducted jointly with the MTA - Office of Inspector General, the U.S. Department of Labor, Office of Labor Racketeering and Fraud Investigations, and the Port Authority of New York and New Jersey - Office of Inspector General.

- 11.04.2011 [Former Commercial Airline Pilot Sentenced for Operating a Common Carrier Under the Influence of Alcohol](#)

On November 4, 2011, Aaron J. Cope of Norfolk, Virginia, was sentenced in U.S. District Court, Denver, Colorado, for operating a common carrier under the influence of alcohol. Mr. Cope was sentenced to serve six months imprisonment, six months home detention and two years of supervised release. In lieu of a fine, he was ordered to complete 120 hours of community service and pay a \$100 special assessment. Mr. Cope served as the second-in-command (co-pilot) of a United Express flight that departed Austin, Texas, on December 8, 2009, bound for Denver, Colorado. Upon arrival in Denver, it was reported to United Express' parent company Shuttle Express officials that Mr. Cope smelled of alcohol and appeared to be under the influence of alcohol. Arrangements were made to obtain a breath alcohol specimen from Mr. Cope at the Denver airport. Mr. Cope was presumed to be under the influence of alcohol while operating the commercial aircraft based on the subsequent analysis of his blood alcohol content. The flight he co-piloted that day included 48 passengers and four crew members. Mr. Cope was terminated by Shuttle America on December 9, 2010. In January 2010, the Federal Aviation Administration (FAA) issued an emergency order of revocation of Mr. Cope's pilot license and medical certificate. This is an ongoing investigation being conducted with assistance from FAA.

- 11.03.2011 [FMCSA Motor Carrier Safety Specialist Sentenced for Accepting Bribes](#)

On November 3, 2011, Eric Hernandez, a former Federal Motor Carrier Safety Administration (FMCSA) Motor Carrier Safety Specialist, was sentenced in U.S. District Court, Laredo, Texas, for accepting a bribe. Mr. Hernandez was sentenced to serve six months imprisonment, six months home confinement and three years supervised release. He was also ordered to complete 120 hours

of community service and pay a \$100 special assessment. Mr. Hernandez, a border inspector, sold a Level I Commercial Vehicle Safety Alliance (CVSA) decal to the driver of a commercial motor vehicle knowing that the vehicle had not been inspected. A CVSA decal is issued to commercial motor vehicles passing roadside or periodic inspections performed under the authority of any state government or the FMCSA. The activity was reported to the Texas Department of Public Safety (Texas DPS) who initiated an investigation and obtained video footage capturing the incident. Mr. Hernandez was subsequently arrested. Mr. Hernandez was removed from federal service by FMCSA. This investigation was conducted with assistance from Texas DPS and FMCSA.

- 11.02.2011 [Quality Control Review of the Saint Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2011 and 2010](#)

On November 2, 2011, we issued an audit report on our quality control review of the audit of the Saint Lawrence Seaway Development Corporation's (SLSDC) financial statements for fiscal years 2011 and 2010. Chiampou Travis Besaw & Kershner LLP, under contract to SLSDC, issued a clean (unqualified) audit opinion on SLSDC's financial statements. Chiampou Travis Besaw & Kershner LLP's report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested. Complete financial statements will be included in SLSDC's Annual Report which will also contain a copy of our quality control report and Chiampou Travis Besaw & Kershner's report. This page will be updated when the link is available.

- 11.01.2011 [Owner of San Francisco Export Company Charged with the Illegal Transportation of Hazardous Materials](#)

On November 1, 2011, Medchem Corporation (Medchem) and Hasan Ibrahim were indicted in U.S. District Court, San Francisco, California, on charges of illegal transportation of hazardous materials, attempted placement of destructive substances on aircraft, attempted smuggling of goods, and failure to file export information. Mr. Ibrahim is the president and owner of Medchem, an exporter based in South San Francisco that is being charged for the illegal shipment of chemicals, medical equipment, and diagnostics to Saudi Arabia. Medchem was required to properly identify the materials to be shipped and ensure the correct labels were affixed to the packages and containers. According to the indictment, Mr. Ibrahim caused 64 boxes of goods to be delivered to a freight forwarder for exportation to Saudi Arabia. The shipment contained over 30 separate chemicals designated as a hazardous material under federal regulations. Among the items shipped included Sulfuryl Chloride and Chloroacetonitrile, materials that are prohibited under federal law from being transported by aircraft. None of the labels on the boxes indicated the contents as containing hazardous materials. This investigation is being worked jointly with the Federal Bureau of Investigation, Department of Commerce, Internal Revenue Service, and Federal Aviation Administration. Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



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- 12.29.2011 [Former New York Federal Motor Carrier Safety Administration Supervisor Sentenced to Jail for Soliciting Bribes](#)

On December 29, 2011, James H. Wood, former Supervisory Highway Safety Specialist, Federal Motor Carrier Safety Administration (FMCSA), Buffalo, New York, was sentenced to serve 18 months in Federal prison in U.S. District Court, Buffalo, New York, for soliciting bribes from Canadian trucking companies. In addition, following his period of incarceration, Mr. Wood will serve 24 months of supervised release and was also ordered to pay a \$41,300 forfeiture and a special assessment of \$100 to the Government. During June 2011, Mr. Wood previously pled guilty to bribery charges and admitted that from 2008 through 2011, he requested and accepted bribes from consultants working for Canadian trucking companies. In exchange, Mr. Wood postponed safety inspections and ensured those companies would receive satisfactory ratings. In addition, Mr. Wood provided the consultants with internal FMCSA information including lists of other trucking companies scheduled to be audited. Subsequent to his arrest, FMCSA terminated Mr. Wood's employment. This investigation was conducted jointly with the FBI.

- 12.28.2011 [DOT Needs to Improve its Tracking and Monitoring of All Single Audit Findings in Order to Effectively Manage Grants](#)

On December 28, 2011, we issued our final report on DOT's implementation of single audit recommendations and cost recovery. We found that for single audit findings classified as high priority, the five Operating Administrations (OA) we reviewed (FHWA, FTA, FAA, FRA, and NHTSA) issued decisions on grantees' planned corrective actions within the Office of Management and Budget's prescribed deadline. However, for lower priority findings, the OAs issued untimely and incomplete decisions on grantees' planned corrective actions. Furthermore, the OAs did not ensure that grantees fully implemented planned corrective actions in a timely manner, including resolution of questioned costs. Finally, the OAs did not take sufficient actions to identify and address grantees with numerous or repeated single audit findings. We made recommendations to DOT to update its procedures to ensure prompt resolution of all single audit findings. The Department concurred with one of our five

recommendations, and partially concurred with the other four. We consider OST's planned actions sufficient, but open pending completion of the planned actions.

- 12.28.2011 [Pennsylvania Truck Driving School Employees Sentenced](#)

In December 2011, Irina Peterson, Khrystyna Davyda, Iryna Starovoyt, Tair Rustamov, Leonid Vilchik, Mikhail Amino, Irina Rakhman, Tatyana Kroshnev, and Vitaliy Kroshnev were sentenced on charges of conspiracy, making false statements, making false statements to a bank, and aiding and abetting in U.S. District Court, Philadelphia, Pennsylvania. The named defendants were conspirators who operated International Training Academy (ITA) which purported to be both a truck-driving school and tractor-trailer rental business. ITA rented tractor-trailers for the Federal Motor Carrier Safety Administration (FMCSA) regulated commercial driver's license (CDL) skills test. The named conspirators allegedly bypassed FMCSA regulations by providing customers with false Pennsylvania residency documents used to satisfy Pennsylvania Department of Transportation requirements and to open illicit bank accounts to facilitate the scheme. After ITA established the false Pennsylvania residency of the unqualified applicant, corrupt interpreters nefariously provided answers to the customers while taking the FMCSA regulated CDL knowledge test. The conspirators aided approximately 400 unqualified applicants to falsely obtain a Pennsylvania CDL. Irina Peterson and Khrystyna Davyda were sentenced to 60 months probation and ordered to forfeit \$24,350 and \$14,500, respectively. Iryna Starovoyt was sentenced to 36 months probation, 100 hours community service, and ordered to forfeit \$10,000. Tair Rustamov was sentenced to 6 months incarceration to be served at a half-way house, 36 months supervised release, and ordered to forfeit \$2,300. Leonid Vilchik was sentenced to 6 months home confinement, 60 months supervised release, and ordered to forfeit \$3,000 and Mikhail Aminov was sentenced to 6 months imprisonment, 36 months supervised release, and ordered to forfeit \$7,800. Irina Rakhman was sentenced to 6 months incarceration to be served at a half-way house, 60 months supervised release, and ordered to forfeit \$1,600. Tatyana Kroshnev was sentenced to 24 months imprisonment, 36 months supervised release, and ordered to forfeit \$445,450 jointly with defendant Vitaliy Kroshnev. Vitaliy Kroshnev was sentenced to 30 months imprisonment, 36 months supervised release, and the joint forfeiture with Tatyana Kroshnev.

- 12.27.2011 [Termination of Audit of FTA's Oversight of Grantees' American Recovery and Reinvestment Act Contract Award and Administration Practices](#)

On June 9, 2011, the Office of Inspector General (OIG) initiated an audit to evaluate the Federal Transit Administration's (FTA) oversight of grantees' American Recovery and Reinvestment Act (ARRA) contract award and administration practices. We are terminating this audit to address a congressional request. However, we will likely re-announce the audit at a later date, given our commitment to ARRA oversight.

- 12.21.2011 [Trucking Company and Owner Charged with Making a False Statement and Continuing Operation After Imposition of an Out-Of-Service Order](#)

On December 21, 2011, Devasko Dewayne Lewis of Cordele, Georgia, was taken into federal custody and appeared before a United States Magistrate Judge in Columbus, Georgia for initial appearance and bond proceedings. Lewis and his trucking company, DDL Transport, LLC, were indicted by a federal grand jury in November 2011, on one count of making a False Statement and seven counts of Continuing Operation after Imposition of an Out-Of-Service Order. The indictment alleges that Lewis made a false statement in an application for motor carrier authority, Form OP-1, filed on July 12, 2011, with the U.S. Department of Transportation, Federal Motor Carrier Safety Administration (FMSCA) when he stated that he not had had a relationship with another motor carrier within the last three years despite having operated Lewis Trucking Company, which had been ordered out of service based safety violations which posed imminent safety hazard. The remaining seven counts allege that Lewis and DDL Transport, LLC, knowingly and willfully operated commercial motor vehicles in Georgia on seven occasions although they were precluded from operations based on the an imminent hazard out-of-service order issued because of numerous record-keeping and safety violations in their trucking operations posed an imminent threat to public safety.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 12.21.2011 [Semiannual Report on Amtrak's Financial and Operating Performance and Savings from Reform](#)

On December 21, 2011, as mandated by the fiscal year 2010 Consolidated Appropriations Act, we issued our semiannual report to the House and Senate Appropriations Committees on Amtrak's savings from operational reforms and year-end financial performance. The report also includes an update on Amtrak's use of its Key Performance Indicators (KPIs) to improve company performance and assess progress of improvement initiatives. Despite records in both revenue and ridership, Amtrak's operating loss for fiscal year 2011 was \$37.6 million (9.0 percent) greater than its operating loss for fiscal year 2010. However, Amtrak anticipated the greater loss in its fiscal year 2011 budget projections, and the actual operating loss that resulted was \$104.4 million (18.6 percent) less than what the company projected. The year-over-year increase in operating loss was due primarily to increased expenditures on salaries, wages, and benefits, while the less-than-budgeted operating loss was due mostly to greater-than-expected ticket revenue. Amtrak had partial success generating new revenue from its fiscal year 2011 improvement initiatives. KPIs show that core expenditures increased as much as core revenue growth on a per-mile basis, however, the company projects that its improvement initiatives will have high upfront costs but long-term benefits.

- 12.21.2011 [Owners of a New Jersey Trucking Company Indicted for False Statements, Union Fund Embezzlement, and Tax Fraud on a \\$2.2 billion FTA-Funded Project](#)

On December 21, 2011, Gerardo and Vincent Fusella, brothers, were indicted in U.S. District Court, Brooklyn, New York. The 31-count indictment charges Vincent and Gerardo Fusella with multiple counts of conspiracy, mail and wire fraud, filing false tax returns, embezzlement of union benefit funds, and false statements on projects receiving Federal Transit Administration (FTA) grant funds. Vincent and Gerardo Fusella are co-owners and operators of Fusella Group LLC., a New Jersey-based trucking company. It is alleged that between 2007 and 2009, the Fusella brothers engaged in a series of fraud schemes in connection with its subcontract work on the Port Authority New York New Jersey (PANYNJ) World Trade Center Transportation Hub project (WTC Hub Project). Fusella Group is alleged to have underreported the number of hours their employees trucked, operated a "double-breasted" company--Alpine Investment Group--to hide drivers' hours from the union, and to have failed to collect and pay to the IRS certain payroll taxes. Fusella Group is also alleged to have submitted false certified payrolls to the PANYNJ stating that they were paying the prevailing wage and fringe benefits to its employees as required by the Davis Bacon Act. The FTA has committed in excess of \$2.2 billion on the WTC Hub project. The investigation is being work jointly with the U.S. Department of Labor's Office of Labor Racketeering and Fraud Investigations, the PANYNJ-OIG, and the IRS-Criminal Investigation Division.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 12.20.2011 [Audit Initiated of DOT's Implementation of the Improper Payments Elimination and Recovery Act of 2010](#)

On July 22, 2010, the President signed the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The law includes new improper payment reporting requirements for agencies and new oversight requirements for inspectors general. We are initiating an audit of the Department of Transportation's (DOT) implementation of IPERA. Our objectives are to determine whether: (1) the improper payment information reported in DOT's fiscal year 2011 Annual Financial Report was accurate; and; (2) DOT complied with IPERA's requirements.

- 12.20.2011 [New Approaches Are Needed to Strengthen FAA Oversight of Air Carrier Training Programs and Pilot Performance](#)

On December 20, 2011, we issued a report on the Federal Aviation Administration's (FAA) oversight of air carrier training programs and pilot performance. We conducted this review at the request of the Senate Committee on Commerce, Science, and Transportation, the House Committee on Transportation and Infrastructure, and Representatives Louise Slaughter and Brian Higgins. We found that FAA's oversight of air carriers' pilot training and proficiency programs lacks the rigor needed to identify and track poor performing pilots and address potential program risks. FAA has not sufficiently trained inspectors on how to evaluate air carriers' basic training assessments. In addition, FAA does not provide sufficient oversight of check airmen—who perform the majority of proficiency checks on air carrier

pilots. We also found that FAA maintains extensive pilot information that air carriers can use to evaluate the competence and qualifications of pilots; however, its current request process hinders air carriers' ability to easily obtain all relevant data. We made seven recommendations to FAA to improve its oversight. FAA concurred or partially concurred with each of our recommendations. However, FAA's responses did not meet the intent of four of our recommendations, and we are requesting additional information before resolving them. In particular, we request further justification regarding FAA's response on the adequacy of inspector oversight of check airmen.

- 12.20.2011 [Georgia Aviation Consultant Indicted for Producing Fraudulent FAA Supplemental Type Certificates](#)

On December 20, 2011, in U.S. District Court, Atlanta, Georgia, Andrew K. Anderson was indicted on charges of conspiracy and wire fraud in connection with his role in the preparation and transmission of fraudulent Federal Aviation Administration (FAA) Supplemental Type Certificates (STCs). Mr. Anderson sent the certificates electronically to contractors employed by the Dubai Air Wing, which oversee aircraft operated for the Prime Minister of The United Arab Emirates. Initially, the FAA charged Mr. Anderson, President of Anderson Aviation Consultants, for creating a fraudulent STC and four fraudulent Airplane Flight Manual Supplements. As a result, the FAA issued a Civil Penalty to Mr. Anderson based upon his conduct and revoked his FAA Designated Engineering Representative authority. However, Mr. Anderson refused to pay the Civil Penalty and created at least four additional fraudulent STCs. Based on Mr. Anderson's conduct a criminal investigation was opened. The fraudulent STCs created by Mr. Anderson were for aircraft registered to the Dubai Air Wing. Mr. Anderson obtained in excess of \$630,000 as a result of his conduct. This investigation was conducted with the technical assistance provided by the Federal Aviation Administration.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 12.19.2011 [Director of Quality Control Sentenced in Highway Fraud Scheme](#)

On December 19, 2011, Santos Eliazar Rivas was sentenced in U.S. District Court, Baltimore, Maryland, to 12 months of home detention and 24 months of probation, following his September 2011 guilty plea to three counts of making false statements involving highway projects funded in part by Federal Highway Administration (FHWA). Mr. Rivas, former Director of Quality Control for Frederick Precast Concrete, Inc. (FPC) was also ordered to pay restitution in the amount of \$131,410. Mr. Rivas became the Director of Quality Control for FPC, a company that produced precast concrete structures, including structures for drainage, used in construction projects involving the Woodrow Wilson Bridge and the I-70/Baltimore National Pike Project. Mr. Rivas' duties included overseeing the manufacturing of the company's precast products and ensuring the company's compliance with state regulations. The investigation disclosed that FPC's products delivered to Federally-funded project sites failed to conform to state-approved specifications. Certain structures contained the wrong number and/or type of steel rebar pieces in their frames; others contained unapproved substitutions of wire mesh in place of steel

rebar. Accordingly, none of these structures conformed to state-approved specifications, and all of them were materially weaker than if they had been produced according to design. The investigation further disclosed that on numerous occasions, Mr. Rivas signed off on shipping tickets listing precast structures whose concrete mix either had not been tested at all, or had been tested and failed to reach the requirement to withstand at least 4,500 pounds per square inch. Based on the shipping tickets that Mr. Rivas falsely certified on behalf of FPC, the Maryland State Highway Administration paid three prime contractors \$131,410 for the deficient materials, who in turn, paid FPC. Mr. Rivas is an illegal alien and is expected to be deported by Immigration and Customs Enforcement (ICE) at the conclusion of his sentence. FHWA and ICE provided assistance to OIG during this investigation.

- 12.15.2011 [Missouri Man Indicted for Fraud and Flying without a Pilot's License](#)

On December 15, 2011, Rodger C. Seratt, was indicted in U.S. District Court, Cape Girardeau, Missouri, on two counts of false statements and two counts of operating an aircraft without an Airman's certificate. Our investigation determined that Mr. Seratt made false statements on applications to the FAA for the purpose of obtaining an Airman's Medical Certificate. Additionally, on two occasions in the Eastern District of Missouri, Mr. Seratt was observed and arrested by the Missouri State Highway Patrol for not possessing an Airman's certificate. This case was conducted jointly with the U.S. Customs and Border Protection and the Missouri State Highway Patrol.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 12.14.2011 [Audit Initiated of the Department of Transportation's Enterprise Services Center](#)

The Department of Transportation (DOT) is a Federal shared services provider, offering a wide range of business services to its Operating Administrations and other Federal entities through its Enterprise Services Center (ESC). The Office of Management and Budget requires DOT, as a shared services provider, to provide its client agencies with an independent service auditors' report describing ESC's internal controls in accordance with the American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagements (SSAE) No. 16. The Department and other client agencies' auditors will use the results of this review in their fiscal year 2012's financial statement audits. KPMG, LLP, an independent audit firm, will carry out this engagement, subject to OIG's oversight, and determine whether: (1) management's description of ESC's systems are fairly presented; (2) controls are suitably designed; and (3) controls are operating effectively throughout the period of October 1, 2011 to September 30, 2012.

- 12.14.2011 [Independent Aviation Consultant Pleads Guilty to Conspiracy to Commit Wire Fraud Involving Fraudulent FAA Certificate](#)

On December 14, 2011, Tod Anderson pled guilty in U.S. District Court, Atlanta, Georgia, to a one count information charging him with conspiracy to commit wire fraud in connection with his role in the preparation and electronic transmission of a fraudulent FAA Supplemental Type Certificate (STC) to a contractor working for the Dubai Air Wing. FAA requested OIG assistance regarding allegations that Mr. Anderson's business associate, who served as President of Anderson Aviation Consultants, created a fraudulent STC and four fraudulent Airplane Flight Manual Supplements. As a result of the investigation, FAA issued a civil penalty and revoked the business associate's FAA Designated Engineering Representative (DER) authority. FAA contacted the OIG after the business associate failed to pay the FAA civil penalty and allegedly created at least four additional fraudulent STCs for aircraft registered to the Dubai Air Wing. OIG's investigative efforts disclosed that Mr. Anderson facilitated the transmission of at least one of the STC's via email. Mr. Anderson is scheduled for sentencing on February 23, 2012.

- 12.08.2011 [Connecticut Bus Company and its Office Manager Charged with Falsification of Drivers Records](#)

On December 8, 2011, Wisla Express, LLC, in New Britain, Connecticut, and its office manager, Dariusz Stzeborowski, of Rocky Hill, Connecticut, were indicted by a federal grand jury with conspiring to obstruct a Federal Motor Carrier Safety Administration (FMCSA) audit by falsifying driver records required to be maintained under federal regulations for inspection. Wisla Express, LLC was a commercial passenger carrier operating vans, mini-buses, and tour buses. The indictment alleges that between January 2010 and September 2010, Mr. Stzeborowski, as manager of Wisla Express, LLC, scheduled drivers to trips knowing that the drivers would be exceeding the maximum number of daily and weekly hours as stipulated under the law. Mr. Stzeborowski also allegedly falsified driving records to show that drivers did not drive over the amount of daily and weekly hours as required under the law and destroyed and covered-up other driving records, which showed that drivers had in fact driven over the maximum amount of daily and weekly hours on a regular and continuing basis. The falsified records were provided to FMCSA. The indictment also alleges that Mr. Stzeborowski instructed the drivers to falsify their driving logs, in which they were to record their total numbers of driving hours so that the logs would not reflect that the drivers had exceeded the hourly safety limits. The drivers were also directed to report their excess driving hours separately, and after those drivers were paid, those separate reports would be discarded or destroyed. The investigation was conducted with assistance from FMCSA.

Note: Indictments, Informations, and Criminal Complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 12.08.2011 [Cargolux Airlines International Executives Plead Guilty to Fixing Surcharge Rates on Air Cargo Shipments](#)

On December 8, 2011, Ulrich Ogiermann, the former president and CEO, and current employee of Luxembourg-based Cargolux Airlines, and Robert Van de Weg, the senior vice president of sales and marketing for Cargolux, pled guilty to conspiring with others to suppress and eliminate competition by fixing and coordinating certain surcharges, including security and fuel surcharges, charged to customers located in the United States and elsewhere for air cargo shipments, including shipments to and from the United States. According to the indictment, filed in October 2010, Mr. Ogiermann participated in the conspiracy from at least as early as October 2001 until at least February 2006, and Mr. Van de Weg participated in the conspiracy from at least as early as December 2003 until at least February 2006. As part of their plea agreements, each has agreed to serve 13 months in prison and to pay a \$20,000 criminal fine. Sentencing is scheduled for March 2012. This investigation was worked jointly with the U.S. Department of Justice, Antitrust Division; the Federal Bureau of Investigation; and the U.S. Postal Service's Office of Inspector General.

- 12.07.2011 [ARRA Financial & Activity Report - November 2011](#)

On December 7, 2011, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of November 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.



Department of Transportation
Office of Inspector General

Office of Inspector General Monthly Activity Report Activities since January 1, 2012

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- 01.31.2012 [Challenges to Improving Oversight of Rail Transit Safety and Implementing an Enhanced Federal Role](#)

On January 31, 2012, we issued our final report on the challenges FTA may face if Congress passes legislation expanding its oversight role of rail transit safety. We found that although basic safety incident data, such as fatalities, injuries, and property damage, are currently captured in the National Transit Database, the data are insufficient for FTA to effectively oversee transit safety at the national level. FTA has not established goals, performance measures, and targets that are specific to its current rail transit safety activities. We also found that if Congress expands FTA's oversight role, establishing minimum national rail transit safety standards would present a number of challenges to FTA. Additionally, an expanded oversight role would significantly increase FTA's oversight and enforcement activities to ensure that State and local agencies implement any new national standards and regulations. We recommended that the FTA Administrator identify actions taken or planned to: (1) work with the Volpe National Transportation Systems Center to complete FTA's assessment of existing data management activities and safety data needs; (2) consult with stakeholders to identify gaps in NTD data and opportunities, under its current authority, to improve the NTD's usefulness to the transit industry; (3) develop an updated performance plan that identifies clear and specific rail safety performance measures that align with the Department's strategic goals and with FTA's rail transit safety activities; and (4) assess FTA's progress in meeting the rail safety performance measures on an annual basis and produce a report summarizing results. FTA fully concurred with recommendations 1 and 2 and partially concurred with recommendations 3 and 4. We consider FTA's actions taken for recommendations 1 and 2 to be sufficient pending documentation of its actions. We requested that FTA reconsider its position in regards to recommendations 3 and 4.

- 01.31.2012 [Office of Inspector General's Review of Fiscal Year 2011 Drug Control Funds and Performance Summary Reporting](#)

On January 31, 2012, we issued the final report on our Review of NHTSA's fiscal year 2011 Drug Control Obligation Summary and Performance Summary reports. No information came to our attention that would reverse management's assertions that the reports complied, in all material respects, with the requirements of the Office of National Drug Control Policy Circular, Drug Control Accounting.

- 01.30.2012 [Report on Quality Control Review of New Mexico DOT FY 2009 Single Audit](#)

On January 30, 2012, we issued a quality control report on a single audit performed by Meyners & Company LLC, on the New Mexico Department of Transportation's (New Mexico DOT) use of U.S. Department of Transportation (DOT) grants for the fiscal year ending June 30, 2009. During this period,

New Mexico DOT expended approximately \$351 million from DOT grant programs. The major programs tested by Meyners & Company LLC included the: 1) Highway Planning and Construction Program; 2) the Federal Transit Cluster; 3) the Non-urbanized Area Formula Program; 4) the Highway Safety Cluster; and 5) the Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program. Our initial review (performed in August 2010) determined the work of Meyners & Company LLC to be Technically Deficient. However, we performed a follow-up review in July 2011 and determined the work of Meyners & Company LLC to be Acceptable with a Deficiency and therefore generally met the necessary requirements. We found nothing to indicate that Meyners & Company's opinion on New Mexico DOT's financial statements or reports on internal controls and compliance were inappropriate or unreliable.

- 01.27.2012 [Colton Harris-Moore AKA "The Barefoot Bandit" Sentenced](#)

On January 27, 2012, Colton Harris-Moore, 20, of Camano Island, Washington, was sentenced in U.S. District Court in Seattle, Washington. In June 2011, Harris-Moore pleaded guilty to bank burglary, interstate transportation of a stolen aircraft, interstate and foreign transportation of a stolen firearm, being a fugitive in possession of a firearm, piloting an aircraft without a valid airman's certificate, and interstate transportation of a stolen vessel. Mr. Harris-Moore's lengthy crime spree began in the Pacific Northwest and across the United States to Indiana, ending with a crash landing in the Bahamas. As a result, Mr. Harris-Moore was sentenced to 78 months in prison and three years of supervised release. The investigation revealed that Mr. Harris-Moore piloted aircraft without a valid airman's certificate and illegally flew stolen aircraft approximately six times in and around Washington State. Each time he did so, Mr. Harris-Moore risked crashing aircraft into people, property, and/or other aircraft. At sentencing U.S. District Judge Richard A. Jones noted that Harris-Moore had endangered others with his "reckless conduct ... and a host and variety of poor choices." The Judge told him it was time for a "new life flight plan." Judge Jones ordered that Mr. Harris-Moore's Federal sentence be served concurrent with the 87-month sentence imposed in Island County Superior Court December 16, 2011, and also ordered that the Federal sentence be served consecutive to the juvenile sentence that Mr. Harris-Moore escaped from in 2008. Under the terms of the plea agreement, Mr. Harris-Moore forfeits any financial gain from telling his story and the proceeds are to be used to compensate the victims of his crimes. Mr. Harris-Moore acknowledged that the amount of loss caused to victims of his crimes is at least \$1.4 million. The restitution amount Mr. Harris-Moore will be ordered to pay his victims will be determined at a restitution hearing, which is set for February 24, 2012. This investigation was conducted jointly with the FBI and numerous other state and local law enforcement agencies from across the county.

- 01.26.2012 [South Florida Men Convicted in Connection with Aircraft Parts Fraud](#)

On January 26, 2012, in U.S. District Court, Miami, Florida, Henry McFlicker and Ayodha "Joe" Persaud, owners of Daytona Aerospace, a South Florida aircraft parts broker and licensed Department of Defense (DOD) contractor, each pleaded guilty to one count of conspiracy to commit aircraft parts fraud. This investigation was based on allegations that a conspiracy existed in which companies who were not approved by the Federal Aviation Administration (FAA) or DOD, had manufactured aircraft for military and civilian aircraft. As part of the plea agreement, Mr. McFlicker and Mr. Persaud admitted to conspiring with others to knowingly, and with intent to defraud, make a materially fraudulent representation concerning aircraft parts. In addition, Mr. McFlicker and Mr. Persaud admitted to directing another Daytona employee to utilize a traceability documentation spreadsheet, entitled "Trace for All", that was used to generate fraudulent inventory lists, certification forms, and letters bearing various airline corporate logos, that were in turn attached to the shipment of various aircraft parts disguising their true origin. Sentencing is set for April 5, 2012. This investigation is being conducted jointly with Defense Criminal Investigative Service, USAF Office of Special Investigations, Federal Bureau of Investigation, Department of Homeland Security/US Immigration and Customs Enforcement, with FAA providing technical assistance.

- 01.17.2012 [Owners and Two Employees of Moving Company Indicted Related to Household Goods Scheme](#)

On January 9, 2012, Yaron Levin, Liat Lee Levin, Francisco Guevara, John Allen Darby, Golden Hand Moving LLC, and Movers USA LLC, were indicted in U.S. District Court, Denver, Colorado, on charges of conspiracy, wire fraud, extortion, making a false bill of lading and theft from interstate shipment. Golden Hand Moving LLC, subsequently d/b/a Movers USA LLC is owned and operated by the Levins. This case was initiated based on allegations that Golden Hand Moving/Movers USA was engaging in a hostage household goods scheme, designed to unjustly enrich the Levins. The scheme entailed luring customers into doing business with Golden Hand Moving/Movers USA by offering extremely low moving estimates, taking possession of customers' household goods and then significantly increasing the price and withholding delivery of their household goods until the customers paid the fraudulently inflated price. In addition, customers were threatened that if they refused to pay the increased price, their household goods would be auctioned off. Arrest warrants were issued for the Levins, Mr. Guevara and Mr. Darby. The Levins surrendered to authorities and Mr. Guevara and Mr. Darby were arrested. This investigation is being conducted jointly with the FBI, with assistance from the Federal Motor Carrier Safety Administration.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 01.17.2012 [FAA Certified Designated Airworthiness Representative and Aviation Mechanic Indicted For Conspiring To Falsify An Aircraft Inspection](#)

On January 11, 2012, Franklin Williams and Stacy Willis were indicted by a Federal grand jury in the U.S. District Court, Jacksonville, Florida, on three counts of fraud involving aircraft and space vehicles parts in interstate commerce, and one count of smuggling goods from the United States. The investigation revealed in 2008 that Mr. Williams, a certified Federal Aviation Administration (FAA) airframe and power plant mechanic (A&P) with Inspection Authorization and a FAA Designated Airworthiness Representative conspired with Mr. Willis, also an FAA A&P mechanic, to falsify an annual inspection and maintenance record entries for the engine and propellers for a Piper PA-32R 301T, so Mr. Williams could issue an FAA Export Certificate of Airworthiness. The Piper was an aircraft damaged by Hurricane Katrina in 2005 and deemed beyond economical repair. In 2008, the aircraft was purchased from a salvage company by a Brazilian who arranged for the aircraft to be deregistered and exported to Brazil by Mr. Williams. Before the aircraft reached Brazil, the FAA coordinated with the United States Department of Homeland Security (US DHS) Customs and Border Protection (CBP) and requested to inspect the aircraft. Although already exported, US DHS/CBP was able to return the container to the Port of Jacksonville where the aircraft was inspected by the FAA and deemed un-airworthy. A trial date has not been scheduled. This investigation was conducted jointly with the US DHS Homeland Security Investigations with outstanding assistance from the FAA and the US DHS/CBP.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 01.17.2012 [North Carolina Trucking Company President Pleads Guilty to False Statements](#)

On January 10, 2012, in the U.S. District Court, Greensboro, North Carolina, Roger D. "Butch" Mabe, Jr., President and Owner of Mabe Trucking Company, Inc., located in Eden, North Carolina, pled guilty for both himself and his corporation, to a one count Information charging false statements related to falsification of driver's logs. The investigation revealed that both Mr. Mabe and Mabe Trucking Company engaged in the falsification of driver's duty status logs for the purpose of concealing from the U.S. Department of Transportation, Federal Motor Carrier Safety Administration, the number and times of

hours driven as required by Federal Motor Carrier Safety Regulations. These regulations limit the number of hours a truck driver can operate a vehicle in order to prevent motor vehicle accidents caused by driver fatigue. Accordingly, truck drivers are required to record their duty status on logs to ensure they do not exceed the maximum number of allowable driving hours, and that they receive sufficient rest before driving again. Therefore, Mr. Mabe and his corporation are alleged to have falsified such logs in an effort to exceed these hours of service restrictions and avoid detection from law enforcement thereby creating a threat to public safety. Both Mr. Mabe and his corporation are scheduled for sentencing on April 20, 2012. This investigation was conducted with assistance from the Federal Motor Carrier Safety Administration.

- 01.17.2012 [Roanoke, Virginia Woman Pleads Guilty to Embezzling DOT Funds](#)

On January 17, 2012, Diane Holdren of Roanoke, Virginia, pled guilty in United States District Court for the Western District of Virginia to one count of willfully and knowingly embezzling money from the United States Department of Transportation. In 2006, Valley Metro, the business entity that manages the Roanoke City bus service, was awarded over \$80,000 in grant funds from FTA to replace furniture at the company's downtown Roanoke administration building. Valley Metro hired Ms. Holdren to complete the project. In her plea, Ms. Holdren admitted she fabricated and submitted multiple bids of furniture vendors to Valley Metro in relation to the project. She admitted to fabricating and inflating all vendor bids, thus guaranteeing that Valley Metro would have to pay more than the true costs associated with the project. Following Valley Metro's acceptance of the bids, Ms. Holdren submitted inflated invoices related to the bids that included inflated and nonexistent shipping costs. Subsequently, Valley Metro paid the furniture vendors directly based on the inflated bills it had received from Ms. Holdren. The vendors then issued checks to Ms. Holdren for the difference between the true costs and the costs paid by Valley Metro that were based on the defendant's deceptions. The total loss caused by the defendant's actions is between \$80,000 and \$120,000. Sentencing is scheduled for April 30, 2012. This is a joint investigation with the United States Postal Inspection Service.

- 01.17.2012 [Vermont Drug Testing Company Owner Pleads Guilty to Making False Statements](#)

On January 17, 2012, Mounir R. Khouri, pleaded guilty in U.S. District Court in Brattleboro, Vermont, to making a false statement on a matter within the jurisdiction of the U.S. Department of Transportation (DOT) in relation to a scheme to defraud transportation companies employing drivers subject to random drug testing. Mr. Khouri, who did business as Mobile Testing Services, Inc. (MTSI), represented himself as a Third Party Administrator, capable of assisting transportation companies in complying with DOT regulations requiring that urine samples be obtained by trained collectors and shipped to licensed labs with a completed Control and Custody Form (CCF) for drug testing. Test results must then be reviewed by a Medical Review Officer (MRO), a licensed physician trained in substance abuse. In 2009, Mr. Khouri subverted the role of the MRO by completing the CCFs with MTSI's address, receiving test results which were not reviewed by an MRO and falsely indicating that they had received an MRO review. In cases of positive results, Mr. Khouri purported to act as the MRO though not qualified to do so. After Mr. Khouri's contracted drug testing lab stopped testing due to nonpayment from Mr. Khouri, he prepared false CCFs for untested specimens, misrepresenting that the specimens had tested negative and billing his clients for services not provided. This investigation was conducted with assistance from the Federal Motor Carrier Safety Administration. Sentencing is scheduled for May 29, 2012.

- 01.13.2012 [Former Air Traffic Controller Convicted of Workers' Compensation Fraud](#)

On January 13, 2012, Raymond Elmo Deskins, III, 52, of Potomac Falls, Virginia, was convicted by a federal jury on mail fraud and false statements in United States District Court for the Eastern District of Virginia. Mr. Deskins failed to disclose work activities in the construction industry to the Department of Labor's Office of Workers' Compensation Programs. Mr. Deskins was indicted on August 25, 2011, on

nine counts of mail fraud and three counts of making false statements in connection with the receipt of federal workers' compensation benefits. According to court records and evidence at trial, Mr. Deskins, formerly an air traffic control specialist at the Washington Air Route Traffic Control Center in Leesburg, Virginia, received nearly \$700,000 in benefits from the federal workers' compensation program since 2004. From 2005 through 2008, while receiving disability benefits based on his inability to perform work of any kind, Mr. Deskins worked as a construction foreman for a Sterling, Virginia based general contractor. In order to continue to receive his monthly benefits, Mr. Deskins falsely certified to the Department of Labor on annual forms that he had been engaged in no work activities during the reporting periods. This is a joint investigation with the FBI and the Department of Labor Office of the Inspector General.

- 01.13.2012 [Audit Initiated of the Department of Transportation Fiscal Years 2012 and 2011 Financial Statements](#)

The Office of Inspector General (OIG) is initiating an audit of the DOT Consolidated Financial Statements for fiscal years 2012 and 2011. It will be conducted according to generally accepted Government auditing standards and Office of Management and Budget (OMB) audit requirements. The audit is being performed by an independent audit firm, KPMG LLP, subject to OIG oversight. The audit report will be delivered to OMB by November 15, 2012.

- 01.13.2012 [Audit Initiated of the Federal Aviation Administration Fiscal Years 2012 and 2011 Financial Statements](#)

The Office of Inspector General (OIG) is initiating an audit of the Federal Aviation Administration's (FAA) Financial Statements for fiscal years 2012 and 2011. It will be conducted according to generally accepted Government auditing standards and Office of Management and Budget (OMB) audit requirements. The audit is being performed by an independent audit firm, KPMG LLP, subject to OIG oversight. The audit report will be delivered to OMB by November 15, 2012.

- 01.12.2012 [PHMSA's Inadequate Management and Oversight of Hazardous Materials Emergency Preparedness Grants Limited the Program's Effectiveness](#)

On January 12, 2012, we issued a report on the Pipeline and Hazardous Materials Safety Administration's (PHMSA) management and oversight of its Hazardous Materials Emergency Preparedness Grants Program. We conducted this audit at the request of the former Chairman of the House Committee on Transportation and Infrastructure. We found that PHMSA does not have sufficient policies and processes—and until recently, resources—to effectively execute the Program. For example, PHMSA relies on an outdated methodology for allocating grant funds that does not consider grantee needs. We also found that, until recently, PHMSA did not proactively or effectively reach out to or coordinate with grantees to enhance their approaches to emergency planning and training. Finally, we found that PHMSA's oversight is lacking, which has resulted in misused grant funds due to improper payments and erroneously advanced funds. For example, we identified more than \$1 million in improperly distributed grant funds that were not used or needed. We note that PHMSA developed a comprehensive action plan in March 2011 to address the deficiencies of the Program. We made 10 recommendations to PHMSA to improve its management and oversight of the Program. Based on PHMSA's response, we consider two of them closed and seven addressed but open pending completion of planned actions. However, we are requesting that PHMSA reconsider its position regarding our recommendation on grant reallocation.

- 01.12.2012 [Former El Paso Police Officers Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Money](#)

On January 12, 2012, former Detective Ana Reza, and a retired patrol officer, Raul Ramirez, were indicted on two counts each of falsifying government records with the intent to defraud by an El Paso County grand jury, in El Paso, Texas. Ms. Reza and Mr. Ramirez are accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued in 2009 while working overtime under the Selective Traffic Enforcement Program, which is funded through a NHTSA grant. Ms. Reza and Mr. Ramirez are two of sixteen El Paso police officers suspected in this traffic ticket overtime scheme. This investigation is being conducted jointly with the El Paso Police Department, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 01.12.2012 [Enhanced Oversight of Staffing and Training at FAA's Critical Facilities is Needed to Maintain Continuity of Operations](#)

On January 12, 2012, we issued a report on the Federal Aviation Administration's (FAA) oversight of staffing and training at its most critical air traffic control facilities. We conducted our review at the request of the Chairman and Ranking Member of the Appropriations Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. After identifying 21 critical facilities, we found that enhanced oversight of staffing and training at FAA's critical facilities is needed to maintain continuity of air traffic operations. Critical facilities face a potential shortage of certified professional controllers, as they have higher rates of retirement eligibility, controllers-in-training, and training attrition than other facilities nationwide. In addition, as FAA begins deploying Next Generation Air Transportation System (NextGen) technologies, critical facilities will require even more training resources for both veteran and new controllers. We made five recommendations to assist FAA in ensuring the continuity of operations at its most critical facilities, and FAA concurred or partially concurred with all five. Based on FAA's response, we are closing three recommendations, and consider the remaining two resolved but open pending completion of planned actions.

- 01.10.2012 [ARRA Financial & Activity Report - December 2011](#)

On January 10, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of December 2011. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 01.04.2012 [Quality Control Review of Single Audit on the Metropolitan Atlanta Rapid Transit Authority \(MARTA\)](#)

On January 4, 2012, we issued a quality control report on a single audit performed by Cherry, Bekaert & Holland, LLP, on the Metropolitan Atlanta Rapid Transit Authority's (MARTA) use of U.S. Department of Transportation (DOT) grants for the fiscal year ending June 30, 2010. During this period, MARTA expended approximately \$131million from DOT grant programs. The major programs tested by Cherry, Bekaert & Holland, LLP included the Federal Transit Cluster and Clean Fuel Bus Project Grants. We determined the work of Cherry, Bekaert & Holland, LLP to be acceptable with deficiencies and therefore it generally met the requirements of generally accepted Government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that Cherry, Bekaert & Holland, LLP's opinion MARTA's financial statements or reports on MARTA's internal controls and compliance were inappropriate or unreliable.



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- 02.24.2012 [Virginia Pilot Sentenced for Flying with a Revoked Pilot Certificate](#)

On February 24, 2012, Andrew Ryan Johnson of Virginia Beach, Virginia, pleaded guilty in U.S. District Court, Norfolk, Virginia, to one count of knowingly operating an aircraft subsequent to his Commercial Pilot Certificate having been revoked by the Federal Aviation Administration (FAA). Mr. Johnson was sentenced to twenty days in jail, assessed a \$100 fine, and placed on probation for one year. While on probation, Mr. Johnson is not allowed to pilot an aircraft or conduct flight instruction. Our investigation revealed that in 2009, Mr. Johnson's Commercial Pilot Certificate was suspended for 120 days for giving flight instruction in an aircraft that he knew was not airworthy. While under the 120 day suspension, Mr. Johnson flew as pilot-in-command on nine occasions. Because of these acts, in June 2011, the FAA revoked Johnson's pilot certificate. While Mr. Johnson's Commercial Pilot Certificate was revoked and his Flight Instructor Certificate was expired, he flew as the pilot-in-command and as a flight instructor on September 23 and September 27, 2011. While Mr. Johnson was giving flight instruction to the pilot during the September 27 flight, the aircraft's propeller struck the runway.

- 02.22.2012 [Operations Manager Sentenced for Sale of Counterfeit Integrated Circuits to the U.S. Government](#)

On February 22, 2012, Neil Felahy, Operations Manager for MVP Micro, a California based company, was sentenced to 20 months in prison in U.S. District Court, District of Columbia. Mr. Felahy was convicted for conspiring to sell counterfeit integrated circuits to the U.S. military, defense contractors and others. Upon completion of his prison term, Mr. Felahy will be placed on three years of supervised release and perform 500 hours of community service. As part of the plea agreement, Mr. Felahy agreed to pay, jointly and severally with Mustafa Abdul Aljaff, MVP Micro's owner, \$184,612 in restitution to the semiconductor companies whose trademarks were infringed as a result of their criminal acts. Mr. Aljaff was sentenced on February 15, 2012. Mr. Felahy pled guilty soon after his arrest and cooperated with authorities as the investigation continued. According to the government's evidence, he conspired in a highly sophisticated fraud scheme to import, sell, manufacture, and distribute, in interstate and international commerce, counterfeit integrated circuits that were sold to buyers in the U.S. and abroad, including those in the transportation industry. The conspiracy took place between September 2007 and August 2009. The investigation was conducted with Immigration and Customs Enforcement, Naval Criminal Investigative Service, Internal Revenue Service-Criminal Investigation Division and the Postal Inspection Service.

- 02.17.2012 [Minnesota Trucking Owner Sentenced to 15 Months Incarceration For Role in Federally-Funded Highway Project Scheme](#)

On February 17, 2012, Marlon Louis Danner, operator of Danner, Inc. and Bulldog Leasing, Inc., was sentenced in U.S. District Court, Minneapolis, Minnesota, to 15 months in prison; \$50,000 fine; \$126,404.60 in restitution; and one year of supervised release for wire fraud. Mr. Danner was involved in a scheme to defraud truck drivers out of settlement funds the drivers should have received pursuant to an agreement between Mr. Danner and the Minnesota Department of Transportation (MnDOT). In 2008 and 2009, Mr. Danner supplied drivers for a federally-funded Minnesota highway reconstruction project and was required to pay a minimum truck rental rate to the drivers. The investigation determined that Mr. Danner underpaid the drivers more than \$185,000 in back wages. A settlement was reached which required Mr. Danner to pay the back wages to the drivers. Shortly after, Mr. Danner informed certain drivers that the money did not belong to them and that they were required to return the money to Mr. Danner once they received the money from MnDOT. From March through May 2010, many of the drivers wrote checks to Mr. Danner, Inc. and Bulldog Leasing, Inc. as directed by the defendant and through his office manager. Mr. Danner failed to disclose and affirmatively concealed these repayments to MnDOT. This investigation was conducted jointly with the MnDOT Labor Compliance Unit, Federal Bureau of Investigation and the U.S. Attorney's Office.

- 02.16.2012 [Florida Pilot Indicted for Falsification of His FAA's Airman Medical and Student Pilot Certificate](#)

On February 16, 2012, Kelvin Changur of Miami, Florida was indicted in U.S. District Court for the Southern District of Florida for falsifying his Federal Aviation Administration (FAA) application for an airman medical and student pilot certificate. Mr. Changur was also indicted for attempting to use a U.S. passport containing the same false information provided on his FAA application form. This investigation revealed that on several occasions Mr. Changur provided a false date of birth to the FAA and the U.S. Department of Homeland Security/Homeland Security Investigations (DHS/HSI) on FAA documents, as well as a U.S. passport, in an attempt to obtain an FAA airman medical certificate. Additionally, Mr. Changur sought employment with a commercial air carrier utilizing this fraudulent documentation which was caught through verification checks by the potential employer. This investigation is being worked jointly with DHS/HSI and FAA Security.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 02.16.2012 [Dallas County Deputy Sheriff Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Money](#)

On February 16, 2012, Dallas County Deputy Sheriff Johnny Quarles Jr., was indicted on seven counts of tampering with a government record with the intent to defraud by a Dallas County Grand Jury, Dallas, Texas. Mr. Quarles is accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued in 2009, 2010 and 2011 while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. This investigation is being conducted jointly with the Dallas County Sheriff's Office, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 02.15.2012 [Business Owner Sentenced for Sale of Counterfeit Integrated Circuits to the U.S. Government](#)

On February 15, 2012, Mustafa Abdul Aljaff, 32, a business owner from Newport Coast, California, was sentenced to 30 months in prison in United States District Court for the District of Columbia. Mr. Aljaff was convicted for conspiring to sell counterfeit integrated circuits to the United States military, defense contractors, and others. Upon completion of his prison term, Mr. Aljaff will be placed on three years of supervised release. He also must perform 250 hours of community service. Mr. Aljaff also agreed to forfeit machinery designed to be used in the examination, testing, packaging, de-marking, and marking of integrated circuits; computers and computer network servers; and his integrated circuit inventory. Finally, he must pay \$177,862 in restitution to the semiconductor companies whose trademarks were infringed as a result of his criminal conduct. Mr. Aljaff pled guilty soon after his arrest and cooperated with authorities as the investigation continued. He owned MVP Micro and a host of other companies operating from the same location in Irvine, California. According to the government's evidence, he was the leader of the highly sophisticated fraud scheme to import, sell, manufacture and distribute, in interstate and international commerce, counterfeit integrated circuits. The conspiracy took place between September 2007 and August 2009. Markings on integrated circuits indicate a part is "commercial-grade," "industrial-grade," or "military-grade." Military grade markings signify that the part has been specially tested to withstand extreme temperature ranges and high rates of vibration. According to the government's evidence, Mr. Aljaff and others sold the counterfeit devices, which included "military-grade" parts, through a cleverly designed web of corporations to unsuspecting customers in the United States and abroad. MVP Micro and related companies sold and distributed counterfeit integrated circuits to approximately 420 buyers in the United States and abroad, including the U.S. Department of the Navy and others in the transportation industry. Co-defendant, Neil Felahy, 34, the MVP Micro operations manager and Mr. Aljaff's brother-in-law, is awaiting sentencing on February 22, 2012, after pleading guilty to charges in the case. The investigation was conducted with Immigration and Customs Enforcement, Naval Criminal Investigative Service, Internal Revenue Service-Criminal Investigation Division and the Postal Inspection Service.

- 02.14.2012 [Audit Initiated of DOT's Information Security Program and Practices for Fiscal Year 2012](#)

As required by the Federal Information Security Management Act of 2002 (FISMA), the Office of Inspector General is initiating its Fiscal Year 2012 audit of the Department of Transportation's (DOT) information security program and practices. Our audit objective is to determine the effectiveness of DOT's information security program and practices.

- 02.14.2012 [Owner of Illinois Construction Company Charged with Mail Fraud Related to DBE Fraud Scheme](#)

On February 14, 2012, Anthony Capello, owner of Diamond Coring, in Chicago, Illinois, was charged in U.S. District Court in Chicago, with violating one count of mail fraud in a scheme to use a front Disadvantaged Business Enterprise (DBE) on government contracts. From 1999 until May 2006, Mr. Capello operated and controlled the operations of The Stealth Group Inc. (SGI), a false front DBE allegedly owned by his wife. As a result, Mr. Capello used SGI to wrongly obtain more than \$2.3 million in government contracts where a Women's Business Enterprise/DBE was required. This investigation was worked with the cooperation of the FBI, Department of Labor/OIG, City of Chicago/OIG, and the U.S. Attorney's Office.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 02.14.2012 [Former Tennessee Guardrail Contractor Pled Guilty to Obstruction of Justice Following Destruction of Documents Requested by a Federal Grand Jury](#)

On February 14, 2012, Allen Roy Defoe, former owner of Tennessee Guardrail Inc., (TNG), pleaded guilty in the U.S. District Court of Tennessee, Nashville Division, to one count of obstruction of justice for his role in the destruction of documents that were requested by the Federal Grand Jury in 2006. The federal grand jury was in the midst of an investigation focusing on anti-trust violations on state transportation contracts. A federal task force consisting of state and federal agencies, including the DOT OIG, was formed to determine if highway contractors were engaging in antitrust violations during the bid process for contracts advertised by the Tennessee Department of Transportation (TDOT). During the investigation, agents reviewed the circumstances surrounding multiple contracts awarded to TNG as well as the conduct of a former TDOT employee whose duties included oversight of the TDOT and TNG contracts. As part of the investigation, Mr. Defoe was ordered to produce multiple documents relating to his business records, and more specifically records relating to the purchase of gifts or anything of value for any current or former employees of TDOT. During the subsequent investigation, agents learned that between May 2006 and August 2006, Mr. Defoe, in concert with others, conspired to shred various documents that he was previously ordered to produce to the grand jury with the assistance of a commercial document shredding company. Mr. Defoe's actions were viewed as an effort to substantially impede and obstruct the ongoing investigation and as a result, he was charged with obstruction of justice. Currently, Mr. Defoe is awaiting sentencing scheduled for June 2012. This investigation was worked jointly with the United States Department of Justice, Office of the Attorney General of Tennessee, and the Tennessee Bureau of Investigation.

- 02.10.2012 [ARRA Job Data Reporting for FAA Programs—Lessons Learned for Improving Accuracy and Transparency for Future Job Reporting](#)

On February 10, 2012, we issued a report on job reporting for Federal Aviation Administration (FAA) programs funded through the American Recovery and Reinvestment Act of 2009 (ARRA). We conducted our review at the request of the Chairman of the House Committee on Transportation and Infrastructure. We found that FAA met the ARRA requirement to provide reports on job data, and we noted improvements in overall reporting of job data over time. However, we identified a number of areas for improvement that can serve as lessons learned for the ARRA reports still remaining and for any future job creation efforts. We also found that while it is clear that ARRA-funded FAA projects have created or sustained jobs, the full extent of this accomplishment is unclear because of errors and inconsistencies in the collection and reporting of job information. Finally, we identified areas where the DOT can clarify aspects of its department-wide job data reports to better meet ARRA's transparency and accountability requirements. We made five recommendations to FAA and DOT to improve job reporting and to increase data accuracy and transparency. FAA's planned actions for two recommendations and DOT's planned actions for its single recommendation are responsive, and we consider these recommendations resolved but open pending completion of the planned actions. For the remaining two recommendations, we are requesting that FAA reconsider its position regarding further evaluation of submitted job data.

- 02.09.2012 [Former El Paso Police Officers Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant](#)

On February 9, 2012, former patrol officers Luis Acosta and Joshua Paulson were indicted for tampering with a government record with the intent to defraud by an El Paso County grand jury, El Paso, Texas. Mr. Acosta was indicted on 18 counts, and Mr. Paulson was indicted on two counts. The former officers are accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued. The requests were submitted in 2009 while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. Mr. Acosta and Mr. Paulson are part of a group of twenty-

two El Paso police officers suspected to date in this traffic ticket overtime scheme. This investigation is being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 02.07.2012 [Audit Initiated to Follow-up on FAA's ATCOTS Contract Challenges](#)
At the request of Senator Claire McCaskill, Chairwoman of the Senate Homeland Security and Governmental Affairs Committee's Subcommittee on Contracting Oversight, the Office of Inspector General plans to conduct a follow-up review of the Federal Aviation Administration's (FAA) Air Traffic Control Optimum Training Solution (ATCOTS) contract. In 2008, FAA awarded the \$859-million ATCOTS contract intended to provide up to 10 years of controller training support and to assist in modernizing the training program. On September 30, 2010, we reported that the ATCOTS contract faces challenges, including a \$46 million cost overrun for the first two years of the contract, without delivering training innovations. The objectives for our follow-up audit are to determine whether FAA: (1) has implemented changes to improve program and contract oversight; (2) established effective performance measures to support ATCOTS training goals; and (3) can achieve ATCOTS training goals under the current contract.
- 02.07.2012 [ARRA Financial & Activity Report - January 2012](#)
On February 7, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of January 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.
- 02.06.2012 [Audit Initiated of FRA's Progress in Implementing the Rail Safety Improvement Act](#)
The Office of Inspector General is initiating an audit of the Federal Railroad Administration's (FRA) progress on rulemakings required by the Rail Safety Improvement Act of 2008 (RSIA). In response to several fatal rail accidents between 2002 and 2008, Congress passed RSIA, the first authorization of FRA's safety programs since 1994. RSIA directs FRA to, among other things, issue new safety regulations. These new regulations will govern different areas related to railroad safety, such as hours of service requirements for railroad workers, automated collision-prevention technology in trains, standards for track inspections, and safety at highway-rail grade crossings. The objectives of this audit are to assess FRA's progress in: (1) developing and issuing the new regulations; and (2) establishing or modifying policies and procedures to ensure compliance with the new RSIA-required regulations.
- 02.06.2012 [Audit Initiated of the Federal Highway Administration's Oversight of the Highway Safety Improvement Program](#)
Approximately 33,000 people died on the Nation's highways in 2010, and according to the Federal Highway Administration (FHWA), the financial impact of highway crashes nationwide is approximately \$230 billion per year. In 2005, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users established the Highway Safety Improvement Program (HSIP) as a data-driven and performance-based program to significantly reduce traffic fatalities and serious injuries on public roads. We initiated this audit to assess whether FHWA: (1) provides sufficient guidance and assistance to enable the States to effectively implement the data-driven, performance-based approach called for in HSIP's enabling legislation; and (2) evaluates HSIP results, which States report to FHWA annually, to determine the program's impact.

- 02.06.2012 [Pennsylvania Trucking Firm and Owner Charged with Criminal Conspiracy](#)
On February 6, 2012, D.A. Landis Trucking, Inc., a Lancaster, Pennsylvania company, and its owner Dean A. Landis, age 45, of Willow Street, Pennsylvania, were charged by Information in the U.S. District Court, Philadelphia, Pennsylvania, on criminal charges of conspiracy and making false statements. The information alleged that Landis directed at least ten D.A. Landis Trucking, Inc., commercial truck drivers to prepare and maintain false and fraudulent driver daily logbooks, which the defendants knew to be false and fraudulent during the period from January 2007 to November 2009. According to the information, the defendants routinely disregarded Federal Motor Carrier Safety Administration (FMCSA) regulations by allowing, encouraging, and causing commercial truck drivers employed by D.A. Landis, Inc. to operate in violation of FMCSA "hours of service" safety regulations. It is alleged that defendants instructed employees of the company to prepare two sets of driver's logs, one of which was false and intended for FMCSA inspectors to conceal violations of safety regulations. Drivers were allegedly instructed to complete false "Daily Trip Sheets" in which the drivers falsely entered on-duty and off-duty times and falsely certified to the truthfulness and accuracy of the logbook entries. It is also alleged that the defendants dispatched company drivers on trips they knew required excessive hours of driving time and excessive hours of "on-duty" time, without allowing the required hours of rest or regulated "off-duty" time. During the execution of a search warrant of the company, federal agents seized numerous business records to include an extensive collection of logbooks and documents marked "Not For DOT".

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 02.03.2012 [Audit Initiated of FAA's Controller Facility Training Program](#)
The Office of Inspector General plans to conduct a review of the Federal Aviation Administration's (FAA) air traffic controller facility training. FAA plans to hire and train nearly 11,000 new controllers through fiscal year 2020 to offset the impending retirements of those hired after the 1981 controller strike. Training and certifying these large numbers of newly hired controllers have posed significant challenges for FAA, prompting several new training initiatives. Accordingly, our audit objectives are to: 1) identify steps FAA has taken to improve the facility training program for air traffic controllers; and 2) assess the effectiveness of those steps in improving training times, staffing composition, and training completion rates.
- 02.02.2012 [Concrete Companies Sentenced for Conspiring to Manipulate the Ready-Mix Concrete Market](#)
On February 2, 2012, GCC Alliance Concrete (GCC), Great Lakes Concrete, and Tri-State Ready-Mix were sentenced in U.S. District Court, Sioux Falls, Iowa, for Sherman Act violations involving a scheme to manipulate the ready-mix concrete market via rigged bids and territorial allocations for ready-mix concrete sold in Iowa. On the following day, February 3, 2012, VS Holdings Company was sentenced for their involvement in this scheme. GCC received 18 months probation; \$1,200 special assessment; and community service defined by supplying \$100,000 in concrete to non-profit organizations in the affected areas of the fraud. In addition, GCC has to include \$10,000 in advertising to solicit non-profits to define desired projects and to announce that this advertising is in response to their 18 month probation. GCC's probation will end upon the completion of any work, or after 18 months. Great Lakes Concrete received no probation, due to the fact that Kent Stewart, President, was fined \$400,000; paid a special assessment of \$400 and is currently on supervised release. Tri-State Ready Mix received 5 years probation; \$500,000 fine; and a special assessment of \$400. VS Holding Company was ordered to pay a \$300,000 fine and a \$400 special assessment. The affected volume of commerce in this case was \$14.7 million. This case was successfully prosecuted with the assistance of the FBI and the DOJ Antitrust Division.

- 02.02.2012 [South Carolina Department of Motor Vehicle Employee Pleads Guilty Related to Issuance of Fraudulent Commercial Driver's Licenses](#)

On February 2, 2012, in U.S. District Court, Columbia, South Carolina, Brenda Kay Poston, a former South Carolina Department of Motor Vehicles (SCDMV) Customer Service Representative, pled guilty to a five count indictment charging her with making false statements related to a scheme which resulted in the issuance of Commercial Driver Licenses (CDL) to unqualified applicants. This investigation was predicated as a result of a request for assistance from the SCDMV following their discovery that Ms. Poston aided several individuals in the creation of false CDL test scores, knowledge and road test scores, and operational enhancements, such as hazardous materials and passenger endorsements by entering false information into the SCDMV databases. The OIG and SCDMV conducted a historical review of the Driver History Records System which identified 19 drivers with suspicious or unverifiable credentials dating back to 2004. Ms. Poston confessed to her role in the issuance of 19 CDLs and 13 drivers admitted to obtaining their CDLs or endorsements fraudulently. SCDMV officials instituted Administrative Revocations of those drivers' credentials and offered re-examinations of all drivers believed to be the recipient of fraudulent CDLs. Ms. Poston was terminated from her position and she later fled the jurisdiction of US District Court in South Carolina. Several months later with the assistance of the US Marshals Service, Ms. Poston was returned to Columbia, SC, for arraignment. This investigation was conducted jointly with the South Carolina Department of Law Enforcement Division.



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- 03.29.2012 [Top Management Challenges Facing the Department of Transportation](#)

On March 29, 2012, the Inspector General testified on DOT's top management challenges before the House Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. The Inspector General focused on short- and long-term actions that DOT should take to ensure transportation safety and maximize investments in transportation by highlighting three cross-cutting areas:

(1) enhancing aviation, surface, and pipeline safety; (2) ensuring effective stewardship of the Department's resources; and (3) effectively implementing transportation infrastructure program.

- 03.28.2012 [FRA Needs to Expand Its Guidance on High Speed Rail Project Viability Assessments](#)

On March 28, 2012, we issued our report on guidance on high-speed rail viability assessments. The objectives of our audit were to: (1) identify key focus areas for analyses of high-speed intercity passenger rail (HSIPR) project economic viability; and (2) assess the Federal Railroad Administration's (FRA) requirements and guidance for HSIPR grant applicants on the information they must provide to FRA on project viability. We found that three focus areas are key to sound project viability assessment: (1) the elements with the greatest impact on the components of the analysis (revenue forecasts, public benefits valuations, and operations and maintenance cost estimates) include current trip tracking, projections of future travel, and annual train-miles and train-hours operated; (2) the level of analytical detail required for these components at the preliminary, intermediate, and final phases in the development of a HSIPR proposal; and (3) issues central to methodological soundness. We also found that FRA's guidance and requirements for HSIPR grant applicants is inadequate to ensure all applicants submit sound, comparable project benefit assessments. We made recommendations to assist FRA in developing specific, detailed guidance for the preparation of HSIPR ridership and revenue forecasts, public benefits valuations, and operating cost estimates that reflects the key considerations identified in this report. The FRA fully concurred with our recommendations, and indicated that it will produce guidance for vetting by stakeholders and appropriate technical experts by March 2013.

- 03.28.2012 [Annual Report on Amtrak's Budget and 5-Year Financial Plan](#)

On March 28, 2012, as mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), we issued our annual report on Amtrak's 5-Year Financial Plan for fiscal years 2012 through 2016 and its revised annual budget for fiscal year 2012 to the House Transportation and Infrastructure Committee, Senate Commerce, Science, and Transportation Committee, and House and Senate Appropriation Committees. We found that Amtrak's 5-Year Financial Plan addresses most of the requirements outlined in PRIIA, but lacks some required information, most notably regarding the company's financial stability and past performance. Our previous assessments also found these

deficiencies in the Plans, but, according to Amtrak officials, the company is currently addressing them. In accordance with the company's Strategic Plan, issued in 2011, Amtrak organized the Financial Plan around new strategic goals and revised its annual budget for fiscal year 2012 to align with the Plan.

- 03.22.2012 [Audit Initiated of Amtrak's Performance Tracking \(APT\) System](#)

As mandated by Section 203 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), the Office of Inspector General is initiating an audit of Amtrak's financial accounting and reporting system, known as Amtrak Performance Tracking (APT) system. We first announced this audit in October 2010, but suspended the review because APT was in a critical conversion phase which precluded any meaningful analysis from being performed. The objectives of this audit are to assess whether the system (1) allocates all of Amtrak's revenues to each of its routes, lines of business, and major activities; (2) assigns all of Amtrak's fully allocated costs to each of its routes, lines of business, and major activities in accordance with standard cost accounting practices; and (3) calculates all of Amtrak's avoidable costs with respect to each of its routes using a sound methodology.

- 03.22.2012 [Two Former El Paso Police Officers Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Money](#)

On March 22, 2012, two former El Paso Police Department police officers, Jorge Arellano and Charles Romo, were indicted on multiple counts of tampering with a government record with the intent to defraud by an El Paso County grand jury, El Paso, Texas. The former officers are accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued. The requests were submitted in 2009 through 2011 while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. Mr. Arellano and Mr. Romo are part of a group of twenty-two El Paso police officers suspected to date in this traffic ticket overtime scheme. This investigation is being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 03.20.2012 [Progress and Challenges in Responding to Key Provisions of the Airline Safety Act](#)

On March 20, 2012, the Inspector General testified before the Senate Subcommittee on Aviation Operations, Safety, and Security regarding the Federal Aviation Administration's (FAA) commercial airline safety oversight. Specifically, the Inspector General focused on FAA's implementation of the 2010 Airline Safety and FAA Extension Act, emphasizing: (1) FAA's progress in responding to provisions of the Act; (2) the challenges FAA faces in implementing certain provisions; and (3) concerns related to achieving the full measure of safety enhancements intended by the Act. The Inspector General noted that FAA has made important progress related to key Act requirements, such as strengthening pilot rest requirements and advancing programs for managing safety risks. However, FAA has yet to implement Act provisions related to pilot training, professional development, and qualifications, due in large part to industry concerns. The Agency also faces challenges in establishing a pilot records database to enhance carriers' screening process for pilot applicants. In addition, FAA needs to assist smaller carriers in developing and managing the safety programs called for in the Act to fully realize the benefits of increased safety reporting and trend analyses.

- 03.19.2012 [New York Man Sentenced on Tax Charge in Illegal Vehicle Importation Scheme](#)

On March 19, 2012, Gar Loon Lee was sentenced in U.S. District Court, Burlington, Vermont, to thirty months probation, payment of a \$25,000 fine, and payment of taxes and penalties in the amount of \$13,879 for failing to report the receipt of significant taxable gross income from the illegal importation of

four passenger vehicles from Canada to Vermont in 2009. Vehicles imported into the U.S. must comply with the National Highway Traffic Safety Administration (NHTSA) Federal Motor Vehicle Safety Standards (FMVSS) prior to being offered for sale and must be imported by or through a Registered Importer that is recognized by NHTSA. Mr. Lee, who was neither a Registered Importer nor worked through a Registered Importer, purchased four Nissan automobiles in Canada and illegally entered Vermont at various ports of entry during 2009 using borrowed New York dealer plates. Mr. Lee failed to declare the vehicles as imports and did not complete the required importation documents with U.S. Customs and Border Protection. None of the four vehicles complied with the FMVSS or emissions standards imposed by EPA regulations. This investigation was conducted jointly with the U.S. Department of Homeland Security, Immigration and Customs Enforcement, Burlington, Vermont.

- 03.16.2012 [Audit Initiated of DOT's Common Operating Environment \(COE\) Security Controls](#)

The Office of Inspector General is initiating an audit of the Department of Transportation's security controls for its COE. Because the COE provides information technology services for all of DOT—exclusive of the Federal Aviation Administration—security weaknesses within the COE could impair DOT's ability to accomplish its mission. Our audit objectives are to determine whether: (1) the COE is secure from compromise; and (2) security weaknesses exist in the COE.

- 03.16.2012 [Former Cessna Employee Sentenced to 18 Months Incarceration for Selling Stolen Aircraft Parts on Ebay](#)

On March 5, 2012, Diego Alejandro Paz-Teran was sentenced in the U.S. District Court, Wichita, Kansas, to 18 months incarceration, 36 months of probation and ordered to pay a \$100 special assessment for interstate transportation of stolen property. In November 2008, an employee of a Rockwell Collins Company saw a Collins AHC-3000 Attitude Reference Computer offered for sale on eBay for \$9,000. The employee knew that the part for sale was valued at more than \$45,000, so the employee contacted the seller and obtained the serial numbers. Cessna tracked the serial numbers to a part that was removed from an XLS Plus aircraft while the aircraft was being painted. Investigators found other stolen aircraft parts being sold on the same eBay account and followed the records on the account to Mr. Paz-Teran at his home in Wichita, Kansas. This investigation was conducted jointly with the Sedgwick County Sheriff's Office, Wichita, Kansas, and the Federal Bureau of Investigation.

- 03.16.2012 [North Carolina Transportation Consultant Pleads Guilty to False Statements Related to Falsification of Driver's Logs](#)

On March 16, 2012, in U.S. District Court, Greensboro, North Carolina, James J. Brylski, owner of motor carrier consulting firm DOT Advisor, Incorporated, in Raleigh, North Carolina, pled guilty to a one count information charging false statements related to falsification of driver's logs. The information alleges Mr. Brylski falsified driver's duty status logs for the purpose of concealing from the Federal Motor Carrier Safety Administration (FMCSA) the number of hours driven as required by Federal Motor Carrier Safety Regulations. These regulations limit the number of hours a truck driver can operate a vehicle in order to prevent motor vehicle accidents caused by driver fatigue. Accordingly, truck drivers are required to record their duty status on logs to ensure they do not exceed the maximum number of allowable driving hours, and that they receive sufficient rest before driving again. Our investigation disclosed Mr. Brylski falsified such logs as a safety consultant to Mabe Trucking Company, Inc., (Mabe) located in Eden, North Carolina, to assist Mabe in passing a federal inspection by the FMCSA. Sentencing for Mr. Brylski is scheduled for June 15, 2012. This investigation was conducted jointly with assistance from FMCSA.

- 03.16.2012 [Owner of Pennsylvania Trucking Firm Pleads Guilty to Criminal Conspiracy and False Statement Charges](#)

On March 16, 2012, Dean Landis, the owner and operator of D.A. Landis Trucking, Inc., a Lancaster, Pennsylvania company, pled guilty in U.S. District Court, Philadelphia, Pennsylvania, to criminal

conspiracy and false statement charges relating to the firm's systematic falsification of the Federal Motor Carrier Safety Administration (FMCSA) regulated truck drivers daily logbooks. Mr. Landis admitted that, between January 2007 and November 2009, he directed at least ten company commercially licensed truck drivers to prepare and maintain false driver daily logbooks. Mr. Landis further admitted that he and his company routinely disregarded FMCSA regulations by allowing, encouraging, and causing commercial truck drivers employed by D.A. Landis Trucking, Inc., to operate in violation of FMCSA "hours of service" safety regulations. Mr. Landis instructed employees of the company to prepare two sets of driver's logs, one of which was false and intended for FMCSA inspectors to conceal violations of safety regulations. D.A. Landis Trucking, Inc. also dispatched company drivers on trips they knew required excessive hours of driving time and excessive hours of "on-duty" time, without allowing the required hours of rest or regulated "off-duty" time. During the execution of a search warrant of the company, federal agents seized numerous logbooks and documents marked "Not For DOT". The logbook investigation revealed that Mr. Landis also participated in a scheme in which DA Landis Trucking, Inc., transported adulterated milk not fit for human consumption to a New Jersey cheese manufacturer. On March 12, 2012, the United States Attorney's Office filed a one-count information charging the Lebanon Cheese Company and owner Joseph Lotito with using condemned milk that tested positive for unacceptable levels of bacteria and antibiotics in the production of consumer food products. Mr. Landis knowingly sold and transported the condemned milk to Lebanon Cheese who, in turn, knowingly used the milk in the production of cheese products. Knowing the milk was condemned, Mr. Landis illicitly sold the product at a discounted rate and profited nearly \$30,000. This investigation was worked jointly with the Food and Drug Administration's Office of Criminal Investigation, with assistance from FMCSA.

- 03.15.2012 [DOT's Improper Payment Reporting Generally Complies with IPERA](#)

On March 15, 2012, we issued our report on DOT's improper payment reporting under the Improper Payments Elimination and Recovery Act (IPERA). We found that DOT both accurately reported improper payment information in its fiscal year 2011 Annual Financial Report (AFR) and complied with IPERA, with some exceptions. The following three were the most significant: (1) the Department did not report planned or actual completion dates for corrective actions taken for improper payments in FHWA and FAA's programs; (2) FAA did not achieve its 2011 improper payment target rate for its Airport Improvement Program; and (3) DOT's reporting on its payment recapture program was incomplete. We made two recommendations to assist the Department in its preparation for IPERA reporting. DOT generally concurred with our recommendations.

- 03.15.2012 [Audit Initiated of Phase 2 of the Dulles Corridor Metrorail Project](#)

At the request of Representatives Frank Wolf and Tom Latham, the Office of Inspector General plans to conduct an audit of phase 2 of the Dulles Corridor Metrorail Project. The project is a two-phased, multibillion-dollar effort aimed at connecting Northern Virginia's fastest growing employment regions and providing easier access to Dulles International Airport. The Metropolitan Washington Airports Authority (MWAA) is responsible for constructing the project. Once MWAA completes each phase, the Washington Metropolitan Area Transit Authority (WMATA) will operate the rail line. In response to stakeholder concerns about the cost, scope, and financing of the planned phase 2 of the project, Secretary LaHood brokered a Memorandum of Agreement between the Commonwealth of Virginia, Fairfax and Loudoun Counties, MWAA, WMATA, and the Department of Transportation (DOT). Our audit objectives will be to: (1) determine whether DOT's proposed oversight role for phase 2 adequately addresses key project risk areas, including cost, schedule, and financing; and (2) assess whether MWAA's phase 2 project plans rely upon reasonable assumptions of revenue from the Dulles Toll Road.

- 03.14.2012 [Georgia Woman Indicted In Double Brokering Scheme](#)

On March 14, 2012, Tina Blyth, Bainbridge, Georgia, was indicted by a federal grand jury in the U.S. District Court, Macon, Georgia, on ten counts of fraud by private interstate carrier for her role in a consumer fraud scheme involving illicit double brokering of motor carrier loads. Our investigation revealed Ms. Blyth used the internet to access web sites where senders advertised loads of commercial freight which were available for transport. Allegedly, she bid on loads of freight using the names of her various companies which are listed as having broker authority with FMCSA, would be awarded the bids, and led the sender to believe her trucking business would deliver the freight for the contracted price. The sender of the freight would send Blyth payment for the agreed upon price. However, after accepting the bid to deliver the load of freight, she would immediately re-advertise the job on the internet, using a different company name. She accepted bids from legitimate trucking companies to ship the freight from the sender to the intended destination, never disclosing that she had already arranged for the sender to deliver payment to her. This investigation was worked jointly with the Decatur County Sheriff's Office, Decatur, Georgia.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 03.09.2012 [Audit Initiated to Review the Security Controls over FAA's ATCSCC](#)

The Office of Inspector General plans to conduct a review of the security and controls at the Federal Aviation Administration's (FAA) Air Traffic Control System Command Center (ATCSCC). Approximately 4,000 to 6,000 aircraft operate in the National Airspace System during peak traffic periods. Consequently, FAA's information security program for the Center must maintain the integrity and availability of ATCSCC's systems and data. Our audit objective is to determine the effectiveness of ATCSCC's information security controls and whether FAA is identifying security risks and properly mitigating them.

- 03.09.2012 [Former Cargolux Airlines Executives Sentenced for Price Fixing](#)

On March 9, 2012, Ulrich Ogiermann and Robert Van de Weg, former Senior Vice Presidents for Sales and Marketing, Cargolux Airlines International S.A., were sentenced in U.S. District Court in West Palm Beach, Florida. In December 2011, Mr. Ogiermann and Mr. Van de Weg pleaded guilty in a conspiracy to fix the cargo rates charged to customers for international air shipments to and from the United States. During the period October 2001 through at least February 2006, Mr. Ogiermann and Mr. Van de Weg conspired with others to suppress and eliminate competition on cargo rates by fixing and coordinating charges, including security and fuel surcharges, charged to customers for air cargo services to and from the United States. Mr. Ogiermann and Mr. Van de Weg and their co-conspirators participated in meetings to fix and coordinate these charges imposed by their airlines for cargo service to and from the United States. Both Mr. Ogiermann and Mr. Van de Weg were each sentenced to 13 months incarceration, fined \$20,000, and assessed \$100.

- 03.08.2012 [Former El Paso Police Officer Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Funds](#)

On March 8, 2012, former police officer Jose Luis Ruiz was indicted for tampering with a government record with the intent to defraud by an El Paso County Grand Jury, El Paso, Texas. Mr. Ruiz was indicted on twenty-four counts. The former officer is accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued. The requests were submitted in 2009 through 2010 while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Transportation Safety Administration (NHTSA) grant. Mr. Ruiz is part of a group of twenty-two El Paso police officers suspected to date in this traffic

ticket overtime scheme. This investigation is being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 03.07.2012 [ARRA Financial & Activity Report - February 2012](#)

On March 7, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of February 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

- 03.06.2012 [Refinements to DOT's Management of the Highway Trust Fund's Solvency Could Improve the Understanding and Accuracy of Shortfall Projections](#)

On March 6, 2012, we issued our final report on the issues related to the solvency of the Highway Trust Fund (HTF). We conducted our review at the request of the former Ranking Member of the Senate Budget Committee. We found that following the fiscal year 2008 shortfall in HTF's Highway Account (HA), both the Federal Highway Administration (FHWA) and Federal Transit Administration's (FTA) instituted procedures to forecast shortfalls and communicate with Congress regarding HTF's balance and possible shortfalls. Additionally, once a shortfall appears imminent, FHWA has developed additional procedures that allow it to adjust, when necessary, the amount and timing of HA's outlays to States. While FHWA and FTAs' shortfall projections are reasonable, improvements to their projection methodology could enhance the accuracy of their shortfall estimates and enable them to implement, at the earliest possible date, shortfall management and communication procedures.

- 03.06.2012 [FRA Has Made Progress in Implementing PRIIA Responsibilities But Challenges for Long-Term HSIPR Remain](#)

On March 6, 2012, we issued our report on the Federal Railroad Administration's (FRA) progress in implementing the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) pursuant to Section 221 of the Act, which required our office to assess DOT's progress in implementing PRIIA's provisions within three years of enactment. The objectives of our audit were to: (1) evaluate FRA's progress in implementing its PRIIA responsibilities; and (2) determine how the status of FRA's implementation of its PRIIA responsibilities impacts the improvement and expansion of intercity passenger rail. We found that FRA has made significant progress in implementing provisions of the Act, but some key provisions remain incomplete. Without full implementation of all of its key PRIIA responsibilities, FRA faces additional challenges in improving and expanding intercity passenger rail. The FRA has implemented 25 of its 29 PRIIA responsibilities. However, FRA has yet to complete several key PRIIA responsibilities that could significantly impact HSIPR development, including completing the National Rail Plan and promulgating grant rules. We made recommendations to assist FRA in fully implementing PRIIA and strengthening intercity passenger rail. FRA concurred with our recommendations, and has completed actions to address one recommendation and proposed actions to address the other recommendations.

- 03.05.2012 [Former FAA Employee Sentenced for Theft of Unearned U.S. Military Pay](#)

On March 5, 2012, Carl Marquis, former Federal Aviation Administration (FAA) Safety Engineer, was sentenced in U.S. District Court for the District of Maryland for violation of 18 USC 1001, False Statements. Mr. Marquis was ordered to serve four months incarceration followed by three years supervised release, including six months of home detention. Restitution was also ordered in the amount of \$159,712. Mr. Marquis was a Commander in the U.S. Navy and was on active duty from June 3

through August 31, 2009, at Patuxent River Naval Air Station in Maryland. Despite returning to reserve status, Mr. Marquis continued to receive full pay and benefits from the Navy from September 2009 to November 2010, totaling \$159,712. During the investigation, Mr. Marquis admitted he was aware he was receiving active duty pay from the Navy, even though he was no longer on active duty and while working at his full-time position with the FAA. This was a joint investigation with the Defense Criminal Investigative Service and the Naval Criminal Investigative Service.

- 03.05.2012 [Owners and Employees of a New Jersey-based Trucking Company Indicted](#)
On March 5, 2012, John Farnsworth, Toni Thompson, William Taylor, Stephen Tripodi, and Nicholas Farnsworth were indicted in U.S. District Court, Brooklyn, New York. The five defendants were indicted on charges of conspiracy, embezzlement, providing and accepting unlawful payments to a union representative, and health care fraud. John Farnsworth controlled companies to include Rainbow Transport Corporation, Greenwood 2, LLC, Nicholas J, LLC, and SDT Hauling, LLC. Thompson, Taylor, Tripodi, and Nicholas Farnsworth were co-conspirators and were placed in nominal positions of the companies controlled by John Farnsworth. John Farnsworth entered into a scheme with the International Brotherhood of Teamsters Local 282, to allegedly defraud union benefit funds from employees on projects receiving DOT grant funds. These projects included the New York City Second Avenue Subway project and the World Trade Center Transportation Hub project. Both are funded in part by the Federal Transit Administration. The amount of the fraud to the union benefit funds is approximately \$5 million. This is a joint investigation with the U.S. Department of Labor - Office of Labor Racketeering, Fraud Investigations, and Employee Benefits Security Administration; Port Authority New York & New Jersey - OIG; Internal Revenue Service - Criminal Investigation Division; Metropolitan Transit Authority - OIG; and New York City Business Integrity Commission.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

- 03.05.2012 [Owner of Staten Island-Based Construction Company Pleads Guilty](#)
On March 5, 2012, Madeline Pepe, owner of Staten Island-based MS Construction Corporation (MSC), pled guilty in U.S. District Court, New York City, New York. Ms. Pepe pled guilty to a three-count information charging conspiracy to commit mail and wire fraud. Between 1994 and March 2011, Ms. Pepe participated in a conspiracy to use MSC as a front disadvantaged business enterprise (DBE) for non-minority firms Crossboro Contracting Co.; RMD Holdings (d/b/a Nationwide Construction Group); and A.B. Recycling LLC, in order to give the appearance MSC was using DBE contractors. The fraudulent use of the front DBE company involved participation on various FHWA funded projects and an FAA funded project. In reality, MSC did not perform a commercially-useful function and the work was performed by non-minority firms. The amount of the MSC subcontracts involved total approximately \$2 million. As part of her guilty plea, Ms. Pepe agreed to a money forfeiture provision, the amount to be determined at a later date. This case is being worked jointly with the USDOL-OIG, the Port Authority of NY & NJ-OIG, and the New York City Dept. of Investigation.
- 03.05.2012 [Former Department of Defense Contract Employees and Trucking Company Owners Plead Guilty to Charges in Motor Fuels Tax Evasion Scheme](#)
From February 23 to March 5, 2012, the co-owners of RJ Baca Trucking, Fernando J. Baca and Richard Baca, and two former employees of Trajen Flight Support, Luis Campos, and Tomas Quintero, pled guilty to various criminal charges resulting from a conspiracy to steal aviation fuel from Briggs Army Airfield (Briggs AAF), El Paso, Texas, for use in commercial trucks. Department of Defense contractor, Trajen Flight Support, operates the refueling station at Briggs AAF and is reimbursed for motor fuels excise taxes paid for all fuel used at the airbase. Mr. Quintero would notify the Bacas when to bring their trucks

onto the airfield for fueling. Mr. Quintero and Mr. Campos would then produce false inventory records to conceal the stolen fuel from the Army. The Bacas would pay \$1.50 to \$1.75 a gallon to Mr. Quintero or Mr. Campos for the fuel, and on occasion resell the fuel for up to \$2.90 a gallon. Sentencing dates for these individuals are set as follows: Fernando Baca, May 15, 2012; RJ Baca, May 22, 2012; Tomas Quintero, May 23, 2012; and Luis Campos, May 24, 2012. This was a joint investigation with the Defense Criminal Investigative Service, the Texas Controllors Office and the Army Criminal Investigation Command.

- 03.01.2012 [Quality Control Review of Single Audit on the Metropolitan Council of the Twin Cities Area](#)
On March 1, 2012, we issued a quality control report on a single audit performed by the Minnesota State Auditor on the Metropolitan Council of the Twin Cities Area's (Metropolitan Council) use of U.S. Department of Transportation (DOT) grants for the fiscal year ending June 30, 2010. During this period, the Metropolitan Council expended approximately \$129 million from DOT grant programs. The State Auditor tested the DOT Federal Transit Cluster as a major program. Our initial review performed in August 2011 determined that the State Auditor's work was Technically Deficient. Our follow-up review (performed in January 2012) determined the audit work was Acceptable with a Deficiency, and therefore generally met the necessary requirements. We found nothing to indicate that the State Auditor's report on the Metropolitan Council's internal controls and compliance were inappropriate or unreliable.



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04.30.2012 [Roanoke Woman Sentenced On Embezzlement Charge](#)

On April 30, 2012, Diane B. Holdren, a local interior designer previously hired by Valley Metro, was sentenced in U.S. District Court in Roanoke, Virginia, for embezzling money from the U.S. Department of Transportation. Ms. Holdren previously waived her right to be indicted and pled guilty to a one count criminal information charging theft of government funds. Ms. Holdren was sentenced to four months in prison, four months of home confinement, a \$3,000 fine, and \$45,728 in restitution. In 2006, the Federal Transit Administration awarded Valley Metro an \$80,000 grant to replace furniture at the company's downtown Roanoke administration building. Valley Metro hired Ms. Holdren to complete the project. Ms. Holdren admitted to fabricating and inflating all competitor bids to ensure Valley Metro would have to pay more than the true costs associated with the project. Following Valley Metro's acceptance of the bids, Ms. Holdren submitted falsified invoices related to the bids that included inflated and nonexistent shipping costs. Subsequently, Valley Metro made direct payment to the furniture vendors on the inflated bills received from Ms. Holdren. The vendors then issued checks back to Ms. Holdren for the difference between the true costs and the cost paid by Valley Metro based on Ms. Holdren's deception. The total loss caused by Holdren's actions is between \$80,000 and \$120,000. This was a joint investigation with the U.S. Postal Inspection Service.

04.26.2012 [Letter to Chairman Issa on OIG's Open Audit Recommendations](#)

On April 26, 2012, we issued a letter to Representative Darrell Issa, Chairman of the House Committee on Oversight and Government Reform, regarding the status of open OIG recommendations. Specifically, the Chairman requested: (1) the number of open OIG recommendations; (2) estimated cost savings associated with open recommendations; (3) our three most important open recommendations; and (4) the number of recommendations that have been implemented this past year. As of April 16, 2012, we identified 536 open recommendations, which were included in 193 audit reports. Of the 536 open recommendations, 50 were included in 42 reports and carry an estimated monetary benefit or cost savings totaling over \$1.9 billion. To determine the three most significant open recommendations, we assessed whether the recommendation would lead to significant safety improvements, financial benefits, or increased economy or efficiency of the program audited. We selected one recommendation from each of these reports: [FAA and Industry Are Taking Action To Address Pilot Fatigue, but More Information on Pilot Commuting Is Needed](#); [Assessment of FHWA Oversight of the Highway Bridge Program and the National Bridge Inspection Program](#); and [Timely Actions Needed To Improve DOT's Cybersecurity](#). Lastly, between April 7, 2011, and April 16, 2012, we have closed 466 recommendations from 204 audit reports.

04.25.2012 [The State of Aviation Safety and FAA's Oversight of the National Airspace System](#)

On April 25, 2012, the Assistant Inspector General for Aviation and Special Programs testified before the House Aviation Subcommittee regarding the state of aviation safety and the Federal Aviation Administration's (FAA) oversight of the National Airspace System (NAS). Specifically, the Assistant Inspector General focused on FAA's: (1) need for comprehensive data collection and analysis of operational errors and runway incursions; (2) need to strengthen and better use its risk-based oversight approach; and (3) progress and challenges with implementing mandated safety requirements. FAA is taking important steps to improve safety, such as implementing voluntary safety reporting for controllers, but the Agency has not yet realized the full benefit of these efforts. FAA will need to ensure that the data are accurate, comprehensive, and effectively analyzed to better identify baselines and safety trends. FAA must also strengthen and better use its risk-based approach for oversight. Finally, while FAA has made progress implementing important mandated safety provisions, the Agency has not implemented other requirements such as improved pilot training standards and a new pilot records database. For FAA to realize the intended safety benefits of the changes it is implementing, the Agency must address the challenges it faces in gathering reliable safety data and using the data to enhance overall safety.

04.25.2012 [Florida Airline Transport Pilot Convicted for Falsification of His FAA Airman's Medical Certificate](#)

On April 25, 2012, in U.S. District Court, Miami, Florida, Kelvin Romello Changur pled guilty to falsification of his Federal Aviation Administration (FAA) application for an airmen medical certificate and attempting to use a U.S. passport containing the same false information he provided on his FAA application form. This investigation revealed that on several occasions, Mr. Changur misrepresented his date of birth to the FAA and the U.S. Department of Homeland Security/Homeland Security Investigations (DHS/HSI) by providing a false date of birth on FAA documents as well as a U.S. passport in order to obtain an FAA airmen medical certificate. Additionally, Mr. Changur sought employment with a commercial air carrier utilizing this fraudulent documentation which was caught through the verification checks done by the potential employer. Sentencing is currently set for June 11, 2012. This investigation is being worked jointly with DHS/HSI and FAA Security.

04.25.2012 [Former Executive of Peruvian Airline Sentenced for Fixing Fuel Surcharge Rates on Air Cargo Shipments](#)

On April 25, 2012, George Gonzalez, former chief commercial officer of Cielos Airlines, a Peruvian air cargo carrier, was sentenced in U.S. District Court, Miami Florida. Mr. Gonzalez received a split sentence of 5 months at a Bureau of Prison facility; 5 months home detention and monitoring; 3 years probation; a \$20,000 fine; a \$100 assessment; and 100 hours of community service. The sentencing follows a November 30, 2011 guilty plea to a one count charge of price fixing. Mr. Gonzalez and three other former airline executives were charged on October 28, 2010, with conspiring to suppress and eliminate competition by agreeing to impose an increase to their fuel surcharges on air cargo shipped from the United States to locations in South and Central America. This is a joint investigation with the FBI and U.S. Postal Service OIG.

04.25.2012 [Guam Company and its Project Manager Indicted for Buy America Billing Scheme on \\$1.8 million ARRA Funded Project](#)

On April 25, 2012, a federal grand jury in the Districts of Guam and the Northern Mariana Islands indicted Hubtec International Corporation (Hubtec) and its president and project manager, Young C. Kim, on four counts of Wire Fraud, seven counts of Making False Statement in Connection with Highway Project, and one count of Major Fraud Against the United States. The indictment alleges that Hubtec and Mr. Kim devised and participated in a scheme to defraud the Department of Public Works (DPW) and Federal Highway Administration (FHWA) by falsely representing that they used U.S.-made reinforcement steel bars for a federally-funded project in Guam. In January 2010, HUBTEC received a contract with the DPW

in the amount of \$1.8 million for the reconstruction and rehabilitation of the Route 2 culverts. The contract was funded in part by \$1.4 million in American Recovery and Reinvestment Act of 2009 funds and required that the contractor comply with the Buy America requirement that all steel and iron permanently incorporated into the project be manufactured in the U.S. OIG's investigation determined that Hubtec and Mr. Kim devised and participated in a scheme to defraud by falsely representing that they used U.S.-made reinforcement steel bars for the project, when in fact, they knew they had incorporated Korean-made reinforcement steel bars which were not in compliance with applicable Buy America requirements. They also committed fraud in connection with the project through a fraudulent billing scheme, which falsely over-reported the costs of materials. We determined that Mr. Kim submitted inflated invoices to the FHWA in the amount of approximately \$154,392, and the overall loss to the Government is estimated to be \$913,277.79. OIG is conducting this investigation jointly with the Federal Bureau of Investigation, with assistance provided by the FHWA.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

04.23.2012 [Status of Transformational Programs and Risks to Achieving NextGen Goals](#)

On April 23, 2012, we issued a report on the Federal Aviation Administration's (FAA) progress in planning and implementing its six transformational programs, which will provide foundational technologies and infrastructure for the Next Generation Air Transportation System (NextGen). These six programs are Automatic Dependent Surveillance Broadcast, System Wide Information Management, Data Communications, NextGen Network Enabled Weather, NAS Voice System, and Collaborative Air Traffic Management Technologies. We conducted our review at the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and the Subcommittee on Aviation Operations, Safety, and Security. We found that FAA has not yet established total program costs, schedules, or performance baselines for any of the six NextGen transformational programs, which limits visibility into the total costs and timelines required to achieve benefits. In addition, FAA's progress in implementing the programs has been limited by a lack of finalized program requirements. Other risks to effectively implementing these programs include the lack of an integrated master schedule—a key planning tool to manage the programs' interdependencies—as well as integration issues with complex automation systems. The FAA concurred with three of our four recommendations and partially concurred with one. However, we are requesting additional information regarding when FAA plans to baseline each segment of the six programs, as well as when expected benefits and capabilities will be delivered.

04.23.2012 [Ohio Contractor Agrees To Pay \\$500,000 to Settle DBE Fraud Claims](#)

On April 23, 2012, Anthony Allega Cement Contractor, Inc. (Allega), signed a civil settlement agreement in the Northern District of Ohio, agreeing to pay the U.S. Government \$500,000 to settle allegations that they committed Disadvantaged Business Enterprise (DBE) fraud between August 2000 and January 2006. Specifically, Allega (the prime contractor) indicated that certain services and supplies on a runway project at Cleveland Hopkins International Airport would be provided by Chem-Ty (the DBE), when, in fact, Allega provided those services and used Chem-Ty as a "pass through." This investigation was worked in cooperation with the USAO, Cleveland, Ohio.

04.19.2012 [Former El Paso Police Officers Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Funds](#)

On April 19, 2012, two former El Paso Police Department police officers, Edward Nicholas and Enrique Davila, were indicted on multiple counts of tampering with a government record with the intent to defraud by an El Paso County grand jury, El Paso, Texas. The former officers are accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic

citations issued. The requests were submitted in 2009 through 2010 while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. Mr. Nicholas and Mr. Davila are part of a group of 25 El Paso police officers suspected to date in this traffic ticket overtime scheme. This investigation is being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

04.18.2012 [Former FAA Aviation Safety Inspector Sentenced for Accepting Illegal Gratuities](#)

On April 18, 2012, Harrington Bishop was sentenced in U.S. District Court, Camden, New Jersey, for accepting illegal gratuities. Mr. Bishop, a former Federal Aviation Administration Aviation Safety Inspector assigned to the Teterboro Flight Standards Safety District Office, Saddle Brook, New Jersey, was sentenced to a year and a day in prison, a \$5,000 fine, 1 year of supervised release, and a \$100 special assessment. As part of his sentencing, Mr. Bishop was also subject to a criminal forfeiture in the amount of \$70,000. On October 27, 2011, Mr. Bishop pled guilty to a one-count Information charging acceptance of illegal gratuities as a public official. Mr. Bishop admitted to accepting tens of thousands of dollars for hundreds of unauthorized pilot check rides he personally performed between May 2004 and February 2011. Mr. Bishop spent weekends, holidays, and other days of approved leave to conduct flight checks, including private-pilot and airline transport pilot certificate tests. In exchange for these check flights, he routinely accepted \$300 "tips" from the pilots, fully aware that he was not allowed to accept payment from pilots in exchange for the performance of his official duties. Mr. Bishop admitted that nearly all of the check flights resulted in the pilot passing the tests. On October 21, 2011, Mr. Bishop retired from federal service after being served with a Notice of Proposed Removal in connection with the investigation.

04.18.2012 [Former Fort Worth Police Officer Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Money](#)

On April 18, 2012, James McDade, former Fort Worth police officer, was indicted by a Tarrant County grand jury, Fort Worth, Texas. Mr. McDade was indicted on 19 charges of tampering with a governmental record and one charge of theft by a public servant. Mr. McDade is accused of entering false times on 19 traffic tickets and receiving more than \$9,000 in overtime for hours he did not work in 2009. Mr. McDade is one of nine Fort Worth police officers suspected in this traffic ticket scheme. The officers allegedly issued tickets during normal duty hours but indicated that the tickets were issued while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. In March 2011, the Fort Worth City Council approved reimbursing the Texas Department of Transportation (TXDOT) \$231,000 in grant money that was used to pay the nine officers' overtime. This investigation is being conducted jointly with the Fort Worth Police Department and the FBI, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

04.17.2012 [DOT Does Not Have An Effective Enterprise Architecture Program For Management Of Information Technology Changes](#)

On April 17, 2012, we issued a report on the results of our audit of DOT's enterprise architecture (EA) program. An enterprise architecture is a framework for information technology (IT) management and improvement that describes a Federal department's current state of IT operations (the baseline architecture) as well as the future state of these operations after the implementation of improvements (the target architecture). This framework also includes a transition plan to move from the baseline to the

target architecture. Our audit objectives were to determine whether DOT has: (1) an effective program for the development and oversight of a Department-wide EA; and (2) established procedures for the assessment of EA activities. We found that DOT does not have a Department-wide EA program, and instead, has assigned authority for EA development to its components. The Department, however, has no plan to integrate the individual components' EA programs into a Department-wide program. The components' EA programs are incomplete, and policies and procedures are incomplete and outdated at both the Department and component levels. Neither the Department nor the components sufficiently address IT security in their IT investment planning and management. Furthermore, DOT does not have procedures for EA assessment, and consequently, cannot measure the status and progress of its components' EAs. We made eight recommendations to the Department for EA improvements. DOT concurred with or met the intent our recommendations.

04.17.2012 [Timely and Targeted FMCSA Action is Needed to Fully Address NTSB Recommendations for Improving Passenger Carrier Oversight](#)

On April 17, 2012, we issued a report on the Federal Motor Carrier Safety Administration's (FMCSA) implementation of National Transportation Safety Board (NTSB) recommendations to improve Federal oversight of passenger carriers, a request initially included in the House Committee on Appropriations' committee report accompanying its version of the fiscal year 2011 THUD appropriations bill. We found that FMCSA could improve its vetting process to detect reincarnated carriers and made recommendations to improve FMCSA's carrier vetting process. Also, while FMCSA took action on rules NTSB recommended to improve passenger carrier oversight, it has yet to implement those rules. Finally, FMCSA has not implemented NTSB's recommendations on enhancing FMVSS compliance. The FMCSA concurred with our five recommendations to improve FMCSA's passenger carrier vetting process and oversight of passenger carriers.

04.16.2012 [Audit Initiated of Air Carrier Flight Delays and Cancellations](#)

The Office of Inspector General plans to initiate an audit on the impact of air carrier flight delays and cancellations in the United States. We are conducting our review in accordance with a provision in the Federal Aviation Administration (FAA) Modernization and Reform Act of 2012, which also directed us to review air carrier scheduling practices and the use of airport capacity benchmarks (i.e., hourly flight operations that a major airport can handle safely). Our audit objectives will be to: (1) analyze recent flight delay and cancellation trends; (2) examine air carrier scheduling practices and their relative impact in causing flight delays and cancellations; and (3) assess FAA's use of capacity benchmarks to help manage air traffic at the Nation's busiest airports.

04.13.2012 [Former Arrow Air and South Winds Cargo Executives Sentenced for Price Fixing](#)

On April 13, 2012, Guillermo Cabeza, former President, Arrow Air, and Luis Juan Soto, former President, South Winds Cargo, were sentenced in U.S. District Court in Miami, Florida. In November 2011, Mr. Cabeza and Mr. Soto pled guilty in a conspiracy to fix the cargo rates charged to customers for international air shipments to and from the United States. During the period October 2001 through at least February 2006, Mr. Cabeza, Mr. Soto, and others conspired to suppress and eliminate competition on cargo rates by fixing and coordinating charges, including security and fuel surcharges, charged to customers for air cargo services to and from the United States. Mr. Cabeza was sentenced to 3 years probation, ordered to perform 100 hours of community service, fined \$20,000, and assessed \$100. Mr. Soto was sentenced to 6 months monitored home detention, 3 years probation, ordered to perform 100 hours of community service, fined \$20,000, and assessed \$100. This is a joint investigation with the FBI and U.S. Postal Service OIG.

04.12.2012 Audit Initiated of PHMSA's Management and Oversight of the State Pipeline Safety Program

The Office of Inspector General plans to review the Pipeline and Hazardous Materials Safety Administration's (PHMSA) management and oversight of the State Pipeline Safety Program, which provides Federal grant funds to State agencies that oversee pipeline operators. We are conducting our review in response to a recommendation from the National Transportation Safety Board to the Secretary of Transportation following the 2010 deadly gas pipeline explosion in San Bruno, California. Our audit objectives will be to assess the effectiveness of PHMSA's: (1) policies and processes for executing the program; and (2) program oversight for verifying States are executing their pipeline safety oversight and enforcement responsibilities.

04.12.2012 Audit Initiated of FAA's Implementation of the Aviation Safety Information Analysis and Sharing (ASIAS) System

The Office of Inspector General plans to review the Federal Aviation Administration's (FAA) use of information systems for improving air carrier oversight, specifically the Aviation Safety Information Analysis and Sharing (ASIAS) system. First implemented in 2007, ASIAS is a tool that collects and analyzes data from multiple databases to proactively identify and address safety risks that may lead to accidents. We are conducting this review in accordance with a provision in the Airline Safety and FAA Extension Act of 2010. Our audit objectives will be to assess FAA's: (1) progress in implementing ASIAS; (2) process and plan for allowing system access at both field and headquarters levels; and (3) use of ASIAS data to assist in commercial air carrier safety oversight.

04.12.2012 Former El Paso Police Officer Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Funds

On April 12, 2012, former police officer Luis Ortiz was indicted on 11 counts of tampering with a government record with the intent to defraud by an El Paso County grand jury, El Paso, Texas. The former officer is accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued. The requests were submitted in 2009 through 2010 while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. Mr. Ortiz is part of a group of 25 El Paso police officers suspected to date in this traffic ticket overtime scheme. This investigation is being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

04.09.2012 Quality Control Review of Single Audit on the Utah Transit Authority

On April 9, 2012 we issued a quality control report on a single audit performed by Deloitte & Touche, LLP on the Utah Transit Authority's use of U.S. Department of Transportation grants for the fiscal year ending December 31, 2010. During this period, Utah Transit expended approximately \$215 million from DOT grant programs. The major program tested by Deloitte and Touche, LLP was the Federal Transit Cluster. We determined the work performed by Deloitte & Touche, LLP was acceptable and met the requirements of generally accepted Government auditing standards, the Single Audit Act, and OMB Circular A-133. We found nothing to indicate that Deloitte & Touche, LLP's opinion on Utah Transit's reports on internal control and compliance were inappropriate or unreliable.

04.06.2012 [Former President and Owner of Schuylkill Products Convicted in Largest Disadvantaged Business Enterprise Fraud in Nation's History](#)

The United States Attorney's Office for the Middle District of Pennsylvania announced today that Joseph W. Nagle, of Deerfield Beach, Florida, was convicted after a four-week jury trial before Senior United States District Court Judge Sylvia H. Rambo in Harrisburg. On April 5, 2012, the jury returned a verdict of guilty on 26 of 30 charges in the indictment including conspiracy to defraud the United States Department of Transportation (USDOT) and commit wire and mail fraud, 7 counts of wire fraud, 6 counts of mail fraud, conspiracy to commit money laundering and 11 counts of money laundering. According to the U.S. Department of Transportation, this scheme which lasted for over 15 years and involved over \$136 million in government contracts, is the largest reported Disadvantaged Business Enterprise (DBE) fraud in the nation's history. According to United States Attorney Peter J. Smith, Mr. Nagle faces up to five years' imprisonment on the conspiracy count; and up to 20 years' imprisonment on each of the wire and mail fraud counts; and up to 10 years' imprisonment on the money laundering conspiracy and each of the money laundering counts of conviction; along with \$250,000 in fines and mandatory restitution on each of the convictions. Mr. Nagle was acquitted on four counts of wire fraud. No date has been set for sentencing.

Mr. Nagle was President, Chief Executive Officer and part-owner of Schuylkill Products Inc.(SPI) and its wholly-owned subsidiary CDS Engineers Inc.(CDS) until April 2009 when SPI was sold. SPI was based in Cressona, Pennsylvania, and manufactured concrete bridge beams used on highway construction projects in Pennsylvania and surrounding states. CDS was SPI's erection division and installed SPI's bridge beams as well as other suppliers products, on highways in Pennsylvania and surrounding states. Mr. Nagle was convicted of joining an on-going 15-year conspiracy to defraud USDOT, the Pennsylvania Department of Transportation (PennDOT) and the Southeastern Pennsylvania Transportation Authority (SEPTA) in connection with the federal government's DBE program when he became President in April 2004. The scheme ran from 1993 to 2008 and involved diversion of over 300 PennDOT and SEPTA construction contracts to SPI and CDS that were reserved for DBE's. Mr. Nagle and his coconspirators executed the scheme by using a small Connecticut highway construction firm known as Marikina Construction Corporation (Marikina) as a front company to obtain these lucrative government contracts. Although Marikina received the DBE contracts on paper, all the work was performed by SPI and CDS personnel, and SPI and CDS received all the profits. In exchange for letting SPI and CDS use its name, Marikina was paid a small fixed-fee, set by SPI.

The scheme was carried out for over 15 years because of the numerous fraudulent steps the co-conspirators took to conceal the scheme. SPI and CDS personnel routinely pretended to be Marikina employees by using Marikina business cards, email addresses, stationery, and signature stamps, as well as using magnetic placards and decals bearing the Marikina logo to cover up SPI and CDS logos on SPI and CDS vehicles. Previously, four former executives associated with SPI, CDS and Marikina entered guilty pleas for their roles in the scheme: Romeo P. Cruz, the former owner of Marikina, pleaded guilty to conspiracy and tax fraud charges in 2008 and 2009. Ernest G. Fink, of Orwigsburg, Pennsylvania, SPI's former Vice-President, Chief Operating Officer and owner, pleaded guilty to conspiracy in 2010. Timothy G. Hubler, of Ashland, Pennsylvania, CDS' former Vice-President in charge of field operations, pleaded guilty to conspiracy and tax fraud charges in 2008. Dennis F. Campbell, of Orwigsburg, Pennsylvania, SPI's former Vice-President in charge of sales and marketing pleaded guilty to conspiracy charges in 2008. All four testified during the Nagle trial and await sentencing. This investigation was conducted by the FBI, the U.S. Department of Transportation Inspector General's Office, the U.S. Department of Labor Inspector General's Office, and the Criminal Investigation Division of the IRS.

04.06.2012 [ARRA Financial & Activity Report - March 2012](#)

On April 6, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of March 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

04.05.2012 [Lessons Learned From ARRA: Improved FHWA Oversight Can Enhance States' Use of Federal-aid Funds](#)

On April 5, 2012, we issued our report on the Federal Highway Administration's (FHWA) oversight of State DOT American Recovery and Reinvestment Act (ARRA) contract awards. As FHWA's \$27 billion in ARRA funds represents a 67-percent one-time increase to its \$40 billion Federal-aid program, we initiated this audit to: (1) examine the level of competition for State DOT awarded ARRA contracts; (2) evaluate FHWA policies and guidance for awarding Federal-aid contracts; and (3) assess FHWA's oversight of State DOT contracting practices. Our report identifies opportunities to foster competition and maximize use of Federal-aid funds. Overall, we found that: (1) one-fifth of State DOT ARRA contracts were awarded with one or two bids; (2) FHWA does not require States to use contract award practices that promote increased competition; and (3) FHWA does not have effective controls for monitoring State award policies and procedures. In its response, FHWA concurred with four of our five recommendations and partially concurred with one.

04.05.2012 [South Florida Men Sentenced To Jail Time and Ordered to Pay \\$1.45 Million in Restitution In Aircraft Parts Fraud Conspiracy](#)

On April 5, 2012, in U.S. District Court, Miami, Florida, Henry McFlicker and Ayodha "Joe" Persaud, owners of Daytona Aerospace, a South Florida aviation parts broker were sentenced for conspiracy to commit aircraft parts fraud. Mr. McFlicker was sentenced to 45 months in prison while Mr. Persaud was ordered to serve 37 months incarceration. Mr. McFlicker and Mr. Persaud will each serve a term of 36 months probation, as well as pay a \$100 special assessment fee. The court also ordered the owners to pay \$1.45 million in restitution and \$1 million forfeiture. Our investigation revealed that Daytona Aerospace purchased, sold, and traded aircraft parts between commercial airlines, private aircraft, other brokers, and the U.S. Department of Defense, and specifically that Mr. McFlicker and Mr. Persaud misrepresented the condition and origin of aircraft parts in their responses to numerous bids advertised by the U.S. Air Force and U.S. Navy. Although the orders and contracts specifically required the defendants to supply new surplus parts manufactured by The Boeing Company, they used various unauthorized local dealers to manufacture the requested parts. Mr. McFlicker and Mr. Persaud, in concert with their employees, concealed the fraud by completing a Certificate of Conformance, also known as a "Parts or Material Certification Form" or an "ATA 106," and other paperwork, such as packing slips and invoices, that misrepresented either the condition of the parts or the manufacturer. Additionally, to further conceal the fraud, Mr. McFlicker and Mr. Persaud created fraudulent inventory lists, certification forms, and letters bearing various airlines' corporate logos and attached these false forms to shipments containing the parts. They then forwarded the completed fraudulent paperwork, including the ATA 106 and other traceability documentation, and the counterfeit parts to the purchasers, including the Air Force and others in the commercial and military aviation industry. This investigation is being conducted jointly with Defense Criminal Investigative Service, USAF Office of Special Investigations, Federal Bureau of Investigation, Department of Homeland Security/US Immigration and Customs Enforcement, with the Federal Aviation Administration providing technical assistance.

04.05.2012 [Indiana Man Pleads Guilty to Violating Clean Water Act](#)

On April 5, 2012, Stewart Roth, a supervisor with Tierra Environmental Group, Inc. (Tierra), pled guilty in U.S. District Court, Hammond, Indiana, to one count of violating the Clean Water Act and aiding and abetting. Between January 2008 and June 2008, Mr. Roth directed and/or assisted at least one Tierra truck driver take waste to their Hammond location and dump it into their sump area, which was directly linked to the Hammond Sanitary Sewer System. Mr. Roth knew that Tierra had no permit to discharge pollutants into the sewer system. This case was investigated by the Northern District of Indiana Environmental Crimes Task Force, including agents from the U.S. Environmental Protection Agency's Criminal Investigation Division, the U.S. Department of Transportation, Office of Inspector General, and the U.S. Coast Guard Criminal Investigative Service. The case is being prosecuted by the U.S. Attorney's Office for the Northern District of Indiana and the Environmental Crimes Section of the Justice Department's Environment and Natural Resources Division.

04.04.2012 [FAA Employee in Oklahoma Charged in Theft Case](#)

On April 4, 2012, the Cleveland County District Attorney's Office, Norman, Oklahoma, filed an information charging Perry Morrison, a Federal Aviation Administration (FAA) mechanic employed at the Mike Monroney Aeronautical Center (MMAC), Oklahoma City, Oklahoma, with one count of False Declaration of Ownership in Pawn. Mr. Morrison previously admitted to stealing tools from his FAA issued tool box and pawning the tools at several pawn shops in the Cleveland County area near his residence. The investigation disclosed that the FAA's replacement cost of the tools listed on the pawn tickets is \$3,448.65. This investigation is being conducted jointly with the Oklahoma City Police Department and FAA Security and Investigations Division, MMAC.

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04.04.2012 [New York Construction Firm Agrees to Pay \\$7.5 Million to Settle Fraud Allegations](#)

On April 4, 2012, Judlau Contracting, Inc., Dragados USA Inc., and the Dragados/Judlau Joint Venture (Dragados/Judlau, JV), New York-based construction companies, signed a civil settlement agreement in the U.S. District Court, New York City, New York, in which Dragados/Judlau, JV agreed to pay a \$7.5 million civil settlement related to Disadvantaged Business Enterprise (DBE) fraud on a major public works project that received \$2 billion in Federal Transit Administration (FTA) funding. Dragados/Judlau, JV is the prime contractor on the "East Side Access Project" which involves the construction of a tunnel connecting the Long Island Railroad to Grand Central Station. As part of the settlement, Dragados/Judlau, JV admitted that between 2006 and 2008, they listed four DBEs as subcontractors and indicated that the total contract amount was approximately \$22 million. Rather than pay DBEs for work performed by them, Dragados/Judlau, JV paid three DBEs fees to act as "pass-throughs" while the work was being performed by non-DBE subcontractors. As part of this settlement, approximately \$6 million will be returned to the FTA. This settlement is the result of a joint investigation conducted with the U.S. Attorney's Office for the Southern District of New York and the Inspector General for the New York State Metropolitan Transportation Authority.

04.04.2012 [Guardrail Manufacturer Agrees to Civil Settlement for Alleged Buy America Violations](#)

On April 4, 2012, Trinity Highway Products, LLC (Trinity), Dallas, Texas, a leading manufacturer of highway guardrail, highway guardrail end treatments, and other highway safety products, entered into a civil Settlement Agreement with the U.S. Department of Justice. The Settlement Agreement called for Trinity to pay the Federal Highway Administration (FHWA) \$142,000 for alleged violations of the Buy America Act. The Settlement Agreement is not an admission by Trinity of liability, wrongdoing, or guilt. The allegations of Buy America Act violations were brought by the Montana Department of

Transportation (MDT) that alleged Trinity failed to secure proper Buy America Act documentation from companies that supplied steel to its Centerville, Utah, facility. The investigation identified several instances where Trinity's guardrail accessories were made from steel with non-compliant documentation. The non-compliant steel was installed in Trinity products that were used in Federally-funded MDT projects. In addition to the investigation, suspension and debarment action was taken into consideration. However, FHWA determined that Trinity took appropriate action to implement a more effective internal control system, which represented a willingness to accept responsibility. In lieu of suspension or debarment, Trinity entered into an Administrative Settlement and Compliance Agreement. The Compliance Agreement includes a requirement for Trinity to appoint an independent corporate compliance officer who will be responsible for implementation and day-to-day administration and oversight of its corporate compliance program.

04.03.2012 [Audit Initiated of the Union Station Redevelopment Corporation](#)

The Ranking Members of the U.S. House Committee on Transportation and Infrastructure, and its Subcommittee on Economic Development, Public Buildings, and Emergency Management, requested that the Inspector General perform a full Federal audit of the management and financial viability of the Union Station Redevelopment Corporation (USRC). Consistent with Ranking Member Rahall and Congresswoman Norton's request, our objectives will be to: (1) assess the adequacy of oversight over Union Station's development, operations, and maintenance; and (2) conduct a quality control review of USRC's latest financial statement audit to determine if the audit was performed in accordance with applicable standards.



Office of Inspector General Monthly Activity Report Activities since May 1, 2012

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05.31.2012 [Progress and Challenges with FAA's Facility Consolidation Effort](#)

The Principal Assistant Inspector General for Auditing and Evaluation testified before the House Aviation Subcommittee on the Federal Aviation Administration's (FAA) efforts to consolidate air traffic facilities. Many of the Nation's air traffic facilities have outlived their useful lives and cannot take advantage of newer technologies. FAA formalized a plan last year to begin consolidating them into larger, integrated facilities over the next 2 decades, beginning with facilities managing airspace in the Northeast. However, FAA is early in its planning and has delayed making a final decision until next May on where to build the first facility. Regardless, FAA will still need to align consolidation plans with ongoing construction projects, make technical decisions that could significantly alter the cost and schedules for other modernization programs, finalize project cost estimates, and address associated workforce issues. Although FAA's consolidation plans are evolving, a number of near-term actions could better position the Agency for success. These actions include incorporating lessons learned from prior consolidation efforts, developing metrics to identify and track anticipated benefits, and determining how best to keep Congress and other stakeholders informed as the effort progresses.

05.31.2012 [Semiannual Report to Congress: October 1, 2011 - March 31, 2012](#)

As required by The Inspector General Act of 1978 (as amended), this Semiannual Report summarizes the activities of the Office of Inspector General for the preceding six-month period.

05.29.2012 [Northern California Man Charged in Scheme to Defraud NHTSA's "Cash for Clunkers" Program](#)

On May 29, 2012, James Taylor, owner of Pinole-Rodeo Auto Wreckers, Rodeo, California, was charged in U.S. District Court, Oakland, California, for falsely certifying that he had destroyed vehicles after receiving payment from dealerships to dispose of them in accordance with the National Highway Traffic Safety Administration's (NHTSA), Consumer Assistance to Recycle and Save Act (CARS) program. Mr. Taylor devised a scheme wherein the vehicles were actually being sold and exported out of the country. This investigation was initiated based on a discovery of two vehicles by the California Highway Patrol (CHP) at the Port of Oakland identified as having been trade-ins from the CARS program. OIG executed a search warrant at Mr. Taylor's place of business in March 2011 and the evidence obtained determined that Mr. Taylor falsely represented to NHTSA and to car dealerships that he had destroyed the vehicles as he had been paid to do in accordance with the CARs program. However, our investigation found that Mr. Taylor sold the two cars and had plans to export them out of the country by using the services of a freight-forwarder located in southern California. This investigation was worked jointly with the CHP, with assistance provided from NHTSA.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.25.2012 [Former Moving Company Estimator Sentenced for His Role in a Household Goods Scheme](#)

On May 25, 2012, Stuart Sheinfeld, estimator for National Moving Network (NMN), an interstate moving broker with offices in Miami, Florida, pled guilty in U.S. District Court, San Jose, California. Mr. Sheinfeld pled guilty to a charge of willfully failing to observe published moving tariffs. Mr. Sheinfeld and other NMN employees, along with owners and employees from a San Jose based moving company, AY Transport, Inc., participated in a "low-ball estimate" scheme. NMN estimators quoted customers a low estimate to move their household goods, and after taking custody of the customer's goods, AY Transport raised the price to transport the goods to exorbitant rates. Mr. Sheinfeld and other NMN employees were aware that AY Transport was engaging in household goods fraud and yet continued to book customers for them. Mr. Sheinfeld was sentenced to 12 months probation, and ordered to pay \$4900 in restitution to his victims. As part of its daily business practice, NMN booked moves nationwide, referring a majority of the moves to AY Transport. Mr. Sheinfeld acknowledged providing inaccurate estimates to NMN customers and taking deposits from them. He also admitted to placating customers who had been defrauded. After assuring the customers he would help them, he then instructed NMN customer service representatives to say that he no longer worked there in an effort to help AY Transport and NMN avoid civil or criminal action. OIG has been investigating this case jointly with the Federal Bureau of Investigation and Internal Revenue Service, with assistance from the Federal Motor Carrier Safety Administration.

05.24.2012 [South Florida Aircraft Parts Inspector Pleads Guilty to a Fraudulent Aircraft Parts Conspiracy](#)

On May 24, 2012, Geovanni Hernandez, former inspector, Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), pleaded guilty in U.S. District Court, Ft. Lauderdale, Florida, to wire fraud in conjunction with a scheme involving the false representation that aircraft windows were overhauled properly when they were not. On March 22, 2012, a multi-count indictment was filed against 16 employees of ATR and TEG for conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows knowing that they were not authorized by the Federal Aviation Administration (FAA) to certify these windows.

The investigation revealed that from August 2009, to August 2010, ATR's employees continued repairing aircraft cockpit windows despite having their repair station certificate revoked in July 2009. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear that the windows had been retrieved from inventory prior to the repair station certificate revocation. Serial numbers on the windows were changed to disguise their source and to further make it appear that all work had been performed prior to the repair station revocation. This investigation is being worked jointly with the Department of Labor, Office of Inspector General, the Federal Bureau of Investigation, and Immigration and Customs Enforcement, with substantial assistance from the FAA.

05.21.2012 [California Man Pleads Guilty to Unlawfully Refilling and Transporting Uncertified Compressed Gas Cylinders](#)

On May 21, 2012, in the Eastern District of California, James Richard Giles of Stockton, California, pled guilty to charges involving the unlawful refilling of a cylinder with compressed natural gas, a hazardous material, knowing that the cylinder was overdue for its 5-year requalification. Mr. Giles then offered the cylinder for transportation. Mr. Giles was the owner of Clean Fuels, LLC, a business that transported compressed natural gas. Compressed gas cylinders are highly pressurized containers that store various kinds of gases. Refilling and then using compressed gas cylinders to transport hazardous materials requires that the cylinders be recertified every five years. The charge to which Mr. Giles pled guilty pertains to a trailer

used to transport 38 cylinders of compressed natural gas. All 38 cylinders refilled by Mr. Giles had service certification dates that expired months before. He personally transported them from his business in Stockton, on his trailer, to Pacific Gas & Electric's natural gas refilling station on McDonald Island, in San Joaquin County. Our investigation also found that Mr. Giles did not have a DOT required Retester's Identification Number and is not a DOT authorized tester. Sentencing for Giles is set for September 11, 2012. OIG conducted this investigation with significant assistance from the Pipeline and Hazardous Materials Safety Administration.

05.17.2012 [Southern California Chemical Processing Company Charged for Falsification of Aircraft Parts](#)

On May 17, 2012, Bowman Plating Company, Inc. (Bowman), a chemical processing company located in Compton, California, was charged in the Central District of California for providing false statements related to chemical processing of aircraft parts sold to commercial aviation companies and to the Department of Defense. In 2007, we began investigating allegations that Bowman received failed test results for chemical process control tests, but had not notified its customers of the failures. In 2006, several companies retained Bowman to complete chemical film coating for their aircraft parts. The companies submitted purchase orders listing the required specifications for the coating. After the coating was performed, Bowman issued certificates of conformance (COCs) certifying that the aircraft parts were processed in accordance with applicable specifications, and the parts were shipped to customers. Also in 2006, Bowman retained a third party testing company to perform a chemical process control test related to the chemical film coating. Following testing, the testing company issued a report documenting that the test had failed. Although the parts and the COCs had been shipped, Bowman did not notify its customers of the failure, so intermediary and end users of the parts were not aware of the testing failures. This investigation is being conducted jointly with the Defense Criminal Investigative Service.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.16.2012 [Georgia Man Convicted for Violating an Imminent Hazard Out-of-Service Order](#)

On May 16, 2012, Devasko Lewis pled guilty in U.S. District Court, Albany, Georgia, to charges that he operated a commercial motor vehicle in September and October 2011, when he was precluded from doing so under the provisions of an Imminent Hazard - Out of Service Order issued by the Federal Motor Carrier Safety Administration (FMCSA). On October 6, 2008, Mr. Lewis, doing business as Lewis Trucking Company/DDI Transport/DL Transport, was placed under an Imminent Hazard Order to cease all operations due to serious violations discovered during a compliance review conducted by FMCSA. The compliance review was subsequent to a fatality crash in Alabama which resulted in the deaths of seven State of Alabama prison guards. The investigation further disclosed that Mr. Lewis made a false statement to FMCSA when applying for motor carrier authority. Mr. Lewis stated that he did not have, nor did he ever have, any relationship with any other FMCSA regulated entity within three years of the application. Sentencing is scheduled for August 30, 2012. This investigation has been worked with the assistance of FMCSA and Georgia Department of Public Safety.

05.15.2012 [Interim Response Letter to Congressmen Wolf and Latham Regarding MWAA](#)

On May 15, 2012, the Inspector General issued an interim letter regarding our ongoing audit work on the governance and management policies and processes of the Metropolitan Washington Airports Authority (MWAA). MWAA operates the federally owned Washington Dulles International and Ronald Reagan Washington National airports; it is also responsible for designing, constructing, and partially financing the Dulles Corridor Metrorail Project. We are conducting our audit at the request of Representatives Frank R. Wolf and Tom Latham. Although MWAA is a public body and its Board of Directors are government appointees, it is independent of the Federal Government and not subject to Federal or State laws that govern

ethics, transparency, access to information, procurement, and other areas. As such, MWAA's governance depends on the strength of its internal codes, policies, and processes, and its adherence to them. However, our observations to date indicate that weaknesses in MWAA's policies and procedures related to financial disclosures, travel, and transparency have limited the Board's accountability to the public, Congress, and stakeholders. MWAA's contracting policies and practices are also insufficient to ensure compliance with provisions of the Washington Metropolitan Airports Act of 1986 as well as with its internal procurement procedures. Our letter also includes a preliminary assessment of MWAA's Dulles Toll Road revenue assumptions, which overall appear reasonable.

05.15.2012 [South Florida Individuals Plead Guilty to a Fraudulent Aircraft Parts Conspiracy](#)

On separate dates in May 2012, Diego Garcia, Ivonne Portales, Chabela Anerios, and Aileen Bermudez, former employees of Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), pled guilty in U.S. District Court, Ft. Lauderdale, Florida, to mail fraud and wire fraud charges in conjunction with a scheme involving the false representation that aircraft windows were overhauled properly. On March 22, 2012, a multi-count indictment was filed against 16 employees of ATR and TEG for conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows using Federal Aviation Administration (FAA) Form 8130-3 Authorized Release Certificates, work orders, and traceability documentation knowing that they were unauthorized by the FAA to certify the airworthiness of these windows. The investigation revealed that from approximately August 2009 to August 2010, ATR's employees continued repairing aircraft cockpit windows despite having its repair station certificate revoked in July 2009. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear to the customer that the windows had been retrieved from ATR or TEG's inventory prior to ATR's repair station certificate revocation. Additionally, serial numbers on the windows that had been sent to ATR by its customers were changed to disguise the source of the windows and to further make it appear that all work had been performed prior to the repair station revocation. This investigation is being worked jointly with the Department of Labor, Office of Inspector General, the Federal Bureau of Investigation, and Immigration and Customs Enforcement, with substantial assistance from the FAA.

05.15.2012 [Georgia Woman Convicted In Double Brokering Scheme](#)

On May 15, 2012, Tina Blyth, pled guilty in U.S. District Court, Macon, Georgia, to a mail fraud charge in conjunction with her involvement in a double brokering scheme. This investigation revealed that Ms. Blyth used the internet to access web sites where senders advertised loads of commercial freight that were available for transport. Ms. Blyth then bid on those freight loads using the names of her various companies which were listed as having broker authority with the Federal Motor Carrier Safety Administration. Ms. Blyth was then awarded the bids, leading the sender to believe her trucking business would deliver the freight for the contracted price. Senders paid Ms. Blyth; however, after accepting the bid to deliver the load of freight, Ms. Blyth immediately re-advertised the job on the internet, using a different company name. Ms. Blyth accepted bids from legitimate trucking companies to ship the freight from the sender to the intended destination, never disclosing that she had already arranged for the sender to deliver payment to her. Sentencing is set for August 30, 2012. This investigation was worked jointly with the Decatur County Sheriff's Office, Decatur, Georgia.

05.14.2012 [Audit Initiated of FAA's Automatic Dependent Surveillance - Broadcast \(ADS-B\) Program](#)

The Office of Inspector General plans to initiate an audit of the Federal Aviation Administration's (FAA) progress in implementing the Automatic Dependent Surveillance – Broadcast (ADS-B) program, which will supplement radar by leveraging satellite-based technology, aircraft avionics, and ground-based systems to provide information on the position of aircraft to pilots and air traffic controllers in all phases of flight. ADS-B is a cornerstone of efforts to modernize air traffic control from its present state into the Next Generation Air Transportation System. We are conducting this review at the request of the Chairman and Ranking Minority

Member of the House Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies. Our audit will also address requirements in the FAA Modernization and Reform Act of 2012 to conduct an annual review of the ADS-B program. Our audit objective is to assess FAA's progress with mitigating risks and addressing challenges associated with implementation of ADS-B.

05.14.2012 [Audit Initiated of FTA's Oversight of Major Transit Projects in New York City: East Side Access](#)

The Office of Inspector General (OIG) announced in March 2010 that it was conducting a series of audits of the Federal Transit Administration's (FTA) oversight of major transit projects in New York City. On August 15, 2011 the OIG released its audit report on the Metropolitan Transportation Authority's (MTA) Fulton Street Transit Center project. We are continuing our series with an audit that will focus on FTA's oversight of MTA's East Side Access project. With an estimated cost of approximately \$8 billion, it is one of the largest, most complex capital transit projects in the country, and the largest project MTA has ever undertaken. FTA has committed to investing almost \$2.7 billion in the East Side Access project, including New Starts and American Recovery and Reinvestment Act (ARRA) funding. Our objectives will be to evaluate whether FTA's efforts have ensured that: (1) current project plans will mitigate cost, schedule, and local funding risks; and (2) ARRA funding and oversight requirements were met.

05.14.2012 [California Men Pled Guilty to Conspiring to Steal Copper Wires from Modesto Airport](#)

On May 14, 2012, in U.S. District Court in Fresno, California, Kody Esstep and Robin Vanderheiden, both residents of Modesto, California, pled guilty to the theft of Government property and conspiracy. In a plea agreement, Mr. Esstep and Mr. Vanderheiden admitted they stole approximately 2,800 feet of copper cable from the Medium Intensity Approach Lighting System (MIALS) at Modesto Airport. Although the damage to the airport is valued at more than \$40,000, the theft of the copper cable caused the approach lighting to become inoperable, which posed a significant safety risk to incoming aircraft and neighboring residents. The lights are needed for poor visibility situations, such as fog and heavy rain, and without the MIALS, aircraft may need to be diverted. The investigation was initiated following a report of vandalism of the airport approach lighting system. Modesto Police Department subsequently put up surveillance cameras which led them to Mr. Vanderheiden, who used the alias Jeremy Patrick. OIG subsequently interviewed Mr. Vanderheiden, who confessed to the theft of copper cable and implicated Mr. Esstep. This investigation was conducted with assistance from the Modesto Police Department and FAA.

05.11.2012 [Former New York Construction Company Executive Ordered to Forfeit \\$100,000](#)

On May 11, 2012, John Athanasiou, the former Director of Purchasing for Perini Corporation's Civil Division, also known as Tutor Perini, was sentenced in U.S. District Court, Brooklyn, New York. As a result of Mr. Athanasiou's guilty plea on charges of money laundering and conspiracy, he was ordered to forfeit \$100,000 and placed on probation for one year. On October 29, 2010, Mr. Athanasiou pled guilty to money laundering and conspiracy charges. The charges stem from Mr. Athanasiou's involvement in the fraudulent use of front disadvantaged business enterprises (DBE) as subcontractors on several DOT, state and local funded roadway improvement projects in the New York City metropolitan area. Mr. Athanasiou admitted that during the period 1998 through 2001, the Perini Corporation awarded approximately \$19 million in fraudulent DBE subcontracts in order to qualify for four construction projects collectively worth \$284 million in the New York City area. These projects included work on the Westside Highway, the Brooklyn-Queens Expressway/Williamsburg Bridge Connector, the Queens Boulevard/Honeywell Street Bridges, and work on the Long Island Expressway/Cross Island Parkway interchange. Mr. Athanasiou and others conspired to use three different front DBE subcontractors in order to obtain various levels of DBE credit on these projects and relied upon a number of non-DBE contractors to do the actual work. The front DBEs generally received between 3%-5% of the subcontract value as a fee to process payroll and other required paperwork. The DBE owners and others involved in this conspiracy have since pled guilty. The Perini Corporation has paid \$9.75 million in a negotiated civil settlement to resolve its criminal and civil liability in the matter.

05.10.2012 Audit Initiated of NTSB's Financial Statements for Fiscal Years 2012 and 2011

The Office of Inspector General (OIG) is initiating an audit of the National Transportation Safety Board's financial statements for fiscal years 2012 and 2011. It will be conducted according to generally accepted Government auditing standards and Office of Management and Budget audit requirements. The audit is being performed by an independent audit firm, Leon Snead and Company, PC, subject to OIG oversight. The audit report will be delivered to the Office of Management and Budget by November 15, 2012.

05.10.2012 Former El Paso Police Officer Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Funds

On May 10, 2012, in El Paso County court, El Paso, Texas, Michael Arzaga, former police officer for the El Paso Police Department, was indicted for tampering with a government record with the intent to defraud. The former police officer was charged in a 15-count indictment for submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued. The fraudulent tickets were submitted in 2009 and 2010 while working overtime under the Selective Traffic Enforcement Program, which is funded by the National Highway Traffic Safety Administration (NHTSA). Mr. Arzaga is one of 22 El Paso police officers under investigation for this traffic ticket overtime scheme. This investigation is being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.09.2012 Audit Initiated of FAA's Efforts to Streamline Its Processes for Implementing New Performance-Based Flight Procedures

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) progress in implementing Performance-Based Navigation (PBN) procedures, including the NAV Lean Project (which is aimed at improving FAA's review process for these procedures). PBN procedures are key building blocks for the Next Generation Air Transportation System and can provide significant near-term benefits such as more direct flight paths, improved airport arrival rates, greater fuel savings, and reduced aircraft noise. We are conducting our review at the request of the Chairmen of the House Committee on Transportation and Infrastructure and the Subcommittee on Aviation. Our audit objectives are to assess: (1) FAA's progress in providing high-value PBN routes and procedures; and (2) the degree to which the NAV Lean Project meets demand for improved review processes.

05.08.2012 Audit Initiated of FHWA's Oversight of the Indian Reservation Roads Program

The Office of Inspector General plans to conduct an audit of the Federal Highway Administration's (FHWA) Indian Reservation Roads (IRR) program. According to FHWA, approximately 11 billion vehicle miles are traveled annually on the IRR system even though 60 percent of its roads are unpaved and 27 percent of its bridges are classified as deficient. From fiscal year 2005 through fiscal year 2011, the program received \$3.17 billion, including \$310 million provided by the American Recovery and Reinvestment Act of 2009, to address tribal transportation needs. FHWA must coordinate extensively with the Department of Interior's Bureau of Indian Affairs to implement the program. Our objectives will be to assess whether FHWA is: (1) effectively coordinating with the Bureau of Indian Affairs to administer and manage the IRR program; and (2) providing adequate oversight of projects contracted directly with tribes.

05.08.2012 South Carolina Department of Motor Vehicle Employee Sentenced for Issuing Fraudulent Commercial Driver's Licenses

On May 8, 2012, in U.S. District Court, Columbia, South Carolina, Brenda Kay Poston, a former South Carolina Department of Motor Vehicles (SCDMV) customer service representative, was sentenced to 3 years probation, a \$100 special assessment, 6 months home confinement, and ordered to undergo vocational and psychiatric evaluations for her role in a scheme to provide commercial driver licenses (CDL) to unqualified

applicants. This joint investigation with the South Carolina Law Enforcement Division was predicated as a result of a request for assistance from the SCDMV following their discovery that Ms. Poston aided several individuals in the creation of false CDL test scores, knowledge and road test scores, and operational enhancements, such as hazardous materials and passenger endorsements, by entering false information into the SCDMV databases. OIG and SCDMV conducted a historical review of the driver history records system which identified 19 drivers with suspicious or unverifiable credentials dating back to 2004. Ms. Poston confessed to her role in the issuance of 19 CDLs and 13 drivers admitted to obtaining their CDLs or endorsements fraudulently. SCDMV officials instituted administrative revocations of those drivers' credentials and offered re-examinations of all drivers believed to be the recipient of fraudulent CDLs. Ms. Poston was subsequently terminated from her position.

05.07.2012 [ARRA Financial & Activity Report - April 2012](#)

On May 7, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of April 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

05.07.2012 [Philadelphia Truck Driver Sentenced to Jail for False Logbooks Resulting in Fatal Crash](#)

On May 7, 2012, Valerjis Belovs was sentenced in U.S. District Court, Philadelphia, Pennsylvania, for his role in a false logbook scheme that resulted in a fatal truck crash in Philadelphia. Mr. Belovs was sentenced to 18 months in prison, 36 months supervised release, and imposed \$2500 in fines. In October 2011, Mr. Belovs, a truck driver responsible for a crash that killed one and injured several others, pled guilty to 15 false statement counts. Mr. Belovs admitted to falsifying his Federal Motor Carrier Safety Administration (FMCSA) regulated logbooks to conceal the fact that he drove in excess of the allowable driving hours without the required period of rest. The federal charges are related to an accident on US 76 in Philadelphia, Pennsylvania, in which one person died and five others were seriously injured when Mr. Belovs' truck plowed into stopped traffic. Mr. Belovs previously pled guilty to various state charges including one count of vehicular homicide. OIG analysis of Mr. Belovs' regulated driver logbooks revealed that he was driving in excess of FMCSA maximum hours of operating a commercial vehicle at the time of the accident. The truck's owner, Victor Kalinitchll, was previously sentenced on state charges, as was Joseph Jadczak, who admitted to selling inspection stickers to Mr. Kalinitchll without inspecting the truck that plunged into stopped traffic. The investigation was conducted jointly with the Montgomery County District Attorney's Office and the Pennsylvania State Police. FMCSA assisted with the investigation.

05.04.2012 [Former Air Traffic Controller Sentenced for Worker's Compensation Fraud](#)

On May 4, 2012, Raymond Elmo Deskins, III, a former air traffic controller, was sentenced in U.S. District Court, Alexandria, Virginia, to 24 months imprisonment, 3 years supervised release, a \$1200 special assessment, and \$682,438.08 in restitution for his role in a worker's compensation fraud scheme.

Mr. Deskins failed to disclose work activities in the construction industry to the Department of Labor's Office of Workers' Compensation Programs (OWCP). The investigation revealed that in June 2004, Mr. Deskins submitted a notice of traumatic injury to OWCP claiming Federal Employees' Compensation Act benefits in connection with an injury sustained during his employment with Federal Aviation Administration. In August 2004, OWCP accepted Mr. Deskins' claim and began issuing Mr. Deskins monthly benefits. From 2005 through 2008, while receiving disability benefits based on his inability to perform work of any kind, Mr. Deskins worked as a construction foreman for a Sterling, Virginia based general contractor. To continue receiving disability benefits, Mr. Deskins falsely certified to the Department of Labor on annual forms that he had not been engaged in any work activities during the reported periods. Mr. Deskins subsequently received

nearly \$700,000 in federal workers' compensation benefits. This was a joint investigation with the FBI and the Department of Labor, OIG.

05.04.2012 [Iowa Man Pleads Guilty to Falsifying His Pilot Flight Log](#)

On May 4, 2012, Fahad Naabeel Hussein Al-Daous pleaded guilty in the U.S. District Court of Iowa, Southern District, to one count of falsifying his flight log book. On May 21 and May 27, 2011, Mr. Al-Daous submitted a false Federal Aviation Administration (FAA) form 8710-1 to an FAA Designated Pilot Examiner, stating he had enough pilot in command flight hours and enough cross country flight hours for his instrument-rated pilot's license, when in fact, he did not. This investigation was worked in cooperation with the FAA, FBI and the U.S. Attorney's Office.

05.03.2012 [Former El Paso Police Officers Indicted in Local Court for Traffic Ticket Scheme Involving NHTSA Grant Funds](#)

On April 26 and May 3, 2012 respectively, former El Paso Police Department police officers, Zake Rivera and Gabriel Castaneda, were indicted on charges of tampering with a government record with the intent to defraud by an El Paso County grand jury, El Paso, Texas. The former officers were accused of submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued. The requests were submitted in 2009 and 2010 while working overtime under the Selective Traffic Enforcement Program, which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. Mr. Rivera and Mr. Castaneda are part of a group of 22 El Paso police officers suspected to date in this traffic ticket overtime scheme. This investigation is being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and the Texas Department of Transportation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.03.2012 [Former El Paso Police Department Sergeant Pleads Guilty](#)

On May 3, 2012, Ana Reza, a former Sergeant for the El Paso Police Department, pled guilty and was sentenced in District Court 205, El Paso County, Texas, for altering a public document with the intent to defraud. In 2009, Ms. Reza made false entries on traffic citations and submitted the documents in order to fraudulently claim overtime. The period in which Ms. Reza submitted the fraudulent documents was in support of a traffic safety initiative funded by the National Highway Traffic Safety Administration (NHTSA). Ms. Reza is one of 22 El Paso police officers to date who have been investigated for submitting fraudulent overtime claims.

When sentenced, Ms. Reza was given deferred adjudication. If Ms. Reza does not violate the terms and conditions of community supervision after 36 months, the violation will be removed from her record. Ms. Reza was also ordered to pay a court fee of \$231, a monthly fee of \$60 for court supervision, and restitution to the City of El Paso in the amount of \$7,150. Ms. Reza is also required to forfeit her Texas police officer license for a period of at least 30 years. This is an ongoing investigation being conducted jointly with the El Paso Police Department and El Paso County District Attorney's Office, with assistance from NHTSA and the Texas Department of Transportation.



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06.29.2012 Audit Initiated of FAA's Oversight of Los Angeles International Airport Revenue Use

The Office of Inspector General is initiating an audit on the Federal Aviation Administration's (FAA) oversight of airport revenue at Los Angeles International Airport (LAX). FAA regulations and Federal statutes require that airport revenue be spent for the operating and capital costs of an airport. Several Members of Congress have requested that we review allegations of revenue diversion at LAX. Accordingly, our audit objective is to evaluate FAA's oversight of Los Angeles International Airport revenue use.

06.21.2012 Audit Initiated of FHWA's Oversight of Unexpended ARRA Obligations

The Office of Inspector General plans to conduct two audits of Federal Highway Administration (FHWA) oversight of unexpended American Recovery and Reinvestment Act of 2009 (ARRA) funds. ARRA established tight timeframes for the use of over \$27 billion invested in highway infrastructure projects. Currently, over \$2 billion, or 8 percent, of the ARRA funds that States obligated to projects have not been expended. The objectives of the first audit are to: (1) assess FHWA's controls for monitoring unexpended ARRA obligations; and (2) identify unexpended ARRA funds at risk of not being expended before final deadlines. The objective of the second audit is to determine whether FHWA's policies, procedures, and management activities result in the prompt and appropriate use or return of unexpended ARRA funds.

06.20.2012 Quality Control Review of Single Audit on the New Mexico Department of Transportation

On June 20, 2012, we issued a quality control report on a single audit performed by Moss Adams LLP on New Mexico Department of Transportation's use of U.S. Department of Transportation grants for the fiscal year ended June 30, 2010. During this period, New Mexico DOT expended approximately \$452 million from DOT grant programs. The major programs tested by Moss Adams included the: (1) the Highway Planning and Construction Program; (2) the Federal Transit Cluster; (3) the Non-urbanized Area Formula Program; (4) the Highway Safety Cluster; and (5) the Minimum Penalties for Repeat Offenders for Driving While Intoxicated Program. We determined that the audit work was Acceptable with Deficiencies, and therefore generally met the requirements of generally accepted Government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that Moss Adams' reports on New Mexico DOT's internal control and compliance were inappropriate or unreliable. However, we identified deficiencies in audit documentation that Moss Adams needs to correct in future audits.

06.18.2012 [Hazardous Liquid Pipeline Operators' Integrity Management Programs Need More Rigorous PHMSA Oversight](#)

On June 18, 2012, we issued a report on the Pipeline and Hazardous Materials Safety Administration's (PHMSA) oversight of hazardous liquid pipeline operators' integrity management (IM) programs. These programs include plans, processes, and procedures aimed at reducing the likelihood and severity of pipeline accidents in High Consequence Areas. PHMSA initiated an inspection program to oversee operators' implementation of their IM programs in 2002. Since then, the program has accomplished much, but still faces challenges that impact the Agency's oversight of operators' IM programs. These challenges include managing a growing backlog of inspections, identifying IM weaknesses through field inspections and onsite accident investigations, and transitioning to a new risk-based inspection program. In addition, PHMSA's oversight of non-line pipe facilities (such as valves, pump and meter stations, and storage tanks) is limited by less rigorous IM requirements, despite recent technological advances that would allow more rigorous oversight of these facilities. Finally, although PHMSA has established a corrective action plan to address long-standing data management deficiencies, the Agency has not yet resolved key deficiencies or established meaningful analysis capabilities to improve its oversight. We made nine recommendations to improve PHMSA's oversight; PHMSA concurred with seven and partially concurred with two. However, PHMSA's responses did not fully meet the intent of six of our recommendations, and we are requesting additional information for these recommendations.

06.15.2012 [North Carolina Man Sentenced for Falsifying Driver's Logs](#)

On June 15, 2012, in U.S. District Court, Middle District of North Carolina, James J. "Jim" Brylski, owner of DOT Advisor, Incorporated, Raleigh, North Carolina, a motor carrier consulting firm, was sentenced to twelve months of probation and was fined \$3,000 and a \$100 special assessment. The sentencing follows Mr. Brylski's guilty plea for the falsification of driver's records of duty status while working as a safety consultant to Mabe Trucking Company, Eden, North Carolina. OIG's investigation revealed that Mr. Brylski falsified driver's logs in order to conceal the number of hours driven from the Department of Transportation, Federal Motor Carrier Safety Administration (FMCSA), as required by safety regulations. The regulations limit the number of hours a truck driver can operate a vehicle in order to prevent motor vehicle accidents caused by driver fatigue. Accordingly, truck drivers are required to record their duty status on logs to ensure they do not exceed the maximum number of allowable driving hours, in order to receive sufficient rest before driving again. This investigation was conducted jointly with FMCSA.

06.12.2012 [Florida Pilot Pleads Guilty for Falsification of his FAA Airman's Medical Application](#)

On June 12, 2012, Jonathon Vondracek, a commercial pilot and certified flight Instructor, pled guilty in U.S. District Court, Tampa, Florida, for falsifying his Federal Aviation Administration (FAA) airman medical application. The investigation revealed that previously, the Veteran's Administration (VA) awarded Vondracek, a Navy veteran, 80 percent medical disability benefits for a series of service related medical conditions that included chronic obstructive pulmonary disease (COPD). Mr. Vondracek failed to disclose these medical conditions along with receipt of disability benefits on three FAA airman medical certificate applications. The investigation further determined that Mr. Vondracek did not actually suffer COPD, and as part of his plea agreement, he will make restitution to the VA in an amount not to exceed \$51,237 for the COPD disability benefits he received. This investigation is being worked jointly with the Department of Veteran Affairs, Office of Inspector General.

06.07.2012 [ARRA Financial & Activity Report - May 2012](#)

On June 7, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of May 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

06.07.2012 [North Carolina Trucking Company and Owner Sentenced for Falsifying Driver's Logs](#)

On June 7, 2012, in U.S. District Court, Middle District of North Carolina, Mabe Trucking Company (MTC), Eden, North Carolina, and its owner, Roger "Butch" Mabe, Jr., were sentenced. MTC was sentenced to five years of probation and fined \$8,000 and Mabe was sentenced to one year of probation and fined \$2,000. Each previously pleaded guilty for the falsification of driver's records for the purpose of concealing the number of hours driven by drivers as required by Federal Motor Carrier Safety regulations. These regulations limit the number of hours a truck driver can operate a vehicle in order to prevent motor vehicle accidents caused by driver fatigue. Accordingly, truck drivers are required to record their duty status on logs to ensure they do not exceed the maximum number of allowable driving hours, and receive sufficient rest before driving again. This investigation was conducted jointly with FMCSA.

06.06.2012 [Audit Initiated of FTA's Oversight of the National Transit Database in Allocating Urbanized Area Formula Funding](#)

The Office of Inspector General plans to conduct an audit of the Federal Transit Administration's (FTA) National Transit Database (NTD). Congress, Federal agencies, and transit industry stakeholders rely on the data from NTD to make sound planning and investment decisions, and to determine the condition of our Nation's transit systems. FTA apportions over \$6 billion annually in formula grants to nearly 2,000 urban and rural transit agencies based on NTD data. The majority of this funding goes through the Urbanized Area Formula Program to the 30 largest transit systems, which account for about 85 percent of the Nation's transit infrastructure. Our audit objective is to evaluate FTA's oversight of the NTD data to ensure that submissions from grant recipients and beneficiaries of transit funds for the Urbanized Area Formula Program are complete, accurate, and timely.

06.04.2012 [Quality Control Review on the Suburban Bus Division of the Northeastern Illinois Regional Transportation Authority's Use of DOT Grants](#)

On June 4, 2012, we issued a quality control report on a single audit performed by Crowe Horwath, LLP on Pace, the Suburban Bus Division of the Regional Transportation Authority Northeastern Illinois's use of U.S. Department of Transportation grants for the fiscal year ending December 31, 2010. During this period, Pace expended approximately \$50 million from DOT grant programs. The DOT program determined to be major by Crowe Horwath LLP was the Federal Transit Cluster. We determined that Crowe Horwath LLP's work was Acceptable, and therefore met the requirements of generally accepted Government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that Crowe Horwath LLP's opinion on Pace's reports on internal control and compliance were inappropriate or unreliable.

06.01.2012 [Trucking Company Owners and Former Employees Sentenced for Their Involvement in Motor Fuels Tax Evasion Scheme](#)

In May 2012, Richard J. Baca, Luis C. Campos, Fernando J. Baca and Tomas H. Quintero were sentenced in U.S. District Court, El Paso, Texas, for their roles in the theft of Department of Defense (DOD) aviation fuel and a motor fuels tax evasion scheme. Richard Baca was sentenced and ordered to serve 5 years of probation. He was also ordered to pay \$83,814 in restitution which includes \$76,787 to the Defense Logistics Agency (DLA) and \$7,026 to the Federal Highway Trust Fund (FHTF).

Mr. Campos was sentenced to serve a 4 month imprisonment term and 36 months of supervised release. He was ordered to pay joint restitution with Fernando Baca and Mr. Quintero of \$318,328, which includes \$291,817 to DLA and \$26,511 to the FHTF. Fernando Baca was sentenced to serve a 15 month imprisonment term and 36 months of supervised release. In addition to the \$318,328 in joint restitution, he was also ordered to pay \$25,504 in restitution to the IRS. Mr. Quintero was sentenced and ordered to serve a 30 month imprisonment term and 36 months of supervised release. In addition to the aforementioned joint restitution, Mr. Quintero was ordered to pay \$43,806 to the IRS. Richard and Fernando Baca are co-owners of RJ Baca Trucking. Mr. Campos and Mr. Quintero are two former employees of DOD contractor, Trajen Flight Support. Our investigation disclosed that these individuals participated in a conspiracy to steal aviation fuel from Briggs Army Airfield (Briggs AAF), El Paso, Texas, for use in commercial trucks. Trajen Flight Support operates the refueling station at Briggs AAF and is reimbursed for motor fuels excise taxes paid for all fuel used at the airbase. Mr. Quintero would notify the Bacas when to bring their trucks onto the airfield for fueling. Mr. Quintero and Mr. Campos would then produce false inventory records to conceal the stolen fuel from the Army. The Bacas would pay \$1.50 to \$1.75 a gallon to Mr. Quintero or Mr. Campos for the fuel, and on occasion resell the fuel for up to \$2.90 a gallon.

06.01.2012 [Former General Manager of Virginia Transit Agency Pleads Guilty to Theft of FTA Grant Funds](#)

On June 1, 2012, David Morgan, former general manager of Valley Metro Transit, pled guilty to theft of government funds in U.S. District Court, Roanoke, Virginia. Between July 1, 2007, and June 20, 2008, Mr. Morgan admitted to utilizing Valley Metro Transit credit cards to make inappropriate purchases which were paid for, in part, with Federal Transit Administration (FTA) operating grant funds. Grant funds totaling \$80,000 were awarded to Valley Metro in 2006 from the FTA to replace furniture at the company's downtown Roanoke administration building. However, Mr. Morgan used the grant funds to purchase meals, alcohol, golf fees, cigars, and gift cards totaling more than \$14,000. At sentencing, Mr. Morgan faces a maximum possible penalty of 10 years in prison and/or a fine of up to \$250,000. This was a joint investigation with the U.S. Postal Inspection Service, Virginia State Police, and the City of Roanoke Police Department.



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07.31.2012 [Project Manager Pleads Guilty to Mail/Wire Fraud Conspiracy in Connection with DBE Fraud Scheme](#)

On July 31, 2012, Richard Schultz, project manager of Nationwide Construction (a non-DBE), pled guilty to a mail and wire fraud conspiracy. Between 2007 and March 2011, Mr. Schultz conspired with Madeline Pepe of Staten-Island-based MS Construction Corporation, a DBE, by performing the fencing work that was contracted to MS Construction on a Federal Aviation Administration funded JFK Airport project. Pursuant to the plea, Mr. Schultz agreed to a monetary forfeiture of \$61,750. This case is being worked jointly with the U.S. Department of Labor-OIG, the Port Authority of NY & NJ-OIG, and the New York City Department of Investigation.

07.31.2012 [Maine Man Pleads Guilty to \\$900,000 Embezzlement from a Federally Funded Program](#)

On July 31, 2012, Thomas Nelson, former Chief Executive Officer of York County Community Action Corporation (YCCAC), pled guilty in United States District Court, Portland, Maine, to conspiracy, embezzlement from a federally funded program, tax evasion and signing false tax return charges. Some of the monies were funded through the American Recovery and Reinvestment Act (ARRA). YCCAC provides social service, health, educational, and transportation-related assistance to York County individuals and families living in poverty. From 2006 to 2010, YCCAC received in excess of \$30,000,000 in federal funds to be used for those purposes, including approximately \$7 million in Federal Transit Administration (FTA) grants. Some of the FTA grants, including those for the rural transit assistance program and urban transit assistance program, were authorized by ARRA. The investigation disclosed that from 2004 to 2010, Mr. Nelson embezzled approximately \$900,000 from YCCAC. He diverted \$413,000 in funds to a consulting company that had only submitted one invoice for \$8,700. In exchange for the fraudulent payments, the consulting company paid more than \$20,000 of Mr. Nelson's personal expenses, including his home mortgage and also kicked cash back to Nelson. From 2004 to 2009, Mr. Nelson diverted more than \$400,000 in YCCAC funds to a defunct non-profit entity, New England Community Action Agency (NECAA), and recorded those payments as donations or consulting expenses. After transferring these funds to NECAA, Mr. Nelson used more than \$300,000 to pay personal credit card bills and his home mortgage, and to gamble, failing to report over \$400,000 in embezzled income to the Internal Revenue Service (IRS). Finally, in 2005 and 2006, he prepared and signed NECAA tax returns which suggested the agency had revenue and assets, when, in fact, it did not. As part of his plea agreement, Mr. Nelson agreed to pay restitution of approximately \$1.2 million to YCCAC and \$150,000 to the Internal Revenue Service (IRS). This case was investigated by the U.S. Department of Transportation-OIG, IRS, as well as OIGs for the Departments of Health and Human Services, Housing and Urban Development, and Agriculture.

07.26.2012 [Audit Initiated of DOT's Compliance with Federal Procurement Provisions Regarding the Use of Cost-reimbursement Contracts](#)

The Office of Inspector General is conducting an audit of the Department of Transportation's (DOT) compliance with revisions made to the Federal Acquisition Regulations (FAR) regarding the use and administration of its cost-reimbursement contracts. The Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 requires revisions to the FAR to address the use and management of cost-reimbursement contracts. In addition, the Act also requires Offices of Inspector General to review their agencies' compliance with the revisions within one year of the revisions being published. Given these legislative requirements, our audit objective is to determine whether DOT and its Operating Administrations complied with the FAR revisions that address: (1) appropriate use of cost-reimbursement contracts; (2) acquisition planning to support the selection of cost-reimbursement contracts; and (3) acquisition resources necessary to award and manage cost-reimbursement contracts.

07.26.2012 [Actions Needed to Improve FTA's Oversight of the Dulles Corridor Metrorail Project's Phase 1](#)

On July 26, 2012, we issued our report on the Federal Transit Administration's (FTA) oversight of phase 1 of the Dulles Corridor Metrorail project. This was a self-initiated audit subsequent to a Management Advisory we issued in October 2009, which expressed concerns about the safety of using 11 pier foundations to support part of the Dulles project's guideway. Our audit found that while FTA implemented an oversight process to ensure that MWAA tested the 30-year-old pier foundations, the testing process has not yet provided assurance that the structures will meet the 50-year service life specified in FTA guidance. We also found that, as of February 2012, when we issued our draft report, FTA had not taken sufficient mitigation actions to address key project issues that put the schedule, cost estimate, and funding from the 2009 Full Funding Grant Agreement at risk. In its response to our draft report, FTA agreed to direct additional testing to further ensure the 50-year service life for the structures and to take acceptable actions to address the key project issues we raised.

07.24.2012 [Pennsylvania Trucking Company Owner Sentenced](#)

On July 24, 2012, Dean A. Landis, the owner operator of D.A. Landis Trucking, Inc., a Lancaster, Pennsylvania company, was sentenced to five years probation, including 12 months home detention and electronic monitoring. In addition, he was ordered to pay a criminal fine of \$15,000. His company was sentenced to four years probation and was ordered to pay a \$250,000 fine, a \$4,400 special assessment and to implement a comprehensive compliance and ethics plan. The sentencing follows a March 2012 guilty plea in which Mr. Landis admitted to routinely disregarding Federal Motor Carrier Safety Administration (FMCSA) regulations by allowing and causing commercial truck drivers employed by D.A. Landis Trucking, Inc. to operate in violation of FMCSA "hours of service" safety regulations. D.A. Landis Trucking, Inc. also dispatched company drivers on trips they knew required excessive hours of driving time and excessive hours of "on-duty" time, without allowing the required hours of rest or regulated "off-duty" time. Mr. Landis instructed employees of the company to prepare two sets of driver's logs, one of which was false and intended for FMCSA inspectors to conceal violations of safety regulations. During the execution of a search warrant of the company, federal agents seized numerous logbooks and documents marked "Not For DOT". Further, the Judge ordered Mr. Landis to publish, within two months, an approved advertisement in a trucking industry publication taking responsibility for the criminal acts in this case and informing the industry of this investigation and his role in the scheme. This investigation was worked jointly with the Food and Drug Administration's Office of Criminal Investigation with assistance from FMCSA.

07.24.2012 [Virginia Commercial Truck Driver Sentenced for Lying about Medical Disability](#)

On July 24, 2012, Ridsen Richardson, of Roanoke, Virginia, was sentenced in U.S. District Court, Roanoke, Virginia, to 10 months incarceration, three years supervised release, and ordered to pay restitution of \$123,202 to the Social Security Administration (SSA), and \$6,288.29 to the Department of Medical Assistance Services (DMAS) for theft of government money. The investigation revealed that from 2002 to 2011, Mr. Richardson, employed as a motor carrier operator for a Virginia based interstate trucking company, failed to report he had a medical condition on his medical examination report for commercial driver's fitness, as required by the U.S. Department of Transportation (USDOT). If reported, his medical conditions would have made him ineligible to be employed as a commercial motor vehicle driver. During the same period, he reported to the Social Security Administration that he was unable to work due to a back disorder. Because Mr. Richardson was on Social Security Disability Insurance Benefits (SS-DIB) he was prohibited from working more than 80 hours a month or earning more than \$1,000 per month. To conceal his work activity, Richardson had his truck driver wages made payable to his wife's company, C&R Freightways. As part of his plea, Mr. Richardson admitted that he improperly received \$123,202.00 in SS-DIB payments and gave false information on USDOT required documents. This investigation was conducted with the SSA-OIG and U.S. Department of Health and Human Services OIG.

07.23.2012 [Aviation Consultant Pleads Guilty to Conspiracy](#)

On July 23, 2012, in U.S. District Court, Atlanta, Georgia, Andrew K. Anderson pled guilty to a charge of conspiracy for his role in the forgery of a Supplemental Type Certificate (STC), which he falsely represented to obtain approval from the Federal Aviation Administration (FAA) to modify a regulated aircraft. A STC is a certificate issued by the FAA to an applicant who alters, by introducing a major change in type design, an aviation product already subject to a Type Certificate. Mr. Anderson, owner of Andrew K. Anderson, Aviation Consultant, LLC, Cartersville, Georgia, was contracted by SIA Engineering Company to obtain STCs to make interior modifications to a Boeing aircraft owned and operated by Dubai Air Wing, a branch of the government of Dubai responsible for providing air transportation for government officials. Mr. Anderson subsequently forged the STCs and provided them to Dubai Air Wing purporting the STCs were issued by the FAA.

07.19.2012 [Audit Initiated of Underlying Causes for FAA's Limited NextGen Progress](#)

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) progress on making key decisions for implementing the Next Generation Air Transportation System (NextGen). We are conducting our review at the request of the Chairmen and the Ranking Members of the House Transportation and Infrastructure Committee and Subcommittee on Aviation. Our audit objectives will be to: (1) assess FAA's progress with meeting key milestones for achieving NextGen capabilities; (2) examine possible underlying causes for FAA's limited progress with advancing NextGen overall; and (3) review FAA's recent reorganization and other efforts to improve the management and execution of NextGen initiatives.

07.19.2012 [Long Term Success of ATSAP Will Require Improvements In Oversight, Accountability, and Transparency](#)

On July 19, 2012, we issued a report on the Federal Aviation Administration's (FAA) oversight of the Air Traffic Safety Action Program (ATSAP)—a voluntary non-punitive reporting program for air traffic controllers to report safety concerns, such as operational errors and events that present hazards to aviation. We conducted this review at the request of the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security as well as the Chairman of the House Committee on Transportation and Infrastructure and the Chairman and the Ranking Member of the House Transportation and Infrastructure

Subcommittee on Aviation. We found that, although FAA completed ATSAP implementation at all air traffic control facilities in 2010, the Agency will need to make significant improvements before ATSAP will be able to effectively identify and address the root causes of safety risks. For example, due to ATSAP provisions designed to protect controller confidentiality, much of the ATSAP data that FAA collects are not validated, raising questions about the effectiveness of these data for analyzing safety trends. We also found that FAA's oversight of ATSAP lacks effective program management controls. For example, FAA does not have a formal process to review the effectiveness of decisions made by the program's review committees to ensure that report acceptance criteria are rigorously followed and that conduct issues are dealt with appropriately. Failure to address potential deficiencies in transparency and accountability may lead to the perception that ATSAP is an amnesty program in which reports are automatically accepted, regardless of whether they qualify under the program's guidelines. We made 10 recommendations to improve FAA's implementation of ATSAP and to strengthen internal controls, use of data, and performance management within the program. FAA fully concurred with five recommendations, partially concurred with three, and did not concur with two. We are requesting that the Agency reconsider its responses for these two recommendations, particularly regarding the validation of all data accepted through ATSAP.

07.19.2012 Former President of Texas Company Indicted for Employee Deaths and Environmental Violations

On July 19, 2012, Port Arthur Chemical and Environmental Services LLC (PACES) and its former president Matthew L. Bowman have been charged with conspiracy to illegally transport hazardous materials, resulting in the deaths of two employees, in an indictment handed down by a federal grand jury in Beaumont, Texas, yesterday, announced Ignacia S. Moreno, Assistant Attorney General of the Justice Department's Environment and Natural Resources Division and John M. Bales, U.S. Attorney for the Eastern District of Texas. The 13-count indictment describes a scheme in which hazardous materials were transported illegally with false documents and without placards, and where workers were not properly protected from exposure to hazardous gases. The exposure resulted in the deaths of two employees, who were truck drivers, at the PACES facility on Dec. 18, 2008, and April 14, 2009. Both deaths are attributed to exposure to hydrogen sulfide. The defendants were charged with a conspiracy to violate the Hazardous Materials Transportation Uniform Safety Act (HMTUSA) and two counts of failure to implement appropriate controls to protect employees from exposure to hydrogen sulfide in violation of the Occupational Safety and Health Administration Act. The defendants are also charged with transportation of hazardous materials without placards and with false documents in violation of HMTUSA, violations of the Resource Conservation and Recovery Act and making false statements. According to the indictment, Bowman was president and owner of PACES, located in Port Arthur, Texas, and CES Environmental Services (CES) located in Houston. PACES was in operation from about November 2008 to November 2010 and was in the business of producing and selling caustic materials to paper mills. The production of caustic materials involved hydrogen sulfide. Hydrogen sulfide is classified as a poisonous gas by HMTUSA. According to the National Institute for Occupational Safety and Health, hydrogen sulfide is an acute toxic substance that is the leading cause of sudden death in the workplace. Employers are required by the Occupational Safety and Health Administration (OSHA) to implement engineering and safety controls to prevent employees from exposure above harmful limits. According to the indictment, Bowman was responsible for, among other duties, approving and directing PACES production operations, the disposal of hydrogen sulfide wastewater, employee safety precautions, directing the transportation of PACES wastewater, and determining what safety equipment could be purchased or maintained. Both PACES and CES have filed for bankruptcy. The conspiracy and substantive counts of the indictment each carry a maximum possible sentence of five years in prison and a fine of \$250,000, and a \$500,000 maximum fine for the corporation.

This case is being investigated by EPA Criminal Investigation Division; the U.S. Department of Transportation Office of Inspector General; the Texas Commission on Environmental Quality - Environmental Crimes Unit; and the Houston Police Department - Major Offenders, Environmental Investigations Unit; with assistance from the Texas Parks & Wildlife Department - Environmental Crimes Unit; the Travis County, Texas, District Attorney's Office; the Harris County, Texas, District Attorney's Office; the Houston Fire Department; the Occupational Safety and Health Administration; the U.S. Coast Guard; the Port Arthur Police Department; and the Port Arthur Fire Department. The case is being prosecuted by U.S. Attorney's Office for the Eastern District of Texas, Beaumont Division, and the Environmental Crimes Section of the Justice Department's Environment and Natural Resources Division.

NOTE: The allegations in the indictment are mere accusations and all persons are presumed innocent until and unless proven guilty beyond a reasonable doubt in a court of law.

07.18.2012 Update on the Safety and Cost Aspects of the Federal Aviation Administration's Contract Tower Program

On July 18, 2012, the Inspector General testified before the House Subcommittee on Aviation regarding the Federal Aviation Administration's (FAA) Contract Tower Program. Established in 1982, the program currently oversees 250 contract towers providing air traffic control services to airports nationwide. The Inspector General testified that, based on our ongoing work, contract towers continue to provide safe air traffic services, as contract towers have a lower number and rate of reported safety incidents and Agency-identified deficiencies when compared with similar FAA towers. In addition, contract towers remain strongly supported by users and continue to provide cost-efficient air traffic control services. Our work found that the average contract tower costs roughly \$1.5 million less to operate annually than a comparable FAA tower, largely due to lower staffing and salary levels. However, the Inspector General noted that FAA can improve its oversight of the program by implementing a voluntary safety incident reporting program at contract towers, reviewing labor hours worked to ensure contract compliance, and implementing processes to regularly evaluate contract towers as required by Congress.

07.18.2012 Three South Florida Residents Sentenced in a Fraudulent Aircraft Parts Conspiracy

Between July 18-20, 2012, Diego Garcia, Ivonne Portales, and Chabela Aneiros, former employees of Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), were sentenced in U.S. District Court, Ft. Lauderdale, Florida, to mail and wire fraud charges in conjunction with a scheme involving the false representation that aircraft windows were overhauled properly when they were not. On July 18, 2012, Mr. Garcia was sentenced to two years probation; 100 hours of community service; and was ordered to pay a \$500 fine, \$5,440 in restitution, and a \$100 special assessment. On July 19, 2012, Mr. Portales was sentenced to three years probation, 150 hours of community service, and ordered to pay \$9,550 in restitution and a \$100 special assessment. On July 20, 2012, Chabela Aneiros was sentenced to three years probation, 100 hours of community service, and ordered to pay \$6,300 restitution, and a \$100 special assessment. Garcia, Portales, and Aneiros, pled guilty in May 2012, to the charges. The three, along with 13 others employees of ATR and TEG had been charged with conspiring to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows knowing that they were not authorized by the FAA to certify the airworthiness of these windows. The investigation revealed that from approximately August 2009 to August 2010, ATR's employees continued repairing aircraft cockpit windows despite ATR having had its repair station certificate revoked. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear that the windows were from ATR or TEG's inventory prior to the repair station certificate revocation. Additionally, serial numbers on the windows that had been sent to ATR by customers were changed to disguise the source of the windows and to further make it appear that all work had been performed prior to the repair station revocation. This investigation is being worked

jointly with the Department of Labor, Office of Inspector General; the Federal Bureau of Investigation; and Immigration and Customs Enforcement, with substantial assistance from the FAA.

07.17.2012 [The Success of FAA's Long-Term Plan for Air Traffic Facility Realignments and Consolidations Depends on Addressing Key Technical, Financial, and Workforce Challenges](#)

On July 17, 2012, we issued a report on the Federal Aviation Administration's (FAA) plans for consolidating and realigning its air traffic control facilities. FAA operates 561 manned air traffic facilities nationwide, many of which are deteriorating and outdated, especially given the Agency's ongoing modernization efforts through the Next Generation Air Transportation System (NextGen). We conducted our review at the request of the Chairmen of the House Transportation and Infrastructure Committee and House Subcommittee on Aviation. We found that FAA recently approved an initial plan to consolidate air traffic facilities into large, integrated facilities over the next two decades—beginning with consolidating 49 facilities into an integrated facility for the New York/New Jersey/Philadelphia area, at an estimated cost of \$2.3 billion. However, FAA has not yet decided where to build the first facility, nor developed metrics to measure the effectiveness of its plans. In addition, we found that the successful implementation of FAA's plans will depend on addressing key challenges—such as aligning ongoing construction projects, making critical technical decisions, coordinating with NextGen offices, finalizing cost estimates, and addressing the impacts of consolidations on the workforce and affected communities. FAA concurred with all five of our recommendations to assist the Agency in achieving a successful consolidation and realignment plan. However, we are requesting that the Agency provide target completion dates for two recommendations.

07.10.2012 [ARRA Financial & Activity Report - June 2012](#)

On July 10, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of June 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

07.10.2012 [Analysis of the Causes of Amtrak Train Delays](#)

On July 10, 2012, we issued a report on our analysis of the causes of Amtrak train delays. Our analysis: (1) identified statistically significant causes of delays outside the NEC and under the control of either Amtrak or a freight railroad; (2) assessed the degree of influence each cause has on Amtrak delays system-wide and by individual route; and (3) examined delay determinants at locations of consistent, substantial delay. The analysis sample period covered fiscal years 2002-2007. The chief causes of delays system-wide were host effects and slow orders. Host effects are delays associated with operating on the infrastructure of a particular railroad or group of railroads. In our analysis, slow orders are speed restrictions imposed by a host railroad because of poor track conditions, repairs or infrastructure improvements. The delays contributed by host effects differed considerably by host railroad. Only slow orders may have produced delays large enough to exceed the delays caused by the largest host effects. Other factors, such as capacity utilization and activities at Amtrak crew change locations, contributed significantly to delays system-wide, but considerably less than either host effects or slow orders.

07.10.2012 [Vermont Man Sentenced to Jail for Falsifying Documents Used in Drug Testing Transportation Companies](#)

On July 10, 2012, Mounir R. Khouri was sentenced to 1 month of incarceration, 2 years supervised release, and \$22,513.10 in restitution in U.S. District Court, Brattleboro, Vermont, for his involvement in a scheme to defraud transportation companies employing drivers subject to random drug testing. Mr. Khouri, who did business as Mobile Testing Services, Inc. (MTSI), represented himself as a third party administrator (TPA), capable of assisting transportation companies in complying with USDOT regulations requiring that urine samples be obtained by trained collectors and shipped to licensed labs with a

completed Control and Custody Form (CCF) for drug testing. Test results must then be reviewed by a Medical Review Officer (MRO), a licensed physician trained in substance abuse. However, in 2009, Mr. Khouri subverted the role of the MRO by completing the CCFs and giving test results which were not reviewed by an MRO. After Mr. Khouri's contracted drug testing lab stopped testing due to nonpayment, he prepared false CCFs for untested specimens, misrepresenting that the specimens had tested negative and billing his clients for services not provided. This investigation was conducted with assistance from the Federal Motor Carrier Safety Administration.

07.10.2012 [Georgia Woman Indicted In Double Brokering Scheme](#)

On July 10, 2012, Pauline Robinson-Kirkland, of Donalsonville, Georgia, was indicted in the Middle District of Georgia, Albany Division, for fraud by an interstate commercial carrier. The investigation revealed that Ms. Robinson-Kirkland used the Internet to access web sites where senders advertised loads of commercial freight available for transport. She bid on these loads of freight using the names of her various companies which are listed as having broker authority with FMCSA, and was awarded the bids. She led the sender to believe her trucking business would deliver the freight for the contracted price and the sender of the freight would send her payment at the agreed upon price. However, after accepting the bid, she would immediately re-advertise the job, using a different company name. She accepted bids from legitimate trucking companies and had them deliver the freight from the sender to the intended destination, never disclosing that she had arranged for the sender to send payment to her. This investigation was worked jointly with the Decatur County Sheriff's Office, Decatur, Georgia.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

07.06.2012 [Chicago Contractor Pleads Guilty to a DBE Fraud Scheme](#)

On July 6, 2012, Anthony Cappello pled guilty in United States District Court, Chicago, Illinois, to a mail fraud charge. Our investigation determined that from approximately 1999 through May 2006, Mr. Cappello participated in a scheme to defraud the government of more than \$2.3 million in contracts with the Chicago Department of Aviation related to the Women in Business Enterprise (WBE) and Disadvantaged Business Enterprise (DBE) programs. Mr. Cappello falsely represented that his company, Diamond Coring, was a legitimate WBE / DBE eligible to receive contracts related to those designations and participation requirements. However, Diamond Coring was neither certified nor eligible to be certified as a WBE / DBE. This case was conducted jointly with the Federal Bureau of Investigation, U.S. Department of Labor, Office of Inspector General, and the City of Chicago, Inspector General's Office.

07.03.2012 [Saint Lawrence Seaway Development Corporation Employee Pleads Guilty to Worker's Compensation Fraud](#)

On July 3, 2012, Thomas Schneller, a millwright/welder employed by the Saint Lawrence Seaway Development Corporation (SLSDC), pled guilty to fraud regarding federal worker's compensation benefits in U.S. District Court, Northern District of New York. Mr. Schneller claimed an on-the-job injury in February 2004, yet continued to work in his own private welding business (AKJ Marine - established about a week after his purported injury), while receiving federal worker's compensation benefits. Mr. Schneller failed to disclose his outside source of income on the annual Office of Worker's Compensation Program certification forms and remained in the program to the present day. As a result of his guilty plea, Mr. Schneller agreed to make restitution to the U.S. Department of Labor (DOL) in the amount of \$84,987. It is anticipated that the SLSDC will initiate removal action. This case was worked jointly with the DOL-OIG.

07.02.2012 [Southern California Chemical Processing Company Pleads Guilty](#)

On July 2, 2012, Bowman Plating Company, Inc. (Bowman), a chemical processing company located in Compton, California, pled guilty in U.S. District Court, Central District of California, to providing false statements related to chemical processing of aircraft parts sold to commercial aviation companies and to the Department of Defense. In 2007, we began investigating allegations that Bowman received failed test results for chemical process control tests, but they had not notified its customers of the failures. In 2006, a private testing company had notified Bowman that their chemical film coating had failed the testing process. Several companies had retained Bowman to complete chemical film coating for their aircraft parts, submitting purchase orders listing the required specifications for the coating. After the coating was performed, Bowman issued certificates of conformance (COCs) certifying that the aircraft parts were processed in accordance with applicable specifications, and the parts were shipped to customers. Although the parts and the COCs had been shipped, Bowman did not notify its customers of the failure, so intermediary and end users of the parts were unaware of the testing failures. This investigation is being conducted jointly with the Defense Criminal Investigative Service.



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08.30.2012 [Follow-up Audit Initiated of NAFTA Cross-Border Safety Requirements](#)

Section 350(c) of the Department of Transportation and Related Agencies Appropriations Act for fiscal year 2002 and subsequent appropriations legislation through 2012 prohibits FMCSA from using Federal funds to review or process Mexico–domiciled motor carrier applications to operate beyond United States commercial zones until certain safety requirements are met. This legislation also requires that OIG review the safety requirements related to Mexico–domiciled motor carrier operations. Our audit objectives will be to determine whether: (1) FMCSA continues to comply with the safety requirements set forth in Section 350(c); and (2) FMCSA has taken sufficient action to implement our prior recommendations for improving its capacity to perform bus inspections at United States–Mexico border crossings.

08.27.2012 [Audit Initiated of FRA's Compliance with the National Environmental Policy Act](#)

The Office of Inspector General is initiating an audit to determine whether the Federal Railroad Administration (FRA) has established an effective process for facilitating compliance with the National Environmental Policy Act (NEPA). As construction begins on many High Speed Intercity Passenger Rail Program (HSIPR) projects, stakeholders have raised concerns about transparency in FRA's NEPA application process and the extent to which it coordinates with other Departmental Operating Administrations. The objective of this audit is to determine whether FRA has established an effective process that provides for coordinating with the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) and enables FRA staff and grantees to meet NEPA requirements. Specifically, we will assess the effectiveness of FRA's policies, procedures and guidance in providing grantees a path to meeting NEPA requirements.

08.24.2012 [Letter to Chairman Issa Regarding Use of the Seven-Day Letter by the IG Community](#)

On August 24, 2012, we issued a letter to Rep. Darrell Issa, Chairman of the House Committee on Oversight and Government Reform, requesting that we provide information on the use of seven-day letters by the IG community. Specifically, the Chairman requested the following: (1) whether DOT-OIG has issued any seven-day letters since January 1, 2009; (2) any serious or flagrant problems at DOT that were not reported to Congress; and (3) OIG's understanding of the IG Act's requirement in section 4(a)(5) to keep the Secretary of Transportation and Congress "fully and currently informed". As of August 24, 2012, DOT-OIG has not issued any seven-day letters to DOT or otherwise reported particularly serious or flagrant problems through the specific mechanism authorized in section 5(d) of the IG Act since January 1, 2009. We are also unaware of any particularly serious or flagrant problems at DOT that have not been reported to Congress since January 1, 2009. We further explained our understanding of our reporting

requirements and identified various additional measures through which we keep the Secretary and Congress fully and currently informed of our work.

08.23.2012 [Pennsylvania Man Indicted for Attempting to Board Plane with Explosives](#)

On August 23, 2012, a federal grand jury in Philadelphia, Pennsylvania, returned an indictment against Joseph Picklo, charging him with possessing an explosive in an airport and carrying an explosive on an aircraft. On March 29, 2012, Mr. Picklo, of Dallas, PA, arrived at the Philadelphia International Airport, and allegedly attempted to pass through security screening with explosives in his carry-on backpack. Airport security officials searched his backpack and confiscated two M80-style fireworks, flash-powder in a concealed container, a lighting wick, and a flammable lighter. Mr. Picklo was subsequently arrested. The investigation has been worked jointly with the ATF and FBI.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

08.22.2012 [FAA Has Not Effectively Implemented its Wildlife Hazard Mitigation Program](#)

On August 22, we issued a report on the Federal Aviation Administration's (FAA) Wildlife Hazard Mitigation Program, which aims to reduce the risk of wildlife strikes to aviation. Under the Program, FAA requires airports to create and implement wildlife hazard management plans to assess and minimize the risk of future strikes. However, we found that FAA's oversight and enforcement activities are not sufficient to ensure airports fully adhere to Program requirements or effectively implement their wildlife hazard plans. In addition, FAA's policies and guidance for monitoring, reporting, and mitigating wildlife hazards are mostly voluntary, thereby limiting their effectiveness. For example, FAA recommends but does not mandate that airports and aircraft operators report all wildlife strikes to FAA's strike database. As a result, FAA's strike data are incomplete, which impacts the Agency's ability to evaluate the effectiveness of its Program in reducing wildlife hazards. Finally, FAA coordinates effectively with the U.S. Department of Agriculture Wildlife Services, its main partner in wildlife hazard mitigation, but its efforts to coordinate with other relevant Government agencies are limited and infrequent. We made 10 recommendations intended to improve FAA's management and oversight of the Program. FAA concurred with six, partially concurred with three, and did not concur with one. We are requesting additional information or revised responses for five recommendations—particularly related to improving the quality and quantity of the Agency's wildlife strike data.

08.22.2012 [Iowa Man Sentenced for Falsifying His Pilot Flight Log](#)

On August 22, 2012, Fahad Naabeel Hussein Al-Daous was sentenced in U.S. District Court, Des Moines, Iowa, for falsifying his pilot flight log. Mr. Al-Daous was sentenced to a 4-year term of probation and required to pay a \$100 special assessment. The conditions of probation include prohibitions on having guns, applying for pilot's licenses, and piloting aircraft. On May 21 and May 27, 2012, Mr. Al-Daous submitted a false FAA form 8710-1 to an FAA Designated Pilot Examiner, stating he had enough pilot in command flight hours and enough cross country flight hours for his instrument-rated pilot's license, when in fact, he did not. The FAA previously issued an emergency revocation order of Mr. Al-Daous' pilot's license. This investigation was worked in cooperation with the FAA, FBI, and U.S. Attorney's Office.

08.16.2012 [FAA Employee Convicted for Theft](#)

On August 16, 2012, in Cleveland County Court, Norman, Oklahoma, Perry Morrison, a mechanic with the Federal Aviation Administration (FAA), pled guilty to a charge of false declaration to a pawn broker in connection with his theft of tools from the FAA. On August 12, 2011, Mr. Morrison pawned tools belonging to the FAA while claiming to be the owner. The investigation disclosed that Mr. Morrison stole over \$2,400 in tools which he pawned at two pawn shops located in Cleveland and Oklahoma

counties. Mr. Morrison was subsequently sentenced and given a five-year deferred sentence. He was also ordered to perform 200 hours of community service, serve two years of supervised release and pay \$565.50 in fines.

08.16.2012 Increased Participation and Improved Oversight Mechanisms Would Benefit the NAFTA Pilot Program

On August 16, 2012, we issued an interim report on the Federal Motor Carrier Safety Administration's (FMCSA) pilot program authorizing long-haul, cross-border trucking services between the United States and Mexico under the provisions of the North American Free Trade Agreement (NAFTA). This audit was required by Section 6901 of the U.S. Troop Readiness, Veteran's Care, Katrina Recovery, and Iraq Accountability Act, 2007. We found that the low participation in the pilot program puts FMCSA at risk of not meeting its goals for providing an adequate and representative sample of Mexico-domiciled carriers and inspections necessary to assess the impact on motor carrier safety. Additionally, FMCSA's oversight mechanisms did not ensure full compliance with pilot program requirements; and at the time of our review, it was still developing certain monitoring mechanisms. Finally, the current low participation rate does not allow us to make reliable statistical projections regarding safety attributes of program participants. We made four recommendations to enhance the effectiveness of FMCSA's monitoring and enforcement activities. FMCSA concurred with two recommendations and non-concurred with two other recommendations, but agreed to re-emphasize and monitor its existing procedures. Given that the program has had minimal participation and thus provided limited operational data for review, we consider FMCSA's actions to be sufficient at this time. We will evaluate FMCSA's actions to address all recommendations during our congressionally mandated final audit of the pilot program, which is due six months after the pilot program ends.

08.14.2012 Pennsylvania Aircraft Repair Company Indicted For Aircraft Parts Fraud; Company Official Arrested

On August 14, 2012, the United States Attorney's Office, Philadelphia, Pennsylvania, announced the unsealing of an indictment charging Flying Tigers, Inc. and its president, Jay Stout, and his son, Joel Stout, with various crimes including conspiracy, fraud involving aircraft parts, wire fraud, and obstruction of justice. In addition, the indictment charged Howard Gunter, a former FAA certified mechanic and inspector, with conspiracy and fraud involving aircraft parts. Jay Stout and Joel Stout operated Flying Tigers, a Lancaster, Pennsylvania, based aircraft maintenance facility that provided repair services and annual aircraft inspections. The investigation revealed that Flying Tigers was not a FAA certified repair station or a certified maintenance facility, but instead relied upon the FAA certifications and inspection authority of individual mechanics. In 2003, the FAA permanently revoked Jay Stout's authority to conduct aircraft inspections. Joel Stout did not hold any FAA certificates or inspection authority past March 2006. However, the investigation revealed that between October 2006 and October 2009, Flying Tigers charged customers for annual aircraft inspections that were either not performed by FAA certified mechanics, or were not performed at all. The indictment further alleged that Mr. Gunter certified annual inspections although he did not perform those inspections and that Jay and Joel Stout prepared fraudulent certifications and forged signatures of an unsuspecting certified inspector who had not performed the inspections. The five year transportation safety investigation revealed that the defendants routinely altered airframe and engine logbooks and made false entries to conceal their actions. Once Jay Stout learned of the government's investigation, it is alleged he obstructed justice by altering aircraft logbooks in order to conceal the false certifications. Flying Tigers conducted more than 75 questionable aircraft inspections between 2006 and 2009. On August 14, 2012, OIG agents safely arrested Jay Stout at his residence without incident. Joel Stout and Howard Gunter have been ordered to self-surrender through their respective attorneys.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

08.13.2012 [The United States and LaFarge North America Settle Civil Fraud Claims for \\$950,000](#)

On August 13, 2012, in U.S. District Court, Buffalo, New York, a civil settlement was reached between the U.S. Attorney's Office and LaFarge North America (LNA). The settlement was based on claims that LNA fraudulently obtained subcontracts that were supposed to be performed by certain minority and disadvantaged business enterprises (DBE). It was alleged that between June 2001 and March 2006, employees of LNA entered into a fraudulent agreement with Oscar Rayford of Rayford Enterprises. Rayford Enterprises is a certified DBE construction company, and LNA contracted to obtain DBE concrete supply subcontracts from them on eight separate projects in the Buffalo, New York, area that were funded, in part, by FHWA. Even though Mr. Rayford claimed his company was a bona fide DBE that performed concrete work on highway construction projects, the truth was that Mr. Rayford used LNA, a non-DBE manufacturer, to perform all of the concrete work on the projects. Mr. Rayford previously pleaded guilty to mail fraud charges and forfeited \$1.8 million. Pursuant to the settlement, LNA agreed to pay the U.S. \$950,000. The settlement does not constitute an admission of liability by LNA.

08.10.2012 [South Florida Woman Pleads Guilty to Aircraft Parts Fraud Conspiracy](#)

On August 10, 2012, Lisbet Gonzalez, former employee of Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), pled guilty in U.S. District Court, Fort Lauderdale, Florida, to mail fraud in conjunction with a scheme involving the false representation that aircraft windows were overhauled properly when they were not. Ms. Gonzalez, the sales manager and customer service representative at ATR, attempted to manipulate ATR's work order tracking system to fraudulently back date invoices, work orders, and other documentation. In particular, Ms. Gonzalez generated backdated FAA authorized release certificates, and other traceability documentation that was supplied to commercial aviation customers. On March 22, 2012, a multi-count indictment was filed against 16 employees of ATR and TEG for conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows. The investigation revealed that from approximately August 2009, to August 2010, ATR's employees continued repairing aircraft cockpit windows despite having its repair station certificate revoked in July 2009. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear to the customer that the windows had been retrieved from ATR or TEG's inventory prior to ATR's repair station certificate revocation. Additionally, serial numbers on the windows that had been sent to ATR by its customers were changed to disguise the source of the windows and to further make it appear that all work had been performed prior to the repair station revocation. This investigation is being worked jointly with the Department of Labor, Office of Inspector General, the Federal Bureau of Investigation, and Immigration and Customs Enforcement, with substantial assistance from the Federal Aviation Administration.

08.09.2012 [Revoked South Florida Repair Station President, Vice-President, and General Manager Plead Guilty to Aircraft Parts Conspiracy](#)

On August 9, 2012, Rangel Fernandez, President, Ivan Fernandez, Vice-President, and Jerry Frystak, General Manager, Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), pled guilty in U.S. District Court, Ft. Lauderdale, Florida, to mail fraud in conjunction with a scheme involving false representations that aircraft windows were overhauled properly, when they were not. On March 22, 2012, a multi-count indictment was filed against 16 employees of ATR and TEG for conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows. The investigation revealed that from approximately August 2009, to August 2010, ATR's employees continued repairing aircraft cockpit windows despite having its repair station certificate revoked in July 2009. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open

market and backdated documents, to make it appear to the customer that the windows had been retrieved from their inventory prior to the repair station certificate revocation. Additionally, serial numbers on the windows sent to ATR by customers were changed to further make it appear that all work had been done prior to the revocation. As part of the conspiracy, Rangel Fernandez backdated documentation and/or changed the serial numbers of the cockpit windows and Ivan Fernandez supervised and approved the back dating of documentation. He also converted check payments into cash rather than depositing them into corporate accounts, in an effort to under report the true income at ATR/TEG, thus enhancing the illusion that ATR was complying with the FAA Revocation Order. Mr. Frystak manipulated ATR's work order tracking system to back date documents and directed the removal of incriminating database entries from the ATR computer network, thus making the tracking of these parts by FAA and commercial aviation customers more difficult. This investigation is being worked jointly with the Department of Labor, Office of Inspector General, the Federal Bureau of Investigation, and Immigration and Customs Enforcement, with substantial assistance from the FAA.

08.08.2012 [California Man Guilty of Submitting a False Document to the FAA](#)

On August 8, 2012, in U.S. District Court, Sacramento, California, Michael D. Maupin pleaded guilty in connection with his involvement in an aircraft repair scheme. Mr. Maupin was the Quality Assurance Manager for WECO Aerospace Systems, Incorporated (WECO), Lincoln, CA. Mr. Maupin was charged for submitting an aviation quality assurance manual to the Federal Aviation Administration (FAA) that contained false statements. In September 2011, Mr. Maupin and five other defendants were indicted on charges of conspiracy to commit fraud involving aircraft parts in interstate commerce and mail fraud. The defendants are former executives and supervisors at WECO, an FAA-certified air repair station that was purchased by Gulfstream Aerospace Corporation in 2007. WECO was required to use FAA approved parts and procedures in the repair and overhaul of aircraft parts, however, the investigation disclosed that WECO technicians used unapproved parts during their repair. This is a joint investigation with the Federal Bureau of Investigation and Department of Homeland Security, Office of Inspector General.

08.07.2012 [ARRA Financial & Activity Report - July 2012](#)

On August 6, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of July 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

08.07.2012 [Salesman for DBE Firm Sentenced for Role in \\$21 Million DBE Fraud Scheme](#)

On August 7, 2012, Tony Edmund Weekes, salesman for V.V.S.S. Co., Inc. (VVSS), was sentenced in U.S. District Court, Central Islip, New York, for his role in a \$21 million Disadvantaged Business Enterprise (DBE) fraud scheme. Mr. Weekes was sentenced to serve three years of probation, pay a \$1,000 fine and a \$100 special assessment. In addition, he was ordered to cooperate with the IRS in calculating the amount of unpaid taxes, interest, and penalties he owes. The judge also barred him from participating in any municipal construction contracts during his period of probation. Mr. Weekes pled guilty in 2001 and admitted that VVSS, a certified DBE, acted as a DBE "front" on approximately 35 public works construction projects for numerous general contractors in the New York City area. He further admitted that he helped negotiate some of these fraudulent subcontracts between VVSS and the general contractors. The investigation was conducted by the Federal Construction Fraud Task Force for the Eastern District of New York, whose members include the DOT OIG; the Internal Revenue Service, Criminal Investigation Division; the U.S. Department of Labor OIG Office of Labor Racketeering and Fraud Investigations; and the New York City Department of Investigation.

08.07.2012 [Mississippi State Trooper and Former Department of Public Safety Clerk Convicted in CDL Fraud](#)

On August 7, 2012, Lieutenant Colonel (Retired) Joseph L. Rigby, Mississippi Department of Public Safety (DPS), Highway Patrol (MHP), Director, Driver Services, and Rene Morris, former clerk, DPS, pled guilty in U.S. District Court, Jackson, Mississippi, for their involvement in a commercial driver's license (CDL) testing scheme. Our investigation disclosed that several Mississippi State troopers assisted commercial driver's license (CDL) applicants by creating false CDL test scores. This enabled applicants to obtain CDLs and operational hazardous materials and passenger endorsements, without meeting the required minimum state and federal testing mandates. Additionally, troopers altered CDL driver records to reduce speeding infractions to lesser offenses and altered guilty judicial adjudications on drivers' records to prevent drivers from receiving judgments or license suspensions. OIG is currently working with the Federal Motor Carrier Safety Administration (FMCSA) and DPS to correct altered driver records identified during this investigation. This investigation was conducted jointly with the Federal Bureau of Investigation and Mississippi Bureau of Investigation, with assistance from FMCSA.

08.06.2012 [Modesto Man Sentenced To Prison for Modesto Airport Copper Wire Theft](#)

On August 6, 2012, Robin Neal Vanderheiden, aka Jeremy Wayne Patrick, 32, of Modesto, California, was sentenced in U.S. District Court, Fresno, California, to serve 16 months in prison for conspiring to steal 2,800 feet of copper cable from the Medium Intensity Approach Lighting System (MIALS) at the Modesto Airport. Mr. Vanderheiden was also ordered to pay \$60,000 to the Federal Aviation Administration (FAA) for the damage caused to the Modesto Airport. OIG began its investigation based on a referral from FAA alleging vandalism to the airport approach lighting system at the Modesto Airport. Working jointly with OIG, the Modesto Police Department installed surveillance cameras which led to Mr. Vanderheiden, who used the alias Jeremy Patrick. OIG and the Modesto Police Department subsequently interviewed Mr. Vanderheiden, who confessed to the theft of copper cable and implicated his co-conspirator, Kody Estep. The investigation determined that on several occasions in January 2012, Mr. Vanderheiden and Mr. Estep broke into lighting towers at the Modesto Airport and stole copper wire from the enclosed systems. They then sold the stolen copper wire in return for cash or illegal narcotics. The theft of the copper cable caused the approach lighting to become inoperable, which posed a significant safety risk to incoming aircraft and neighboring residents, and without the MIALS, aircraft may need to be diverted. OIG conducted this case jointly with the Modesto Police Department, with assistance provided by the FAA.

08.02.2012 [Improvements Needed In the Federal Transit Administration's Grant Oversight Program](#)

On August 2, 2012, we issued our final report on improvements needed In the Federal Transit Administration's (FTA) Grant Oversight Program. We conducted this audit at FTA's request. FTA's Oversight Program is carried out by its regional offices, as well as its contractors, to ensure that grantees spend funds effectively; comply with Federal laws and regulations; and prevent fraud, waste, and abuse. Our objectives were to assess whether FTA Headquarters provides its regions and contractors with adequate guidance and oversight to accurately identify and track grantee deficiencies and to assess whether FTA's Region III effectively follows up on grantee deficiencies. We found that FTA Headquarters does not provide its regions or contractors with adequate guidance or oversight to ensure they consistently identify and track grantee deficiencies. Further, FTA Region III has not effectively followed up on grantee deficiencies. We made six recommendations to enhance the level of oversight FTA provides, to develop performance measures assessing the effectiveness of the outcomes of its overall Oversight Program, and to ensure regions do not close findings before receiving documentation showing that a finding has been fully resolved. FTA fully concurred with our six recommendations and provided

responsive plans to address them. We consider the recommendations resolved but open pending completion of the planned actions.

08.01.2012 Challenges With Implementing Near-Term NextGen Capabilities at Congested Airports Could Delay Benefits

On August 1, 2012, we issued a report on the Federal Aviation Administration's (FAA) implementation of near-term capabilities for the Next Generation Air Transportation System (NextGen). Our audit focused on FAA's actions in response to recommendations from a government-industry Radio Technical Commission for Aeronautics (RTCA) task force on accelerating NextGen deployment, especially FAA's "metroplex" initiative to improve airspace efficiency at large, congested metropolitan airports. We found that while FAA quickly incorporated the task force's recommendations into its NextGen strategic plans and budgets, its efforts are delayed in key areas, including its critical metroplex initiative. Moreover, industry is concerned that the initiative does not yet include other related task force recommendations, such as better managing surface operations, and may not deliver all desired benefits. In addition, FAA has not yet resolved many of the barriers that will impede implementation of the task force recommendations, such as streamlining the process for deploying new flight procedures and training controllers on advanced procedures. We made seven recommendations to FAA to improve its implementation of the task force recommendations. However, FAA's response did not meet the intent of four of our recommendations, and we are requesting additional information from the Agency.

08.01.2012 South Florida Woman Pleads Guilty to a Fraudulent Aircraft Parts Conspiracy

On August 1, 2012, Francisca Diaz, former employee of Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), pled guilty in U.S. District Court, Ft. Lauderdale, Florida, to mail fraud in conjunction with a scheme involving the false representation that aircraft windows were overhauled properly when they were not. Ms. Diaz, a bookkeeper who was responsible for the payroll data entry and bookkeeping of ATR, and with full knowledge that ATR had its repair station certificate revoked by the Federal Aviation Administration (FAA), created separate accounting spreadsheets that enabled fellow employees to be paid in cash, rather than by company check. This gave the false appearance that ATR was no longer operating as a repair station. On March 22, 2012, a multi-count indictment was filed against 16 employees of ATR and TEG for conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows. The investigation revealed that from approximately August 2009, to August 2010, ATR's employees continued repairing aircraft cockpit windows despite having its repair station certificate revoked in July 2009. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear to the customer that the windows had been retrieved from ATR or TEG's inventory prior to ATR's repair station certificate revocation. Additionally, serial numbers on the windows that had been sent to ATR by its customers were changed to disguise the source of the windows and to further make it appear that all work had been performed prior to the repair station revocation. This investigation is being worked jointly with the Department of Labor, Office of Inspector General, the Federal Bureau of Investigation, and Immigration and Customs Enforcement, with substantial assistance from the FAA.



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Office of Inspector General

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09.24.2012 [Aviation Industry Performance: A Review of the Aviation Industry, 2008 - 2011](#)

On September 24, 2012, we issued the 11th in a series of periodic updates to our Aviation Industry Performance Report. This report provides a comprehensive analysis of aviation industry trends in the 2008 to 2011 period and their impact on aviation system performance, demand, and capacity. The report includes an overview followed by exhibits with more than 40 statistical charts (or metrics) organized in five areas: airline finances, air traffic, flight service, delays and cancellations, and customer service. The trends presented in the report portray an industry that has been in flux since 2008—one that is transforming to restore profitability and adapting to survive the challenges of a sustained economic downturn, high and volatile fuel prices, and a reduced demand for travel. The industry has responded to these challenges by more aggressively adjusting fares and flight schedules, as well as dramatically consolidating through a series of airline mergers.

09.21.2012 [Sole Proprietor of Massachusetts DBE Company Pleads Guilty to DBE Fraud](#)

On September 21, 2012, Robert L. Dickerson pled guilty in U.S. District Court, Boston, Massachusetts, for his role in a scheme to impede, impair, and obstruct the U.S. Department of Transportation's (DOT) Disadvantaged Business Enterprise (DBE) program. Mr. Dickerson, and two others were indicted in May 2011 in conjunction with this scheme. Mr. Dickerson is the sole proprietor of Woodchuck's Building and Home Center (Woodchuck's), a state certified DBE. Dennis DeGrazia and David Hebert were partial owners of U.S. Window and Door Construction, Inc., a company that was awarded Federal Aviation Administration (FAA)-funded Residential Soundproofing Improvement Program contracts by the Massachusetts Port Authority (Massport) in excess of \$2.5 million. For approximately 10 years, Mr. DeGrazia and Mr. Hebert indicated that Mr. Dickerson, doing business as Woodchuck's, was a supplier of windows and doors and eligible towards its DBE goal on each contract. All parties knew that Mr. Dickerson was merely a pass-through and would not actually be supplying any materials, incurring any expenses or performing any work. Throughout approximately 10 years, companies that Mr. Hebert and Mr. DeGrazia worked for or owned were awarded over \$9.5 million in FAA-funded residential soundproofing contracts. Mr. Dickerson was paid a fee of up to four percent of the material costs for his role in the conspiracy. With Mr. Dickerson's concurrence, the defendants submitted false documents to Massport in order to conceal Mr. Dickerson's lack of activity and to give the appearance that the DBE goal had been met.

09.20.2012 [Investigating Household Goods Fraud](#)

On September 20, 2012, the Principal Assistant Inspector General for Investigations Timothy M. Barry testified before the Senate Committee on Commerce, Science, and Transportation, regarding the Office

of Inspector General's (OIG) investigative work involving household goods (HHG) transportation fraud. Mr. Barry discussed criminal conduct OIG has targeted through its investigations – conduct which typically consists of holding a customer's household goods hostage while demanding significantly larger sums of money than originally quoted. Mr. Barry also described for the Committee OIG's national fraud project to proactively identify the most egregious consumer complaints involving hostage loads against HHG carriers and brokers, a project which is focused on those that illicitly engage in hostage fraud schemes. In addition, Mr. Barry highlighted several options available to consumers who believe they have been victimized by such schemes.

09.20.2012 [DOT OIG Announces "Wanted Fugitives" Web Page](#)

On September 20, 2012, the Department of Transportation Office of Inspector General (OIG) launched its "Wanted Fugitives" Web page which can be found by clicking this link: www.oig.dot.gov/wanted-fugitives or copying and pasting it into your Web browser. OIG anticipates that this Web site will elicit credible tips to locate and bring any such fugitives to justice. These wanted fugitives all have outstanding warrants for their arrest, and anybody with knowledge of their whereabouts is encouraged to contact OIG with their tips rather than attempt to apprehend somebody they suspect may be a fugitive.

09.20.2012 [DOT Established Timely Controls for the TIGER Discretionary Grants Program, But Opportunities Exist to Strengthen Oversight](#)

On September 20, 2012, we issued a report on the Office of the Secretary's (OST) Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants Program, which uses competitive discretionary grants for capital investments in highway, bridge, public transportation, rail, and port infrastructure projects. Congress initially appropriated \$1.5 billion for the program through the American Recovery and Reinvestment Act (ARRA) of 2009, and the program has since grown to over \$3.1 billion. We conducted the review as part of our ongoing ARRA oversight work. We found that OST established TIGER program policies that generally adhered to best practices, but vulnerabilities remain in reviewing grant agreements, overseeing individual projects, assessing program risks, and measuring performance. In addition, we found discrepancies in the requirements for safety standards in the grant agreements for rail infrastructure projects. OST concurred with three of our seven recommendations to strengthen oversight of the TIGER program and partially concurred with four. We will close six of the recommendations, pending receipt of appropriate documentation of actions taken or planned. For one recommendation aimed at improving collaboration between Operating Administrations to avoid inconsistent grant requirements, we are requesting additional information to fully assess OST's response.

09.19.2012 [Owners of Brooklyn CDL Driving School Plead Guilty to Fraud Charge](#)

On September 19, 2012, Ying Wai Phillip Ng and Pui Kuen Ng, operators of commercial driving school N&Y Professional Service Line, Brooklyn, New York, pled guilty to a mail fraud conspiracy. Between approximately 2001-2012, both assisted customers take the written New York state (NYS) commercial driver's license (CDL) examination by providing customers with the answers to the test questions. NYS-Department of Motor Vehicles issues CDLs in accordance with U.S. DOT regulations. Many of the driving school's customers did not speak or write in English. The school routinely provided certain customers with covert camera equipment prior to taking the CDL exam which was viewed remotely. This enabled the defendants to provide the test answers to the customers through a pre-arranged pager mechanism. It is estimated that as many as 500 CDL applicants passed the exam as a result of this scheme. As part of their guilty pleas, the Ngs agreed to a money forfeiture provision of approximately \$125,000 in cash and \$50,000 in seized property. This case is being worked in conjunction with the El Dorado Task Force, Department of Homeland Security.

09.18.2012 [Montana Man Charged With Concealing Improper Bolt Installation on a \\$21 million ARRA Idaho Bridge Project](#)

On September 18, 2012, Kip Harris, former lead superintendent for Sletten Construction (Sletten), Granite Falls, Montana, was indicted in United States District Court, Boise, Idaho. Mr. Harris, who resides in Boulder, Montana, was charged with making false statements regarding the quality of work Sletten performed on the U.S. 2 Dover Bridge project near Coeur d'Alene, Idaho, a \$21.6 million project funded by the American Recovery and Reinvestment Act of 2009. According to the indictment, Harris directed laborers under his supervision to modify nonconforming anchor bolts so they would appear to the inspection team hired by Idaho Transportation Department (ITD) to conform to project plans, knowing that the anchor bolts did not conform to the contract specifications. OIG began investigating this case upon receiving a referral from the ITD and Federal Highway Administration (FHWA) alleging the fraud by Mr. Harris. OIG was advised that Mr. Harris misrepresented the quality of workmanship regarding anchor bolt installation on bridge bearings. In July 2010, Mr. Harris determined the anchor bolts were not installed in accordance with the contract specifications to achieve the designed tensile capacity. Harris then directed his employees to engage in a number of practices to misrepresent the quality of the anchor bolt installation, which included tack welding or epoxying an additional piece of bolt and/or nut onto an embedded, but short anchor bolt. Mr. Harris did so to make the anchor bolts appear as though they were correctly installed and ensure they passed inspection. ITD inspectors, did however, discover the deficiencies during a routine construction inspection of the new bridge's piers. Inspectors found approximately 100 of the improperly installed bolts. FHWA and ITD had bridge experts evaluate the potential safety risks to the bridge the deficient anchor bolts posed. Both agencies determined that the consequences of not discovering and repairing the non-confirming anchor bolts would have had a minimal impact on the structural integrity of the bridge. Sletten has since made repairs to the bridge to correct the deficiencies, which caused the project to be delayed for approximately one week. Mr. Harris was suspended by the FHWA in October 2011, and Sletten terminated his employment with the company shortly thereafter. OIG and the FBI are conducting the investigation, with assistance from the FHWA and ITD.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

09.17.2012 [Two South Florida Residents Sentenced in a Fraudulent Aircraft Parts Conspiracy](#)

On September 17, 2012, Aileen Bermudez and Geovanni Hernandez, former employees of Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), were sentenced in U.S. District Court, Ft. Lauderdale, Florida, to mail and wire fraud charges in conjunction with a scheme involving the false representation that aircraft windows were overhauled properly when they were not. Ms. Bermudez was sentenced to three years of probation and ordered to pay \$23,200 in restitution, and a \$100 special assessment. Ms. Hernandez was sentenced to three years of probation and ordered to pay \$10,200 in restitution and a \$100 special assessment. Ms. Bermudez and Ms. Hernandez pled guilty in May 2012. The two, along with 14 others employees of ATR and TEG, were charged with conspiring to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows knowing that they were not authorized by the FAA to certify their airworthiness. The investigation revealed that from approximately August 2009 to August 2010, ATR's employees continued repairing aircraft cockpit windows despite ATR having had its repair station certificate revoked. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear that the windows were from ATR or TEG's inventory prior to the repair station certificate revocation. Additionally, serial numbers on the windows that had been sent to ATR by customers were changed to disguise the source of the windows and to further make it appear that all work had been performed prior to the repair station revocation. This investigation is being worked jointly

with the Department of Labor, Office of Inspector General; the Federal Bureau of Investigation; and Immigration and Customs Enforcement, with substantial assistance from the Federal Aviation Administration.

09.17.2012 Anchorage Company Manager Charged in Connection with an Alaska Highway Project Double-Billing Scheme

On September 17, 2012, an information was filed in U.S. District Court, Anchorage, Alaska, charging Darrell Underwood, a highway construction project manager for Quality Asphalt Paving (QAP), with false statements, in connection with highway rehabilitation work QAP performed on the federally funded Chief Eddie Hoffman Highway project. QAP was awarded the contract in July 2007. This investigation was initiated when OIG was advised that employees of QAP were allegedly conducting deceptive business practices on the Chief Eddie Hoffman Highway project between the airport in Bethel, Alaska and the highway's intersection with Ridgecrest Drive. The project was estimated to cost \$12,260,852, with \$11,089,218 to be paid by Federal-aid funds. The investigation disclosed that beginning on or about July 12, 2007, and continuing until at least on or about July 16, 2007, Underwood directed QAP employees he supervised to create duplicate weight tickets for single truckloads of gravel in order to collect additional weight tickets for which QAP could bill the State of Alaska. The result of this fraud was that QAP double billed the State for multiple shipments of gravel in the total dollar amount of just under \$70,000. The scheme was reported to the Federal Highway Administration (FHWA) by a QAP driver who was directed by Underwood to falsify weight tickets on the job. In May 2012, FHWA suspended Mr. Underwood from working on Federal-aid contracts. This case was investigated by OIG, with assistance from FHWA, Alaska State Department of Transportation, and Alaska State Troopers.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

09.17.2012 Quality Control Review on the Metropolitan Transit Authority of Harris County, Texas

On September 17, 2012, we issued a quality control report on a single audit performed by KPMG, LLP on the Metropolitan Transit Authority of Harris County, Texas (METRO) use of U.S. Department of Transportation (DOT) grants for the fiscal year ended June 30, 2011. During this period, METRO expended approximately \$149 million from DOT grant programs. The DOT programs determined to be major by KPMG were: (1) the Federal Transit Cluster; (2) the Federal Highway Planning and Construction Cluster; and (3) the Federal Transit Clean Vehicles Program. We determined that KPMG's audit work was Acceptable and met the requirements of GAGAS, the Single Audit Act, and OMB Circular A-133. We found nothing to indicate that KPMG's reports on METRO's internal control and compliance were inappropriate or unreliable.

09.15.2012 Pennsylvania Company Makes Global Settlement to Resolve Criminal and Civil Hazmat Charges

On September 15, 2012, Field Environmental Incorporated (FEI), Pittsburgh, Pennsylvania, pled guilty and agreed to pay \$288,000 in a global settlement to resolve criminal and civil charges that it illegally shipped pressurized gas cylinders by air in violation of PHMSA regulations. Previously, in November 2011, FEI, and two officials, Walter Caldwell, and Anthony Morgavo, were indicted for the illegal transport of hazardous materials. FEI, Mr. Caldwell, and Mr. Morgavo were charged with willfully causing Federal Express to illicitly transport pressurized gas cylinders by air. Mr. Morgavo and Mr. Caldwell served as FEI shipping officials and failed to declare the shipment as hazardous materials as required by DOT regulations. Mr. Caldwell and Mr. Morgavo entered federal pretrial diversion. FEI rented environmental testing equipment to customers for use on construction sites and in other environmental testing businesses. The investigation determined that FEI used Federal Express and United Parcel Service to ship the equipment and the regulated gas cylinders throughout the country. FEI regularly shipped

compressed hydrogen, isobutene, methane, and other gases for use in environmental testing and construction practices. More than 2,500 alleged illegal shipments were identified. The shipments consisted of gas cylinders ranging from 17 liters to 68 liters in size, with pressure ratings of 1,800 psi. The Pipeline and Hazardous Materials Safety Administration assisted with the investigation.

09.14.2012 [Revoked South Florida Repair Station Shop Supervisor Convicted at Trial for Aircraft Parts Conspiracy](#)

On August 31, 2012, after a four week trial, Dennis Romero, Shop Supervisor, Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), was convicted in U.S. District Court, Fort Lauderdale, Florida, for his participation in an aircraft parts conspiracy. Three lower level ATR mechanics and a salesperson were acquitted by the same jury. A separate mechanic, Hermes Reyes, pled guilty prior to the start of the trial. On March 22, 2012, a multi-count indictment was filed against 16 employees of ATR and TEG for conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows. The investigation revealed that from approximately August 2009, to August 2010, ATR's employees continued repairing aircraft cockpit windows despite having its repair station certificate revoked in July 2009. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear to the customer that the windows had been retrieved from their inventory prior to the repair station certificate revocation. Additionally, serial numbers on the windows sent to ATR by customers were changed to further make it appear that all work had been done prior to the revocation. This investigation is being worked jointly with the Department of Labor, Office of Inspector General, the Federal Bureau of Investigation, and Immigration and Customs Enforcement, with substantial assistance from the Federal Aviation Administration.

09.13.2012 [Crossboro Construction and SDNY Agree to \\$355,164 Civil Settlement](#)

On September 13, 2012, Crossboro Construction Contracting, through its President, Michael Paletta, agreed to a civil settlement with the Southern District of New York to resolve a civil false claims action. The amount of the settlement is \$355,164. Between approximately 1994 and March 2011, Mr. Paletta and Crossboro (a non-DBE), conspired with MS Construction (a DBE) to perform construction work on various federally-funded bridge projects in Manhattan and other boroughs where MS Construction was the purported DBE subcontractor. MS Construction was paid approximately 5% as its "fee" and relied upon Crossboro for performance of the actual work.

09.13.2012 [Weaknesses In Program And Contract Management Contribute To ERAM Delays And Put Other NextGen Initiatives At Risk](#)

On September 13, 2012, we issued a report on the Federal Aviation Administration's (FAA) progress and problems with the En Route Automation Modernization (ERAM) program, a multibillion dollar air traffic management system that will provide the foundation for the Next Generation Air Transportation System (NextGen). ERAM is a key NextGen enabling program for controlling high-altitude flights. It replaces forty-year old computer hardware and software system, plus a backup, and more than 800 computer display workstations at 20 of FAA's Air Route Traffic Control Centers. We found that FAA has experienced extensive software problems with ERAM that have delayed the effort by almost 4 years, with cost increases that could reach in excess of \$500 million. FAA's problems with ERAM are attributable to fundamental program management weaknesses as well as weaknesses in its contract—a contract that was not structured or administered to effectively manage costs and achieve desired outcomes. Ultimately, ERAM's delays pose significant risks to other critical NextGen initiatives. ERAM is on much stronger footing now than when we began our review, mostly due to sustained management attention by FAA leadership as well as focused risk management and close work with controllers. However, while FAA has made strides towards improving its program and contract management for ERAM, considerable

risk still lies ahead as FAA implements ERAM at some of the Nation's busiest facilities. FAA concurred with 12 of our 13 recommendations to improve ERAM's program management, testing, contract structure, and oversight. Based on FAA's response, we are requesting that the Agency provide additional information and/or reconsider its response for four recommendations.

09.12.2012 Update on FAA's Progress and Challenges in Advancing the Next Generation Air Transportation System

On September 12, 2012, the Inspector General testified before the House Committee on Transportation and Infrastructure Subcommittee on Aviation regarding the Federal Aviation Administration's (FAA) progress and challenges in advancing the Next Generation Air Transportation System (NextGen). The Inspector General identified three key challenges that continue to impact FAA's ability to realize NextGen's benefits: (1) implementing NextGen capabilities at congested airports; (2) resolving technical and program management problems with the En Route Automation Modernization (ERAM) program; and (3) managing program costs and schedules in developing and implementing NextGen's transformational programs. The Inspector General noted that FAA has made progress in improving air traffic management at congested airports in major cities through its metroplex initiative. However, critical work remains, and the Agency has not yet fully resolved key barriers to implementing NextGen capabilities in the near term. In addition, extensive software-related problems have caused cost increases and schedule delays for FAA's critical, multibillion dollar ERAM program—exposing significant programmatic and contract management issues. Finally, the Inspector General noted that FAA has not approved total cost, schedule, or performance baselines for any of NextGen's transformational programs or developed an integrated master schedule for managing NextGen.

09.12.2012 Review of DOT's Reporting of Improper Payments Under Executive Order 13520

On September 12, 2012, we issued our memorandum on DOT's High Dollar Improper Payments Identified during the Quarter Ending December 31, 2011. Executive Order 13520 requires the IG to review their agencies' reports and provide recommendations to agency heads for improvements to their improper payment corrective action plans. We reviewed the report for accuracy and compliance with OMB Circular A-123 Appendix C requirements. We did not identify any additional high-dollar overpayments that DOT should have reported for the quarter ending December 31, 2011. The report contained the required information, except for: (1) whether the improper payments were made by individuals or entities; and (2) the actions taken to prevent improper payments in future. DOT included this information in its fiscal year 2011 Agency Financial Report. We are not making any recommendations at this time.

09.11.2012 ARRA Financial & Activity Report - August 2012

On September 11, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of August 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

09.11.2012 Completing a Grants Management Framework Can Enhance FRA's Administration of the HSIPR Program

On September 11, 2012, we issued a report that assessed the grants management framework the Federal Railroad Administration (FRA) uses to administer its High Speed Intercity Passenger Rail Program (HSIPR). FRA has awarded and obligated almost \$10.1 billion in grant funds in the three years since it set up HSIPR, and \$8 billion of those funds were appropriated by the American Recovery and Reinvestment Act of 2009 (ARRA). We conducted this review as part of our ongoing ARRA oversight because HSIPR gave FRA significant new grant-making and oversight duties. Our review focused on

FRA grants management with regard to three areas: (1) policies, procedures, and guidance; (2) workforce adequacy; and (3) program performance mechanisms. We found that although FRA completed a Grants Management Manual in April 2012, the Agency obligated \$9.6 billion in grant funds while simultaneously developing the grant management policies and procedures outlined in the Manual. We also found that insufficient staffing and training further undermined FRA's efforts to effectively administer and ensure the accountability of HSIPR grant funds across all its active programs. Finally, we found that FRA lacks effective mechanisms for assessing program and grantee performance. While FRA has outlined HSIPR goals in several documents, the goals are inconsistent across these documents and the goals' performance measures are also not specific enough to determine overall program progress. We made five recommendations to FRA to improve HSIPR grant fund administration and accountability. The Agency concurred with all five recommendations and requested we close one, which we will consider upon receipt of further information to assess the actions FRA has taken to address the recommendation.

09.11.2012 [Company Official Guilty of DBE Fraud](#)

On September 11, 2012, Michael Paletta, president of Crossboro Construction Contracting, pled guilty in United States District Court, New York, New York, to a mail fraud conspiracy. Between approximately 1994 and March 2011, Mr. Paletta, on behalf of Crossboro (a non-DBE), conspired with MS Construction (a DBE) to perform construction work on various federally-funded bridge projects in Manhattan and other boroughs where MS Construction was the purported DBE subcontractor. MS Construction was paid approximately 5% as its "fee" and relied upon Crossboro for performance of the actual work. As part of his guilty plea, Mr. Paletta agreed to a money forfeiture of \$23,813. This case is being worked jointly with the USDOL-OIG, the Port Authority of NY&NJ-OIG, and the NYC-DOI.

09.10.2012 [Audit Initiated of FAA's Oversight of the Voluntary Disclosure Reporting Program](#)

The Office of Inspector General plans to initiate an audit of the Federal Aviation Administration's (FAA) oversight of the Voluntary Disclosure Reporting Program (VDRP). We are conducting our review in accordance with a provision in the FAA Modernization and Reform Act of 2012. Established in 2006, FAA's VDRP allows air carriers to voluntarily report adverse safety issues to FAA without fear of enforcement actions. Our objectives will be to determine whether FAA: (1) ensures that air carrier disclosure reports meet FAA requirements prior to acceptance into the Voluntary Disclosure Reporting Program; and (2) evaluates the effectiveness of air carrier corrective actions prior to closing the reports.

09.10.2012 [Former Employee of Aviation Company Guilty of Transporting Stolen Property](#)

On September 10, 2012, Edward Delgado, former employee of Atlantic Aviation at Republic Airport (Long Island), pled guilty in United States District Court, Central Islip, New York, to the interstate transportation of stolen property (aviation/jet fuel). Between approximately May 2009 and May 2012, Mr. Delgado stole aviation jet fuel from his employer and subsequently sold said fuel, at a discounted rate, to small craft operators at Republic Airport and to others operating in the New York metropolitan area. As part of his guilty plea, Mr. Delgado agreed to a money forfeiture provision of approximately \$123,000.

09.05.2012 [DOT OIG Announcement Letter Regarding DOT's FY 2013 Top Management Challenges](#)

The Office of Inspector General has identified nine top management challenges for the Department of Transportation (DOT) for FY 2013. When issued, this report and the Department's response will be incorporated into the DOT Annual Financial Report, as required by law.

09.05.2012 [Georgia Man Sentenced for Violating an Imminent Hazard Out-of-Service Order](#)

On August 30, 2012, in U.S. District Court, Albany, Georgia, Devasko Lewis was sentenced to six months incarceration, followed by twelve months supervised release, and ordered to pay a fine of \$3,000 for operating a commercial motor vehicle in violation of an Imminent Hazard - Out of Service Order issued by the Federal Motor Carrier Safety Administration (FMCSA). On October 6, 2008, Mr. Lewis, doing

business as Lewis Trucking Company/DDL Transport/DL Transport, was placed under an Imminent Hazard Order to cease all operations due to serious violations discovered during a compliance review conducted by FMCSA. The compliance review was subsequent to a fatality crash in Alabama which resulted in the deaths of seven State of Alabama prison guards. This investigation has been worked with the assistance of FMCSA and the Georgia Department of Public Safety.

09.05.2012 [Massachusetts Man Pleads Guilty to DBE Fraud](#)

On September 5, 2012, Dennis Degrazia, pled guilty in U.S. District Court, Boston, Massachusetts, for his role in a scheme to impede, impair, and obstruct the U.S. Department of Transportation's Disadvantaged Business Enterprise (DBE) program. In May 2011, David Hebert, Robert Dickerson, and Mr. Degrazia were indicted in conjunction with this scheme. Mr. Dickerson is the sole proprietor of Woodchuck's Building and Home Center (Woodchuck's), a state certified DBE. Mr. Degrazia and Mr. Hebert were partial owners of U.S. Window and Door Construction, Inc., a company that was awarded Federal Aviation Administration (FAA)-funded Residential Soundproofing Improvement Program contracts by the Massachusetts Port Authority (Massport) in excess of \$2.5 million. For approximately 10 years, Mr. Degrazia and Mr. Hebert indicated that Mr. Dickerson, doing business as Woodchuck's, was a supplier of windows and doors and eligible towards its DBE goal on each contract. All parties knew that Mr. Dickerson was merely a pass-through and would not actually be supplying any materials, incurring any expenses or performing any work. Throughout approximately 10 years, companies that Mr. Hebert and Mr. Degrazia worked for or owned were awarded over \$9.5 million in FAA-funded residential soundproofing contracts. Mr. Dickerson was paid a fee of up to four percent of the material costs for his role in the conspiracy. With Mr. Dickerson's concurrence, the defendants submitted false documents to Massport in order to conceal Mr. Dickerson's lack of activity and to give the appearance that the DBE goal had been met.



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10.29.2012 [Southern California Chemical Processing Company Sentenced for Providing False Statements Related to Aircraft Parts](#)

On October 29, 2012, Bowman Plating Company, Inc. (Bowman), a chemical processing company located in Compton, California, was sentenced in U.S. District Court, Los Angeles, California, for providing false statements related to the chemical processing of aircraft parts sold to commercial aviation companies and to the Department of Defense. Bowman was ordered to pay a fine of \$500,000, a special assessment of \$1200, and to serve three years of probation. In 2006, several companies retained Bowman to complete chemical film coating for their aircraft parts. Chemical film coating, also known as chemical conversion coating, is used to provide maximum corrosion resistance to aluminum alloy parts. The companies submitted purchase orders listing the required specifications. The coating was performed and Bowman issued certificates of conformance (COCs) certifying that the aircraft parts were processed in accordance with applicable specifications. The parts were then shipped to Bowman's customers. Bowman also retained a third party testing company to perform a chemical process control test. Following testing, the company issued a report documenting that the test had failed. Although the parts had already been shipped along with the COCs, Bowman did not notify its customers of the failure. This investigation was conducted jointly with the Defense Criminal Investigative Service.

10.29.2012 [Guam Company and its President Plead Guilty to Charges Related to a Buy America Billing Scheme on a \\$1.8 million ARRA Funded Project](#)

On October 29, 2012, in the Districts of Guam and the Northern Mariana Islands, Hubtec International Corporation (Hubtec) and its president and project manager, Young C. Kim, pled guilty to false statements in connection with a highway project. Hubtec and Mr. Kim admitted devising a scheme to defraud the Department of Public Works (DPW) and FHWA by falsely representing that they used U.S.-made reinforcement steel bars for a Federally-funded project in Guam. In January 2010, Hubtec received a contract with the DPW in the amount of \$1.8 million for the reconstruction and rehabilitation of the Route 2 culverts. The contract was funded in part by \$1.4 million in ARRA funds and required that the contractor comply with the Buy America requirement that all steel and iron permanently incorporated into the project be manufactured in the U.S. The investigation determined that Hubtec and Mr. Kim falsely represented that they used U.S.-made reinforcement steel bars for the project, when in fact, they knew they had incorporated Korean-made reinforcement steel bars which were not in compliance with applicable Buy America requirements. They also committed fraud through a billing scheme, which falsely over-reported the costs of materials. We determined that Mr. Kim submitted inflated invoices to the FHWA in the amount of approximately \$154,392, and the overall loss to the Government is estimated to

be \$913,277.79. OIG is conducting this investigation jointly with the Federal Bureau of Investigation, with assistance provided by the FHWA.

10.25.2012 [Audit Initiated of DOT's Travel Card Program](#)

The Office of Inspector General (OIG) is initiating an audit on the U.S. Department of Transportation's (DOT) travel card program. Issued via the General Services Administration's SmartPay® program, these cards offer a convenient and efficient way for DOT employees to pay for travel expenses related to official government travel. In fiscal year 2011, DOT's cardholders made 1.2 million purchases totaling \$172 million on their travel cards. As part of DOT's internal control testing in FY 2011, DOT identified travel card purchases and cash advances which did not occur during authorized travel. Our audit objective will be to assess if DOT's internal controls are effective in preventing and detecting travel card misuse.

10.23.2012 [Florida Pilot Sentenced for Falsification of his FAA Airman Medical Certificate Application](#)

On October 23, 2012, Jonathon Vondracek, a commercial pilot and certified flight instructor, was sentenced in U.S. District Court, Tampa, Florida, for falsifying his Federal Aviation Administration (FAA) airman medical application. He was sentenced to five years of probation, 90 days of home detention and ordered to perform 100 hours of community service. He was also ordered to pay a \$2,000 fine, \$51,237 in restitution to the VA and a \$100 court assessment. The investigation revealed that the Veteran's Administration (VA) awarded Mr. Vondracek, a Navy veteran, 80 percent medical disability benefits for a series of service related medical conditions that included chronic obstructive pulmonary disease (COPD). Mr. Vondracek failed to disclose these medical conditions and his receipt of disability benefits on three FAA airman medical certificate applications. The investigation further determined that Mr. Vondracek did not actually suffer from COPD. As a result of these findings, Mr. Vondracek's airman and medical certificates issued by the FAA were revoked. This investigation was worked jointly with the Department of Veteran Affairs (VA), Office of Inspector General.

10.22.2012 [Audit Initiated of FAA's Oversight of Unmanned Aircraft Systems](#)

The Office of Inspector General plans to initiate an audit of the Federal Aviation Administration's (FAA) oversight of Unmanned Aircraft Systems (UAS). FAA predicts there will be roughly 10,000 active UAS in the United States in 5 years, with over \$89 billion in worldwide UAS spending over the next 10 years. Given the growing interest and potential safety issues associated with UAS flights, Congress recently directed the Secretary of Transportation, in the FAA Modernization and Reform Act of 2012, to develop a comprehensive plan for integrating UAS into the National Airspace System (NAS) no later than September 30, 2015. In addition, the Chairmen and Ranking Members of the Senate Commerce Committee, the House Committee on Transportation and Infrastructure, and their Aviation Subcommittees requested that we assess FAA's progress in these efforts. Accordingly, our audit objectives are to assess: (1) FAA's efforts to mitigate safety risks for integrating UAS into the NAS; and (2) FAA's progress and challenges in meeting the UAS requirements cited in the Act.

10.18.2012 [Audit Initiated of FAA's Surface Surveillance Programs for Runway Safety](#)

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) Airport Surface Detection Equipment –Model X (ASDE-X) Program. ASDE-X provides detailed information to air traffic controllers on aircraft operations on runways and taxiways. While FAA has completed ASDE-X deployment at 35 major airports, the Agency has not yet fully integrated its use with other technology systems such as Runway Status Lights and Automatic Dependent Surveillance-Broadcast to enable simultaneous alerts for controllers and pilots of potential ground collisions. Given the recent increase in severe runway incursions, FAA's progress in this area is important to increase situational awareness at airports. Our audit objective is to assess FAA's progress in integrating ASDE-X with other surveillance technology systems designed to improve runway safety.

10.18.2012 [Multiple Individuals Sentenced for their Roles in an Aircraft Parts Conspiracy](#)

On October 18, 2012, Rangel Fernandez, President; Ivan Fernandez, Vice-President; and Jerry Frystak, General Manager, Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), were sentenced in U.S. District Court, Fort Lauderdale, Florida, for their roles in a scheme involving false representations that aircraft windows were overhauled properly, when they were not. Rangel Fernandez was sentenced to 48 months of incarceration, three years of probation, and ordered to pay \$68,033 in restitution. Ivan Fernandez was sentenced to 37 months of incarceration, three years of probation, and ordered to pay \$68,033 in restitution. Jerry Frystak was sentenced to ten months of incarceration to be followed by one year of probation. On October 19, 2012, Lisbet Gonzalez, former Office Manager, was sentenced to 21 months of incarceration, 3 years of supervised release, and ordered to pay \$11,818.76 in restitution. Hermes Reyes, aircraft window painter, was sentenced to 4 years of probation and 200 hours of community service, and ordered to pay \$7,150 in restitution. Myriam Cobo, sales representative, was sentenced to 3 years of probation, ordered to perform 150 hours of community service and to pay \$9,600 in restitution. On March 22, 2012, a multi-count indictment was filed against 16 employees of ATR and TEG for conspiracy to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows. The investigation revealed that from approximately August 2009, to August 2010, ATR employees continued repairing aircraft cockpit windows despite the repair station certificate having been revoked in July 2009. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents to make it appear as if the windows had been retrieved from inventory prior to the certificate revocation. Additionally, serial numbers on the windows were changed to disguise the source and to further make it appear that all work had been performed prior to the revocation. This investigation is being worked jointly with the Department of Labor, Office of Inspector General, the Federal Bureau of Investigation, and Immigration and Customs Enforcement, with substantial assistance from the Federal Aviation Administration.

10.17.2012 [Anchorage Company Manager Pleads Guilty and is Sentenced for Double-Billing Scheme on Alaska Highway Project](#)

On October 17, 2012, Darrell Underwood, a highway construction project manager for Quality Asphalt Paving (QAP), pleaded guilty and was sentenced in U.S. District Court, Anchorage, Alaska, for making false statements in connection with a federally funded road construction project. He was sentenced to serve 3 years of probation and ordered to pay a \$2,000 fine and \$100 special assessment. In May 2012, the Federal Highway Administration (FHWA) suspended Underwood from working on Federal-aid contracts. This investigation was initiated when OIG was advised that employees of QAP were allegedly conducting deceptive business practices on the Chief Eddie Hoffman Highway Rehabilitation, Airport to High School project. QAP was contracted to perform highway rehabilitation work by the Alaska State Department of Transportation in July 2006. The investigation disclosed that from approximately July 12 to July 16, 2007, Mr. Underwood directed QAP employees to create duplicate weight tickets for single truckloads of gravel for which QAP could then bill the State of Alaska. This fraud resulted in double billing the State for just under \$70,000. The scheme was reported to FHWA by a QAP driver who was directed to falsify weight tickets. This case was investigated by OIG, with assistance from FHWA, Alaska State Department of Transportation, and Alaska State Troopers.

10.17.2012 [Company Owner Guilty of Trafficking in Counterfeit Airbags](#)

On October 17, 2012, in U.S. District Court, Charlotte, North Carolina, Igor Borodin, owner of Krugger Auto, pleaded guilty to trafficking in counterfeit airbags and transporting them in violation of hazardous materials regulations. In conjunction with his guilty plea, Mr. Borodin's assets were seized pursuant to a criminal forfeiture warrant. The forfeiture totaled over \$1.7 million which represents the seizure of 99 counterfeit airbags from Mr. Borodin's business; 1,514 counterfeit airbags from his residence; \$60,000 in cash; and the seizure of his residence. Mr. Borodin was previously indicted and arrested for his role in

the trafficking of counterfeit airbags and the illegal shipment of undeclared hazardous materials in air commerce. The airbag systems are designed with an incendiary detonator. During testing of the counterfeit airbags by the National Highway Traffic Safety Administration, it was established that the airbags were volatile systems in that they were capable of not deploying at all, expending shrapnel and causing a fire, or both, when detonated. This was a joint investigation with the Department of Homeland Security Investigations, and the North Carolina Division of Motor Vehicles, Highway Patrol.

10.16.2012 [Termination of Audit of DOT's Contract Closeout Processes](#)

On October 27, 2011, the Office of Inspector General (OIG) initiated an audit to evaluate the Department of Transportation's (DOT) contract closeout processes. We terminated this audit due to other priority audits. However, we may re-announce this audit at a later date, given our commitment to oversight of DOT's contracting practices.

10.16.2012 [Mississippi State Employees Sentenced for Falsifying Documents Relating to CDLs](#)

On October 16, 2012, Lieutenant Colonel (Retired) Joseph L. Rigby, Mississippi Department of Public Safety (DPS), Highway Patrol, Director, Driver Services, and Rene Morris, former clerk, DPS, were sentenced in U.S. District Court, Jackson, Mississippi, for their involvement in a commercial driver's license (CDL) testing scheme. Mr. Rigby was sentenced to serve three years of probation; fined \$3,000 and assessed a fee of \$25.00. Morris was ordered to serve two years of probation; fined \$1,000 and assessed a fee of \$25.00. Our investigation disclosed that Mr. Rigby, Mr. Morris, and several Mississippi State troopers assisted commercial driver's license (CDL) applicants by creating false CDL test scores. This enabled applicants to obtain CDLs and operational hazardous materials and passenger endorsements, without meeting the required minimum state and federal testing mandates. Additionally, troopers altered CDL driver records to reduce speeding infractions to lesser offenses and altered guilty judicial adjudications on drivers' records to prevent drivers from receiving judgments or license suspensions. OIG is currently working with the Federal Motor Carrier Safety Administration (FMCSA) and DPS to correct altered driver records identified during this investigation. This investigation was conducted jointly with the FBI and Mississippi Bureau of Investigation, with assistance from FMCSA.

10.12.2012 [New York Construction Company President Sentenced for Prevailing Wage Scheme](#)

On October 12, 2012, Mohammad Azam Beig was sentenced in U.S. District Court, Brooklyn, New York, to serve nine months of home confinement to be followed by three years of supervised release. He was also ordered to pay a forfeiture in the amount of \$1,879,575 and a \$500 special assessment. In September 2007, Mr. Beig pled guilty to mail fraud and obstruction of justice resulting from his participation in a scheme to defraud public contracting agencies. He required laborers at Takbeer Enterprises to kickback a portion of their earnings, which resulted in the submittal of false certified payrolls on federally funded contracts with DOT grantee agencies such as the New York Metropolitan Transportation Authority, Port Authority of New York New Jersey, and New York City School Construction Authority. In addition, while under a cooperation agreement with the U.S. Attorney's Office, he continued to commit crimes by paying some of his workers in cash and not reporting the wages to the IRS, resulting in a tax loss of approximately \$14,000.

10.11.2012 [Georgia Aviation Consultant Sentenced for Producing Fraudulent FAA Supplemental Type Certificates](#)

On October 11, 2012, in United States District Court, Rome, Georgia, Andrew K. Anderson was sentenced to 37 months imprisonment, three years of supervised release, and ordered to pay \$1,115,333 in restitution to his victims, and a \$100 special assessment fee. On July 23, 2012, Mr. Anderson pled guilty to conspiracy for his role in the forgery of a supplemental type certificate (STC), which falsely represented he obtained approval from the Federal Aviation Administration (FAA) to modify a regulated aircraft. An STC is a certificate issued by the FAA to an applicant who alters, by introducing a major

change in type design, an aviation product already subject to a type certificate. Mr. Anderson, owner of Andrew K. Anderson, Aviation Consultant, LLC, Cartersville, Georgia, was contracted by SIA Engineering Company to obtain STCs to make interior modifications to a Boeing aircraft owned and operated by Dubai Air Wing, a branch of the government of Dubai responsible for providing air transportation for government officials. Anderson subsequently forged the STCs and provided them to Dubai Air Wing purporting the STCs were issued by the FAA, when in fact they were forged documents. This investigation was conducted with assistance provided by FAA.

10.10.2012 South Florida Woman Sentenced for Her Participation in a Fraudulent Aircraft Parts Conspiracy

On October 10, 2012, in U.S. District Court, Fort Lauderdale, Florida, Francisca Diaz, former bookkeeper of Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), was sentenced to two years of probation, ordered to pay \$67,533 in restitution and perform 100 hours community service. Ms. Diaz, along with 14 other employees of ATR and TEG, pled guilty to conspiring to sell and falsely certify to commercial aviation customers the airworthiness of aircraft cockpit windows knowing that they were not authorized by the Federal Aviation Administration (FAA) to certify their airworthiness. The investigation revealed that from approximately August 2009 to August 2010, ATR's employees continued repairing aircraft cockpit windows despite ATR having had its repair station certificate revoked. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear that the windows were from ATR or TEG's inventory prior to the repair station certificate revocation. Additionally, serial numbers on the windows that had been sent to ATR by customers were changed to disguise the source of the windows and to further make it appear that all work had been performed prior to the repair station revocation. This investigation is being worked jointly with the Department of Labor, Office of Inspector General; the Federal Bureau of Investigation; and Immigration and Customs Enforcement, with substantial assistance from FAA.

10.10.2012 North Carolina Trucking Company Sentenced for Falsifying Drivers' Records

On October 10, 2012, in U.S. District Court, Greensboro, North Carolina, Larry Morris Trucking was sentenced to 60 months of probation for making false statements relating to the falsification of drivers' hours of service records. On June 20, 2012, Larry W. Morris, President/Owner of Larry Morris Trucking, entered a corporate guilty plea. As part of the plea agreement, the company agreed to install and maintain a computerized monitoring device on all trucks owned and operated by the company. The investigation revealed that drivers' records were falsified for the purpose of concealing the number of hours driven as required by Federal Motor Carrier Safety regulations. These regulations limit the number of hours a truck driver can operate a vehicle in order to prevent motor vehicle accidents caused by driver fatigue. Accordingly, truck drivers are required to record their duty status to ensure they do not exceed the maximum number of allowable driving hours, and that they receive sufficient rest before driving again. This investigation was conducted jointly with assistance from the Federal Motor Carrier Safety Administration.

10.10.2012 Former Northern California Company Owner Charged in Superseding Indictment for Fraudulent Aircraft Repairs

On October 10, 2012, a federal grand jury in Sacramento, California, returned a superseding indictment charging William Hugh Weygandt, Granite Bay, California, with conspiracy to commit fraud involving aircraft parts. Mr. Weygandt is the former owner and president of WECO Aerospace Systems Inc., a Federal Aviation Administration (FAA)-certified air repair station based in Lincoln, California, which was purchased in 2007 by Gulfstream Aerospace Corporation. Former WECO executives Jerry Edward Kuwata, Granite Bay; Michael Dennis Maupin, Arbuckle, California; Scott Hamilton Durham, Roseville, California; Christopher Warren MacQueen, Lincoln, California; Douglas Arthur Johnson, Granite Bay; and

Anthony Vincent Zito, Saugus, California, were previously indicted by the grand jury on September 29, 2011, for mail fraud and conspiracy and fraud involving aircraft parts in interstate commerce. Messrs. Kuwata, Durham, MacQueen, and Johnson are also charged in the superseding indictment. Mr. Maupin and Mr. Zito pled guilty and await sentencing. Mr. Weygandt had not previously been charged. The investigation found that the defendants regularly directed WECO technicians to use unapproved parts in repairs. On one occasion, MacQueen allegedly used a paper clip instead of an approved part to complete a repair, and then certified that the repair had been done properly. During the repair of an aircraft part, a certified repair station is required to comply with the manufacturer's Component Maintenance Manual (CMM), a step-by-step guide for conducting a proper repair of the part. The CMM is prepared by the manufacturer and approved by the FAA and contains the steps that a repair shop must take to fix a part, as well as the tests and inspections that must be done before the part can be returned to service. The investigation determined that the defendants regularly failed to follow the CMMs, and in fact did not have the equipment needed to perform many of the required tests. Nonetheless the defendants performed, or directed WECO technicians to perform repairs of parts and then returned those parts to customers. This is a joint investigation with the Federal Bureau of Investigation and Department of Homeland Security, Office of Inspector General.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

10.09.2012 [Audit Initiated on the Effects of Limited Competition on Airline Flight Delays and Cancellations](#)

The Office of Inspector General is initiating an audit of the effects of limited competition on airline cancellations and delays as required by the FAA Modernization and Reform Act of 2012.

10.09.2012 [ARRA Financial & Activity Report - September 2012](#)

On October 9, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of September 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

10.05.2012 [Jacksonville Man Indicted For Shining Laser at a Police Helicopter](#)

On October 5, 2012, a federal grand jury in Jacksonville, Florida, returned an indictment on John Tyler Pennywitt charging him with aiming a laser pointer at an aircraft. It is alleged that during the night of June 3, 2012, Mr. Pennywitt shined a laser into the cockpit of a Jacksonville Sheriff's Office Patrol Helicopter. The FAA Modernization and Reform Act of 2012 modernizes the nation's aviation system and establishes a new criminal offense for aiming the beam of a laser pointer at an aircraft, or at the flight path of an aircraft. The statute was enacted in response to a growing number of incidents of pilots being distracted or even temporarily blinded by laser beams. This case was investigated with the assistance of the Jacksonville Sheriff's Office, and the Federal Aviation Administration.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

10.04.2012 [Northern California Man Sentenced in Scheme to Defraud NHTSA's "Cash for Clunkers" Program](#)

On September 25, 2012, James Taylor, owner of Pinole-Rodeo Auto Wreckers, Rodeo, California, was sentenced in U.S. District Court, Oakland, California, for falsely certifying that he had destroyed vehicles after receiving payment from dealerships to dispose of them in accordance with the National Highway

Traffic Safety Administration's (NHTSA), Consumer Assistance to Recycle and Save Act (CARS) program. Mr. Taylor devised a scheme wherein the vehicles were actually being sold and exported out of the country. Mr. Taylor was sentenced to one year of probation and ordered to pay a \$3,500 fine and \$25 special assessment. This investigation was initiated based on a discovery of two vehicles by the California Highway Patrol (CHP) at the Port of Oakland that were identified as having been trade-ins from the CARS program. OIG executed a search warrant at Taylor's place of business in March 2011 and the evidence obtained determined that Mr. Taylor falsely represented to NHTSA and to car dealerships that he had destroyed the vehicles as he had been paid to do in accordance with the CARs program. However, our investigation found that Mr. Taylor sold the two cars and had plans to export them out of the country by using the services of a freight-forwarder located in southern California. This investigation was worked jointly with the CHP, with assistance provided from NHTSA.

10.02.2012 Stockton Man Fined \$100,000 for Unlawful Refilling and Transporting of Compressed Natural Gas Cylinders

On October 2, 2012, James Richard Giles, a resident of Stockton, California, and former owner of Clean Fuels LLC, a business that transported compressed natural gas in metal cylinders to commercial natural gas users, was sentenced in U.S. District Court, Sacramento, California. The court ordered Mr. Giles to pay \$100,000 in fines and serve five years of supervised release for the willful and unlawful refilling of a compressed natural gas cylinder that was overdue for its five-year requalification and then offering it for transportation. OIG began investigating the case based on a complaint from one of Mr. Giles' former employees. The employee alleged that Mr. Giles was unlawfully refilling metal cylinders with compressed natural gas that were well beyond their required 5-year certification dates. Compressed gas cylinders are highly pressurized containers that store various kinds of gases. Some of these gases may be relatively harmless, such as carbon dioxide; however others may be extremely hazardous. Our investigation determined that Mr. Giles used a trailer to transport thirty-eight refilled cylinders of compressed natural gas. All thirty-eight cylinders had certification dates that had expired months before Mr. Giles transported them from his business in Stockton to Pacific Gas & Electric's natural gas refilling station on McDonald Island, in San Joaquin County. OIG conducted this investigation, with significant assistance from the Pipeline Hazardous Materials Safety Administration.

10.01.2012 Improvements to Stewardship and Oversight Agreements Are Needed To Enhance Federal-aid Highway Program Management

On October 1, 2012, we issued a report on Federal Highway Administration's (FHWA) Stewardship and Oversight Agreements with States. FHWA uses these agreements, which are required by law, to formalize the roles and responsibilities of FHWA Division Offices and the States to ensure adequate oversight of Federal funds, project quality, and safety. We conducted the review as part of our ongoing ARRA oversight work. We found that while FHWA fulfilled the statutory mandate to enter into Agreements with each State, the Agreements do not consistently reflect Federal requirements, or program risks and priorities that FHWA has identified. Further, FHWA has not provided sufficient guidance and oversight to Division Offices for the development and update of Agreements to ensure that inconsistencies reflect valid differences among the States and to ensure that legal issues are identified. FHWA concurred with one recommendation and partially concurred with the remaining four recommendations. We will close two of the recommendations, pending receipt of appropriate documentation of actions taken or planned. For the remaining three recommendations, we are requesting additional information and action dates to fully assess FHWA's plans for improving the use of agreements.



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11.28.2012 [Audit Initiated of DOT's Implementation of MAP-21 Acceleration of Project Delivery Provisions](#)

The Office of Inspector General plans to conduct a series of audits using a three-phase approach to assess DOT's project delivery reforms carried out under The Moving Ahead for Progress in the 21st Century Act (MAP-21). Subtitle C of MAP-21 contains key provisions to accelerate the delivery time of surface transportation projects and reduce costs. It directs the Department to identify and promote reforms that will reduce the time and money required to plan, design, and construct surface transportation projects. Accordingly, our objectives for our Phase 1 review are to: (1) review the Department's plans to carry out provisions of MAP-21, Subtitle C; (2) assess the status of planned actions; and (3) identify significant challenges that could affect the Department's timely implementation of those plans. We will develop specific audit objectives for the second and third review phases as our work progresses.

11.20.2012 [Georgia Men Sentenced for Illegally Transporting Fuel](#)

On November 20, 2012, in U.S. District Court, Macon, Georgia, Enery Perez Rodriguez and Reinaldo Rodriguez were sentenced in connection with illegally transporting hazardous material. Enery Perez Rodriguez was ordered to serve three months of incarceration, 24 months of supervised release, fined \$100 and ordered to pay restitution in the amount of \$175. Reinaldo Rodriguez was sentenced to serve 13 months of incarceration, two months of supervised release, fined \$100 and ordered to pay restitution in the amount of \$998. OIG's investigation established that the subjects used stolen credit cards to purchase 119 gallons of diesel fuel and then transported the fuel in violation of HAZMAT safety regulations. Discover Card Services contacted the United States Secret Service following their discovery of the use of stolen credit card numbers. The subjects were observed using the credit cards and then filling multiple vehicles with diesel fuel using storage containers concealed inside the beds of the vehicles. The fuel was then transported and sold on the black market. This investigation was worked jointly with the U.S. Secret Service with significant assistance from the Federal Motor Carrier Safety Administration, Georgia Division.

11.16.2012 [Observations on the Metropolitan Washington Airports Authority's Governance](#)

On November 16, 2012, the Inspector General testified before the House Committee on Transportation and Infrastructure regarding the governance of the Washington Metropolitan Airports Authority (MWAA). Established through the Metropolitan Washington Airports Act of 1986, MWAA operates the federally owned Washington Dulles International and Ronald Reagan Washington National airports under a lease agreement with the Department of Transportation. In his statement, the Inspector General highlighted our November 1 report, which detailed deficiencies in MWAA's policies and oversight for its: (1) contract

award and procurement practices; (2) code of ethics for its employees; (3) hiring and compensation practices; and (4) Board of Director activities. The Inspector General also described actions that MWAA has taken to improve its accountability and transparency in response to our ongoing concerns. However, he noted that further actions are needed to fully ensure fiduciary and ethical responsibility and restore public trust in the soundness of MWAA's current and future activities.

11.15.2012 [DOT's FY 2013 Top Management Challenges](#)

On November 15, 2012, we issued our annual report on the top management challenges facing the Department in fiscal year 2013. The nine issues comprising this year's report are as follows: ensuring The Next Generation Air Transportation System advances safety and air travel; enhancing the Federal Aviation Administration's oversight and use of data to identify and mitigate safety risks; overseeing administration of key transportation assets to ensure their success and sustainability; strengthening existing surface safety programs and effectively implementing new safety requirements; maximizing surface infrastructure investments with effective program oversight and execution of new legislative requirements; adequately overseeing administration of high speed intercity passenger rail grant funds; strengthening financial management over grants to better use funds, create jobs, and improve infrastructure; ensuring effective management of DOT's acquisitions to maximize value and program performance; and managing and securing information systems to efficiently modernize technology infrastructure and protect sensitive data from compromise. This report was included in the Department's Annual Financial Report, as required by law.

11.15.2012 [Former Saint Lawrence Seaway Development Corporation Employee Sentenced in a Worker's Compensation Fraud Scheme](#)

On November 15, 2012, Thomas Schneller, a millwright/welder formerly employed by the Saint Lawrence Seaway Development Corporation (SLSDC), was sentenced in U.S. District Court, Syracuse, New York, to 6 months of home confinement, \$84,987 in restitution to the Department of Labor, 36 months of probation, 100 hours of community service, and a \$100 court assessment. In July 2012, Mr. Schneller pled guilty to fraud regarding federal worker's compensation benefits. Mr. Schneller claimed an on-the-job injury in February 2004 yet continued to work in his own private welding business, AKJ Marine (established about a week after his purported injury), while receiving federal worker's compensation benefits. Mr. Schneller failed to disclose this outside source of income on annual Office of Worker's Compensation Program certification forms. This case was worked jointly with the US Department of Labor - OIG.

11.15.2012 [Ohio Bridge Painter Charged for Filing False Payroll](#)

On November 15, 2012, Nicholas Scordos, Owner of NES Construction, LLC (NES), a bridge painting and repair company in Ohio, was charged with tax evasion for providing false payroll reports on federally-funded Ohio Department of Transportation (ODOT) projects. Mr. Scordos' false payroll reports underreported the amount of hours his employees worked and the amount of wages they earned. This resulted in \$42,735 in unreported employment taxes. The investigation disclosed that NES paid employees in split disbursements to avoid paying taxes and overtime wages. Since 2002, NES has worked as a sub-contractor on various ODOT projects totaling over \$13 million. They also worked as a sub-contractor on an ARRA funded project valued at \$10,235,290. This is a joint investigation with the Federal Bureau of Investigation, Internal Revenue Service, and U.S. Department of Labor - OIG.

11.14.2012 FHWA Has Opportunities to Improve Oversight of ARRA High Dollar Projects and the Federal-Aid Highway Program

On November 14, 2012, we issued a report on the Federal Highway Administration's (FHWA) oversight of selected American Recovery and Reinvestment Act of 2009 (ARRA) high dollar bridge and highway projects receiving at least \$20 million and \$25 million, respectively, in ARRA highway infrastructure investment grants. Our work focused on identifying significant issues that could impact FHWA's effective oversight of ARRA and to follow up on our June 2010 ARRA Advisory alerting the Department that States were not conducting required value engineering (VE) studies. Accordingly, our objectives were to report on whether: (1) projects conducted required VE studies; and (2) ARRA funds were obligated based on the States' best estimate of cost. We found that FHWA missed opportunities to maximize ARRA investments, since one-third of the States in our review did not perform VE studies during the project planning or design phase for at least one ARRA project. Further, FHWA also did not consistently emphasize its cost estimating guidelines designed to help ensure States obligate ARRA funds for projects based on best estimates of project costs. FHWA now faces the challenge to monitor ARRA obligations for any unused or idle funds that result from overestimating or other occurrences, and make certain that the States re-obligate or return ARRA funds before they expire in 2015. The report recommended that FHWA: (1) verify that required VE studies were conducted for ARRA projects; (2) identify steps needed to increase States' awareness of and compliance with VE legislative changes and FHWA's revised guidance; (3) verify that FHWA Division Offices review each State's procedures for estimating costs, including procedures to conduct periodic reviews and to address significant changes in market conditions; and (4) develop and implement a plan to make sure controls are in place to effectively manage remaining unexpended ARRA funds. FHWA concurred with three of our recommendations and concurred in part with another. We plan to close three recommendations based on FHWA actions, changes to VE requirements, and our initiation of follow-up audits to further assess FHWA's actions for a later report. One recommendation will remain open pending receipt of appropriate documentation of actions taken or planned.

11.14.2012 FISMA 2012: Ongoing Weaknesses Impede DOT's Progress Toward Effective Information Security

On November 14, 2012, we issued our report presenting the results of our annual audit of the Department's information security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). Consistent with FISMA and OMB requirements, our overall audit objective was to determine the effectiveness of DOT's information security program and practices. We found that DOT has made improvements in to its security controls. For example, it enhanced the Department's cyber security policy and guidance. However, the Department has not implemented many of the recommendations we made over the past several years that would permit it to meet Federal IT security requirements. As a result, the Department's information systems remain vulnerable to serious security threats and risks due to continued deficiencies in DOT's information security procedures, controls, and remediation measures. We are making new recommendations to address these deficiencies. DOT's Acting Chief Information Officer will provide a description, along with milestone dates, of the specific actions to implement these recommendations.

11.13.2012 ARRA Financial & Activity Report - October 2012

On November 13, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of October 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts

11.06.2012 President of PA Highway Construction Firm Pleads Guilty in Connection with a \$5.2M Road Project

On November 6, 2012, John V. Colona, president and owner of JVC Contracting, Inc. (JVC), pled guilty in U.S. District Court, Philadelphia, Pennsylvania, to false statements in connection with a payroll and benefits fraud scheme on a \$5.2 million FHWA-funded road construction project. JVC, a highway construction company located in Chester Springs, Pennsylvania, resurfaced and repaired highways, roads, and bridges for federal, state, and local authorities. In March 2003, JVC served as the prime contractor on the DOT-funded project to widen, resurface, and reconstruct approximately 1.6 miles of road in Horsham Township, Pennsylvania. Mr. Colona admitted that between April 2005 and December 2006, he submitted approximately 40 false certified payroll reports to the Pennsylvania Department of Transportation (PennDOT), which represented, in part, that JVC paid the union employee fringe benefits. Based on these fraudulent submissions, PennDOT continued to authorize payments to JVC. The investigation disclosed that in reality, JVC failed to remit nearly \$70,000 in fringe benefits to 33 workers protected by DOT contract requirements. This was a joint investigation conducted by the DOT-OIG, Federal Bureau of Investigation, U.S. Department of Labor (DOL)-OIG, DOL-Employee Benefits Security Administration, DOL-Wage and Hour Division, and U.S. Department of Housing and Urban Development-OIG.

11.05.2012 Pennsylvania Man Charged for Calling in Fake Explosive Threat at PHL Airport

On November 5, 2012, the United States Attorney's Office, Philadelphia, Pennsylvania, filed an information charging Kenneth W. Smith in connection with a hoax telephone call to PHL airport authorities about reported explosives on a commercial aircraft. Mr. Smith was charged with providing malicious false information concerning an attempt to destroy an aircraft when he allegedly reported that a passenger carried an explosive substance onto an aircraft. The investigation determined that on September 6, 2012, Smith used a payphone to contact the Philadelphia Police and reported that a US Airways passenger en route to Texas possessed an explosive material with the intent to pass through security and board the aircraft. By the time, the alleged false report was received, the aircraft had departed. FAA air traffic controllers rerouted the flight in question back to PHL where the passenger was removed from the aircraft, searched, and questioned. No explosive materials were found. This investigation is being worked jointly with the Bureau of Alcohol, Tobacco and Firearms, the Federal Bureau of Investigation, the Philadelphia Police Department, and the Department of Homeland Security.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

11.05.2012 Contract Towers Continue to Provide Cost-Effective and Safe Air Traffic Services, But Improved Oversight of the Program is Needed

On November 5, 2012, we issued a report on the Federal Aviation Administration's (FAA) oversight of the Federal Contract Tower Program. Established in 1982, the Program currently oversees 250 contract towers providing low-cost air traffic control services to airports nationwide. We found that contract towers continue to provide air traffic control services at a lower cost than similar FAA towers. On average, a contract tower cost about \$1.5 million less to operate than a comparable FAA tower, mainly due to lower staffing and salary levels. In addition, contract towers had a lower number and rate of safety incidents compared to similar FAA towers, and users remain strongly supportive of the Program. However, we identified opportunities for FAA to enhance its oversight of the Program, including strengthening its financial controls and implementing voluntary safety reporting systems at contract towers. FAA concurred with all three of our recommendations to improve the Agency's oversight of the contractual and safety aspects of the Program.

11.02.2012 [Quality Control Review of the Saint Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2012 and 2011](#)

On November 2, 2012, we issued an audit report on our quality control review of the audit of the Saint Lawrence Seaway Development Corporation's (SLSDC) financial statements for fiscal years 2012 and 2011. Chiampou Travis Besaw & Kershner LLP, under contract to SLSDC, issued a clean (unqualified) audit opinion on SLSDC's financial statements. Chiampou Travis Besaw & Kershner LLP's report did not include any reportable internal control deficiencies or instances of reportable noncompliance with laws and regulations tested. Complete financial statements will be included in SLSDC's Annual Report which will also contain a copy of our quality control report and Chiampou Travis Besaw & Kershner's report. This page will be updated when the link is available.

11.01.2012 [MWAA's Weak Policies and Procedures Have Led to Questionable Procurement Practices, Mismanagement, and a Lack of Overall Accountability](#)

On November 1, we issued a report on the management policies and processes of the Metropolitan Washington Airports Authority (MWAA). Established through the Metropolitan Washington Airports Act of 1982, MWAA operates the federally owned Washington Dulles International and Ronald Reagan Washington National airports under a lease agreement with the Department of Transportation (DOT). It is also responsible for designing, constructing, and partially financing the Dulles Corridor Metrorail Project. We conducted our audit at the request of Representatives Frank R. Wolf and Tom Latham. As a result of our audit work and increased public scrutiny, MWAA has taken action to improve its accountability, transparency, and governance, such as approving new travel and ethics policies for employees and its Board of Directors. However, further actions remain to fully address the management weaknesses we identified during our audit. First, MWAA's contracting policies and practices are insufficient to ensure compliance with the Airports Act and the lease agreement between DOT and MWAA. We also found issues with ineffective contract management and oversight and a lack of adequate procurement integrity policies to ensure impartiality when awarding and administering contracts. Second, MWAA's code of ethics for its employees and its related policies and procedures have lacked the rigor needed to ensure credibility and the integrity of management and employee decisions. For example, some MWAA employees regularly accepted inappropriate, high-dollar gifts from an MWAA contractor. Third, MWAA's human resources practices lack oversight and accountability, resulting in employees being hired and compensated without job descriptions, competition, pay setting reviews, or completed background checks. Finally, while MWAA has taken positive steps to improve its Board of Directors' accountability and transparency, significant attention will be required to ensure that new travel, ethics, and disclosure policies are implemented and enforced. We made 12 recommendations and 30 specific sub-recommendations to the DOT Office of the Secretary (OST) to improve MWAA's management policies and processes. OST responded that it has been working with MWAA over the last several months to ensure that it swiftly adopts needed reforms. OST also stated it will formally transmit the report to MWAA with a clear expectation that the Authority produce a detailed response within 30 days.

11.01.2012 [FRA's Requirements For High Speed Rail Stakeholder Agreements Mitigated Risk, But Delayed Some Projects' Benefits](#)

On November 1, we issued a report on the Stakeholder Agreement Requirements for the Federal Railroad Administration's (FRA) High-Speed Intercity Passenger Rail (HSIPR) grant program. While FRA has awarded and obligated over \$10.1 billion in grant funds in the three years since it established HSIPR, our report focuses on the \$8 billion in American Recovery and Reinvestment Act (ARRA) funds appropriated pursuant to ARRA in 2009 and awarded in January 2010. We conducted this review as part of our ongoing ARRA oversight work because HSIPR represents an unprecedented federal investment in the U.S. intercity passenger rail system. The objectives of our audit were to assess: (1) FRA's development of stakeholder agreement requirements for long-term corridor projects; and (2) the effects

that the requirements' development had on short-term, ready-to-go projects. We found that while FRA took an important step to ensure that Stakeholder Service Outcome Agreements (SOA) for long-term corridor projects were in place before obligation, project stakeholders faced challenges and consequent delays in completing these SOAs in part because of unclear guidance from FRA on what they should contain. Further, FRA's initial focus on long-term projects delayed (1) short-term project obligations and (2) the determination of requirements for short-term project agreements. The report recommended that FRA: (1) require that state grantees submit all required stakeholder agreements that address all terms specified by PRIIA and FRA's Guidance prior to fund obligation; and (2) develop guidance on stakeholder agreements for short- and long-term projects that addresses the differences in the projects' scopes to ensure that the intended benefits of each HSIPR project can be achieved. The Agency partially concurred with the first recommendation, and concurred with the second recommendation, indicating that it is committed to addressing the issue of further guidance if more HSIPR funding becomes available.



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12.21.2012 [Wife of Former VRE Employee Pleads Guilty for Concealing More Than \\$200,000 in Bribes](#)

On December 21, 2012, Angela Jannell, of Fredericksburg, Virginia, pleaded guilty in U.S. District Court, Alexandria, Virginia, to misprision of a felon for concealing her husband's action of taking more than \$200,000 in bribes to ensure a Virginia Railway Express (VRE) subcontractor would be retained by VRE. VRE is a grantee of the U.S. Department of Transportation that receives millions of dollars each year to help improve passenger and freight rail service. OIG's investigation revealed that from 2003 and continuing through March 2012, Jannell's husband agreed to take up to \$4,000 per month in return for giving favorable evaluations that would ensure an individual and this person's company would be retained as a subcontractor for VRE. Jannell knew of this illegal arrangement. Her husband concealed the bribes by sending monthly invoices to the subcontractor from a fraudulent company and falsely billing the company for services that were never rendered. Jannell signed the paperwork to create the fraudulent company for which she was the President. She was also aware that the company was used to conceal the wrongful nature of the payments from the subcontractor. Jannell's husband was responsible for oversight of VRE contracts for individuals and companies providing landscaping and maintenance of VRE stations and facilities. The investigation disclosed that the total amount of bribes paid was between \$200,000 and \$400,000. Jannell used the money to pay for household bills and expenses. This is a joint investigation with the Federal Bureau of Investigation.

12.21.2012 [Letter to Chairman Issa and Ranking Member Cummings on OIG's Open Audit Recommendations](#)

On December 21, 2012, we issued a letter to Representative Darrell Issa, Chairman of the House Committee on Oversight and Government Reform, and Elijah Cummings, Ranking Member, regarding the status of open OIG recommendations. Specifically, the Committee requested that we provide our 10 highest priority open recommendations—5 short-term and 5 long-term—to improve agency efficiency and reduce waste. The Committee also asked that we describe whether and what ways agency management solicits our input about how to improve efficiency and reduce waste. As of December 10, 2012, we identified a total of 637 open recommendations, which were included in 217 audit reports issued between September 2004 and November 2012. We considered several criteria in identifying the open recommendations as the highest priorities, including their impact on safety, economy, or efficiency; documented vulnerabilities; dollar implications; and the ability of the Department to effect change in these programs or areas. We also reported that the Department involves our office in various ways to aid its efforts to improve efficiency and reduce waste. These include requesting reviews of specific issues; soliciting our ideas on how to improve its practices during the course of audits; and

inviting our staff to speak at conferences and panels, provide modal briefings, or attend workshops. In addition, our senior audit executives meet at least annually with senior management from each Operating Administration to discuss top audit priorities for combating waste, fraud, and abuse as well as ways to improve program efficiency.

12.21.2012 [Audit Initiated of Air Traffic Controller Productivity Initiatives](#)

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) efforts to improve the productivity of its air traffic controllers. We are conducting this audit at the request of the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation. FAA has introduced a series of initiatives intended to increase controller productivity and reduce operating costs, such as matching controller staffing to facility workload and reducing overtime costs. Our audit objective is to determine whether FAA's controller productivity initiatives are achieving their expected benefits and will result in cost savings to the Agency.

12.19.2012 [FAA Has Not Adequately Implemented Security Requirements for Its En Route Automation Modernization System](#)

On December 19, 2012, we issued our self-initiated report on the Federal Aviation Administration's (FAA) En Route Automation Modernization (ERAM) Program's information security controls. ERAM will replace the 30-year old En Route Host computer and backup system, as well as more than 800 controller workstations at FAA's Air Route Traffic Control Centers across the country. The program will facilitate aircraft separation and improve flight plan processing with flexible routing options; provide safety alerts to prevent collisions and congestion; and enable controllers to better handle unplanned events. The objective of this audit was to determine the effectiveness of ERAM's information security controls, including whether or not FAA is identifying security risks and properly mitigating them. The Department determined that this report contains sensitive security information (SSI). Accordingly, it is not available for public inspection or copying. If you would like a copy of this report with SSI redacted, please contact our [Freedom of Information Act Office](#).

12.17.2012 [Three Massachusetts Men Sentenced for DBE Fraud](#)

On December 17, 2012, Dennis DeGrazia and David Hebert were sentenced in U.S. District Court, Boston, Massachusetts, for their roles in a conspiracy to defraud the United States in a scheme to impede, impair, and obstruct the U.S. Department of Transportation's (DOT) Disadvantaged Business Enterprise (DBE) program. DeGrazia was sentenced to 30 days of incarceration, two years of supervised release, and a \$20,000 fine. Hebert, was sentenced to two years of supervised release and a \$2,000 fine. A third defendant, Robert Dickerson was sentenced on December 18, 2012, to 30 days of incarceration, two years of supervised release, and \$10,000 fine. Dickerson is the sole proprietor of Woodchuck's Building and Home Center (Woodchuck's), a state certified DBE. DeGrazia and Hebert were partial owners of U.S. Window and Door Construction, Inc., a company that was awarded Federal Aviation Administration (FAA)-funded Residential Soundproofing Improvement Program contracts by the Massachusetts Port Authority (Massport) in excess of \$2.5 million. For approximately 10 years, DeGrazia and Hebert indicated that Dickerson, doing business as Woodchuck's, was a supplier of windows and doors and eligible towards its DBE goal on each contract. All parties knew that Dickerson was merely a pass-through and would not actually be supplying any materials, incurring any expenses or performing any work. Throughout approximately 10 years, companies that Hebert and DeGrazia worked for or owned were awarded over \$9.5 million in FAA-funded residential soundproofing contracts. Dickerson was paid a fee of up to four percent of the material costs for his role in the conspiracy. With Dickerson's concurrence, the defendants submitted false documents to Massport in order to conceal Dickerson's lack of activity and to give the appearance that the DBE goal had been met.

12.13.2012 Audit Initiated of DOT's FY 2012 Implementation of the Improper Payments Elimination and Recovery Act of 2010

In July 2010, the President signed the Improper Payments Elimination and Recovery Act of 2010 (IPERA), which includes improper payment reporting requirements for agencies and oversight requirements for inspectors general. As required, we are initiating an audit of the Department of Transportation's (DOT) implementation of IPERA. Our objectives are to determine whether: (1) the improper payment information reported in DOT's fiscal year 2012 Annual Financial Report was accurate; and (2) DOT complied with IPERA's requirements.

12.13.2012 Review Initiated of NHTSA's Fiscal Year 2012 Drug Control Obligation and Performance Summary Reports

The Office of Inspector General (OIG) is initiating a review of the National Highway Traffic Safety Administration's (NHTSA) fiscal year 2012 Drug Control Obligation and Performance Summary Reports. NHTSA receives funding from the Office of National Drug Control Policy (ONDCP) for its Drug Impaired Driving program. In accordance with the ONDCP Circular, Annual Accounting and Authentication of Drug Control Funds and Related Performance (May 2007), NHTSA is required to submit annual reports to ONDCP on its drug control activities after the reports are reviewed by OIG.

12.13.2012 Review Initiated of FAA's Fiscal Year 2012 Drug Control Obligation and Performance Summary Reports

The Office of Inspector General (OIG) is initiating a review of the Federal Aviation Administration's (FAA) fiscal year 2012 Drug Control Obligation and Performance summary reports. FAA funds programs to reduce drug use throughout the national airspace, and to support external law enforcement agencies. In accordance with the Office of National Drug Control Policy (ONDCP) Circular, Annual Accounting and Authentication of Drug Control Funds and Related Performance (May 2007), FAA is required to submit annual reports to ONDCP on its drug control activities after the reports are reviewed by OIG.

12.10.2012 Modesto Man Ordered to Repay FAA \$60,000 for Damage Caused to Modesto Airport During Copper Cable Thefts

On December 10, 2012, Kody Estep was sentenced in U.S. District Court, Fresno, California, to serve one month (time served) and 36 months supervised release for conspiring to steal 2,800 feet of copper cable from the Medium Intensity Approach Lighting System (MIALS) at the Modesto Airport. Estep was also ordered to pay \$60,000 in restitution to the Federal Aviation Administration (FAA) for the damage caused to the airport. OIG began its investigation based on a referral from FAA alleging vandalism to the Modesto Airport approach lighting system. The investigation determined that on several occasions in January 2012, Estep, and his co-conspirator Robin Vanderheiden, broke into lighting towers at the Modesto Airport and stole copper wire from the enclosed systems. They then sold the stolen copper wire in return for cash or illegal narcotics. The theft of the copper cable caused the approach lighting to become inoperable, which posed a significant safety risk to incoming aircraft and neighboring residents, and without the MIALS, aircraft may need to be diverted. OIG conducted this case jointly with the Modesto Police Department, with assistance provided by the FAA.

12.10.2012 Audit Initiated of NHTSA's Stewardship and Oversight of Highway Safety Grants

The Department of Transportation's top priority is to make our transportation system safer, but motor vehicle safety remains an ongoing safety concern. In fiscal year 2011, the National Highway Traffic Safety Administration (NHTSA) awarded \$601 million in formula and incentive grants to States for conducting a wide range of highway safety programs aimed at reducing fatalities, injuries, and economic losses resulting from motor vehicle crashes. Our objective will be to assess NHTSA's oversight of Federal highway safety grants provided to States. Specifically, we will determine whether (1) NHTSA Headquarters provides sufficient guidance to and monitoring of its regional offices for grant oversight

activities and (2) NHTSA regional offices effectively use oversight tools to ensure grantee deficiencies are timely identified and addressed.

12.10.2012 [ARRA Financial & Activity Report - November 2012](#)

On December 10, 2012, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of November 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

12.07.2012 [Quality Control Review of Single Audit on the Orange County Transportation Authority](#)

On December 7, we issued a quality control report on a single audit performed by Vavrinek, Trine, Day & Co., LLP (VTD) on Orange County Transportation Authority's (Authority) use of U.S. Department of Transportation grants for the fiscal year ending June 30, 2011. During this period, the Authority expended approximately \$100 million from DOT grant programs. The DOT program determined to be major by VTD was the Federal Transit Cluster. We determined that VTD's work was Acceptable with Deficiencies, and therefore generally met the requirements of generally accepted Government auditing standards, the Act, and OMB Circular A-133. We found nothing to indicate that VTD's opinion on the Authority's reports on internal control and compliance were inappropriate or unreliable. However, we identified deficiencies in audit documentation that VTD needs to correct in future audits. Based on VTD's explanations, we determined that these deficiencies did not alter the overall results of the audit.

12.06.2012 [Revoked South Florida Repair Station Shop Supervisor Sentenced to Prison for Aircraft Parts Conspiracy](#)

On December 6, 2012, Dennis Romero, Shop Supervisor, Aircraft Transparencies Repair (ATR) and Transparencies Engineering Group (TEG), was sentenced in U.S. District Court, Fort Lauderdale, Florida, for his role in an aircraft parts conspiracy. Romero was sentenced to 45 months incarceration, three years of probation, and ordered to pay \$11,149.76 in restitution. In addition, he was prohibited from working in the aviation industry while on probation. On March 22, 2012, a multi-count indictment was filed against 16 employees of ATR and TEG for conspiracy to sell and falsely certify the airworthiness of aircraft cockpit windows. The investigation revealed that from August 2009, to August 2010, ATR's employees continued repairing aircraft cockpit windows despite ATR having its repair station certificate revoked in July 2009. As part of the scheme, ATR/TEG purchased "as removed" aircraft cockpit windows in the open market and backdated documents, to make it appear that the windows had been retrieved from inventory prior to the repair station certificate revocation. Additionally, serial numbers on the windows sent to ATR by customers were changed to make it appear that all work had been done prior to the revocation. This investigation is being worked jointly with the Department of Labor, Office of Inspector General, the Federal Bureau of Investigation, and Immigration and Customs Enforcement, with substantial assistance from the FAA.

12.06.2012 [A Grants Management Framework and Stakeholder Agreements Are Key to Fully Implementing FRA's High Speed Intercity Passenger Rail Program](#)

On December 6, 2012, the Assistant Inspector General for Rail, Maritime, and Economic Analysis, Mr. Mitchell Behm, testified before the House of Representatives Committee on Transportation and Infrastructure regarding the Office of Inspector General's work on the Federal Railroad Administration's (FRA) implementation of its High Speed Intercity Passenger Rail Program (HSIPR). Mr. Behm discussed the progress FRA has made since the Program's creation dramatically expanded the Agency's role from primarily providing railroad safety regulations to overseeing \$10.1 billion in grant funds. Mr. Behm also described the challenges FRA faces as it works to establish a grants management framework that ensures effective Program implementation and the integrity of grant funds.

12.05.2012 [Virginia Pilot Indicted for False Statements to FAA on Medical Certificate Applications](#)

On December 5, 2012, in U.S. District Court, Norfolk, Virginia, a federal grand jury indicted Richard Patterson of Suffolk, Virginia, a commercial licensed pilot, for false statements on medical certificate applications he submitted to the Federal Aviation Administration (FAA). The investigation revealed that Patterson submitted three applications in an attempt to obtain a second class medical certificate, where he stated he had never had any surgeries, when in fact he had two back related surgeries. Patterson was subsequently issued second class medical certificates based on these statements. **Note:** Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

12.05.2012 [Owner and Project Manager of Ohio Construction Company Indicted](#)

On December 5, 2012, Scott Bonamase, Owner, and David Bonamase, Project Manager, Bonamase Construction, were indicted in U.S. District Court, Cleveland, Ohio, for filing false tax returns, conspiracy, and false statements related to their contracts with the Ohio Department of Transportation. Between 2007 and 2009, Bonamase worked on a HUD-funded project in Youngstown, Ohio, and on various federally-funded Ohio Department of Transportation (ODOT) construction projects in various counties in Ohio. The investigation disclosed that Bonamase conspired to submit false tax returns to the IRS, underreported employees' quarterly wages, and made false statements on certified payroll forms submitted to HUD and ODOT, indicating that they paid their employees prevailing wages, when they did not. The federally funded ODOT projects that Bonamase worked on, which include an ARRA-funded project, total roughly \$1,152,015. This is a joint investigation with DOL-OIG, HUD-OIG, the IRS, and the USAO. **Note:** Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

12.04.2012 [Ohio Bridge Painting Company Owner Pleads Guilty to Filing False Payroll Reports](#)

On December 4, 2012, Nicholas E. Scordos, owner, NES Construction, pleaded guilty in U.S. District Court, Cleveland, Ohio, to attempting to evade paying employment taxes. Scordos' payroll reports underreported the amount of hours his employees worked and the amount of wages they earned. This resulted in \$46,662 in unreported employment taxes. Since 2002, NES has worked as a sub-contractor on various ODOT projects totaling over \$13 million. They also worked as a sub-contractor on an ARRA funded project valued at \$10,235,290. The investigation disclosed that NES paid employees in split disbursements to avoid paying taxes and overtime wages. This is a joint investigation with the Federal Bureau of Investigation, IRS, and DOL/OIG.

12.01.2012 [Florida Contractor in ARRA Funded Project Settles Civil False Claims Case](#)

On December 1, 2012, S&S Precast, Incorporated (S&S), and its owner Jerry Shannon, entered into a settlement with the U.S. government in connection with a civil false claims investigation pertaining to S&S' production of concrete K-Wall barriers for use on a federally funded road construction project. The settlement agreement requires Shannon, on behalf of S&S, to pay the U.S. government \$50,000 with an initial \$10,000 to be paid within 20 calendar days of the effective date of the agreement. In late 2009, APAC Southeast, Incorporated (APAC), entered into a contract with the Florida DOT (FDOT) for a road construction project on I-75 between Colonial Boulevard and State Road 82 in Lee County, Florida. The project was supported with Federal Highway Administration funds provided through the American Reconstruction and Recovery Act (ARRA). In April 2010, S&S Precast entered into a rental subcontract with APAC to supply K-Wall barriers for this project. The rental subcontract required the K-Wall barriers to be manufactured by S&S in accordance with manufacturing and production requirements set forth by FDOT. Shannon personally directed S&S' employees to change the production date on the identification plates of 80 K-Wall barriers that had been manufactured previously. Doing so made it appear that these

K-Wall barriers had been manufactured after S&S received the required manufacturing and production certification from FDOT.



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01.31.2013 [FAA and Industry Are Advancing the Airline Safety Act, but Challenges Remain To Achieve Its Full Measure](#)

Requested by the Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation and the Chairmen and Ranking Members of the Senate Committee on Commerce, Science, and Transportation and its Aviation Subcommittee

On January 31, 2013, we issued a report on the Federal Aviation Administration's (FAA) progress and challenges in implementing the Airline Safety and FAA Extension Act of 2010. We found that FAA has made considerable and important progress implementing many elements of the Act, such as advancing voluntary safety programs, improving pilot rest requirements, and establishing better processes for managing safety risks. We also found the Agency has not sufficiently targeted assistance to smaller air carriers who are furthest behind in developing new safety programs. In addition, FAA faces challenges with meeting timelines for key rulemaking efforts and with developing a long-term strategy for transitioning to a new pilot records database, including addressing privacy concerns. We made five recommendations to FAA to improve its efforts in implementing the Act. FAA concurred or partially concurred with all five, but we are requesting that the Agency submit additional information or reconsider its response for three of them.

01.23.2013 [Audit Initiated of FAA's Information Security Controls of the Automatic Dependent Surveillance-Broadcast System](#)

Required by the FAA Modernization Reform Act of 2012

The Automatic Dependent Surveillance-Broadcast (ADS-B) system is FAA's satellite-based surveillance technology that will complement radar by using aircraft avionics and ground-based systems to provide information on aircraft location to pilots and controllers. The FAA Modernization Reform Act of 2012 requires OIG to conduct an assessment of how security issues are addressed in ADS-B's overall design and implementation. Our audit objective is to evaluate how security issues are being addressed in the overall design and implementation of the ADS-B system.

01.23.2013 [Virginia Pilot Pleads Guilty for False Statements to Federal Aviation Administration on Medical Certificate Applications](#)

On January 23, 2013, in U.S. District Court, Norfolk, Virginia, Richard Patterson of Suffolk, Virginia, a commercial licensed pilot, pled guilty to making a false statement on a Federal Aviation Administration (FAA) medical certificate application he submitted to the FAA. The investigation revealed that Patterson submitted three applications in an attempt to obtain a second class medical certificate, where he stated he had never had any surgeries, when in fact he had two back related surgeries. Patterson was

subsequently issued second class medical certificates based on these statements. Patterson's sentencing is scheduled for April 29, 2013.

01.23.2013 [Consultant for the Florida Department of Transportation Charged with Bribery](#)

On January 23, 2013, in U.S. District Court, Miami, Florida, Ron Capobianco, Jr., former construction engineering and inspection consultant (CEI) for the Florida Department of Transportation (FDOT), was charged with bribery in connection with programs receiving federal funds. Capobianco, Jr. worked as CEI at Metric Engineering, Inc., (Metric), which was contracted by FDOT to provide many services, including designing, inspecting, and troubleshooting the construction of roads, signs, and traffic signals. Capobianco, Jr. was assigned as the FDOT District 4 Signalization and Lighting Liaison and acted as FDOT's project manager for many projects. Capobianco, Jr. was consulted as a FDOT expert on certain aspects of signalization and lighting construction, including the use of video detection cameras for traffic signalization and control. The investigation revealed that around 2009, FDOT began a road construction project along Highway 1 in the Florida Keys, named the Marathon Key project, which was designed to improve traffic flow. In May 2009, an agent of the subcontractor working on this project offered to pay Capobianco, Jr. \$5,000 if the subcontractor could receive at least \$25,000 for the installation of the video detection equipment. Capobianco, Jr. agreed to the subcontractor's \$25,000 estimate for the installation of the video detection devices, thus enabling the subcontractor to make a significant profit. The subcontractor's estimate was approved and subsequently paid by the State of Florida after the installation of the video detection equipment. Capobianco, Jr. met with the subcontractor in Plantation, Florida, and was paid \$4,000 in cash for his assistance to the subcontractor. This investigation was conducted jointly with the FBI and IRS-Criminal Investigation Division.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

01.23.2013 [Former Director of Broward Public Works Department, Two Florida Contractors and Another Charged With Bribery Relating to County Contracts](#)

On January 23, 2013, in U.S. District Court, Miami, Florida, Jihad El Eid, former Director of Broward County Traffic Engineering Division Department (BCTED), and Wael El Eid, were charged with bribery in connection with programs receiving federal funds, highway fraud, mail fraud, extortion under color of official right, and conspiracy. Also charged in connection with this scheme was Anthoneel Allen, owner of Southeast Underground Utilities, Corporation (SUU), and James Hashim, former Vice-President of SUU. Allen and Hashim were also charged with disadvantaged business enterprise (DBE) violations. The investigation revealed that beginning in the fall of 2006 through 2010, at the request of Jihad El Eid, Allen and Hashim provided him more than \$150,000 in cash, a 2003 Ford Taurus, and a job at SUU for Wael El Eid (a relative of Jihad El Eid). In return, Jihad El Eid allegedly helped SUU obtain work on multi-million dollar projects initiated by the BCTED, including the Signalization and Street Light Installation contract, a contract to make installations and repairs of street lights and traffic equipment in Broward County. This work was part of larger projects including the Advanced Transportation Management System, a federally-funded project, which required the contractor to install an integrated traffic control system to synchronize traffic flow within Broward County; and the Video Detection Contract, which required the contractor to install video detection cameras in various intersections in Broward County in order to improve traffic flow. The investigation disclosed that Jihad El Eid assisted SUU concerning billing, specification and inspection matters that resulted in SUU being overpaid by at least \$3,000,000. In addition, Allen filed a fraudulent application to have SUU certified as a DBE, which resulted in the award of approximately 25 fraudulent contracts and subcontracts to SUU in excess of \$10,000,000. This investigation was conducted jointly with FBI and IRS-Criminal Investigation Division.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

01.18.2013 [Former Virginia Railway Express Employee Sentenced to 24 Months in Prison for Accepting Over \\$200,000 in Bribes](#)

On January 18, 2013, Kevin Wirth Jannell, former Virginia Railway Express (VRE) employee, was sentenced in U.S. District Court, Alexandria, Virginia, to 24 months of incarceration followed by 2 years of supervised release for accepting more than \$200,000 in bribes to ensure a VRE subcontractor would be retained by VRE. The investigation revealed that from 2003 and continuing through March 2012, Jannell, a former facilities manager for VRE, agreed to take up to \$4,000 each month in return for giving favorable evaluations that would ensure an individual and this person's company would be retained as a subcontractor for VRE. Jannell concealed the bribes by creating a fraudulent company and sent monthly invoices to the subcontractor from that company, falsely billing the company for services that were never rendered. This investigation was conducted jointly with the FBI.

01.17.2013 [Letter to Congressman Neugebauer Regarding FAA's Decision To Realign the Abilene, TX TRACON Functions Into the Dallas/Ft. Worth TRACON](#)

On January 17, 2013, we issued a letter to Representative Randy Neugebauer regarding the Federal Aviation Administration's (FAA) decision to realign the Abilene Regional Airport's terminal radar approach control facility (TRACON) functions into the Dallas/Ft. Worth TRACON. Specifically, at the Representative's request, we reviewed three business cases produced by FAA that evaluated the costs and potential savings associated with the realignment, including the underlying assumptions used in each of the business cases. Our review found that none of FAA's three business cases presented a comprehensive picture of the costs and potential benefits of the Agency's Abilene TRACON realignment effort. Of the three, the most recent business case—created by an independent contractor in February 2011—provides the most detailed cost comparison given how it projected long-term air traffic controller labor costs, the largest cost driver of the realignment. However, none of the business cases provide enough information to determine whether the TRACON realignment would result in future cost savings or operational benefits. We also reported that the assumptions used in the three business cases regarding staffing levels, equipment, and other items only represent estimates of future costs, and will likely differ from what will actually be implemented, resulting in different costs and savings.

01.17.2013 [Hawaii Resident Sentenced for Illegally Shipping Fireworks](#)

On January 17, 2013, in U.S. District Court, Los Angeles, California, Patrick Kamehameha Powers, a resident of Kailua, Hawaii, was sentenced for causing undeclared fireworks to be transported in commerce from Ft Collins, Colorado, to Ontario, California, and from Ontario to Honolulu, Hawaii. Powers failed to properly mark the packages that contained the fireworks with the proper shipping name or identification number for the hazardous materials inside. Powers was sentenced to serve one-year of probation and ordered to pay a \$100 special assessment. OIG's investigation began in January 2009, based on information from the Federal Aviation Administration (FAA), Hazardous Materials Branch, Los Angeles/Honolulu Field Office. The FAA advised that in November 2008, several individuals, one of whom was Powers, had illegally shipped fireworks via United Parcel Service to an address in Hilo, Hawaii. Fourteen packages, which were falsely labeled as household goods, were shipped to an address in Hilo from Office Depots located in Cheyenne, Wyoming; Ft. Collins, Colorado; and Denver, Colorado. The packages were each transported via UPS ground and eventually transported to Honolulu via air carrier. A UPS driver in Honolulu subsequently discovered the illegal fireworks when one of the packages broke open. Powers admitted that he illegally shipped the fireworks to Hawaii for one of his former real estate clients, using fictitious shipping names and addresses on paperwork associated with the

shipments, and shipped the fireworks from three different Office Depots to avoid being detected. He also said he knew the shipments of fireworks would eventually be shipped to Hawaii by way of ground and air transport. OIG conducted this investigation, with substantial assistance provided by the FAA.

01.16.2013 Construction Project Manager Sentenced for His Role in a Large DBE Fraud Scheme on New York Area FAA Funded Project

On January 16, 2013, Richard Schultz, project manager of Nationwide Construction, was sentenced in United States District Court for the Southern District of New York to six months of home confinement to be followed by three years of probation and 100 hours of community service. He was also required to pay a \$100 special assessment and consented to a monetary forfeiture of \$61,750. Schultz admitted that between 2007 and March 2011, he conspired with Madeline Pepe, of Staten-Island based MS Construction Corporation, to commit disadvantaged business enterprise (DBE) fraud on a project funded through an FAA airport improvement project grant. The investigation disclosed that Nationwide Construction (a non-DBE) fraudulently performed a \$1.1 million fencing subcontract that was contracted to MS Construction (a DBE) on an FAA-funded project at LaGuardia Airport in Queens, New York. They conspired to file documents with the Port Authority of NY&NJ generating the appearance that MS Construction had, in fact, performed the contract when they did not. This case is being worked jointly with the U.S. Department of Labor-OIG, the Port Authority of NY & NJ-OIG, and the New York City Department of Investigation.

01.14.2013 Audit Initiated of FHWA's Efforts To Improve Operational Efficiency
Self-Initiated

The Office of Inspector General is initiating an audit of the Federal Highway Administration's (FHWA) efforts to improve operational efficiency. Our objective will be to assess the status of significant actions FHWA has taken or planned to ensure that agency resources are being efficiently used to meet current and future missions as it relates to corporate capacity.

01.14.2013 Audit Initiated of FMCSA's Implementation of the Compliance, Safety, Accountability Program

Requested by the Chairman and Ranking Member of the House Transportation and Infrastructure Highways and Transit Subcommittee

The Office of Inspector General is initiating an audit of the Federal Motor Carrier Safety Administration's (FMCSA) implementation of the Compliance, Safety, Accountability (CSA) Program. Our objectives are to assess whether FMCSA has: (1) established adequate controls to ensure the quality of the data used to evaluate carrier performance and risk; and (2) effectively implemented CSA enforcement interventions.

01.14.2013 Philadelphia Man Pleads Guilty for False Explosive Threat at Airport

On January 14, 2013, Kenneth W. Smith pled guilty in connection with a hoax regarding explosives called in to airport authorities in September 2012. In November 2012, Smith was charged with providing malicious false information concerning an attempt to destroy an aircraft. Smith admitted that on September 6, 2012, he contacted the Philadelphia Police and falsely reported that a US Airways passenger en route to Texas possessed an explosive material with the intent to pass through security and board the aircraft. By the time the alleged false report was received, the aircraft had departed. FAA air traffic controllers rerouted the flight in question back to Philadelphia International Airport where the passenger was removed from the aircraft, searched, and questioned. No explosive materials were found. Smith faces a maximum possible sentence of 15 years in prison and a fine of up to \$500,000. He has agreed to reimburse emergency response agencies and pay restitution to the victims inconvenienced for his activities. This investigation is being worked jointly with the Bureau of Alcohol, Tobacco and Firearms,

the Federal Bureau of Investigation, the Philadelphia Police Department, and the Department of Homeland Security.

01.10.2013 [Company Official Sentenced for His Role in DBE Fraud](#)

On January 10, 2013, Michael Paletta, president of Crossboro Construction Contracting, was sentenced in United States District Court in the Southern District of New York (SDNY) to 3 years of probation, a \$50,000 criminal fine, 100 hours of community service, and a \$100 special court assessment. On September 11, 2012, Paletta pleaded guilty to a mail fraud conspiracy. Between approximately 1994 and March 2011, Paletta, on behalf of Crossboro (a non-DBE), conspired with MS Construction (a DBE) to perform construction work on various federally-funded bridge projects in Manhattan and other boroughs where MS Construction was the purported DBE subcontractor. MS Construction was paid approximately 5% as its "fee" and relied upon Crossboro for performance of the actual work. As part of his plea agreement, Paletta also agreed to a forfeiture of \$23,813. On September 13, 2012, Crossboro agreed to a civil settlement with the SDNY to resolve a civil false claims action. The amount of the settlement was \$355,164. This case is being worked jointly with the USDOL-OIG, the Port Authority of NY&NJ-OIG, and the New York City Department of Investigation.

01.08.2013 [ARRA Financial & Activity Report - December 2012](#)

On January 8, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of December 2012. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

01.07.2013 [Minnesota Trucking Company Owner Pleads Guilty to Theft](#)

On January 7, 2013, Gary Bauerly, owner and operator of WATAB Hauling, pleaded guilty to theft in Hennepin County District Court, Minneapolis, Minnesota. The investigation determined that, from July through December 2007, Bauerly submitted fraudulent documents to obtain payments as a subcontractor and employed a series of schemes to avoid paying prevailing wages owed to WATAB employees, totaling approximately \$52,000. Bauerly provided fraudulent information to general contractors and contract administrators for federally-funded municipal, county, and state contracts. The contracts specified employees must be paid according to the prevailing wage rate in the area. Bauerly implemented various schemes to avoid paying the prevailing wage rate, including, providing false payroll reports to the contractors and government contract administrators. This investigation was conducted jointly with the Minnesota Department of Transportation and the Hennepin County Attorney's Office.



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02.28.2013 [Audit Initiated of FRA's Oversight of the Railroad Rehabilitation and Improvement Financing Program](#)

The Office of Inspector General is initiating an audit of the Railroad Rehabilitation and Improvement Financing (RRIF) program. RRIF is a \$35 billion credit program—administered by the Federal Railroad Administration (FRA)—authorized to provide loans and loan guarantees to railroads and other eligible entities to finance development of the Nation's rail infrastructure. This audit's objective will be to evaluate FRA's oversight of the program, and the effectiveness of the program's support to railroads and other eligible entities to achieve improvements to the Nation's rail infrastructure. Specifically, we will assess FRA's policies and procedures for evaluating and selecting RRIF applications; and, identify factors that affect prospective applicants' decisions on whether or not to apply for RRIF credit assistance.

02.27.2013 [Audit Initiated of FRA's Progress Implementing the Passenger Rail Investment and Improvement Act of 2008](#)

Required by the Passenger Rail Investment and Improvement Act of 2008

The Office of Inspector General is initiating its second audit to assess the Federal Railroad Administration's (FRA) progress in implementing, as required by Section 221 of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). This comprehensive statute dramatically expanded FRA's role in improving the Nation's passenger rail operations and facilities. Our objectives are to: (1) examine FRA's progress to date in implementing its PRIIA responsibilities; and (2) identify any challenges to completing the implementation.

02.27.2013 [FAA's Efforts To Track and Mitigate Air Traffic Losses of Separation Are Limited by Data Collection and Implementation Challenges](#)

Requested by the Senate Committee on Commerce, Science, and Transportation and its Subcommittee on Aviation Operations, Safety, and Security and the House Committee on Transportation and Infrastructure

On February 27, 2013, we issued a report on the Federal Aviation Administration's (FAA) efforts to identify and mitigate risks of air traffic losses of separation—i.e., when two aircraft fly closer together than safety standards permit, due to an air traffic controller operational error, a pilot's deviation, or other issue. Between fiscal years 2009 and 2010, the number of reported operational errors by controllers increased by more than 50 percent. According to FAA, this increase was mostly due to enhanced reporting through new voluntary and automated reporting programs. However, we found that the increase was linked, in part, to a rise in actual errors, as well as other contributing factors. In addition,

we found that FAA lacks an accurate baseline of the actual total number of separation losses that occur. Although FAA has recently instituted new policies and procedures for improving the collection, investigation, and reporting of separation losses, we found that the effectiveness of these procedures is limited by incomplete data and implementation challenges. Finally, FAA has recently developed new corrective action plans to mitigate high-risk separation loss events. However, it is too early to determine the effectiveness of these plans. In addition, the Agency's corrective action plans do not include all safety risks identified by FAA and will not address all losses of separation that air traffic facility officials consider to be high risk. FAA concurred with four and partially concurred with two of our six recommendations to improve the Agency's policies and processes for identifying and mitigating separation losses. We are requesting that FAA provide additional information or reconsider its response for two recommendations.

02.25.2013 [Minnesota Trucking Company Owner Sentenced for Theft](#)

On February 25, 2013, Gary Bauerly, owner and operator of WATAB Hauling, was sentenced in Hennepin County District Court, Minneapolis, Minnesota. He was ordered to pay \$52,157 in restitution related to his previous plea to theft. The investigation determined that from July through December 2007, Bauerly submitted fraudulent documents to obtain payments as a subcontractor and employed a series of schemes to avoid paying prevailing wages owed to WATAB employees, totaling approximately \$52,000. Bauerly provided fraudulent information to general contractors and contract administrators for federally-funded municipal, county, and state contracts. The contracts specified employees must be paid according to the prevailing wage rate in the area. Bauerly implemented various schemes to avoid paying the prevailing wage rate, including, providing false payroll reports to the contractors and government contract administrators. This investigation is being conducted jointly with the Minnesota Department of Transportation and the Hennepin County Attorney's Office.

02.25.2013 [Connecticut Bus Company and Office Manager Pleads Guilty to Falsification of Drivers Records](#)

On February 25, 2013, Wisla Express, LLC (Wisla), New Britain, Connecticut, pled guilty in U.S. District Court, Hartford, Connecticut, in connection with its role in presenting falsified documents to the Federal Motor Carrier Safety Administration (FMCSA) in response to FMCSA's demand for documents during FMCSA's 2010 inspection of Wisla. Wisla is a commercial passenger carrier operating vans, mini-buses, and tour buses. Wisla's office Manager, Dariusz Szteborowski, of Rocky Hill, Connecticut, also entered a guilty plea on February 22, 2013, in connection with the scheme. The investigation disclosed that Szteborowski often created and maintained false and fraudulent driver time records or caused others to create false and fraudulent driver logs in order to meet the prescribed reporting requirements and that Szteborowski submitted logs to the FMCSA that were not only false, but in many cases had not been created by the driver as required under the federal regulations. Szteborowski, and others working with and for Szteborowski and Wisla, often assigned drivers to trips knowing that the drivers would be exceeding the regulated limits of on-duty driving time. In order to hide these violations from FMCSA inspectors, Szteborowski often instructed the drivers and/or other Wisla employees to record falsely in the logs that the driver was off-duty during those times, and then Szteborowski submitted the falsified logs to FMCSA during its inspection. The investigation is being conducted with assistance from FMCSA.

02.22.2013 [Chicago Contractor Sentenced in a DBE Fraud Scheme](#)

On February 22, 2013, Anthony Cappello was sentenced in U.S. District Court, Chicago, Illinois, to 6 months of home confinement; 24 months of probation; a \$25,000 fine; and ordered to pay \$169,076 in restitution for mail fraud. Our investigation determined that from approximately 1999 through May 2006, Cappello participated in a scheme to defraud the government of more than \$2.3 million in contracts with the Chicago Department of Aviation related to the Women in Business Enterprise (WBE) and

Disadvantaged Business Enterprise (DBE) programs. Cappello falsely represented that the Stealth Group, Inc. was a legitimate WBE/DBE eligible to receive contracts related to those designations and participation requirements. However, the Stealth Group, Inc. was neither certified nor eligible to be certified as a WBE/DBE. This case is being conducted jointly with the FBI, U.S. Department of Labor-Office of Inspector General, and the City of Chicago Inspector General's Office.

02.20.2013 [Private Pilot Pleads Guilty to Providing False Statements to the FAA](#)

On February 20, 2013, Stephen Novak, a private pilot, pled guilty in United States District Court, Western District of Oklahoma, to a charge of making false statements to the FAA in connection with obtaining a pilot's medical certificate. Novak failed to report several alcohol related criminal offenses during his airman medical re-certification. During the follow-up interview by the FAA, Novak claimed he had been abstinent from consuming alcohol since 2008. However, a review of criminal records disclosed Novak had two driving under the influence convictions after 2008, and three in a five year period which would have disqualified him from obtaining an airman medical certificate; a requirement for a pilot's license. Sentencing has been set for May 23, 2013.

02.20.2013 [Former Illinois Police Commander Charged with False Statements](#)

On February 20, 2013, Timothy J. Veit, former police commander, Des Plaines, Illinois, Police Department, was charged in U.S. District Court, Chicago, Illinois, with false statements relating to a scheme to defraud a NHTSA funded program. From approximately 2009 through 2012, it is alleged Veit made false statements in reports that concealed the police department's failure to meet the requirements of federally funded impaired driving enforcement campaigns. Veit, the project director for the police department, allegedly inflated DUI arrests that resulted in the department receiving \$132,893 in federal reimbursement for overtime compensation by Veit and other police officers. As the project director, Veit was responsible for certifying departmental compliance with NHTSA's participation requirements. Veit inflated the DUI arrests and provided false information about blood alcohol content levels on the reimbursement forms.

Note: An indictment, information, and criminal complaint are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

02.20.2013 [Company Owner Sentenced for Attempting to Evade Paying Employment Taxes](#)

On February 20, 2013, Nicholas E. Scordos was sentenced in U.S. District Court, Cleveland, Ohio, to six months of home confinement and three years of probation. He was also ordered to pay a \$100 special assessment. He has made full restitution of \$46,662. On December 4, 2012, Scordos pleaded guilty to attempting to evade paying employment taxes. Scordos' payroll reports underreported the amount of hours his employees worked and the amount of wages they earned. This resulted in \$46,662 in unreported employment taxes. Since 2002, NES has worked as a sub-contractor on various Ohio Department of Transportation projects totaling over \$13 million. They also worked as a sub-contractor on an ARRA funded project valued at \$10,235,290. The investigation disclosed that NES paid employees in split disbursements to avoid paying taxes and overtime wages. This is a joint investigation with the FBI, IRS, and DOL/OIG.

02.20.2013 [Florida Business Owner Sentenced to Probation for False Claims](#)

On February 20, 2013, Jonathan Jenkins, owner of MLA Furniture, was sentenced to five years of probation, ordered to make restitution in the amount of \$242,981 and fined \$100 for his role in filing fraudulent claims for reimbursement of storage expenses. MLA Furniture was displaced due to the procurement of right of way property by the Florida Department of Transportation (FDOT). FDOT

procured the right of way as part of a project to widen Interstate 4. The right of way property was procured under federal and state grant funding. The investigation disclosed Jenkins conspired with a FDOT employee, who processed fictitious claims representing MLA Furniture had applied for reimbursement of relocation expenses, when in fact, MLA had not incurred any expenses. This investigation is being conducted with the Florida Office of Inspector General.

02.19.2013 [Owner of Oil Recovery Company Indicted for Illegal Storage of Hazardous Waste](#)

On February 19, 2013, Klaus Genssler, owner of US Oil Recovery, was indicted in Harris County, Texas, on charges of illegally storing hazardous waste. An inspection of the US Oil Recovery property, located in Pasadena, Texas, discovered numerous containers of hazardous waste which included benzene, a listed U.S. Environmental Protection Agency (EPA) hazardous waste. US Oil Recovery was authorized to treat oil bearing waste but was not permitted to store any type of hazardous waste. US Oil was shut down by Harris County for violating the conditions of its treatment permit and was also cited by the U.S. Coast Guard for a leaking treatment container. This is a joint investigation with EPA-CID and Harris County Constables.

Note: An indictment, information, and criminal complaint are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

02.19.2013 [Montana Man Sentenced for Making False Statements on \\$21 Million ARRA Funded Idaho Bridge Project](#)

On February 19, 2013, Kip Harris, former lead superintendent, Sletten Construction (Sletten), Granite Falls, Montana, was sentenced in U.S. District Court, Boise, Idaho, to three years of probation and ordered to pay a \$750.00 fine and \$100 special assessment. Harris was indicted in September 2012 for making false statements regarding the quality of work Sletten performed on the U.S. 2 Dover Bridge project near Coeur d'Alene, Idaho, a \$21.6 million project funded by the American Recovery and Reinvestment Act of 2009. Harris directed laborers under his supervision to modify nonconforming anchor bolts so they would appear to the inspection team hired by Idaho Transportation Department (ITD) to conform to project plans, knowing that the anchor bolts did not conform to the contract specifications. In July 2010, Harris determined the anchor bolts were not installed in accordance with the contract specifications to achieve the designed tensile capacity. Harris then directed his employees to engage in a number of practices to misrepresent the quality of the anchor bolt installation, which included tack welding or epoxying an additional piece of bolt and/or nut onto an embedded, but short, anchor bolt. Harris did this to make the anchor bolts appear as though they were correctly installed and ensure they passed inspection. ITD inspectors discovered the deficiencies during a routine construction inspection of the new bridge's piers. Inspectors found approximately 100 of the improperly installed bolts. The Federal Highway Administration (FHWA) and ITD had bridge experts evaluate the potential safety risks to the bridge the deficient anchor bolts posed. Both agencies determined that the consequences of not discovering and repairing the non-confirming anchor bolts would have had a minimal impact on the structural integrity of the bridge. Sletten has since made repairs to the bridge to correct the deficiencies. Harris was suspended by the FHWA in October 2011, and Sletten terminated his employment with the company shortly thereafter. The FBI and OIG are conducting the investigation, with assistance from FHWA and ITD.

02.15.2013 [Maryland Man Charged with False Statements for Submitting False Proposal to MARAD Official](#)

On February 15, 2013, in U.S. District Court, Washington, DC, Luis Rodriguez was charged with false statements in conjunction with a contract proposal he submitted to the U.S. Department of Transportation,

Maritime Administration (MARAD). OIG's investigation revealed that Rodriguez submitted a proposal to a MARAD official, under the business name Guardian, for a lucrative contract providing maritime security services to combat Somali pirates attacking private merchant vessels off the African Coast. Throughout the proposal, Rodriguez included numerous false representations concerning Guardian's capacity to carry-out the proposal's mission. For example, Rodriguez indicated that his company could provide a private army of 3,000 men; however, his company did not have any employees, executive officers, or personnel. This case is being investigated with assistance from MARAD.

Note: An indictment, information, and criminal complaint are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

02.14.2013 [Growth of Domestic Airline Code Sharing Warrants Increased Attention](#)

Requested by the Ranking Members of the House Committee on Transportation and Infrastructure and the Subcommittee on Aviation

On February 14, 2013, we issued a report regarding the Office of the Secretary's (OST) and the Federal Aviation Administration's (FAA) oversight of domestic airline code share agreements. The number of code share agreements—in which a mainline air carrier contracts with a smaller regional carrier to provide flights to its hub airports—has grown rapidly in recent years, raising questions about both the oversight and consumer awareness of these agreements. We found that OST and FAA are not required to review most domestic code share agreements. While OST is required to assess the potential economic impacts of certain agreements, the number of agreements that fall under the criteria for review is limited. We also found that some confusion still exists for consumers about which airline is operating their flight because carriers, travel agencies, and advertisers all disclose this information differently. Finally, as a safety regulator, FAA is not required to review any domestic code share agreements and does not voluntarily do so. FAA also does not have specific procedures to advance the Agency's commitment of ensuring an equivalent level of safety between mainline air carriers and their code share partners. Instead, the Agency relies on its oversight of individual carriers to ensure the safe operation of passenger flights. We made five recommendations to enhance OST and FAA monitoring of domestic code share relationships and to increase code share transparency for consumers. In a joint response, OST and FAA concurred with two recommendations and partially concurred with three. We are requesting that the Agencies provide additional information or reconsider their response for two recommendations.

02.14.2013 [Audit Initiated of FAA's Progress in Meeting the NextGen Provisions of the FAA Modernization and Reform Act of 2012](#)

Requested by the Chairmen of the House Transportation and Infrastructure Committee and its Aviation Subcommittee

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) progress in meeting key provisions of the FAA Modernization and Reform Act of 2012. Specifically, we will focus on those provisions related to advancing the Next Generation Air Transportation System (NextGen) and enhancing FAA's management of its modernization efforts. Our audit objectives will be to: (1) assess FAA's progress in meeting the NextGen provisions prescribed in the FAA Modernization and Reform Act of 2012; and (2) identify challenges that may prevent FAA from meeting the provisions of the Act.

02.14.2013 [Audit Initiated of DOT's Use of Management Support Services Contracts](#)

The Office of Inspector General is initiating an audit of DOT's management support services (MSS) contracts. Over the past decade, governmentwide contract spending for management support functions has quadrupled from \$10 billion to \$40 billion, far outpacing the already fast growth in contract spending. As part of the Campaign to Cut Government Waste, OMB announced its goal to reduce contract spending

on management support services by 15 percent by the end of fiscal year 2012. For fiscal year 2011, DOT reported to the Office of Federal Procurement Policy that it obligated over \$1.2 billion in MSS contracts to meet its mission needs. Our objective will be to: (1) assess the steps DOT has taken to reduce MSS contract spending; and (2) determine if DOT and its Operating Administrations have implemented effective controls to maintain reduced spending levels.

02.13.2013 Audit Initiated of the Department of Transportation's (DOT) Consolidated Financial Statements for Fiscal Years 2013 and 2012

The Office of Inspector General (OIG) is initiating an audit of DOT's consolidated financial statements for fiscal years 2013 and 2012 in accordance with the Chief Financial Officers Act of 1990. An independent audit firm, KPMG LLP, will perform the audit—subject to OIG oversight—according to generally accepted Government auditing standards and the Office of Management and Budget's (OMB) audit requirements. The audit report will be delivered to OMB by November 15, 2013.

02.13.2013 Audit Initiated of the Federal Aviation Administration's (FAA) Financial Statements for Fiscal Years 2013 and 2012

The Office of Inspector General (OIG) is initiating an audit of FAA's financial statements for fiscal years 2013 and 2012 in accordance with the Chief Financial Officers Act of 1990. An independent audit firm, KPMG LLP, will perform the audit—subject to OIG oversight—according to generally accepted Government auditing standards and the Office of Management and Budget's (OMB) audit requirements. The audit report will be delivered to OMB by November 15, 2013.

02.13.2013 Audit Initiated of DOT's Information Security Program and Practices for Fiscal Year 2013

Required by the Federal Information Security Management Act of 2002

the Office of Inspector General is initiating its Fiscal Year 2013 audit of the Department of Transportation's (DOT) information security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). Our audit objective is to determine the effectiveness of DOT's information security program and practices.

02.13.2013 Florida Contractor Convicted for Bribery Relating to Programs Receiving Federal Funding

On February 13, 2013, in U.S. District Court, Ft. Lauderdale, Florida, Anthoneel Allen, President and owner, Southeast Underground and Utilities, Inc. (SUU), pled guilty to conspiracy to commit bribery in programs receiving federal funds, highway fraud, mail fraud, extortion under color of official right, tax fraud, and Disadvantaged Business Enterprise (DBE) fraud. On February 1, 2013, James Hashim, former Vice President, SUU, pled guilty to similar charges. The investigation revealed that Allen owned SUU located in Plantation, Florida. SUU installed, repaired and maintained street lights and traffic signals. Prior to 2005, SUU did not have any contracts with the Broward County government or any Broward County municipality. In or about 2005, Allen hired James Hashim to become SUU's Vice President. Hashim worked as an estimator and helped SUU obtain government contracts. Allen admitted that beginning in 2006 through 2010, he and Hashim provided Jihad El Eid more than \$150,000 in cash; a 2003 Ford Taurus; and a job at SUU for El Eid's relative, Wael El Eid, in order to gain favor with Jihad El Eid. In return, Jihad El Eid helped SUU obtain work on significant multi-million dollar projects initiated by the Broward County Traffic Engineering Division, including: the Signalization and Street Light Installation (SSLI) contract, a contract to make installations and repairs of the street lights and traffic equipment in Broward County; the Advanced Transportation Management System Project, a federally-funded project, which required the contractor to install an integrated traffic control system which entailed laying underground cable and conduit in order to synchronize traffic flow within Broward County; and the Video

Detection Contract, which required the contractor to install video detection cameras in various intersections in Broward County in order to improve traffic flow. Jihad El Eid also assisted SUU with billing and specification and inspection matters that resulted in SUU being overpaid by at least \$3,000,000. Allen also admitted that he and Hashim conspired to evade paying federal income and employment taxes on bonuses and payments made by SUU related to the purchase of Hashim's \$1.25 million house in Plantation. Allen also admitted that he filed a fraudulent application on behalf of SUU to have SUU certified as a DBE, which resulted in SUU being awarded—directly or as a subcontractor—approximately 25 contracts from Broward County and other state, county and local governments in Florida based on its fraudulently obtained DBE status, which entitled SUU to receive in excess of \$10,000,000 in government contracts. This investigation is being conducted jointly with FBI and IRS/CID.

02.13.2013 [Florida Department of Transportation Consultant Convicted for Accepting a Bribe](#)

On February 13, 2013, in U.S. District Court, Miami, Florida, Ronald Capobianco, Jr., consultant for the Florida Department of Transportation (FDOT), pled guilty to conspiracy to commit bribery in connection with programs receiving federal funds. Capobianco worked as a construction engineering and inspection consultant at an engineering company, which specialized in the transportation industry. The Florida Department of Transportation (FDOT) contracted with this company to provide services, including designing, inspecting, and troubleshooting the construction of roads, signs, and traffic signals. Because of his position and expertise, Capobianco was consulted as an FDOT expert on certain aspects of signalization and lighting construction, including the use of video detection cameras for traffic signalization and control. In 2009, FDOT began a road construction project along Highway 1 in the Florida Keys (the Marathon Key project, partially funded with federal funds) which was designed to improve traffic flow. Capobianco agreed to accept a bribe from a subcontractor working on this project. In May 2009, an agent of the subcontractor offered Capobianco money if the subcontractor received at least \$25,000 for the installation of the video detection equipment. Capobianco agreed to the subcontractor's \$25,000 estimate for the installation of the video detection devices, thus enabling the subcontractor to make a significant profit. The subcontractor's estimate was approved and subsequently paid by the State of Florida. In May 2009, Capobianco met with an agent of the subcontractor and was paid \$4,000 for his assistance on this project. This investigation is being conducted jointly with FBI and IRS/CID.

02.07.2013 [ARRA Financial & Activity Report - January 2013](#)

On February 7, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of January 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

02.06.2013 [NHTSA's Oversight of Mississippi's Management of Federal Highway Safety Grants Needs Strengthening](#)

Requested by the National Highway Traffic Safety Administration

On February 6, 2013, we issued a final report on the National Highway Traffic Safety Administration's (NHTSA) Oversight of Mississippi Highway Safety Grants. We found that Mississippi had problems complying with certain grant requirements and had weak financial management controls. Specifically, MOHS did not administer alcohol-impaired driving transfer funds in accordance with Federal requirements, resulting in ineligible enforcement activities and improper payments to sub-grantees for activities not directly related to alcohol-impaired driving. We also found that while NHTSA identified needed corrective actions, it lacks agency guidance on how and when to invoke its high-risk designation, or when to use remedies and sanctions against States for lack of compliance with Federal grant

regulations. NHTSA agreed with our four recommendations for improving its oversight and working with the State of Mississippi on specific issues.

02.04.2013 [New Hampshire Man Pleads Guilty for Falsely Obtaining Surety Bonds](#)

On February 4, 2013, _____ owner of Engelwood Construction Company., Inc., pled guilty for falsely obtaining surety bonds in connection with contracts administered by the State of New Hampshire. _____ knowingly caused a Certified Public Accountant to prepare a false year-end financial statement which was used to induce bond companies to issue bonds to Engelwood. He was indicted in May 2012. OIG's investigation was predicated on _____ Engelwood Construction allegedly submitting false certified payrolls to a prime contractor on a federally funded New Hampshire DOT contract. During the course of the investigation, OIG uncovered the false surety bond issue. _____ sentencing is scheduled for May 21, 2013.

02.01.2013 [Former Carson Helicopter Executive Indicted for Fraud and Endangering the Safety of Aircraft in Flight](#)

On February 1, 2013, Steven Metheny, of Central Point, Oregon, and Levi Phillips, of Grants Pass, Oregon, were indicted by a federal grand jury in Medford, Oregon, for their respective roles in falsifying documents pertaining to a Sikorsky S-61N helicopter, tail number N612AZ, owned and operated by Carson Helicopters Services, Incorporated (Carson). Metheny was a former Vice President of Carson, and Phillips was the former Director of Maintenance and reported directly to Metheny. Both Metheny and Phillips were charged with conspiracy to defraud the United States Forest Service (USFS) involving contracts awarded to Carson in 2008, for helicopter services in firefighting operations. Metheny was also charged with mail and wire fraud, making false statements to the USFS, endangering the safety of aircraft in flight, and theft from an interstate shipment. On December 4, 2008, the National Transportation Safety Board (NTSB) briefed OIG regarding its ongoing safety investigation of the Carson helicopter crash. NTSB advised that the helicopter crashed while performing contracted firefighting services for the USFS. One of the crash victims was a USFS employee. NTSB's safety investigation of the crash raised allegations regarding Carson's falsification of documents pertaining to N612AZ, which included weight and balance sheets and performance charts that enable a pilot to make accurate maximum payload calculations. The investigation determined that Carson submitted falsified and/or altered documents to the USFS as a part of its bid package, which included an altered FAA-approved performance chart and weight and balance charts. The USFS subsequently awarded Carson firefighting contracts valued in excess of \$20 million dollars in mid-2008. Carson pilots then relied on these altered and/or falsified documents when determining their helicopter maximum payload calculations. The USAO in Medford, Oregon, is prosecuting this case.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



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03.27.2013 [Improvements to DOT's Governance Processes Are Needed To Enhance Oversight of Major IT Investments](#)

Self-Initiated

On March 27, 2013, we issued our final report on DOT's governance processes for its major information technology (IT) investments. We assessed whether: (1) DOT's investment governance practices meet Federal and statutory investment oversight requirements and best practices; and (2) FAA and DOT provide sufficient oversight of FAA's major IT investments. We found that DOT's investment oversight practices do not fully meet Office of Management and Budget requirements or DOT's policies. For example, DOT does not have an active Investment Review Board or supporting boards to provide a comprehensive management framework for its major IT investments. Also, FAA and DOT face challenges in providing sufficient oversight of FAA's major IT investments. For example, FAA's Joint Resources Council has a comprehensive framework for investment governance, yet the Agency does not always follow the JRC's approval and oversight processes. Until DOT and FAA address these shortfalls, their ability to effectively manage major acquisitions and make well-informed investment management decisions remains at risk, as does the Department's ability to reap the benefits that accompany sound IT investment management and oversight strategies. We made eight recommendations to improve DOT's and FAA's oversight of major IT investments. The Department concurred with all eight recommendations and stated that they have already implemented corrective actions for two recommendations, as of March 12, 2013. For the other six recommendations DOT provided sufficient planned actions with reasonable target dates.

03.27.2013 [Amtrak's New Cost Accounting System Is a Significant Improvement But Concerns Over Precision and Long Term Viability Remain](#)

Required by the Passenger Rail Investment and Improvement Act of 2008

On March 27, 2013, we issued a report on the results of our audit of Amtrak's Performance Tracking (APT) system. Implemented in 2010, APT, Amtrak's new cost accounting system, allows Amtrak to capture and report on its financial performance by route, line of business and major activity as required by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). While APT is a significant improvement over its predecessor, implementation problems and heavy reliance on cost allocation have affected the timeliness and precision of its reports. Moreover, its highly customized design will make APT costly to maintain, raising concerns regarding its long-term utility. Finally, while not yet implemented, the avoidable cost methodology that FRA developed to determine the cost savings from a route's discontinuation has significant limitations that would substantially reduce the value of estimates provided to Amtrak and Congress of the savings that could result from eliminating that route.

03.26.2013 [FHWA Provides Sufficient Guidance and Assistance To Implement the Highway Safety Improvement Program but Could Do More To Assess Program Results](#)
Self-Initiated

On March 26, 2013, we issued a report on the Federal Highway Administration's (FHWA) Highway Safety Improvement Program (HSIP). We found that FHWA provides sufficient guidance and assistance to the States to implement HSIP. We also found that FHWA conducts limited evaluations of State reported HSIP data to report on the program's impact. We made two recommendations to FHWA to strengthen HSIP. FHWA concurred with both of our recommendations.

03.26.2013 [Pennsylvania Man Convicted in False Aircraft Inspection Scheme](#)

On March 26, 2013, Joel Stout, of Elizabethtown, Pennsylvania, pleaded guilty in U.S. District Court, Philadelphia, Pennsylvania, to conspiracy and mail fraud related to his participation in a fraud involving unauthorized aircraft inspections and repairs at Flying Tigers, Inc., a former airplane repair business in Marietta, Pennsylvania. Stout's father, Jay Stout, the president of Flying Tigers, Inc., and Howard Gunter, a retired FAA examiner, were also previously charged in the scheme. Joel Stout admitted that between October 2006 and October 2009, Flying Tigers charged customers for annual aircraft inspections that were either not performed by FAA certified mechanics, or were not performed at all. Joel Stout further admitted that Flying Tigers officials prepared fraudulent certifications and forged signatures of an unsuspecting certified inspector who had not performed the inspections. The fraud also included billing customers for the inspections that were not properly certified. Stout furthered the scheme by mailing invoices for the fraudulently performed inspections and receiving payments from customers. The five year transportation safety investigation revealed that the defendants routinely altered airframe and engine logbooks and made false entries in the log books to conceal their actions. Flying Tigers conducted more than 75 questionable aircraft inspections between 2006 and 2009. We are conducting this investigation jointly with the FAA.

03.25.2013 [DOT Has Opportunities To Address Key Risk Areas For Phase 2 of the Dulles Corridor Metrorail Project Upon Approval of Federal Financing](#)
Requested by Representatives Frank R. Wolf and Tom Latham

On March 20, 2013, we issued a report on DOT's oversight of Phase 2 of the Dulles Corridor Metrorail project. Our audit found that DOT has not fully developed an oversight strategy for Phase 2 because the local funding partners—MWAA and Fairfax and Loudoun Counties—have yet to receive approval of Federal credit assistance for the project. Until Federal credit assistance is approved, there are no obligated Federal dollars to oversee. Therefore, we cannot yet determine if DOT's oversight of Phase 2 will be sufficient. Further, our assessment of Dulles Toll Road revenue estimates suggests that the assumptions MWAA used to arrive at the estimates are generally reasonable. We are not making recommendations at this time because it is premature to do so until the project is approved for Federal credit assistance. However, several lessons learned from our past audits could be instructive as DOT finalizes its oversight strategy.

03.25.2013 [Audit Initiated of New Participants in FAA's Airport Disadvantaged Business Enterprise Program](#)
Required by the FAA Modernization and Reform Act of 2012

The Office of Inspector General (OIG) is initiating an audit of new participants in the Federal Aviation Administration's (FAA) Airport Disadvantaged Business Enterprise (DBE) program. The FAA Modernization and Reform Act of 2012 requires OIG to report annually from 2013 to 2015 on new DBE participation at the Nation's large and medium hub airports, and to identify reasons why some airports have been more successful than others at hiring new DBEs. Accordingly, our objectives will be to

determine: (1) the number of new and existing DBE firms hired at the Nation's large- and medium-sized airports in 2012; and (2) what factors led some airports to award more contracts to new DBE firms.

03.21.2013 [President and Owner of a New York-based DBE Contractor Pleads Guilty](#)

On March 21, 2013, Yona Jimenez, a/k/a "Yona J. Bocchino", the president and owner of Global Marine Construction Supply (GMCS), a certified DBE, pled guilty in United States District Court, White Plains, New York, to mail fraud. On October 6, 2011, Jimenez was charged for her role as a pass-through disadvantaged business enterprise (DBE) purporting to provide structural steel on the FHWA-funded Cross Westchester Expressway Project. Between approximately June 2006 and October 2009, the general contractor claimed that GMCS had been awarded a subcontract valued over \$6 million to supply structural steel to reconstruct bridges, although another company (a non-DBE) actually supplied the steel. The general contractor then claimed credit for the "services" provided by GMCS towards meeting its DBE goal. GMCS was paid approximately 1% of the subcontract value as a commission. Jimenez was arrested on May 4, 2011, in connection with the above conduct. We are conducting this investigation jointly with the NYS-Metropolitan Transportation Authority OIG, and the Port Authority of New York and New Jersey OIG.

03.15.2013 [Wife of Former VRE Employee Sentenced to 6 Months Home Confinement for Concealing More than \\$200,000 in Bribes](#)

On March 15, 2013, Angela Jannell, of Fredericksburg, Virginia, was sentenced in U.S. District Court, Alexandria, Virginia, to 6 months of home confinement, one year of supervised release and 40 hours of community service for concealing that her husband took more than \$200,000 in bribes to ensure a Virginia Railway Express (VRE) subcontractor would be retained by VRE. VRE is a grantee of the U.S. Department of Transportation that receives millions of dollars each year to help improve passenger and freight rail service. Our investigation revealed that from 2003 and continuing through March 2012, Jannell's husband accepted as much as \$4,000 per month in return for giving favorable evaluations that would ensure an individual and this person's company would be retained as a subcontractor for VRE. Jannell was aware of this arrangement. Her husband concealed the bribes by sending monthly invoices to the subcontractor from a fraudulent company and falsely billing the company for services that were never rendered. Jannell signed the paperwork to create the fraudulent company for which she was the President. Jannell's husband was responsible for oversight of VRE landscaping contracts and maintenance of VRE stations and facilities. The total amount of bribes paid was between \$200,000 and \$400,000. Jannell used the money to pay for household bills and expenses. We are conducting this investigation jointly with the Federal Bureau of Investigation.

03.14.2013 [Audit Initiated of DOT's Oversight of Long, On-Board Flight Delays](#) *Required by the FAA Modernization and Reform Act of 2012*

The Office of Inspector General plans to initiate an audit on long, onboard airline flight delays. The Federal Aviation Administration (FAA) Modernization and Reform Act of 2012 requires our office to assess the impact of flight delays and cancellations on air travelers. Accordingly, we plan to review the Department of Transportation's oversight of airlines' and airports' compliance with contingency plans and other requirements relating to long, on-board flight delays.

03.14.2013 [Top Management Challenges Facing the Department of Transportation](#) *Requested by House Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, Chairman Latham and Ranking Member Pastor*

On March 14, 2013, the Inspector General testified before the House Committee on Appropriations, Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, on the top

management challenges facing the Department of Transportation. The Inspector General focused on three cross-cutting areas: (1) enhancing aviation and surface safety; (2) ensuring effective stewardship of the Department's resources; and (3) effectively implementing transportation infrastructure programs.

03.14.2013 [DOT's FY 2012 Improper Payment Reporting Generally Complies With IPERA](#)
Required by the Improper Payments Elimination and Recovery Act of 2010

On March 14, 2013, we issued our report on DOT's improper payment reporting under the Improper Payments Elimination and Recovery Act (IPERA). Our objectives were to determine whether: (1) the improper payment information reported in DOT's fiscal year 2012 Annual Financial Report was accurate; and (2) DOT complied with IPERA's requirements. We found that DOT both accurately reported improper payment information in its fiscal year 2012 Annual Financial Report (AFR) and complied with IPERA, with some exceptions. We made two recommendations to assist the Department in its IPERA reporting. DOT agreed to provide a written response after receiving our final report.

03.13.2013 [Follow-Up Audit Initiated on DOT's Suspension and Debarment Program](#)
Self-Initiated

The Office of Inspector General is conducting a follow-up audit of the Department of Transportation's (DOT) Suspension and Debarment (S&D) Program. Suspension and debarment actions are among the Government's strongest tools to deter unethical and unlawful use of Federal funds. In January 2010, we reported that DOT's S&D program lacked sufficient internal controls to exclude prohibited parties from obtaining contracts and grants. DOT took corrective actions to improve its S&D policies and procedures. However, recent work continues to show delays in S&D decision making and raises concerns that DOT may not be sustaining its earlier improvements in S&D decision making and reporting. Given the importance of S&D, our audit objective is to determine if DOT suspends or debars prohibited parties and reports S&D activities in governmentwide tracking systems timely and accurately.

03.13.2013 [Audit Initiated of DOT's Price Reasonableness Reviews of Fixed-Price Contracts](#)
Self-Initiated

The Office of Inspector General is initiating an audit on the Department of Transportation's (DOT) methods and practices to determine price reasonableness prior to awarding fixed-price contracts. Since 2011, DOT has obligated \$2.1 billion annually in fixed-price contracts for goods and services to build and support a transportation system that meets national interests. According to the Federal Acquisition Regulations (FAR), agencies are to perform a fair and reasonable price determination—or price reasonableness review—prior to awarding a fixed-price contract. Our objective is to determine the extent to which and how DOT and its Operating Administrations obtain, perform, and use pre-award price reasonableness reviews to establish fair and reasonable prices on fixed-price contracts.

03.08.2013 [Co-owner of a New Jersey Based Trucking Company Pleads Guilty to Embezzlement Scheme](#)

On March 8, 2013, Gerardo (Jerry) Fusella pled guilty in U.S. District Court, Brooklyn, New York, to conspiracy to embezzle monies that were due to workers' benefits/pension plans. On December 21, 2011, brothers Vincent and Gerardo Fusella, co-owners and operators of Fusella Group LLC. (FUSELLA), a New Jersey-based trucking company, were indicted by a federal Grand Jury in New York, New York. The Fusellas were charged with conspiracy, mail/wire fraud, filing false tax returns, embezzlement of union benefit funds, and false statements on projects receiving Federal Transit Administration (FTA) grant funds. It was alleged that between approximately 2007 and 2009, the Fusellas engaged in a series of fraud schemes in connection with its subcontract work on the Port Authority New York New Jersey (PANYNJ) World Trade Center Transportation Hub project (WTC Hub Project). The Fusellas operated a

company, Alpine Investment Group, and were alleged to have underreported the number of hours their employees trucked; hide driver's hours from the union; and failed to collect and pay to the IRS certain payroll taxes. The Fusellas were also alleged to have submitted false certified payrolls to the PANYNJ stating that they were paying the prevailing wage and fringe benefits to employees as required by the Davis Bacon Act. The plea agreement requires Fusella to forfeit \$970,755 to the government. The FTA has committed in excess of \$2.2 billion on the WTC Hub project. We are investigating this case jointly with the U.S. Department of Labor, OIG.

03.08.2013 Former Dallas County Deputy Sentenced to 3 Years of Community Supervision and \$2500 Fine

On March 8, 2013, Johnny Quarles, former Dallas County Deputy Sheriff, was sentenced in Dallas County Criminal Court, Dallas, Texas, in conjunction with his plea to tampering with governmental records. Quarles was sentenced to three years of community supervision and was ordered to pay a \$2,500 fine, \$240 in court costs, and \$2,232 in community supervision fees. Quarles was also ordered to surrender his Texas police officer's license. Quarles is one of three deputies who was indicted in Dallas County for submitting overtime reimbursement requests containing false information as to the times worked and number of traffic citations issued in 2009, 2010 and 2011 while working overtime under the Selective Traffic Enforcement Program (STEP), which is funded through a NHTSA grant. During this investigation, Dallas County has repaid \$214,030 in ineligible costs to NHTSA. We are conducting this investigation jointly with the Dallas County Sheriff's Office, with assistance from NHTSA and the Texas Department of Transportation.

03.07.2013 ARRA Financial & Activity Report - February 2013

On March 7, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of February 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

03.07.2013 Audit Initiated of DOT's Oversight of Hurricane Sandy Relief Funds

Required by the Disaster Relief Appropriations Act of 2013

In October 2012, Hurricane Sandy caused widespread damage in the mid-Atlantic and the northeastern United States, particularly to the area's transportation infrastructure. The Disaster Relief Appropriations Act of 2013 (DRAA) designated more than \$13 billion for infrastructure investments across several modes of transportation and funds for our office to oversee DOT's administration of the relief funds. To comply with the DRAA, we are initiating a series of audits using a three-phase strategy: Phase 1 will be a proactive scan of risks and challenges associated with the Federal Transit Administration's (FTA) Emergency Relief Program for Sandy relief; Phase 2 will be an evaluation of how the Department has executed Sandy relief awards and addressed the risks identified in Phase 1; and Phase 3 will be a series of Sandy relief post-award and oversight audits based upon significant risks that emerged during Phases 1 and 2. The objective for Phase 1 is to provide an early assessment of FTA's readiness, processes, and procedures to meet DRAA's legislative and regulatory requirements, including FTA's planning efforts to implement its new Emergency Relief Program. We will develop specific audit objectives for the second and third review phases as our work progresses.

03.05.2013 [Top Ten OIG Recommendations for the U.S. Department of Transportation](#)

House Committee on Oversight and Government Reform, Chairman Issa and Ranking Member Cummings

On March 5, 2013, the Inspector General testified before the House Committee on Oversight and Government Reform on the Office of Inspector General's top 10 recommendations for the Department of Transportation. The Inspector General focused on how the 10 highest priority open recommendations will impact the Department's ability to: (1) ensure effective stewardship of the Department's resources; (2) effectively implement transportation infrastructure programs while protecting investments in these programs; and (3) enhance aviation and surface safety.

03.05.2013 [Eight Charged in a Moving Company Scheme in Santa Clara County, California](#)

On March 5, 2013, a grand jury in Santa Clara County, California, charged eight individuals who owned and/or were employed by ASAP Relocations, Incorporated (ASAP), San Jose, California, for their respective roles in a scheme to defraud customers who had hired ASAP to move their household goods. The individuals charged were: Roni Hayon, ASAP owner and Chief Executive Officer; Adii Therese Karter, Hayon's wife; Wayne Allen, ASAP Sales Manager; Adalinda Reyna-Mendoza, ASAP Customer Service and Dispatch Manager; Elazar Nisanov, ASAP Foreman; Moaz Kadesh, ASAP Foreman and Office Manager; Ido Or, ASAP Foreman and Office Manager; and Noam Israeli, ASAP Foreman and Office Manager. The charges include conspiracy to commit grand theft, extortion, money laundering, tax fraud, and filing false employment tax returns. OIG has participated in several operations in conjunction with investigations of household goods moving companies with numerous complaints against them for holding customers' goods hostage until illegally inflated charges were paid. In January 2010, an OIG agent arranged for a move with ASAP from Nevada to California and received a telephone quote of \$1,461. After the goods were loaded, the agent was informed that the move would cost \$3,138, more than twice the original quote. Of the \$1,677 in overages, \$900 was for packing materials. We are investigating this case jointly with the Santa Clara District Attorney's Office, Monterey County District Attorney's Office, the Alameda County District Attorney's Office, and the Federal Bureau of Investigation.

Note: An indictment, information, and criminal complaint are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



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04.30.2013 [Audit Initiated of Improper Payment Oversight of FHWA ARRA Programs](#) *Self-Initiated*

The Office of Inspector General is initiating an audit of the Federal Highway Administration's (FHWA) prevention and detection of improper payments in its American Recovery and Reinvestment Act (ARRA) programs. The Improper Payments Information Act of 2002 makes Federal agencies accountable for preventing and detecting improper payments within their programs. The more recent Improper Payment Elimination and Recovery Act, (2010) requires identification and estimation of improper payments. The Department of Transportation has identified FHWA's Federal-aid Highway Programs as susceptible to significant improper payments. Our audit objective is to evaluate whether FHWA has adequate internal controls to prevent and detect improper payments to ARRA grant recipients.

04.26.2013 [Commercial Pilot Convicted for Flying an Aircraft While Under the Influence of Alcohol](#)

On April 26, 2013, Paul Roessler, FAA certified commercial pilot, was convicted in a jury trial in United States District Court, Spokane, Washington, for flying an aircraft while under the influence of alcohol. In April 2012, we received a referral from the Federal Aviation Administration (FAA) when Roessler was suspected of flying under the influence of alcohol. Roessler failed to establish contact with the FAA's Seattle Air Route Traffic Control Center (ARTCC), and lined up for the wrong runway on approach. The Spokane Airport police administered a breathalyzer test to Roessler, which resulted in a reading of .109 alcohol concentration, more than twice the legal alcohol concentration limit of .04. We are investigating this case with the assistance of FAA.

04.24.2013 [Florida Contractor Convicted for Bribery Relating to Programs Receiving Federal Funding](#)

On April 24, 2013, Anthoneel Allen, President and owner, Southeast Underground and Utilities, Inc. (SUU), and James Hashim, former Vice President, SUU, were sentenced in U.S. District Court, Fort Lauderdale, Florida, for conspiracy to commit bribery in programs receiving federal funds, highway fraud, mail fraud, extortion, and tax fraud. Allen received a sentence of 60 months imprisonment, three years of supervised release, and a \$15,000 fine. Hashim received a sentence of 36 months imprisonment, three years of supervised release, and a \$15,000 fine. Additionally, both defendants were ordered to jointly forfeit \$3 million. The investigation revealed that from fall 2006 through 2010, Allen and Hashim provided Jihad El Eid, former Director, Broward County Traffic Engineering Division, at his request, more than \$150,000 in cash; a 2003 Ford Taurus; and a job at SUU for Wael El Eid, Jihad's relative. In return, Jihad El Eid allegedly helped SUU obtain work on multimillion dollar projects initiated by Broward County Traffic Engineering Division--part of a larger federally funded project. The investigation disclosed that Jihad El

Eid assisted SUU's overpayment of at least \$3 million. In addition, Allen, on behalf of SUU, filed a fraudulent application to have SUU certified as a DBE, resulting in the award of approximately 25 fraudulent contracts and subcontracts to SUU in excess of \$10 million. We are investigating this case jointly with the FBI and IRS-CI.

04.23.2013 Weaknesses in the Department's Disadvantaged Business Enterprise Program Limit Achievement of Its Objectives

Self-Initiated

On April 23, 2013, we issued our final report on the Department of Transportation's (DOT) administration of its Disadvantaged Business Enterprise (DBE) Program. We assessed whether (1) the Department provides adequate DBE program management, (2) DOT's Operating Administrations and recipients sufficiently oversee and implement the DBE program, and (3) the Department achieves its program objective to help develop DBEs to succeed in the marketplace. Our audit found that the Department does not provide effective program management for the DBE program. Specifically, the Department has not issued comprehensive, standardized DBE guidance; provided sufficient training to the recipients responsible for implementing the program; or established a single line of accountability for the program. In addition, the Operating Administrations and recipients do not adequately oversee or implement the DBE program. We identified weak DBE certification and contract oversight practices at States, which increase the risk that ineligible firms will be certified as DBEs. Finally, the Department has limited success in achieving its program objective to develop DBE firms to succeed in the marketplace, as we found that most certified DBEs never receive work on Federal projects. We made eight recommendations to the Office of the Secretary (OST) to enhance DOT's DBE program management and oversight. OST concurred with three and partially concurred with five recommendations. We are requesting that OST provide clarification or additional information for six recommendations. We are also requesting more timely completion dates for two recommendations.

04.23.2013 Frenchman Using Fake ID and Uniform Charged for Entering USAIR Cockpit

On April 23, 2013, the United States Attorney's Office (USAO), Philadelphia, Pennsylvania, filed an information charging Philippe Jeannard with fraud in connection with his use of a false Air France identification badge and pilot's uniform to board a US Airways aircraft and enter the cockpit during the pre-flight checks. Upon arrival at PHL in a pilot's uniform, Jeannard allegedly requested an upgrade to first class on US Airways Flight 1935 destined to West Palm Beach, but was denied because no seats were available. Upon entering the aircraft during passenger boarding, Jeannard made his way into the cockpit to introduce himself to the pilots under the guise of being a pilot for Air France. While in the cockpit, Jeannard allegedly identified himself as an Air France Boeing 747 pilot. While conducting pre-flight checks, the gate attendant who denied him a first class upgrade noticed Jeannard occupying the jump seat within the cockpit. The Federal Aviation Regulations (FAR) regulate who may enter the cockpit of a commercial aircraft and Jeannard failed to meet those requirements. However, he had gained access using a badge he had created by affixing a once legitimate Air France identification number and his picture on an Air France identification badge. The flight attendant advised him that if he intended to occupy the jump seat during the flight, he would have to return to the ticket counter and complete security paperwork. At that point, the pilot instructed Jeannard to take his ticketed seat in coach. Upon making his way to his ticketed seat, Jeannard became disruptive and verbally abusive to the flight attendant and gate attendant and ultimately was escorted off the aircraft.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

04.23.2013 Foreman Indicted for False Statements Related to a \$43M Bridge Painting Contract in Philadelphia

On April 23, 2013, Daniel Prodelick, aka Wederson Roberto, a foreman for a bridge painting contractor in Philadelphia, was charged in U.S. District Court, with making a false statement and misuse of a social security number. In April 2011, the Pennsylvania Department of Transportation (PENNDOT) awarded a \$42.7 million DOT-funded prime contract to the Hercules Painting Company and Vimas Painting Company Joint Venture (HVJV) for the painting and restoration of the George Platt Bridge in Philadelphia. After entering the US illegally, Prodelick allegedly created the false identity and made false statements by submitting his fraudulent name and social security number in order to obtain employment with HVJV. The investigation determined that Prodelick then caused HVJV to submit required certified payroll reports to FHWA and PENNDOT that contained the apparent false name and social security numbers of Prodelick and numerous other workers he recruited on the project. In August 2012, Prodelick fled after learning that agents conducted search warrants at the HVJV project trailer in Philadelphia. In March 2013, Prodelick was apprehended in Newark, New Jersey. Prodelick was arrested and is being detained in Philadelphia. We are investigating this case with the FBI, Department of Labor (DOL)-OIG; Homeland Security Investigations; Social Security Administration-OIG; Internal Revenue Service-CID; Environmental Protection Agency-CID; DOL-Employee Benefits Security Administration; and DOL-Wage and Hour Division.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

04.22.2013 Philadelphia Resident Sentenced to Jail for Fake Bomb Threat at Airport

On April 22, 2013, Kenneth W. Smith was sentenced in US District Court, Philadelphia, Pennsylvania, in connection with his plea to calling in a hoax regarding the presence of explosives to airport authorities in September 2012. The Court sentenced Smith to 15 months incarceration and ordered him to pay restitution of \$17,390, and to serve 300 hours of community service. Smith admitted that on September 6, 2012, he contacted the Philadelphia Police and falsely reported that a US Airways passenger en route to Texas possessed an explosive material with the intent to pass through security and board the aircraft. By the time the alleged false report was received, the aircraft had departed. FAA air traffic controllers rerouted the flight in question back to PHL where the passenger was removed from the aircraft, searched, and questioned. No explosive materials were found. The paid restitution will be distributed among USAir and the on board passengers. We investigated this case jointly with the Bureau of Alcohol, Tobacco and Firearms, the Federal Bureau of Investigation, the Philadelphia Police Department, and the Department of Homeland Security.

04.18.2013 The Federal Aviation Administration's Fiscal Year 2014 Budget Request: Key Issues Facing the Agency

Requested by the Senate Appropriations Subcommittee on Transportation, Housing, and Urban Development

On April 18, 2013, the Inspector General testified before the Senate Appropriations Subcommittee on Transportation, Housing, and Urban Development regarding the Federal Aviation Administration's (FAA) fiscal year 2014 budget. The Inspector General focused on three challenges that FAA faces as it works to meet its mission in a restricted budget environment: (1) more effectively managing its workforce, (2) effectively managing its implementation of modernization programs and protecting its airport investments, and (3) continuing efforts to ensure the safety of the NAS. Specifically, the Inspector General noted that FAA has opportunities to improve the management of its workforce—the Agency's largest cost driver—by

strengthening its controller training program, revising its controller staffing and scheduling practices, and effectively allocating its safety inspectors. FAA's second major challenge is protecting its multibillion-dollar investment in NextGen and other infrastructure improvements. This will require FAA to set priorities and establish sound management strategies to achieve near- and long-term benefits, enhance its contract oversight, and prevent misuse of airport revenue and grant funds. Finally, the Inspector General stressed that FAA's top priority remains ensuring the continued safety of the NAS. FAA's safety challenges include collecting and analyzing data to prevent air traffic controller operational errors, addressing the rise in runway incursions, implementing the remaining provisions of the Airline Safety Act, safely integrating unmanned aircraft systems into the NAS, and using safety data from air carriers to mitigate risks

04.18.2013 [ARRA Lessons Learned: Opportunities Exist for FAA To Further Improve Its Oversight of Airport Grant Payments](#)

Self-Initiated

On April 18, 2013, we issued a report on the Federal Aviation Administration's (FAA) oversight of airport grants funded by the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA injected an unprecedented \$1.1 billion into FAA's Airport Improvement Program (AIP) grants program and established tight timeframes for distributing funds, emphasizing preference for projects that could be completed in 2 years. ARRA also called for an unprecedented level of oversight to prevent improper payments and misuse of Federal funds. However, we found that FAA's oversight process was not sufficient to prevent or detect more than \$1.4 million in improper payments (i.e., payments that were ineligible or insufficiently documented) for ARRA-funded work. These improper payments occurred in part because FAA over-relies on grantees to ensure their payment requests are accurate and supported. In addition, we found that FAA's oversight also did not ensure that some airport expenditures fully met ARRA and AIP requirements. Shortfalls included allowing some grantees to (1) use ARRA funds to cover prior year work, (2) inappropriately mix ARRA and AIP funds, (3) accept single bids for projects without conducting cost comparisons, (4) inaccurately describe scope in project documents, and (5) not maintain sufficient records of ARRA-funded work. Our findings and recommendations highlighted opportunities to learn lessons from ARRA and further improve FAA's grant oversight, and the Agency is revising its policies and procedures to achieve these improvements. FAA concurred with two of our recommendations and partially concurred with five. We are requesting that FAA provide additional information or reconsider its response for four recommendations.

04.18.2013 [Former Florida Department of Transportation Employee Sentenced to Federal Prison](#)

On April 18, 2013, Tina Marie Pollard, a former Florida Department of Transportation (FDOT) employee, was sentenced to serve three years and three months incarceration. She was also ordered to pay restitution to the State of Florida in the amount of \$242,981.25; forfeit \$30,000 in bribe money she received; and fined a special assessment of \$200. Upon release from prison, Pollard will serve two years of supervised release and perform 25 hours of community service. As part of a plan to widen 20 miles of Interstate 4, FDOT purchased property in 2006 that MLA Furniture rented in Orlando. The right-of-way property was procured with Federal and State grant funds. Pollard worked out of FDOT's DeLand office as a right-of-way agent whose job was to help relocate people and businesses displaced by transportation projects. In return for receiving \$30,000, Pollard conspired with MLA to process fictitious claims representing that MLA Furniture had applied for reimbursement of relocation expenses, even though MLA had not incurred any expenses. The investigation determined that Pollard deposited the funds into her personal bank account. We are investigating this case jointly with the FDOT Office of Inspector General.

04.17.2013 [Audit Initiated of NTSB's Financial Statements for Fiscal Years 2013 and 2012](#)

The Office of Inspector General (OIG) is initiating an audit of the National Transportation Safety Board's financial statements for fiscal years 2013 and 2012 in accordance with the Accountability of Tax Dollars Act of 2002. An independent audit firm, Leon Snead and Company, PC, will perform the audit—subject to OIG oversight—according to generally accepted Government auditing standards and the Office of Management and Budget's (OMB) audit requirements. The audit report will be delivered to OMB by November 15, 2013.

04.17.2013 [FRA Is Nearing Completion of Rules Required by the Rail Safety Improvement Act, but Needs to Improve Oversight](#)

Self-Initiated

On April 17, 2013, we issued a report on the Federal Railroad Administration's (FRA) progress in implementing the Rail Safety Improvement Act of 2008 (RSIA). Congress passed RSIA in response to several high profile accidents between 2002 and 2008. RSIA requires FRA to undertake several wide-ranging tasks that broaden its safety responsibilities. Among these new responsibilities are requirements that the Agency issue 17 rules to improve railroad safety. We found that FRA has issued 8 of the 17 RSIA-required rules and has made progress on finalizing the remaining 9. However, weaknesses in FRA's planning for its rulemaking work delayed rule issuance. We also found that FRA did not provide its oversight staff with the guidance, training, and supervision required to oversee compliance with certain RSIA rules. We made six recommendations to improve FRA's rulemaking process and strengthen the Agency's oversight of railroad safety. FRA concurred or partially concurred with all six recommendations.

04.17.2013 [Jacksonville Man Pleads Guilty for Shining a Laser Light at a Police Helicopter](#)

On April 17, 2013, Tyler Pennywitt, pleaded guilty in United States District Court, Jacksonville, Florida, to knowingly shining a laser light at a Jacksonville Sheriff's Office (JSO) helicopter on June 4, 2012. The FAA Modernization and Reform Act of 2012 modernizes the nation's aviation system and establishes a new criminal offense for aiming the beam of a laser pointer at an aircraft, or at the flight path of an aircraft. The statute was enacted in response to a growing number of incidents of pilots being distracted or even temporarily blinded by laser beams. We are investigating this case with the assistance of the JSO and the Federal Aviation Administration.

04.16.2013 [FAA's Progress and Challenges in Advancing Safety Oversight Initiatives](#)

Requested by the Senate Committee on Commerce, Science, and Transportation

On April 16, 2013, the Assistant Inspector General for Aviation and Special Programs testified before the Senate Committee on Commerce, Science, and Transportation regarding the Federal Aviation Administration's (FAA) progress and challenges in implementing safety oversight initiatives. The Assistant Inspector General focused on FAA's (1) need for comprehensive data collection and analysis to enhance the safety of air traffic operations; (2) need to strengthen its risk-based oversight approach for repair stations and manufacturers; and (3) progress and challenges with implementing mandated safety requirements. Specifically, the Assistant Inspector General noted that, to reduce the risk of safety incidents such as air traffic controller operational errors, pilot deviations, wildlife strikes, and runway incursions, FAA needs to refine its processes for collecting data and analyzing root causes. In addition, the Assistant Inspector General described FAA's challenges with establishing a risk-based oversight system for repair stations and aircraft manufacturers, as well as effectively determining how many inspectors it needs and where. Finally, the Assistant Inspector General noted that despite commendable progress on implementing key elements of the Airline Safety Act, FAA continues to be challenged with meeting provisions for improved pilot training, qualification, and screening requirements, as well as advancing safety initiatives at smaller carriers.

04.15.2013 [Quality Control Review on the San Francisco Bay Area Rapid Transit District](#)

On April 15, 2013, we issued a quality control report on a single audit issued by the Macias Gini & O'Connell LLP (MGO) on the San Francisco Bay Area Rapid Transit District's use of U.S. Department of Transportation's grants for the fiscal year ending June 30, 2011. During this period, the District expended more than \$111 million from DOT's grant programs. The DOT program determined to be major by MGO was the Federal Transit Cluster. We determined that MGO's audit work was Acceptable with a Deficiency, and therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that MGO's opinion on DOT's major program was inappropriate or unreliable.

04.15.2013 [Quality Control Review on the Greater Cleveland Regional Transit Authority](#)

On April 15, 2013, we issued a quality control report on a single audit issued by the Ciuni & Panichi, Inc (C&P) on the Greater Cleveland Regional Transit Authority's use of U.S. Department of Transportation's grants for the fiscal year ending December 31, 2011. During this period, the Authority expended more than \$51 million from DOT's grant programs. The DOT program determined to be major by C&P was the Federal Transit Cluster. We determined that the C&P's audit work, was Acceptable with a Deficiency, and therefore, generally met the requirements of the Single Audit Act, OMB Circular A-133, and DOT's major program. We found nothing to indicate that C&P's opinion on DOT's major program was inappropriate or unreliable.

04.09.2013 [Audit Initiated of the Costs and Controls Associated With the 2012 FAA/NATCA Collective Bargaining Agreement](#)

Self-Initiated

The Office of Inspector General plans to conduct an audit of the 2012 Collective Bargaining Agreement (CBA) extension between the Federal Aviation Administration (FAA) and the National Air Traffic Controllers Association. We plan to (1) identify provisions of the 2012 CBA extension that put FAA at risk of unanticipated costs and (2) assess the effectiveness of FAA's policies, procedures, and internal controls in preventing cost escalations.

04.05.2013 [ARRA Financial & Activity Report - March 2013](#)

On April 5, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of March 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

04.01.2013 [FAA Mechanic Sentenced for Theft of his FAA Issued Tools](#)

On April 1, 2013, Perry Morrison, a mechanic employed by the Federal Aviation Administration (FAA), was sentenced in Oklahoma City District Court to a 5 year deferred sentence, 24 months of supervised release, and 80 hours of community service. He was ordered to pay a \$200 fine, a \$200 victim compensation assessment, and a court fee of \$25. Morrison will also be required to pay \$40 per month during his supervised release to the District Attorney's Office. Morrison stole tools that were issued to him while working at the Mike Monroney Aeronautical Center, Oklahoma City, Oklahoma. Morrison then pawned the tools claiming he was the owner, in violation of Oklahoma State Statute. Morrison's removal from FAA is pending.



Department of Transportation
Office of Inspector General

Office of Inspector General Monthly Activity Report **Activities since May 1, 2013**

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05.30.2013 [Semiannual Report to Congress: October 1, 2012 – March 31, 2013](#)

Required by the Inspector General Act of 1978 (as amended)

As required by [The Inspector General Act of 1978 \(as amended\)](#), this Semiannual Report summarizes the activities of the Office of Inspector General for the six-month period from October 1, 2012 through March 31, 2013.

05.29.2013 [FAA's Acquisition Strategy for Terminal Modernization Is at Risk for Cost Increases, Schedule Delays, and Performance Shortfalls](#)

Self-Initiated

Since 1996, the Federal Aviation Administration (FAA) has been working to modernize and standardize the terminal automation systems that air traffic controllers rely on to manage traffic within a 50-mile radius of airports. Now known as the Terminal Automation Modernization/Replacement (TAMR) program, this effort is necessary both to replace aging equipment and achieve FAA's goals to enhance capacity and reduce delays through the Next Generation Air Transportation System (NextGen). FAA is currently working on segment 1, phase 3 of TAMR, which aims to install the Standard Terminal Automation Replacement System (STARS) at 11 large terminal facilities. Our audit found that FAA faces significant risks in developing and implementing the technical requirements for its current terminal modernization effort. Specifically, FAA has yet to identify and finalize all the software and hardware requirements needed to successfully install STARS at the 11 large terminal facilities. In addition, FAA's final investment decision did not result in a reliable schedule and cost baseline for implementing STARS at these facilities, putting TAMR at risk of further schedule delays and cost growth. For example, FAA's approved schedule to deploy STARS by 2017 lacks key deployment milestones and completion dates and was not evaluated for risk. In addition, FAA omitted major program cost elements from the cost baseline approved during its final investment decision, such as an estimated \$270 million in technical software refresh and modernization costs. FAA concurred with three of our four recommendations to improve FAA's effectiveness in achieving terminal modernization. FAA partially concurred with one recommendation, and we are requesting additional information for one recommendation.

05.22.2013 [Letter to Congress on the Status of MAP-21, Subtitle C: Acceleration of Project Delivery](#)

Required by the Moving Ahead for Progress in the 21st Century Act (MAP-21)

MAP-21 is the first long-term surface transportation authorization since 2005, providing \$105 billion for fiscal years 2013 and 2014. The Act's Subtitle C is designed to increase innovation in surface transportation project delivery and efficiency of project planning, design, construction, and financing.

MAP-21 requires our office to assess the Department's steps taken to administer Subtitle C and report periodically to Congress. We conducted an initial review to assess the Department's plan and progress as of March 27, 2013. The Department developed a plan with 42 actions to meet Subtitle C requirements, involving mostly environmental issues that occur during the planning and design phase of highway and transit projects. The Department completed five of these actions, and most of the remaining actions are in progress. For example, in the first month that the law went into effect, the Department issued question and answer guidance on a wide range of topics, including innovative project delivery, and a proposed rulemaking on using categorical exclusions to expedite projects after disasters or emergencies (the rule was finalized in February 2013). However, its plan does not assign estimated completion dates for all the planned actions without milestones specified by statute. Finally, while the Department met certain MAP-21 rulemaking milestones, it faces challenges to complete all required rulemakings within the statutorily set dates. We are planning additional audits on the Department's Subtitle C implementation, consistent with the requirements defined in the statute.

05.21.2013 [New Hampshire Man Sentenced for Falsely Obtaining Surety Bonds](#)

On May 21, 2013, _____ owner, Engelwood Construction Company, Inc., was sentenced in U.S. District Court, Concord, New Hampshire, to one year and 1 day in prison, 2 years probation, assessed a special assessment of \$600 and ordered to pay \$253,585.62 in restitution. _____ caused a certified public accountant to create a financial statement that falsely increased Engelwood's cash assets by \$450,000. _____ used the fraudulent financial statement to obtain bonds required for four state and local contracts, including one that was federally-funded. To acquire these bonds, _____ provided copies of the fraudulent financial statement to Bond Safeguard, a bond company in Tennessee. We investigated this case with the United States Postal Inspection Service.

05.21.2013 [Maine Man Sentenced for Embezzlement from a Federally Funded Program](#)

On May 21, 2013, Thomas Nelson, former Chief Executive Officer, York County Community Action Corporation (YCCAC), was sentenced in United States District Court, Portland, Maine, to 30 months of incarceration, 36 months of supervised release, and ordered to pay \$1,345,793.95 in restitution for conspiracy and embezzlement from a federally funded program, and tax evasion. Some of the embezzled monies were funded through the American Recovery and Reinvestment Act (ARRA). YCCAC provides social service, health, educational, and transportation-related assistance to York County individuals and families living in poverty. From 2006 to 2010, YCCAC received in excess of \$30,000,000 in federal funds to be used for those purposes, including approximately \$7 million in Federal Transit Administration (FTA) grants. Some of the FTA grants, including those for the rural transit assistance program and urban transit assistance program, were authorized by ARRA. The investigation disclosed that that from 2004 to 2010, Nelson embezzled approximately \$900,000 from YCCAC. He diverted \$413,000 to a consulting company that submitted only one invoice for \$8,700. In exchange for the fraudulent payments, the consulting company kicked cash back to Nelson and paid more than \$20,000 of Nelson's personal expenses, including his home mortgage. He also diverted more than \$400,000 to a defunct non-profit entity, New England Community Action Agency (NECAA), and recorded those payments as donations or consulting expenses. After transferring these funds to NECAA, Nelson used more than \$300,000 to pay personal credit card bills and his home mortgage, and to gamble, failing to report over \$400,000 in embezzled income to the Internal Revenue Service (IRS). He also prepared and signed NECAA tax returns which suggested the agency had revenue and assets, when, in fact, it did not. We investigated this case with the IRS, as well as the OIGs for the Departments of Health and Human Services, Housing and Urban Development, and Agriculture.

05.17.2013 [Owner of Staten Island-based Construction Company Sentenced for Her Role in a DBE Scheme](#)

On May 17, 2013, Madeline Pepe, owner of Staten Island-based MS Construction Corporation (MSC), was sentenced in U.S. District Court, Manhattan, New York, to two years probation, a \$50,000 forfeiture, and a \$300 special assessment. On March 5, 2012, Pepe pleaded guilty to conspiracy to commit mail and wire fraud charges. Between approximately 1994 and March 2011, Pepe participated in a conspiracy to use MSC as a front disadvantaged business enterprise (DBE) for several non-minority firms in order to give the appearance of DBE participation on multiple FHWA-funded New York State DOT and New York City DOT projects, and an FAA-funded Port Authority of NY & NJ project. In reality, MSC did not perform a commercially-useful function and the work was performed by the non-minority firms. The amount of the affected subcontracts totals approximately \$2 million. We are investigating this case jointly with the USDOL-OIG, the Port Authority of NY & NJ-OIG, and the New York City Dept. of Investigation.

05.16.2013 [Highway Construction Contractor Indicted on Fraud Charges in Connection with DBE Fraud Scheme](#)

On May 16, 2013, a federal grand jury in Boise, Idaho, returned a superseding Indictment that charges Elaine Martin, President, Marcon Construction, with false statements, conspiracy, wire fraud, mail fraud, and obstruction of justice in conjunction with a DBE fraud scheme. It also seeks forfeiture of over \$9 million. Darrell Swigert, a minority shareholder, was also charged in the scheme. It is alleged that as early as 2000, and continuing through January 2012, Martin took steps to lower her personal net worth, such as acquiring, holding and transferring assets into the names of other individuals. Martin's actions allowed Marcon to fraudulently maintain its certification with the U.S. Department of Transportation's Disadvantaged Business Enterprise (DBE) Program. It is further alleged that Marcon received more than \$6 million in government contracts based on the company's fraudulently obtained DBE status in the states of Idaho and Utah. We are investigating this case jointly with the Internal Revenue Service, the Federal Bureau of Investigation, and the U.S. Small Business Administration Office of Inspector General.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.15.2013 [Audit Initiated of FAA's Efforts To Address Runway Incursions](#)

Requested by the Ranking Member of the House Transportation and Infrastructure Committee, Aviation Subcommittee

The Office of Inspector General plans to initiate an audit of the Federal Aviation Administration's (FAA) efforts to reduce runway incursions (i.e., potential ground collisions between aircraft or vehicles operating on a runway). The number of reported serious runway incursions increased substantially from fiscal year 2010 to fiscal year 2012, from 6 to 18. Additionally, the total number of all runway incursions increased 21 percent between fiscal years 2011 and 2012, from 954 to 1,150. Since our last review of this program in July 2010, FAA has reorganized its Runway Safety Office and changed the way that the Agency reports and evaluates runway incursions. Accordingly, our objectives are to evaluate FAA's (1) progress in implementing initiatives to prevent runway incursions, and (2) effectiveness in reporting and evaluating runway incursions.

05.15.2013 [Letter to Senator Shaheen Regarding the Impact of Sequestration on DOT OIG's Ability To Oversee Government Spending](#)

Requested by Senator Jeanne Shaheen

On May 15, 2013, we issued a letter responding to Senator Jeanne Shaheen's request for information on sequestration's impact on our oversight of DOT spending. Our letter highlights cost-cutting actions we

have taken prior to and following the enactment of the Budget Control Act in August 2011, the oversight challenges we now face, and the expected long-term impact on our ability to maximize our return on investment and help ensure the Nation's transportation systems are safe and effective.

05.14.2013 [Four Georgia Men Indicted for False Statements and Conspiracy to Violate FMCSA Imminent Hazard Order](#)

On May 14, 2013, Devasko Lewis, Corey Daniels, Lacey Lewis, and Calvin Outlaw were indicted in U.S. District Court, Macon, Georgia, for false statements and conspiracy to operate under the provisions of an Imminent Hazard Out-of-Service Order (IHO) issued by the Federal Motor Carrier Safety Administration (FMCSA). On October 6, 2008, Devasko Lewis, doing business as Lewis Trucking Company, was placed under an IHO to cease all operations due to serious violations discovered during a compliance review conducted by FMCSA. The compliance review was subsequent to a fatal crash in Alabama which resulted in the deaths of seven State of Alabama prison guards. In July 2011, Lewis formed DDL Transport, LLC, which was ultimately placed under another IHO. In May 2012, Lewis pleaded guilty to violating the IHOs and was subsequently sentenced to six months incarceration and twelve months of supervised release. While on supervised release, Lewis was ordered not to be involved in the operation of any trucking company. However, in violation of the Court ordered supervised release, Lewis obtained DOT numbers for Eagle Transport and Eagle Trans using the identity of friends, to include Daniels. He failed to reveal his involvement as owner/operator of the companies for the purpose of deceiving FMCSA so the numbers would be issued. After reporting to federal prison in November 2012, Lewis continued operating Eagle Trans with the assistance of Lacey Lewis, Daniels and Outlaw. We are conducting this investigation with assistance from FMCSA and Georgia Department of Public Safety.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.14.2013 [Company Owner Guilty of Hazardous Materials Violations](#)

On May 14, 2013, Aaron David Beauchesne, former owner of Beauchesne Fire Equipment (BFE), pleaded guilty in U.S. District Court, Boston, Massachusetts, for his role in violating federal hazardous materials regulations relating to the testing and requalification of compressed gas cylinders. Nearly 6,000 cylinders, such as those used in hospitals, were stamped with a re-tester identification number (RIN) indicating required hydrostatic testing had been completed when it had not. BFE was certified by the Pipeline and Hazardous Materials Safety Administration (PHMSA) as an approved requalification facility for re-testing and re-qualifying compressed gas cylinders. The investigation disclosed that throughout 2011 and continuing through early 2012, Beauchesne and/or BFE employees under the direction of Beauchesne, failed to conduct hydrostatic testing on compressed gas cylinders and failed to complete cylinder testing data sheets. Beauchesne invoiced various clients for these fraudulent tests for approximately \$78,000. We are conducting this investigation with assistance from PHMSA.

05.14.2013 [Tennessee Citizen Indicted for Piloting Aircraft Without Certification](#)

On May 14, 2013, Steven Allan Cate was indicted in U.S. District Court, Greenville, Tennessee, for piloting an aircraft without an airman's certificate. On April 1, 2013, air traffic controllers identified aircraft N5863S as an unregistered civil aircraft that was being piloted from Daytona Beach, Florida, to Morristown, Tennessee. The Federal Aviation Administration (FAA) contacted the Morristown Police Department and officers met the aircraft at the airport and identified Cate as the pilot. The FAA reported that Cate did not possess a valid pilot's certificate.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.09.2013 [Former Aircraft Parts Repair Facility Salesman Indicted for Falsifying Maintenance Certificates](#)

On May 9, 2013, Ronald Shabbott was indicted in Tarrant County, Texas, criminal court for his role in tampering with a government document. It is alleged that Shabbott falsified a Federal Aviation Administration (FAA) return-to-service tag on an aircraft computer indicator by deceiving the person who purchased the part on Ebay. While working as a salesman at an aircraft parts repair facility in Fort Worth, Texas, Shabbott stole the computer indicator from the facility's inventory. He then created a false return-to-service tag by forging another repair facility's information on the tag, indicating the part was in good working order and could be installed on an aircraft. Shabbott then advertised the computer indicator for sale on Ebay and sold it to a bidder.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.08.2013 [Frenchman Pleads Guilty for Impersonation of an Air France Pilot](#)

On May 8, 2013, Jean Philippe Jeannard pleaded guilty to identity fraud in U.S. District Court, Philadelphia, Pennsylvania, in connection with his use of a false Air France identification badge and pilot's uniform to board a USAir aircraft and enter the cockpit during the pre-flight checks. Upon arrival at PHL in a pilot's uniform, Jeannard requested an upgrade to first class on US Airways Flight 1935 destined to West Palm Beach, but was denied because no seats were available. Upon entering the aircraft during passenger boarding, Jeannard made his way into the cockpit to introduce himself to the pilots under the guise of being a pilot for Air France. While in the cockpit, Jeannard identified himself as an Air France Boeing 747 pilot. While conducting pre-flight checks, the gate attendant who denied him a first class upgrade noticed Jeannard occupying the jump seat within the cockpit. The Federal Aviation Regulations (FAR) regulate who may enter the cockpit of a commercial aircraft and Jeannard failed to meet those requirements. However, he had gained access using a badge he had created by affixing a once legitimate Air France identification number and his picture on an Air France identification badge. The flight attendant advised him that if he intended to occupy the jump seat during the flight, he would have to return to the ticket counter and complete security paperwork. At that point, the pilot instructed Jeannard to take his ticketed seat in coach. Upon making his way to his ticketed seat, Jeannard became disruptive and verbally abusive to the flight attendant and gate attendant and was ultimately escorted off the aircraft.

05.07.2013 [ARRA Financial & Activity Report - April 2013](#)

On May 7, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of April 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

05.07.2013 [Lessons Learned From ARRA Could Improve the Federal Highway Administration's Use of Full Oversight Self-Initiated](#)

On May 7, 2013, we issued our report "Lessons Learned From ARRA Could Improve Federal Highway Administration's (FHWA) Use of Full Oversight." We found that FHWA inspections did not routinely verify whether States detected instances of noncompliance with some Federal requirements. For example, we

projected that \$125.6 million, or 12 percent, of ARRA progress payments made to contractors in three States were unsupported. Additionally, FHWA guidance does not adequately define full oversight. Rather, FHWA allows each of its Division Offices to determine the type, scope, and consistency of project inspections and the extent of supervision when performing full oversight inspections in these States. As a result, FHWA Division Offices rarely prepared written plans and did not fully document procedures performed or justify why they excluded some Federal requirements and related risk areas from review. Further, contrary to guidance, FHWA inspection reports had limited evidence of supervisory review. FHWA concurred with our recommendation to sample additional ARRA projects to mitigate any similar instances of noncompliance related to progress payment support. FHWA partially concurred with our recommended policy changes to improve its oversight of project-specific risks and document its risk assessment process and related project-level inspection procedures. FHWA cited its plans to develop an alternative oversight approach that would address our recommendations as well as new MAP-21 requirements. We consider all four recommendations resolved but open pending completion of planned actions.

05.07.2013 [Florida Department of Transportation Consultant Sentenced for Accepting a Bribe](#)

On May 7, 2013, Ron Capobianco, Jr., a construction engineering and inspection consultant at Metric Engineering, Inc. (Metric), a firm that contracted with and provided services to the Florida Department of Transportation (FDOT), was sentenced in U.S. District Court, Miami, Florida, for conspiracy to commit bribery in connection with programs receiving federal funds. Capobianco received a sentence of 12 months and one day imprisonment, one year of supervised release, 200 hours of community service, and a \$100 Special Assessment fee. He also made a forfeiture payment of \$4,000. FDOT contracted with Metric, which specializes in the transportation industry, to provide services, including designing, inspecting, and troubleshooting the construction of roads, signs, and traffic signals. Because of his position and expertise, Capobianco was consulted as an FDOT expert on certain aspects of signalization and lighting construction, including the use of video detection cameras for traffic signalization and control. In 2009, FDOT began a road construction project along Highway 1 in the Florida Keys (the Marathon Key project, partially funded with federal funds) which was designed to improve traffic flow. In May 2009, an agent of a subcontractor working on this project offered Capobianco money if the subcontractor received at least \$25,000 for the installation of the video detection equipment. Capobianco agreed to the subcontractor's \$25,000 estimate, thus enabling the subcontractor to make a significant profit. The subcontractor's estimate was approved and subsequently paid by the State of Florida. Capobianco then met with the subcontractor's agent and was paid \$4,000 for his assistance. We are conducting this investigation jointly with FBI and IRS/CID.

05.06.2013 [North Carolina Pilot Pleads Guilty to False Statements on FAA Medical Certificate](#)

On May 6, 2013, in U.S. District Court, Charlotte, North Carolina, Michael Graham pleaded guilty to false statements in connection with his submission of a false Federal Aviation Administration (FAA) medical form to obtain his student pilot certificate. Our investigation revealed that Graham did not disclose his criminal history, medical history, or current medications on FAA Form 8500-8, Application for Airman Medical Certificate. Subsequently, the Aviation Medical Examiner approved him for a student pilot certificate using the false information that he provided. During flight instruction, instructors became concerned about Graham's behavior and notified the FAA of their concerns.

05.01.2013 [FAA Continues To Face Challenges in Implementing a Risk-Based Approach for Repair Station Oversight](#)

Requested by the former Chairman of the House Committee on Transportation and Infrastructure Subcommittee on Aviation

On May 1, 2013, we issued our final report on the Federal Aviation Administration's (FAA) risk-based oversight of aircraft repair stations. Currently, FAA is responsible for overseeing nearly 4,800 repair stations used worldwide by U.S. air carriers. We found that while FAA developed a risk assessment process to aid repair station inspectors in identifying areas of greatest concern, its oversight continues to emphasize completing mandatory inspections instead of targeting resources where they are needed based on risk. Less than half of its inspection elements are evaluated based on risk, and foreign repair stations are not inspected using a risk-based system. In addition, FAA's oversight of foreign and domestic repair stations lacks effective, standardized processes for identifying deficiencies and verifying that they have been addressed. As a result, we found numerous systemic discrepancies at the repair stations we visited during our review. FAA concurred with all nine of our recommendations to enhance the Agency's oversight of repair stations, citing its plans to implement a new oversight system—the Safety Assurance System (SAS)—in fiscal year 2015, and proposing actions to address our concerns in the interim. However, we are requesting additional information or alternative actions for three recommendations to ensure adequate oversight until SAS is complete.



Department of Transportation
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06.27.2013 [FAA's Civil Aviation Registry Lacks Information Needed for Aviation Safety and Security Measures](#)

Self-Initiated

On June 27, 2013, we issued our final report on Federal Aviation Administration's (FAA) Civil Aviation Registry Lacks Information Needed for Aviation Safety and Security Measures. Our objectives were to determine whether (1) aircraft registrations and pilot certifications include the information needed for FAA to ensure aviation safety, (2) security controls keep the Registry secure from unauthorized access, and (3) contingency plans are sufficient to recover the Registry system in the event of an emergency. We determined whether aircraft registrations and pilot certifications include the information needed for FAA to ensure aviation safety, and assessed the security controls and contingency plans that keep the Registry secure from unauthorized access and recoverable in the event of an emergency. We found that FAA lacks the information it needs on the identity of non-citizen aircraft owners and complete information on pilot certifications. We also found that FAA has not implemented the necessary security controls over the Registry's configuration and account management, and that its recovery plan does not meet the Department requirements to ensure the system is recoverable after a disaster or other event. We made several recommendations for further action, including developing procedures, policy or regulations necessary to improve the integrity of aircraft and airman data, and implementing controls required by the Federal Information Security Management Act and Department of Transportation policy to improve both its security posture and contingency plans to recover the system.

06.27.2013 [Letter to Chairman Issa and Ranking Member Cummings on OIG's Open Audit Recommendations](#)

Requested by Chairman Darrell Issa and Ranking Member Elijah Cummings

On June 27, 2013, we issued a letter to Chairman Darrell Issa and Ranking Member Elijah Cummings of the House Committee on Oversight and Government Reform, regarding the status of our open audit recommendations. Specifically, the Chairman and Ranking Member requested: (1) the number of open recommendations; (2) cumulative estimated cost savings associated with open recommendations; (3) specifics on the recommendations that could result in cost savings, including their dates and potential monetary benefits; and (4) our three most important or urgent open recommendations, including their status, estimated cost savings, and accompanying reports or documentation. As of June 18, 2013, we identified 544 open recommendations, which were included in 198 audit reports issued between September 30, 2004, and June 18, 2013. Of these 544 recommendations, 45, which were included in 39 reports, carry potential monetary benefits or cost savings totaling more than \$4.9 billion. We identified our three most important open recommendations based on their impact on safety, economy, or efficiency; documented vulnerabilities; and the ability of the Department to effect change in these programs or areas.

We selected one recommendation from each of these reports: *FAA and Industry Are Taking Action To Address Pilot Fatigue, but More Information on Pilot Commuting Is Needed*; *Assessment of FHWA Oversight of the Highway Bridge Program and the National Bridge Inspection Program*; and *Timely Actions Needed To Improve DOT's Cybersecurity*.

06.20.2013 [FAA Lacks a Reliable Model for Determining the Number of Flight Standards Safety Inspectors It Needs](#)

Required by the Airline Safety and FAA Extension Act of 2010

The Federal Aviation Administration (FAA) employs approximately 4,000 aviation safety inspectors and 40 analysts who play a key role in helping to maintain the United States' remarkable air carrier safety record. Due in part to concerns raised after the 2009 Colgan Air accident, Congress directed our office in the Airline Safety and FAA Extension Act of 2010 to evaluate how FAA assigns inspectors to Part 121 air carriers, including assessing the number and experience levels of inspectors and analysts, and how inspectors use surveillance methods to supplement their regular inspections. Our audit found that although FAA introduced a new inspector staffing model in October 2009, FAA has not fully relied on the model's results to determine the number and placement of inspectors needed. This is due in part to continued concerns with the model's incomplete, inaccurate, and outdated data. Without a reliable inspector staffing model, FAA's process for assessing the number of inspectors and analysts it needs does not differ significantly from prior ineffective methods. For example, inspector staffing processes vary by region, which can lead to subjective and inconsistent staffing decisions. Finally, FAA supplements its regular inspections through its geographic surveillance program, a helpful oversight tool. However, we identified concerns with geographic inspector training and workload levels that may undermine the program's success. We made seven recommendations to enhance FAA's inspector staffing model and geographic surveillance program; FAA concurred with six and partially concurred with one. We are requesting additional information or a revised response for two recommendations.

06.20.2013 [Quality Control Report of USRC's Financial Statements](#)

Self-Initiated

On June 20, 2013, we issued a quality control report on Rogers & Company PLLC's audit of the Union Station Redevelopment Corporation's (USRC) Financial Statements for fiscal years 2011 and 2010. The objective of the audit was to determine if USRC's Financial Statements were fairly presented in accordance with auditing standards generally accepted in the United States of America. Rogers & Company PLLC issued a clean (unqualified) audit opinion on USRC's financial statements. Rogers & Company PLLC's report did not include any reportable deficiencies in internal control over financial reporting. Our Quality Control Review disclosed no instances in which Rodgers & Company PLLC did not comply, in all material respects, with auditing standards.

06.18.2013 [Massachusetts Man and Construction Companies Charged by Information](#)

On June 18, 2013, Juan J. Alonso and Aguila Construction Company, Inc. of Fitchburg, Massachusetts, were charged with theft or embezzlement from benefit plans, making false statements in documents submitted to benefit plans, and making false statements to the United States Department of Transportation (DOT). It is alleged that Alonso operated Alonso Construction, Inc. and Aguila Construction Company from the same yard and office in Fitchburg. The companies performed the same type of work, used the same equipment, and used the same laborers and office staff. This "double-breasted" arrangement is often used in the construction industry to avoid paying union members the union wages and benefits. Between 2008 and 2011, Alonso and Aguila Construction defrauded the benefit funds by running part of the Aguila Construction payroll through Alonso's "non-union" company, Alonso Construction, thereby underreporting the hours actually worked by Local 39 members. Alonso

also defrauded the funds by paying Aguila Construction laborers in cash, in order to avoid making hourly payments to the benefit funds. Over the four-year period, the defendants failed to pay approximately \$805,338 owed to the funds. Between 2008 and 2011, Aguila Construction secured several publicly-funded projects, including 12 projects funded by the DOT pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). As part of the scheme, a portion of this contract work was conducted by Alonso Construction rather than Aguila Construction, the signator to the contracts. In particular, between June 15, 2009, and May 23, 2010, Aguila Construction was subcontracted to perform construction work on an ARRA-funded construction project on Route 2 in Harvard and Littleton. In connection with this project, Aguila Construction completed and sent to the Massachusetts Department of Transportation certified payroll records falsely stating the identity of employees, the number of hours worked and the wages paid. We are conducting this investigation jointly with the U.S. Department of Labor (DOL), Office of Inspector General, Office of Labor Racketeering and Fraud Investigations; and the U.S. DOL, Employee Benefits Security Administration.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

06.18.2013 [French National Sentenced for Fraud in Boarding Commercial Aircraft in Philadelphia](#)

On June 18, 2013, Jean Philippe Jeannard was sentenced in U.S. District Court, Philadelphia, Pennsylvania, to time served and fined \$4,800 for fraud in connection with his use of a false Air France identification badge and pilot's uniform to board a USAir aircraft and enter the cockpit during the pre-flight checks. Upon arrival at PHL in a pilot's uniform, Jeannard requested an upgrade to first class on US Airways Flight 1935 destined to West Palm Beach, but was denied because no seats were available. Upon entering the aircraft during passenger boarding, Jeannard made his way into the cockpit to introduce himself to the pilots under the guise of being a pilot for Air France. While in the cockpit, Jeannard identified himself as an Air France Boeing 747 pilot. While conducting pre-flight checks, the gate attendant who denied him a first class upgrade noticed Jeannard occupying the jump seat within the cockpit. The Federal Aviation Regulations (FAR) regulate who may enter the cockpit of a commercial aircraft and Jeannard failed to meet those requirements. However, he had gained access using a badge he had created by affixing a once legitimate Air France identification number and his picture on an Air France identification badge. The flight attendant advised him that if he intended to occupy the jump seat during the flight, he would have to return to the ticket counter and complete security paperwork. At that point, the pilot instructed Jeannard to take his ticketed seat in coach. Upon making his way to his ticketed seat, Jeannard became disruptive and verbally abusive to the flight attendant and gate attendant and was ultimately escorted off the aircraft.

06.17.2013 [U.S. and New York-based Electrical Contractor Settle Civil False Claims Action for \\$936,000](#)

The United States Attorney for the Southern District of New York reached an agreement with Kleinberg Electric (KE) to settle claims that it violated DOT regulations designed to ensure participation of disadvantaged business enterprises (DBEs) in connection with the DOT-funded NYS-Metropolitan Transportation Authority's (MTA) Fulton Street Transit Center Dey Street Concourse (Dey Street Project). Pursuant to this settlement, KE agreed to pay the United States \$936,000. The company admitted that it caused the prime contractor to submit false certifications to the MTA, representing that work was performed by J&R Rey Electrical (a DBE) on the Dey Street Project, when in fact, KE performed the work. We investigated this case jointly with the MTA-Office of the Inspector General.

06.17.2013 [Foreman Pleads Guilty to False Statements related to a \\$43M Bridge Painting Contract in Philadelphia](#)

On June 17, 2013, Daniel Prodelick, aka Wederson Roberto, a foreman for a bridge painting contractor, pleaded guilty in U.S. District Court, Philadelphia, to charges of making a false statement. In April 2011, the Pennsylvania Department of Transportation (PENNDOT) awarded a \$42.7 million DOT-funded prime contract to the Hercules Painting Company and Vimas Painting Company Joint Venture (HVJV) for the painting and restoration of the George Platt Bridge in Philadelphia. After entering the US illegally, Prodelick created the false identity of Roberto and made false statements by submitting his fraudulent name and social security number in order to obtain employment with HVJV. The investigation determined that Prodelick then caused HVJV to submit required certified payroll reports to FHWA and PENNDOT that contained the apparent false name and social security numbers of Prodelick and numerous other workers he recruited on the project. In August 2012, Prodelick fled after learning that agents conducted search warrants at the HVJV project trailer in Philadelphia. In March 2013, Prodelick was apprehended in Newark, New Jersey. We are investigating this case with the FBI, Department of Labor (DOL)-OIG; Homeland Security Investigations; Social Security Administration-OIG; Internal Revenue Service-CID; Environmental Protection Agency-CID; DOL-Employee Benefits Security Administration; and DOL-Wage and Hour Division.

06.12.2013 [Lessons Learned From the East Side Access Project Can Enhance FTA's Oversight of MTA's Reporting on Remaining ARRA Grants](#)
Self-Initiated

The Federal Transit Administration (FTA) has committed nearly \$2.7 billion in Federal funding to the Metropolitan Transportation Authority's (MTA) East Side Access (ESA) project, including the most American Recovery and Reinvestment Act (ARRA) New Starts funding of any project (\$195.4 million). Our objectives were to determine whether (1) MTA's controls over the materials purchased with ARRA funds were sufficient to safeguard those items, and (2) FTA ensured that MTA met ARRA's certification and reporting requirements for ESA. We found that MTA safeguarded the ESA materials purchased with ARRA funds and met ARRA certification requirements for the ESA ARRA New Starts funds. However, MTA's Section 1512 reports omitted required data that FTA quality reviews did not detect. Specifically, MTA's final report did not include required vendor payment information for over \$19 million (nearly 10 percent) of the ESA ARRA grant funding. Because FTA's data quality reviews did not identify these omissions in MTA's required Section 1512 quarterly reports, it underreported vendor payment data to the public. We recommended that the Federal Transit Administrator: 1) identify and validate the steps MTA plans to take to improve the accuracy of the vendor payment data in its Section 1512 reports to prevent future omissions; and 2) perform an additional data quality check when reviewing the final report for each of MTA's three remaining FTA ARRA grants. FTA fully concurred with our two recommendations and provided appropriate planned actions and target dates for their completion. We consider the two recommendations resolved but open pending completion of all planned actions.

06.11.2013 [Maryland Woman Indicted in Fraudulent Tax Scheme](#)

On June 11, 2013, in U.S. District Court, Baltimore, Maryland, Sheila Anderson-Cloude, Financial Management Specialist, Federal Motor Carrier Safety Administration (FMCSA), was indicted on charges related to a conspiracy to obtain fraudulent tax refunds, sometimes using the personal information of other individuals, without their knowledge or permission. The investigation revealed that Anderson-Cloude prepared and filed a portion of the fraudulent tax returns on her work computer and while at work. It is alleged that from February 8, 2010, through February 20, 2012, Anderson-Cloude conspired to enrich herself by filing and causing others to file false federal income tax returns in order to obtain tax refunds to which she was not entitled. Anderson-Cloude obtained the identifying information of individuals, including

their names, dates of birth and social security numbers, in order to file fraudulent tax returns. She filed at least 13 false federal tax returns, all of which fraudulently claimed refunds in amounts between \$4,800 and \$8,907. When questioned by agents, Anderson-Cloude made false statements when she claimed that she never kept more than \$500 for preparing a return and that she never made up numbers to put on the tax returns she prepared. We are conducting this investigation jointly with IRS Criminal Investigation Division (CID).

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

06.11.2013 [Maryland Man Sentenced for Submitting False Statements in Contract Proposal to MARAD](#)

On June 11, 2013, in U.S. District Court, Washington, DC, Luis Rodriguez was sentenced to 36 months of supervised probation, a \$100 special assessment, and 200 hours of community service. In March, Rodriguez pleaded guilty to false statements in conjunction with a contract proposal he submitted to the U.S. Department of Transportation, Maritime Administration (MARAD). OIG's investigation revealed that Rodriguez submitted a proposal to a MARAD official, under the business name Guardian, for a lucrative contract providing maritime security services to combat Somali pirates attacking private merchant vessels off the African Coast. Throughout the proposal, Rodriguez included numerous false representations concerning Guardian's capacity to carry-out the proposal's mission. For example, Rodriguez indicated that his company could provide a private army of 3,000 men; however, his company did not have any employees.

06.07.2013 [ARRA Financial & Activity Report - May 2013](#)

On June 7, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of May 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

06.07.2013 [Company Agrees to Pay \\$500,000 to Government to Settle False Claims Allegations](#)

On June 7, 2013, Hanson Pipe & Precast, LLC (HPP), a subsidiary of Lehigh Hanson, Inc., an international building products company, entered into a settlement agreement with the United States in connection with a civil false claims investigation pertaining to allegations that HPP submitted false claims for products that did not meet required specifications. These products included concrete end walls and catch basins that are typically used in and adjacent to roadway construction. HPP has agreed to pay the United States \$500,000 to settle these allegations. The Tennessee Department of Transportation (TDOT) performed destructive testing of several precast concrete units manufactured by HPP for use in highway projects and several were found that did not conform to TDOT specifications as they related to the strength and placement of rebar within the products. HPP previously reimbursed TDOT \$270,468.82 for damages related to the non-conforming units.

06.06.2013 [Ohio DBE Agrees to \\$2.88 Million Civil Settlement](#)

On June 6, 2013, in Dayton, Ohio, developers David and Sheri Oakes, along with former business partner Sherif Aziz, dba TesTech, Inc., agreed to pay \$2,883,947, to resolve allegations that they falsely claimed disadvantaged business status (DBE) on federally funded transportation projects. The investigation revealed that David and Sheri Oakes were the actual owners of TesTech, Inc., even though Aziz represented himself as the owner and president on paper in order to convince the federal government

that TesTech, Inc., was eligible for special federal contracting preference under the U.S. Department of Transportation's Disadvantaged Business Enterprise program. We conducted this investigation with the U.S. Attorney's Office, Columbus, Ohio, and the Ohio Department of Transportation.



Department of Transportation
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Office of Inspector General Monthly Activity Report Activities since July 1, 2013

Contact: (202) 366-8751
Eric Weems or David Wonnemberg

07.25.2013 [Annual Report on Amtrak's Budget and 5-Year Financial Plan](#)
Required by the Passenger Rail Investment and Improvement Act of 2008

On July 25, 2013, as mandated by the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), we issued our annual report on Amtrak's 5-Year Financial Plan for fiscal years 2013 through 2017 and its revised annual budget for fiscal year 2013 to the House Transportation and Infrastructure Committee, Senate Commerce, Science, and Transportation Committee, and House and Senate Appropriation Committees. Overall, we found that Amtrak's Plan addresses most of the requirements outlined in PRIIA, but lacks some required information, most notably regarding the company's continued financial stability and several other performance metrics intended to ensure the railroad is improving its operating efficiency. Our previous assessments found similar deficiencies in prior Plans. However, unlike the previous plan, this Plan omits several important PRIIA-required metrics—such as debt service costs and equipment reliability statistics—that would demonstrate the extent of the railroad's operating efficiency improvements.

07.25.2013 [Actions Needed to Enforce Controls over Purchase Cards](#)
Self-Initiated

On July 25, 2013, we issued the report on our audit of DOT's SmartPay® Purchase Card Program. Each year, DOT employees make over 300,000 purchases, totaling about \$200 million, with Department-issued purchase cards. We conducted this audit to evaluate the Department's internal controls over purchase card use. Our primary audit objective was to assess the adequacy of controls in place to prevent and detect erroneous purchases made with DOT-issued cards. During the audit, we expanded our scope to also assess the effectiveness of the Federal Aviation Administration's (FAA) controls for recording in the Agency's inventory system information technology and other property acquired with purchase cards. We found that while DOT had designed adequate controls to prevent and detect erroneous purchases in the purchase card program, cardholders and approving officials did not always adhere to these controls. Based on statistical sampling, we estimate that \$58 million of \$277 million in purchases that DOT cardholders made between October 1, 2009, and March 31, 2011, did not comply with the prescribed controls. We also found that FAA employees did not always enter the property they acquired with purchase cards into the Agency's tracking system in accordance with policy. We found that 32 percent of the property we reviewed was either not promptly recorded or not recorded at all. We made four recommendations to DOT and five recommendations to FAA. Both DOT and FAA program officials concurred with the recommendations.

07.25.2013 [Tennessee Concrete Company Agrees to Civil Settlement for False Claims Act Violations](#)

On July 25, 2013, in U.S. District Court, Nashville, Tennessee, Sherman-Dixie Concrete Industries, Inc. entered into a civil settlement agreement to pay the United States \$664,581 to settle False Claims Act allegations. The settlement resolves allegations that Sherman-Dixie submitted false claims for payment to the United States for products that did not meet required specifications. These products included concrete end walls and catch basins that are typically used in and adjacent to roadway construction. The United States alleged that Sherman-Dixie submitted these claims after repeatedly certifying that its products were in reasonable compliance and were produced pursuant to applicable procedures. However, many of the products did not meet specifications related to the strength and placement of rebar within the pre-cast products. Although Sherman-Dixie provided these products for projects primarily administered by the Tennessee Department of Transportation, a substantial portion of the funding for these projects was provided by the Federal Highway Administration (FHWA). In addition to the monetary payment, Sherman-Dixie has entered into a monitoring agreement with FHWA. The agreement requires Sherman-Dixie take certain compliance measures to reduce the likelihood of future violations of the False Claims Act and other procurement regulations. We conducted this investigation jointly with the FBI and the United States Attorney's Office for the Middle District of Tennessee.

07.24.2013 [Paving Company and Individuals Charged in DBE Scheme](#)

On July 24, 2013, Boggs Paving Inc. (Boggs Paving), Carl "Drew" Boggs, Kevin Hicks, Greg Miller, Greg Tucker, Styx Cuthbertson Trucking Company, Inc. (Styx Cuthbertson), and John Cuthbertson were charged in U.S. District Court, Charlotte, North Carolina, for their roles in a disadvantaged business enterprise (DBE) scheme involving over \$87 million in federal and state-funded contracts. The indictment alleges that from 2003 to present, Boggs Paving fraudulently obtained contracts by falsely certifying that Styx Cuthbertson would perform work as a DBE or a Small Business Enterprise (SBE). However, Styx Cuthbertson was used by Boggs Paving as a "pass-through entity" to obtain these contracts and the majority of the work was performed by Boggs Paving affiliates. The indictment further alleges that a bank account in Styx's name was used to deposit the DBE and SBE payments to give the appearance that Styx was receiving the payments. The account was actually controlled by Boggs Paving and the majority of the payments to the account were funneled back to Boggs Paving affiliates. Additionally, Boggs Paving made false and misleading statements to North Carolina Department of Transportation, South Carolina Department of Transportation, and other federal-grant receiving entities on DBE applications, renewal statements, and DBE payment certifications.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

07.18.2013 [Audit Initiated of FHWA's Major Project Oversight](#) *Self-Initiated*

The Federal Highway Administration (FHWA) provides financial assistance and oversight to States in delivering high-cost, complex highway and bridge projects, known as major projects. Federal law defines major projects as those with an estimated cost of \$500 million or more and requires States to prepare finance plans and project management plans. These plans are designed to ensure that major project costs and funding are fully identified and that a well-designed project management structure is in place to complete the project as planned. Plans are intended to be living documents that are updated to reflect conditions as the project progresses. Our audit objectives are to assess selected major projects to determine whether FHWA oversight ensures that the States: (1) prepared initial finance plans and project

management plans that comply with FHWA guidance, and (2) updated plans to address the actions needed to mitigate cost, schedule, and funding risks.

07.17.2013 [FAA's Progress and Challenges in Advancing the Next Generation Air Transportation System](#)

Requested by the Chairman of the House Transportation and Infrastructure Committee Subcommittee on Aviation

On July 17, 2013, the Inspector General testified before the House Committee on Transportation and Infrastructure's Subcommittee on Aviation regarding the Federal Aviation Administration's (FAA) efforts to advance the Next Generation Air Transportation System (NextGen). While FAA has made some progress since it launched the program a decade ago, many NextGen initiatives remain in the early stages of development. The Inspector General focused on three priorities the Agency must address to realize NextGen's benefits: (1) addressing underlying causes of difficulties with advancing NextGen, (2) maximizing near-term benefits of new performance-based navigation (PBN) routes, and (3) keeping the implementation of critical automation systems for controllers on track. First, the Inspector General noted that FAA's difficulties with advancing NextGen stem from a number of underlying causes, including the lack of an executable plan, unresolved critical design decisions, undefined requirements, and stakeholder skepticism. Second, the Inspector General described that the key to obtaining user support in NextGen is quickly integrating new PBN routes and procedures at airports, which will maximize near-term benefits such as fuel savings. Finally, the Inspector General stated that, despite recent progress, FAA faces cost and schedule risks with its efforts to modernize automation systems that controllers use to manage traffic at both terminal and en route air traffic facilities.

07.17.2013 [Audit Initiated of USMMA's Progress in Addressing Sexual Harassment and Sexual Assault](#)

Requested by Ranking Member Elijah Cummings and Congresswoman Jackie Speier of the House Committee on Oversight and Government Reform

Less than half of the population of female upperclassmen, faculty and staff at the United States Merchant Marine Academy (USMMA), which is operated by the Maritime Administration (MARAD), believe that the senior leadership has created a climate that is intolerant of sexual harassment and sexual assault, according to the Academy's most recent publicly available survey conducted in the 2009-2010 academic year. On April 23, 2013, Ranking Member Elijah Cummings and Congresswoman Jackie Speier of the House Committee on Oversight and Government Reform requested that we conduct a comprehensive evaluation of the Academy's efforts to date to create a climate in which sexual harassment and sexual assault are not tolerated. Accordingly, our objectives are to (1) assess USMMA's implementation of its action plan to prevent, respond to, and resolve instances of sexual harassment and sexual assault; and (2) assess DOT's oversight of the Academy's sexual harassment and sexual assault prevention, response, and resolution efforts, including MARAD's management of these efforts.

07.15.2013 [Termination of Audit of Improper Payment Oversight in FHWA ARRA Programs](#)
Self-Initiated

On April 30, 2013, the Office of Inspector General initiated an audit to evaluate whether FHWA has adequate internal controls to prevent and detect improper payments to American Recovery and Reinvestment Act (ARRA) grant recipients. We terminated this audit due to other higher priority work demands. However, we may re-announce this audit at a later date, given our commitment to oversight of FHWA's improper payments.

07.11.2013 [Audit Initiated of PHMSA's Progress In Improving Its Special Permits and Approvals Program](#)

Self-Initiated

The Pipeline and Hazardous Materials Safety Administration (PHMSA), through its Special Permits and Approvals Program, grants approvals for activities allowed under certain conditions identified in the Hazardous Materials Regulations. Individuals and businesses planning to engage in activities that the Regulations do not allow must apply to PHMSA for special permits. In 2009 and 2010, the Office of the Inspector General reported and testified on serious weaknesses in the Program, including how the Agency: (1) assessed applicants' fitness or ability to comply with special permit or approval conditions; (2) evaluated applicants' proposed safety measures; and (3) coordinated applications with other operating administrations. This audit will determine the extent to which PHMSA has addressed those weaknesses. Our audit objective will be to assess the Agency's implementation of standard operating procedures for processing special permits and approvals, focusing on fitness, safety, and coordination.

07.11.2013 [Owner of Trucking Firm Agrees to Civil Settlement for DBE Fraud](#)

On July 11, 2013, Benjamin Marshall, owner, BN&M Trucking, agreed to pay a civil settlement of \$12,000 to the U.S. Government for certifying he performed work fulfilling a DBE goal when, in fact, he did not perform the work. In June 2006, John Carlo (JCI), the prime contractor on a runway construction project for the Detroit Wayne County Metropolitan Airport, funded by the Federal Aviation Administration, was responsible for ensuring the DBEs performed commercially useful functions. Between January 2005 and December 2010, false claims on the above project were submitted indicating that runway services were provided by BN&M, when, in fact, they were provided by a non-DBE subcontractor and/or the prime contractor in violation of the DBE regulations and the False Claims Act. We conducted this investigation jointly with the U.S. Attorney's Office Civil Division.

07.10.2013 [ARRA Financial & Activity Report - June 2013](#)

On July 10, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of June 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

07.03.2013 [California Man Convicted for Endangering Safety of Passenger Aircraft](#)

On July 3, 2013, after a nearly two week trial, a jury in U.S. District Court, San Francisco, California, convicted Hasan Ibrahim, of Los Gatos, California, for attempting to place destructive substances on board an aircraft. The jury found Ibrahim, owner of Medchem, a South San Francisco, California, company, intended to place nine different hazardous materials on a Lufthansa passenger airplane bound for Frankfurt, Germany. The hazardous materials were ultimately destined for Jeddah, Saudi Arabia. In addition, Ibrahim was convicted for transportation of hazardous materials without shipping papers and labels; failure to file export information; and attempted smuggling. The investigation was initiated when OIG learned that Ibrahim attempted to ship 64 boxes of materials to Jeddah, Saudi Arabia. The shipment was detained and later seized by Customs and Border Protection. A review of the materials by the Federal Aviation Administration (FAA) determined that the shipment contained hazardous materials, including materials that were toxic, corrosive and flammable. Several of the hazardous materials were forbidden to be transported on passenger aircraft and two chemicals were forbidden to be transported on any aircraft. We conducted this investigation jointly with the FBI, with assistance from the FAA.

07.02.2013 [Audit Initiated of FHWA's Oversight of Recovery Act Project Closeouts](#)

Self-Initiated

The Office of the Inspector General plans to initiate an audit of the Federal Highway Administration's (FHWA) oversight of American Recovery and Reinvestment Act (ARRA) highway project closeouts by the States. Prompt closeout of ARRA projects allows unused funds left on completed projects, with no pending expenditures, to be used on other projects still under construction. Project closeout is also a critical step for an accurate final accounting of the States' use of all Federal-aid highway funds, including those from ARRA. Our audit objectives will be to determine whether (1) FHWA performs adequate oversight to ensure timely closeouts of completed ARRA highway projects, and (2) lessons learned from closing out ARRA highway projects can be used to improve closeouts of Federal-aid highway projects.

07.01.2013 [Tennessee Man Pleads Guilty to Piloting an Aircraft Without Certification](#)

On July 1, 2013, in U.S. District Court, Greenville, Tennessee, Steven Cate pleaded guilty to piloting an aircraft without holding a valid airman certificate. On April 1, 2013, air traffic controllers identified aircraft N5863S as an unregistered civil aircraft that was being piloted from Daytona Beach, Florida, to Morristown, Tennessee. The Federal Aviation Administration (FAA) contacted the Morristown Police Department and officers met the aircraft at the airport and identified Cate as the pilot. The FAA reported that Cate did not possess a valid pilot's certificate.



Department of Transportation
Office of Inspector General

Office of Inspector General Monthly Activity Report Activities since August 1, 2013

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08.27.2013 [FAA Is Making Progress but Improvements in Its Air Traffic Controller Facility Training Are Still Needed](#)
Self-Initiated

The Federal Aviation Administration (FAA) plans to hire and train more than 11,700 new air traffic controllers through fiscal year 2021. This presents significant challenges for the Agency, as new controllers can require more than 3 years of training to become fully certified. Given our office's previous findings regarding FAA's controller training program, we initiated this review to assess FAA's progress in improving its program. We found that FAA has taken positive steps to enhance its controller training program, such as creating an Independent Review Panel (IRP) that made 49 recommendations that could significantly improve the controller hiring and training processes. However, almost 2 years after issuance of the IRP report, FAA has yet to implement any of the recommendations or establish completion timeframes. In addition, we found that FAA faces significant challenges in improving its training program, particularly its goal to reduce training times, as the average training time for new controllers rose by 41 percent between fiscal years 2009 and 2012. Challenges FAA faces include managing contract training resources, maintaining consistent leadership, measuring the impact of simulators and other training initiatives, and improving staffing composition at complex facilities through controller placement and screening programs. We made five recommendations to assist FAA in improving its facility training efforts. FAA concurred with three recommendations and partially concurred with two. We are requesting additional information for one recommendation.

08.27.2013 [FAA's Controller Scheduling Practices Can Impact Human Fatigue, Controller Performance, and Agency Costs](#)
Required by the FAA Modernization and Reform Act of 2012

The Nation's air traffic controllers play an important role in maintaining the safety of the National Airspace System. However, in 2011, a series of highly publicized incidents occurred during which air traffic controllers either fell asleep on duty or became unresponsive. These events raised questions about the impact of the Federal Aviation Administration's (FAA) scheduling practices on controller performance. In the FAA Modernization and Reform Act of 2012, Congress directed our office to review the considerations of safety, controller performance, and cost effectiveness when controller schedules are developed. We found that, due to FAA's scheduling practices and the nature of air traffic control work, controllers work erratic schedules, which can cause fatigue and negatively impact controller performance and safety. Although FAA has taken action by revising some of its controller scheduling policies, the Agency does not have metrics to determine whether its new policies will reduce controller fatigue. In addition, we found that

FAA's new policies requiring a second overnight controller at 30 facilities cost the Agency approximately \$1.9 million per year. However, these costs could be offset by additional measures, such as reducing costs related to its overnight operations. Finally, we found that controllers are working schedules that do not always comply with FAA's scheduling policies on the minimum amount of time required between shifts. FAA concurred with all four of our recommendations to further improve its controller scheduling practices. However, we are requesting additional information for one recommendation to clarify FAA's policies regarding recuperative breaks on the midnight shift.

08.23.2013 California Woman Charged for Providing Fraudulent Drug Testing Services to Trucking Companies

On August 23, 2013, Demetri Dearth, owner and operator of Advanced Substance Abuse Programs (ASAP), Redding, California, was indicted in U.S. District Court, Sacramento, California, with mail fraud and false statements to a government agency in conjunction with the provision of random and pre-employment drug testing services to motor carrier drivers. The indictment alleges that Dearth falsified specimen tests results required by and provided to the Federal Motor Carrier Safety Administration (FMCSA) and/or other U.S. Department of Transportation (DOT) agencies. Our investigation found that between March 2009 and February 2010, ASAP collected urine specimens on behalf of 80 trucking companies that employed commercial drivers. Instead of forwarding these urine specimens to certified laboratories, Dearth failed to have a medical review officer (MRO) review the drug test results for many of the specimens ASAP collected. She created false and fraudulent Custody and Control Forms (CCF) and provided these to clients. They represented that the urine specimens had been sent to laboratories for eventual MRO review, including the names and addresses of specific MROs. However, no laboratories ever received the specimens and no MROs reviewed the laboratory results for many of the specimens collected. Dearth also created false and fraudulent MRO reports. The false MRO reports indicated that the drug tests had come back negative and were purportedly signed by the MROs. Dearth then mailed invoices to her clients, billing them for urine specimens that had never been sent to a laboratory for drug testing and for which the laboratory results had never been reviewed by an MRO. OIG is conducting this investigation, with assistance from the California Highway Patrol and the Office of the Secretary, Office of Drug and Alcohol Policy Compliance.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

08.22.2013 Pennsylvania Painter Charged with False Statements

On August 22, 2013, Walter Morgan, aka Walter Eduardo Morgan Gomez, a painter contractor in Philadelphia, was indicted in U.S. District Court, Philadelphia, Pennsylvania, with making false statements and misuse of a social security number related to two federally-funded bridge painting contracts in Philadelphia valued at over \$120M. In September 2009, the Pennsylvania Department of Transportation (PENNDOT) awarded a \$70.3 million ARRA-funded prime contract to the Alpha-Liberty Joint Venture (ALJV) for the painting and restoration of the Girard Point Bridge in Philadelphia. In January 2011, the ALJV was awarded a painting subcontract for the painting and restoration of the 30th Street Train Station in Philadelphia. After entering the U.S. illegally, Morgan allegedly made false statements by submitting a fraudulent social security card and number in order to obtain employment with the ALJV on the Girard Point Bridge and 30th Street Station projects. The investigation determined that Morgan also caused ALJV to submit required DOT regulated payroll reports to FHWA and PENNDOT that contained his false social security number. We are conducting this investigation with the FBI, Department of Labor (DOL)-OIG; Homeland Security Investigations; Social Security Administration-OIG; Internal Revenue Service-

CID; Environmental Protection Agency-CID; DOL-Employee Benefits Security Administration; DOL-Wage and Hour Division; and Amtrak-OIG.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

08.20.2013 [Oregon Pilot Charged for Falsifying his Airman's Medical Applications](#)

On August 20, 2013, Greg M. Traynor of San Ardo, California, was indicted in U.S. District Court, Portland, Oregon, for making false statements to the Federal Aviation Administration (FAA), on multiple airman's medical applications. Traynor allegedly falsified the applications in an effort to obtain a medical certificate, by stating that he was not taking any medications and had not been previously diagnosed with or presently had any mental health disorder. However, the investigation revealed that Traynor had been taking disqualifying medications at the time he filed the medical applications and that he had previously reported a mental health diagnosis to the FAA. We initiated this investigation after receiving a referral from the FAA alleging that Traynor made false statements on his medical applications dated November 6, 2008, and January 13, 2011, when he failed to list a medical condition and prescription drugs that he was taking. The FAA requires a medical certification and exam on a periodic basis in order for an individual to maintain currency on his airman medical certificate. We conducted this investigation with the assistance of the FAA.

Note: Indictments, informations, and criminal complaints are accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

08.15.2013 [FAA Has Made Progress Fielding ERAM, but Critical Work on Complex Sites and Key Capabilities Remains](#)

Requested by the Chairman and Ranking Member of the House Committee on Appropriations, Subcommittee on Transportation, Housing, and Urban Development and Related Agencies

The Federal Aviation Administration's (FAA) efforts to modernize the National Airspace System depend on the successful implementation of the foundational En Route Automation Modernization (ERAM) system—a multibillion dollar system for processing flight data at facilities that manage high-altitude traffic. However, we reported in September 2012 that extensive software-related problems have significantly delayed ERAM's nationwide implementation, resulting in hundreds of millions of dollars in increased costs. At the request of the House Appropriations Committee, Subcommittee on Transportation, Housing, and Urban Development and Related Agencies, we conducted a follow-up review to assess ERAM's progress. We found that FAA has made considerable progress deploying ERAM and is now using the system at 16 sites at least part-time. However, as FAA deploys ERAM to the Nation's busiest facilities, new software-related problems could impact the program's cost and schedule, and the Agency may need additional funds to complete the project. We also found that air traffic controllers and ERAM subject matter experts have concerns that FAA's schedule-driven approach may leave certain site-specific issues unaddressed. In addition, some key capabilities, such as ERAM's tracking software, are experiencing issues that may impact future Next Generation Air Transportation System capabilities. We shared the results of our review with FAA and encouraged the Agency to continue its efforts to address our September 2012 recommendations.

08.08.2013 [ARRA Financial & Activity Report - July 2013](#)

On August 8, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of July 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major

actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

08.05.2013 [DOT Does Not Fully Comply With Revised Federal Acquisition Regulations on the Use and Management of Cost-Reimbursement Awards](#)

Required by the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009

On August 5, 2013, we issued our report on the Department of Transportation's (DOT) compliance with revised requirements in the Federal Acquisition Regulation (FAR) regarding the use and management of cost-reimbursement awards. Our audit found that the six DOT Operating Administrations we reviewed do not fully comply with revised FAR requirements on the use and management of cost-reimbursement awards. Specifically, we found that the Operating Administrations do not (1) fully comply with the revised FAR requirements related to acquisition planning and documenting justifications or (2) consistently assess oversight risks, properly designate oversight personnel, or verify that contractors' accounting systems are adequate to provide valid and reliable cost data. The Operating Administrations' noncompliance is primarily attributable to the Department's lack of internal guidance for implementing these new requirements and lack of oversight needed to verify departmentwide compliance. We made five recommendations to the Office of the Senior Procurement Executive to improve DOT's compliance with the revised FAR requirements on the use and management of cost-reimbursement awards. OST concurred with four recommendations and partially concurred with one because it stated that the recommendation would be most appropriately made to the Maritime Administrator. We are requesting that OST reconsider its request that we redirect the recommendation to the Maritime Administrator and provide planned actions and timeframes to address the recommendation.

08.05.2013 [Audit Initiated of FHWA's Implementation of Prior OIG Bridge Program Recommendations and MAP-21 Bridge Provisions](#)

Requested by the Ranking Member of the House Committee on Transportation and Infrastructure

The May 23, 2013, collapse of a portion of the Skagit River Bridge in Washington State brought renewed attention to the safety and conditions of the Nation's bridges. The Federal Highway Administration (FHWA) is responsible for overseeing States' compliance with the National Bridge Inspection Standards and with legislative provisions for Federal bridge funding. Since 2006, the Office of Inspector General (OIG) has issued three reports recommending improvements to FHWA's oversight of bridge programs. Our objectives are to assess FHWA's actions in response to (1) prior OIG bridge report recommendations and (2) the bridge safety provisions in Moving Ahead for Progress in the 21st Century Act (MAP-21).

08.05.2013 [Georgia Company Agrees to Pay \\$95,000 to Government to Settle False Claims Allegations](#)

On August 5, 2013, in U.S. District Court, Nashville, Tennessee, Oldcastle Precast, Inc. (Oldcastle), a national building products company, entered into a settlement agreement with the United States in connection with a civil false claims investigation of allegations that Oldcastle submitted false claims for products that did not meet required specifications. The products in question were catch basins that are typically used in and adjacent to roadway construction. Oldcastle has agreed to pay \$95,000 to settle these allegations. The Tennessee Department of Transportation (TDOT) performed destructive testing of several precast concrete units manufactured by Oldcastle for use in highway projects and several were found that did not conform to TDOT specifications as they related to the strength and placement of rebar within the products. In addition to the settlement, Oldcastle previously reimbursed TDOT \$40,552 for damages related to the non-conforming units.

08.02.2013 [MARAD Has Taken Steps To Develop a Port Infrastructure Development Program but Is Challenged in Managing Its Current Port Projects](#)
Self-Initiated

In 2003, the Maritime Administration (MARAD) was authorized to administer funds for developing and modernizing the Port of Anchorage, the main seaport in Anchorage, Alaska. MARAD has since been authorized to administer two other port projects in Hawaii and the Port of Guam. Given significant setbacks at the Port of Anchorage project, including construction problems and schedule delays, we evaluated MARAD's (1) oversight and risk management of port infrastructure development projects, and (2) oversight of port infrastructure projects' contract planning and administration. We found that MARAD did not establish effective oversight mechanisms when it initiated its port infrastructure development responsibilities. For example, MARAD did not adequately define its oversight responsibilities or establish a sound risk management process. MARAD has recently taken steps to more clearly define its role in the Port of Guam project. While MARAD has taken steps to develop a congressionally mandated Port Infrastructure Development Program, it has not yet completed it. Our review also determined that MARAD did not effectively manage its port project contracts. Between 2003 and 2011, the Port of Anchorage project's cost estimate grew over four and a half times from \$211 million to \$1 billion, with scheduled completion slipping 8 years. The Port of Anchorage project had significant contracting problems stemming from MARAD's inadequate planning, lack of reliable cost estimates, and noncompliance with Federal contracting requirements when awarding and administering the port contracts. MARAD concurred with all nine of our recommendations. For six recommendations, MARAD provided appropriate action plans. For the remaining three recommendations, we are requesting that MARAD provide additional information.

08.01.2013 [Jacksonville Man Sentenced for Shining a Laser Light at a Police Helicopter](#)

On August 1, 2013, in U.S. District Court, Jacksonville, Florida, Tyler Pennywitt was sentenced to one year probation and 50 hours of community service for knowingly shining a laser light at a Jacksonville Sheriff's Office (JSO) helicopter on June 4, 2012. The FAA Modernization and Reform Act of 2012 modernizes the nation's aviation system and establishes a new criminal offense for aiming the beam of a laser pointer at an aircraft, or at the flight path of an aircraft. The statute was enacted in response to a growing number of incidents of pilots being distracted or even temporarily blinded by laser beams. We investigated this case with the assistance of the Jacksonville Sheriff's Office and the Federal Aviation Administration.



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10.30.2013 [FAA Can Improve the Effectiveness and Efficiency of Its Certification Processes](#) *Requested by the House Transportation and Infrastructure Subcommittee on Aviation*

On October 30, 2013, the Assistant Inspector General for Aviation Audits testified before the House Committee on Transportation and Infrastructure Subcommittee on Aviation regarding the Federal Aviation Administration's (FAA) certification process. The Assistant Inspector General focused on FAA's certification processes in three areas: (1) FAA's Organization Designation Authorization (ODA) program; (2) certifying new air operators and repair stations; and (3) Next Generation Air Transportation System (NextGen) capabilities, including integrating unmanned aircraft systems. The Assistant Inspector General stressed that effective oversight is critical to ensure that all ODA organizations (i.e., organizations that perform certification work on FAA's behalf) are following FAA's established certification policies and procedures. He also stated that issues with FAA's Flight Standards approval process, resource management, and communication from Headquarters have led to a backlog of more than 1,000 aircraft operators and repair stations awaiting certification. Finally, the Assistant Inspector General warned that a growing demand for certifying NextGen technologies and procedures, as well as FAA's need to certify unmanned aircraft systems, will further add to FAA's certification workload.

10.30.2013 [Opportunities Exist To Strengthen FHWA's Coordination, Guidance, and Oversight of the Tribal Transportation Program](#) *Self-Initiated*

On October 30, 2013, we issued a report on the Federal Highway Administration's (FHWA) oversight of the Tribal Transportation Program (TTP) which provides funding for projects that support safe and adequate transportation and public road access to and within tribal lands, and Alaska Native Villages. From fiscal years 2005 to 2012, the TTP received about \$3.5 billion in congressional appropriations, including \$310 million provided by the American Recovery and Reinvestment Act of 2009. FHWA's Office of Federal Lands Highway (FLH) and the Department of Interior's Bureau of Indian Affairs (BIA) jointly administer and oversee the TTP. Our report assessed whether FLH is effectively coordinating with BIA and providing adequate oversight of TTP projects under agreements with tribes. We found that FLH and BIA routinely coordinate in key TTP areas; however, FLH and BIA have opportunities to improve coordination on National Environmental Policy Act approvals and final acceptance of TTP projects. We also found that while FLH has some processes for reviewing the tribes' management of transportation projects, its oversight is not based on sufficient data on tribes' program risks and needs.

In addition, we found that the TTP is governed by an outdated regulation and unclear guidance in some key areas on how to implement that regulation, such as allowable uses of funds. FLH concurred with our seven recommendations, which were focused on strengthening stewardship and oversight of the TTP program.

10.28.2013 [ARRA Financial & Activity Report - September 2013](#)

On October 28, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of September 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

10.24.2013 [Quality Control Review on the Single Audit of the Transbay Joint Powers Authority](#)

On October 24, 2013, we issued a quality control review (QCR) report on the single audit performed by Vavrinek, Trine, Day & Co., LLP (VTD) on the Transbay Joint Powers Authority's (the Authority) use of U.S. Department of Transportation (DOT) grants for the fiscal year ended June 30, 2012. During this period, the Authority, located in San Francisco, CA, expended approximately \$123 million from DOT grant programs. VTD determined that DOT's major programs were the High-Speed Rail Corridors and Intercity Passenger Rail Service Program and the Federal Highway Planning and Construction Program. We limited the scope of our QCR to the High-Speed Rail Corridors and Intercity Passenger Rail Service Program because its expenditures were approximately 94 percent of the total DOT expenditures. We determined that VTD's audit work was Acceptable, and therefore, met the requirements of the Single Audit Act, Office of Management and Budget's (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the DOT major program reviewed. We found nothing to indicate VTD's opinion on the DOT major program reviewed was inappropriate or unreliable.

10.24.2013 [New York Commercial Driver's License Cheating Scheme Uncovered](#)

On October 24, 2013, in U.S. District Court, Brooklyn, New York, eleven defendants were indicted for their roles in a widespread fraudulent Commercial Driver's License (CDL) test-taking scheme. The investigation uncovered fraudulent CDL test-taking activities at five Department of Motor Vehicles (DMV) test centers in the New York City (NYC) area, involving DMV security personnel. It is alleged that CDL applicants paid the defendants between \$1,800 to \$2,500 for CDL test answers and escort assistance through the DMV process. To facilitate the fraud scheme, defendants provided CDL applicants with pencils containing encoded test answers and Bluetooth headsets to communicate test answers. The defendants also acted as CDL test takers to help paying applicants during the test. The eleven defendants indicted in the CDL test taking fraud scheme are Marie Daniel, Joachim L. Pierre, Luc Desmangles, Tanael Daniel, Jose Payano, Dale Harper, Akmal Narzikulov, LaToya Bourne, Beayaeh Kamara, Firdavs Mamadaliev, and Inocente Rene' Gonzalez. We are conducting this investigation with the assistance from Department of Homeland Security, New York Police Department, NYC DMV Investigations, NYS-Attorney General's Office, and NYS-IG.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

10.23.2013 [Former Radiograph Technician Sentenced to Probation for False Statements on Rockies Express Pipeline](#)

On October 23, 2013, Eric Barnes, former Acuren Inspection, Inc. Level II Radiograph Technician, was sentenced in U.S. District Court, Indianapolis, Indiana, to 24 months probation and ordered to pay a \$500.00 special assessment for submitting false statements. Barnes was responsible for conducting non-destructive testing (NDT) of pipeline welds on a portion of the Rockies Express Pipeline and then interpreting and reporting the results of the tests. The results of the NDT include whether the radiograph of the pipe weld was acceptable or rejected, the number of the weld, and other technical data about the process. The information is recorded on a reader sheet which is maintained by the owner of the pipeline as proof of the NDT as required by PHMSA regulations. Barnes made false statements on reader sheets by confirming that welds of the pipeline at the compressor station in Bainbridge, Indiana, had been radiographed, when in fact, not all of the welds had been tested. Barnes loaded multiple pieces of film into one cassette, which is used to radiograph the welds. Even though only one weld was radiographed, Barnes reported that multiple welds were radiographed and intentionally mislabeled the film with different welds, and then reported this false information on reader sheets. We conducted this investigation jointly with the Pipeline and Hazardous Materials Safety Administration and U.S. Department of Justice, Environmental Crimes Section.

10.22.2013 [Former Aircraft Parts Salesman Sentenced for Falsifying Aircraft Parts Records](#)

On October 22, 2013, Ronald Shabbot pleaded guilty to falsifying a governmental record and was sentenced to 24 months probation in Tarrant County District Court, Fort Worth, Texas. Shabbot falsified a Federal Aviation Administration return-to-service tag on an aircraft computer indicator. While working as a salesman at an aircraft parts repair facility in Fort Worth, Texas, Shabbot stole the computer indicator from inventory. He then forged another repair facility's information on a return-to-service tag, indicating the part was in good working order and could be installed on an aircraft. Shabbot then advertised the computer indicator for sale on Ebay and sold it to a bidder.

10.21.2013 [Philadelphia Foreman Sentenced for Fraud Related to Bridge Painting Project](#)

On October 21, 2013, Daniel Prodelick, aka Wederson Roberto, a foreman for a bridge painting contractor, was sentenced in U.S. District Court, Philadelphia, Pennsylvania, to 7 months time served, 1 year supervised release, and a \$100 fine. Prodelick, a native of Brazil, pleaded guilty in June 2013 to charges of making a false statement related to a large scale bridge painting project. In April 2011, the Pennsylvania Department of Transportation (PENNDOT) awarded a \$42.7 million DOT-funded prime contract to the Hercules Painting Company and Vimas Painting Company Joint Venture (HVJV) for the painting and restoration of the George Platt Bridge in Philadelphia. After entering the US illegally, Prodelick created the false identity of Roberto and made false statements by submitting his fraudulent name and social security number in order to obtain employment with HVJV. The investigation determined that Prodelick then caused HVJV to submit required certified payroll reports to FHWA and PENNDOT that contained the apparent false name and social security numbers of Prodelick and numerous other workers he recruited on the project. In August 2012, Prodelick fled after learning that agents executed search warrants at the HVJV project trailer in Philadelphia. In March 2013, Prodelick was apprehended in Newark, New Jersey. We are investigating this case with the FBI, Department of Labor (DOL)-OIG; Homeland Security Investigations; Social Security Administration-OIG; Internal Revenue Service-CID; Environmental Protection Agency-CID; DOL-Employee Benefits Security Administration; and DOL-Wage and Hour Division.

10.17.2013 [Former Dallas County Deputy Sentenced in Traffic Ticket Scheme Involving NHTSA Grant Funds](#)

On October 17, 2013, Sherman McIntyre, former Dallas County Deputy Sheriff, was sentenced in Dallas County Criminal Court, Dallas, Texas, in conjunction with his plea to tampering with governmental records. McIntyre was sentenced to twelve months of community supervision and was ordered to pay a \$1,000 fine. McIntyre was also ordered to surrender his Texas police officer's license. McIntyre is one of three deputies indicted in Dallas County for submitting overtime reimbursement requests containing false information as to the times worked and the number of traffic citations issued in 2009, 2010 and 2011 while working overtime under the Selective Traffic Enforcement Program (STEP), which is funded through a National Highway Traffic Safety Administration (NHTSA) grant. During this investigation, Dallas County has repaid \$214,030 in ineligible costs to NHTSA. We are conducting this investigation jointly with the Dallas County Sheriff's Office, with assistance from NHTSA and the Texas Department of Transportation.

10.16.2013 [Charges Filed Against Paving Company Employee in a DBE Fraud Scheme](#)

On October 16, 2013, Boggs Paving, Inc.; Carl "Drew" Boggs, III; Kevin Hicks; Greg Miller; Greg Tucker; Styx Cuthbertson Trucking Company, Inc.; John "Styx" Cuthbertson; and Arnold Mann were charged in U.S. District Court, Charlotte, North Carolina, for their roles in a disadvantaged business enterprise (DBE) fraud scheme involving over \$87 million in federal and state-funded contracts. This indictment supersedes an indictment filed in July 2013 and adds Mann as a defendant. The indictment alleges that from 2003 to present, Boggs Paving fraudulently obtained contracts by falsely certifying that Cuthbertson would perform work as a DBE or a Small Business Enterprise (SBE). However, Cuthbertson was used by Boggs Paving only as a "pass-through entity" to obtain these contracts and the majority of the work was performed by Boggs Paving affiliates. The indictment further alleges that a bank account in Cuthbertson's name was used to deposit the DBE and SBE payments to give the appearance that they were receiving the payments. However, the account was actually controlled by Boggs Paving and the majority of the payments were funneled back to Boggs Paving affiliates. Additionally, Boggs Paving made false and misleading statements to the North Carolina Department of Transportation, South Carolina Department of Transportation, and other federal-grant recipients on DBE applications, renewal statements, and DBE payment certifications.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

10.09.2013 [Pipeline Radiograph Technician Charged with Violating Pipeline Safety Laws and Making False Statements](#)

On October 9, 2013, Edna S. Stoner, Radiograph Technician, was charged in U.S. District Court, Urbana, Illinois, with violating pipeline safety laws and making false statements. The Pipeline and Hazardous Material Safety Administration (PHMSA) has jurisdiction over interstate natural and hazardous liquid gas pipelines. The federal pipeline safety standards and regulations include the requirements for pipeline materials, design, construction, testing, operation, and maintenance. Nondestructive testing to confirm the integrity of the welding process is required on pipes over six inches in diameter, which included several sections of the REX pipeline. From about June 2008 to February 2009, Stoner falsified that welds at the Blue Mound, Illinois, compressor station on the Rockies Express Pipeline (REX) had been radiographed and were acceptable as passing, when all of the welds had not been tested. PHMSA and the U.S. Attorney's Office/Environmental Crimes Section, Washington, DC, assisted in the investigation.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

09.30.2013 [Audit Initiated of DOT Controls Over Collection of Delinquent Debt](#)

Self-initiated

The Office of Inspector General is initiating an audit of DOT's controls over the collection of delinquent debt. In 1996, Congress passed the Debt Collection Improvement Act of 1996 which enables agencies to implement a wide range of tools to maximize collection of delinquent debts owed to the Federal Government. Under the Act, if agencies are unable to collect debts within 180 days of delinquency, they must transfer the debt to the Department of Treasury's Financial Management Services for additional collection action. Our objectives are to determine whether DOT: (1) takes comprehensive action to collect delinquent debts; and (2) refers eligible delinquent debts to the Department of Treasury for collection.

09.30.2013 [Quality Control Review on the Single Audit of the Transportation District Commission of Hampton Roads](#)

On September 30, 2013, we issued a quality control review report on the single audit performed by Dixon Hughes Goodman LLP (DHG) on the Transportation District Commission of Hampton Roads' (the District) use of U.S. Department of Transportation (DOT) grants for the fiscal year ended June 30, 2012. During this period, the District expended approximately \$62 million from DOT grant programs. DHG determined the DOT major program was the Federal Transit Cluster. We determined that DHG's audit work was Acceptable with Deficiencies, and therefore, generally met the requirements of the Single Audit Act, Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and DOT's major program requirements. We found nothing to indicate DHG's opinion on the Federal Transit Cluster was inappropriate or unreliable.

09.30.2013 [Quality Control Review on the Single Audit of the Regional Transportation District of Denver, Colorado](#)

On September 30, 2013, we issued a quality control review report on the single audit performed by RubinBrown LLP on the Regional Transportation District's (the District) use of U.S. Department of Transportation (DOT) grants for the fiscal year ended December 31, 2012. During this period, the District expended approximately \$265 million from DOT grant programs. RubinBrown determined the DOT major program was the Federal Transit Cluster. We determined that RubinBrown's audit work was Acceptable, and therefore, met the requirements of the Single Audit Act, Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and DOT's major program requirements. We found nothing to indicate RubinBrown's opinion on the Federal Transit Cluster was inappropriate or unreliable.

09.30.2013 [Shipping Company Pleads Guilty to Illegal Transportation of Explosives](#)

On September 30, 2013, in U.S. District Court, West Palm Beach, Florida, Coastal Shipping Holding, Inc., previously known as G&G Marine, Inc. (Coastal), pleaded guilty to illegal transportation of hazardous materials, failure of a hazmat employer to train its employees, and recklessly loading and stowing explosives on a vessel without approval from the U.S. Coast Guard. The vessel was docked at Port Everglades, Fort Lauderdale, Florida, and was bound for the Bahamas. The investigation revealed that Coastal received and accepted a shipment of explosives that were intended to be shipped out of Port Everglades to Nassau, Bahamas. Coastal employees illegally transported the explosives in a commercial truck from their warehouse staging area to the dockside facility, and onto an ocean-going commercial vessel, placing them alongside other hazardous materials. As part of the plea agreement, Coastal agreed to a fine of \$750,000, to be paid in full at sentencing.

09.30.2013 [Company Owner Sentenced to 84 Months for Illegal Transportation of Hazardous Materials](#)

On September 30, 2013, Igor Borodin, owner of Krugger Auto, was sentenced in U.S. District Court, Charlotte, North Carolina, to serve 84 months in jail for causing the criminal transportation of hazardous materials and importing counterfeit goods. Upon release from jail, Borodin will be placed under supervised release for two years, subject to removal/deportation to Russia. He was also ordered to pay \$26,844 in restitution, \$60,000 in cash, and to forfeit his home valued at over \$200,000. Borodin was charged for his role in the trafficking of counterfeit airbags and the illegal shipment of undeclared hazardous materials in air commerce. The airbag systems are designed with an incendiary detonator. During testing of the counterfeit airbags by the National Highway Traffic Safety Administration, it was established that the airbags are volatile systems in that they are capable of not deploying at all, expending shrapnel and causing a fire, or both, when detonated. We investigated this case jointly with the Department of Homeland Security Investigations, and the North Carolina Division of Motor Vehicles, Highway Patrol.

09.26.2013 [Management Advisory: Suspended or Debarred Firms Are Listed on State DBE Directories as Eligible for DBE Participation](#)
Self-initiated

On September 24, 2013, we issued a management advisory to inform the Department of Transportation of an issue related to our recent audit of the Department's Disadvantaged Business Enterprises (DBE) program and our ongoing audit of the Suspension and Debarment (S&D) program that warrants attention. Specifically, we identified three suspended or debarred firms that are currently listed in State DBE directories as eligible to participate in the DBE program. Federal regulations explicitly exclude suspended or debarred firms from receiving federally funded contracts. Because DOT lacks sufficient DBE guidance to help State and local transportation agencies safeguard against federally funded awards to firms that are suspended or debarred, instances like those we found point to the possibility that other ineligible firms may be listed on State DBE directories. In addition, DBE certification and oversight weaknesses further increase the risk that DBE work may be awarded to suspended or debarred firms.

09.26.2013 [Worcester Businessman Charged with Attempted Bribery](#)

On September 26, 2013, Irfan Dushku was charged in U.S. District Court, Worcester, Massachusetts, with bribery of a public official. Dushku was charged with attempting to bribe a Federal Motor Carrier Safety Administration (FMCSA) Safety Inspector in order to avoid negative findings on a safety review of his motor carrier company, Korca Enterprises, Inc. It is alleged that Dushku paid \$1,000 to a FMCSA Safety Inspector to produce a false FMCSA Compliance Review of Korca Enterprises, Inc. We are conducting the investigation jointly with FMCSA's Massachusetts Division.

Note: Indictments, informations, and criminal complaints are accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

09.25.2013 [Audit Announcement of the Effectiveness of DOT's Earned Value Management Practices](#)
Self-initiated

The Office of Inspector General (OIG) is initiating an audit of the effectiveness of the Department of Transportation's (DOT) Earned Value Management (EVM) practices. EVM is a management approach that provides objective reports of investment status, produces early warning signs of schedule delays and cost overruns, and provides unbiased estimates of an investment's total costs. OIG has contracted with KPMG LLP, an independent public accounting firm, to perform this audit subject to OIG's oversight. The

audit objectives are to determine whether DOT: (1) has implemented effective EVM policies, procedures and practices for its IT investments; (2) uses accurate EVM data to plan, monitor, and report the status of its IT investments and related security spending.

09.24.2013 [Two Alabama Trucking Company Owners Sentenced for Violating FMCSA Imminent Hazard](#)

On September 24, 2013, in U.S. District Court, Huntsville, Alabama, Isaac and Heronda McWilliams were sentenced for conducting commercial vehicle operations in criminal violation of an Imminent Hazard Out-of-Service Order (IHO) issued by the Federal Motor Carrier Safety Administration (FMCSA). Isaac McWilliams was sentenced to 4 months incarceration, and ordered to pay a special assessment fee of \$100, and Heronda Williams was sentenced to 24 months probation, and ordered to pay a special assessment fee of \$100. On December 2, 2010, FMCSA conducted a compliance review of IDM Transportation. The review disclosed serious violations of the Federal Motor Vehicle Safety Regulations, and consequently, on June 14, 2011, an Operations Out-of-Service (OOS) Order was issued to IDM. This OOS Order prohibited IDM from operating or by operating in another name or through another company. However, in May 2011, Isaac McWilliams failed to disclose his involvement with IDM on a Form OP-1 when he applied for motor carrier authority for BM&L Trucking. On the form, McWilliams falsely certified to FMCSA that he did not have, nor did he ever have any relationship with any other FMCSA regulated entity in the past three years. Approximately one year later, in May 2012, FMCSA completed an investigation of BM&L and again found widespread serious safety violations, similar to those found during their review of IDM. Consequently, FMCSA issued a second OOS order, this time an IHO, to BM&L, IDM and to Isaac and Heronda McWilliams. In spite of this, our investigation found that BM&L and the McWilliamses continued to operate commercial motor vehicles in commerce. We are conducting this investigation with the assistance of FMCSA and the Alabama Department of Public Safety.

09.23.2013 [DOT Does Not Fully Comply With Requirements of the Reducing Over-Classification Act](#)

Required by the Reducing Over-Classification Act

On September 19, 2013, we issued our report entitled DOT Not Fully Complying with Requirements of the Reducing Over-Classification Act. Our objectives were to: (1) determine whether DOT has implemented effective policies and procedures for classification of information that comply with Federal policy and regulations; and (2) identify any practices that may lead to continuous misclassification of information. We found that not all DOT classification related policies and procedures are effective or comply with Federal requirements, including the National Archives and Records Administration's Information Security Oversight Office's (ISOO) regulation. Specifically, the Office of the Secretary of Transportation (OST) did not conduct comprehensive self-inspections of spaces dedicated to storage of classified documents; the Department's classified documents were not all correctly marked; OST's reports to ISOO are not accurate; and FAA's Order on Safeguarding Classified National Security Information needs to be updated to comply with ISOO requirements. We could not conclude whether there are practices that led to continuous misclassification because the necessary security clearances are pending. We worked with the Department to request the necessary clearance and access. The Department has processed our request and forwarded it to the responsible agency. We are awaiting the response from this agency. Within two months of receiving this response, if favorable, we will complete our review of supporting documentation to determine if there are practices that contribute to continuous misclassification. We made four recommendations to DOT and one recommendation to FAA. DOT and FAA officials concurred with all recommendations.

09.23.2013 [Former Carson Helicopter Director of Maintenance Pleads Guilty](#)

On September 23, 2013, Levi Phillips, Director of Maintenance for Carson Helicopters Services, pleaded guilty in U.S. District Court, Medford, Oregon, for his role in falsifying documents pertaining to a Sikorsky S-61N helicopter, tail number N612AZ, owned and operated by Carson. In 2008, the National Transportation Safety Board (NTSB) briefed OIG regarding its ongoing safety investigation of a Carson helicopter crash. The crash resulted in the death of a United States Forest Service employee (USFS) and crashed while performing contracted firefighting services. NTSB's safety investigation of the crash raised allegations regarding Carson's falsification of documents pertaining to N612AZ, which included weight and balance sheets and performance charts that enable a pilot to make accurate maximum payload calculations. The investigation determined that Carson submitted falsified and/or altered documents to the USFS as a part of its bid package, which included an altered FAA-approved performance chart and weight and balance charts. The USFS subsequently awarded Carson firefighting contracts valued in excess of \$20 million dollars in mid-2008. Carson pilots then relied on these altered and/or falsified documents when determining their helicopter maximum payload calculations.

09.20.2013 [Audit Initiated of FAA's Oversight of the Hazardous Materials Voluntary Disclosure Reporting Program](#) *Self-Initiated*

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) oversight of the Hazardous Materials (HAZMAT) Voluntary Disclosure Reporting Program (VDRP). HAZMAT air shipments can present serious safety risks, especially when the materials are unauthorized and undeclared. FAA's HAZMAT VDRP provides an important opportunity to identify and mitigate safety risks by allowing air carriers to voluntarily disclose HAZMAT safety issues without fear of enforcement actions. Our audit objectives are to determine: (1) whether FAA ensures that air carriers' disclosure reports meet program requirements, including implementation of effective corrective actions; and (2) whether FAA uses HAZMAT VDRP data to identify safety risks, including the risks from unauthorized, undeclared shipments.

09.19.2013 [Construction Contractor Convicted of Disadvantage Business Enterprise Fraud](#)

On September 19, 2013, Elaine Martin, of Meridian, Idaho, the former president and majority stockholder of MarCon, Inc., was convicted by a federal jury in Boise, Idaho, of multiple charges, including filing false individual and corporate tax returns, conspiracy, wire fraud, mail fraud, false statements, and obstruction of justice. Martin's co-defendant, Darrell Swigert, of Boise, a minority shareholder in Marcon, was also found guilty. Martin submitted false and fraudulent applications to have her construction company, Marcon, admitted and/or remain in two different federally funded programs, the U.S. Small Business Administration (SBA) 8(a) Program, and the Department of Transportation Disadvantaged Business Enterprise (DBE) Program. Both programs are designed to help economically and socially disadvantaged businesses compete in the marketplace. To be admitted into the programs, the owner/shareholder that qualifies as socially disadvantaged must also demonstrate economic disadvantage, in part by having a personal net worth below a certain statutory cap. According to evidence presented at trial, Martin took steps to artificially lower her personal net worth, such as acquiring, holding and transferring assets into the names of nominees in order to appear to be economically disadvantaged. This allowed Martin's construction firm, MarCon, to qualify for the DBE and SBA 8(a) programs.

09.18.2013 [Status of DOT's Actions To Address Subtitle C of the Moving Ahead for Progress in the 21st Century Act](#)

Requested by the Senate Committee on Environment and Public Works

On September 18, 2013, the Office of Inspector General's (OIG) Assistant Inspector General for Highway and Transit Audits testified before the Senate Committee on Environment and Public Works on the status of the Department of Transportation's actions to address Subtitle C of the Moving Ahead for Progress in the 21st Century Act (MAP-21). Subtitle C calls for accelerating project delivery through increased innovation and efficient project planning, design, construction, and financing. The Assistant Inspector General for Highway and Transit Audits' statement focused on the results of an initial review, which OIG reported in a May 2013 letter to congressional and other stakeholders. The initial review focused on (1) the Department's plans to carry out provisions of MAP-21, Subtitle C; (2) the status of planned actions; and (3) key challenges that could delay the Department's implementation of those plans. The initial review also sought to create a baseline of planned actions to guide future audit work, which will provide a more comprehensive assessment of DOT's actions.

09.18.2013 [Audit Initiated of DOT's Protection of Privacy Information](#)

Required by the 2008 amendments to Section 522 of the Fiscal Year 2005 Transportation, Treasury, Independent Agencies, and General Government Appropriations Act

The Office of Inspector General (OIG) is initiating an audit of the Department of Transportation's (DOT) information management practices for the protection of personally identifiable information (PII). The audit is mandated by the 2008 amendments to Section 522 of the Fiscal Year 2005 Transportation, Treasury, Independent Agencies, and General Government Appropriations Act. OIG has contracted with CliftonLarsonAllen LLP, an independent public accounting firm, to conduct this review subject to OIG's oversight. The audit objectives are to determine whether: (1) DOT has established adequate procedures for the collection, use, and security of PII; (2) DOT ensures compliance with its own privacy and data protection policies and applicable laws and regulations to prevent unauthorized access to or unintended use of PII; and (3) DOT's operating administrations properly evaluate the necessity of using PII to process system data.

09.17.2013 [Letter Regarding FAA's Progress in Meeting NextGen Provisions of the FAA Modernization and Reform Act](#)

Requested by Chairmen Shuster and LoBiondo and Ranking Member Larsen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation

On September 17, 2013, we issued a letter to Chairmen Shuster and LoBiondo and Ranking Member Larsen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation regarding the Federal Aviation Administration's (FAA) progress in meeting Next Generation Air Transportation System (NextGen) provisions in Title II of the FAA Modernization and Reform Act of 2012. The Committee requested that we review FAA's progress on the act after a September 2012 hearing highlighted significant cost overruns and program delays with key NextGen initiatives and modernization projects. We found that FAA has implemented or is on target to implement 11 of the 24 NextGen-related provisions we identified. However, several of the provisions that have yet to be implemented are key to achieving the full benefits of NextGen. Underscoring FAA's difficulties in meeting the provisions of the act are longstanding programmatic and organizational challenges, including the technical complexity of NextGen initiatives; the collaboration required with other Government and aviation stakeholders to complete the initiatives; and financial concerns, including meeting the provisions of the Budget Control Act of 2011. We plan to issue a full report on our findings later this year.

09.12.2013 [Owners of Tennessee Trucking Companies Charged](#)

On September 12, 2013, Dorian Ayache, owner and operator of Three Angels Farms, an interstate commercial motor carrier based in Lebanon, Tennessee, and Theresa Vincent, owner and operator of Terri's Farm, an interstate commercial motor carrier based in Murfreesboro, Tennessee, were indicted in U.S. District Court, Nashville, Tennessee, on charges related to the criminal violation of U.S. Department of Transportation, Federal Motor Carrier Safety Administration (FMCSA) regulations. The indictment charges Ayache with violating an Imminent Hazard Order (IHO) issued by FMCSA, conspiracy, and obstruction of an investigation. Vincent was charged with conspiracy and perjury. In June 2012, FMCSA determined that the operations of Three Angels Farms posed an imminent hazard to public safety and issued an IHO requiring Ayache to cease commercial motor vehicle operations. The IHO was issued due to Ayache's unacceptable safety practices, including his failure to adequately maintain his commercial motor vehicles and his failure to ensure driver qualification. He was also cited for accidents that occurred in January and June 2012, that resulted in fatal injuries to horses. In criminal violation of this order, Ayache continued his commercial motor carrier operations under the name and authority of Terri's Farm, as well as under other names. Subsequently, FMCSA later categorized Terri's Farm as a mere continuation of Three Angels Farm and it was also placed under an IHO. Ayache also concealed and attempted to destroy emails and Vincent made false statements while testifying before a grand jury regarding her communications with Ayache during the investigation.

Note: Indictments, informations, and criminal complaints are accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

09.10.2013 [Security Weakness In DOT's Common Operating Environment Expose Its Systems and Data To Compromise](#)

Self-Initiated

On September 10, 2013, we issued our self-initiated report on the Department of Transportation (DOT) Common Operating Environment (COE) information security controls. The COE provides Operating Administrations (OAs) at the Department's Headquarters in Washington, DC, with IT services, such as data storage, email and web application access, and database services. The COE also provides a centralized environment for applications that OAs use in support of their operations. The objective of this audit was to determine the effectiveness of COE's information security controls, including whether or not DOT COE is as safe from compromise as possible and what, if any, security vulnerabilities the COE contains. Sensitive information exempt from public disclosure under the Freedom of Information Act, 5 U.S.C. § 552, has been redacted and we have marked the document as FOR OFFICIAL USE ONLY. The redacted version is posted to our website.

09.09.2013 [ARRA Financial & Activity Report - August 2013](#)

On September 9, 2013, we issued our monthly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the month of August 2013. The report summarizes our cumulative ARRA and non-ARRA funds spent related to our ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

09.04.2013 [FHWA Is Monitoring Unexpended Recovery Act Highway Funds, but Some Funds May Remain Unused](#)
Self-Initiated

On September 4, 2013, we issued a report on the Federal Highway Administration's (FHWA) monitoring of unexpended American Recovery and Reinvestment Act of 2009 (ARRA) funds. Our report examined the status of unexpended ARRA highway project funds and States' ability to use them to the fullest extent before the spending period expires. We conducted the review as part of our ARRA oversight work. We found that FHWA has taken adequate actions to monitor remaining obligated unexpended ARRA funds. We also estimated that \$356 million in ARRA funds could remain unused when ARRA concludes after September 30, 2015. Factors outside of FHWA's control, such as Federal restrictions on the use of funds, impact the amount of funds that may remain unused. Another contributing factor is FHWA's nationwide \$25 million fiscal year limitation on obligating recovered funds, which prevents States from using their funds when qualified cost increases exceed this limitation. We made two recommendations advising that (1) FHWA revise its policy regarding the treatment of recovered ARRA funds and (2) implement a process to obtain more complete data and more accurately determine how much recovered funding States need in excess of the authority provided to obligate them. FHWA partially concurred with one recommendation and proposed an alternative action to explore the implications of providing upward adjustments in excess of \$25 million per fiscal year. We are requesting additional information to fully assess FHWA's proposed action. FHWA concurred with our other recommendation, and we will close it when the planned actions are complete.

09.04.2013 [DOT OIG Announcement Letter Regarding DOT's FY 2014 Top Management Challenges](#)
Required by the Reports Consolidation Act of 2000 and OMB Circular A-136

The Office of Inspector General has identified seven top management challenges for the Department of Transportation (DOT) for FY 2014. When issued, this report and the Department's response will be incorporated into the DOT Annual Financial Report, as required by law.

09.04.2013 [Massachusetts Construction Company and Owner Pleads Guilty To Fraud Related Charges](#)

On September 4, 2013, in U.S. District Court, Boston, Massachusetts, Juan J. Alonso and Aguila Construction Company, Inc., of Fitchburg, Massachusetts, pleaded guilty to fraud related charges. Alonso operated Alonso Construction, Inc. and Aguila Construction Company from the same location. The companies performed the same type of work, used the same equipment, and used the same laborers and office staff. This "double-breasted" arrangement is often used in the construction industry to avoid paying union members the union wages and benefits. Between 2008 and 2011, Aguila Construction secured several publicly-funded projects, including 12 projects funded by the DOT pursuant to the American Recovery and Reinvestment Act of 2009. During this time and while performing work on federally-funded construction projects, Alonso and Aguila Construction defrauded benefit funds by

running part of the Aguila Construction payroll through Alonso's "non-union" company, Alonso Construction, thereby underreporting the hours actually worked by Local 39 members. Alonso also defrauded the funds by paying Aguila Construction laborers in cash, in order to avoid making hourly payments to the benefit funds. Over the four-year period, the defendants failed to pay approximately \$805,338 owed to the funds. We conducted this investigation jointly with the U.S. Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations; and Employee Benefits Security Administration.



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**Contact: (202) 366-8751
Eric Weems or David Wonnenberg**

11.22.2013 [FISMA: 2013 DOT Has Made Progress, But Its Systems Remain Vulnerable To Significant Security Threats](#)

Required by the Federal Information Security Management Act of 2002

On November 22, 2013, we issued our report that presents the results of our annual audit of the DOT's information security program and practices, as required by the Federal Information Security Management Act of 2002 (FISMA). Consistent with FISMA and OMB requirements, our audit objective was to determine the effectiveness of DOT's information security program and practices. Also, as required by OMB, we provided our results to OMB via its Website. DOT has made some progress in its information security program, but its systems remain vulnerable to significant security threats due to deficiencies in policies and procedures, enterprise-level controls, system controls, and management of known security weaknesses. We are making new recommendations to address these matters.

11.21.2013 [Worcester Businessman Pleads Guilty to Bribery](#)

On November 21, 2013, Irfan Dushku, pleaded guilty in U.S. District Court, Worcester, Massachusetts, to bribery of a public official. Dushku attempted to bribe a Federal Motor Carrier Safety Administration (FMCSA) Safety Inspector in order to avoid negative findings on a safety review of his motor carrier company, Korca Enterprises, Inc. Dushku paid \$1,000 to a FMCSA Safety Inspector to produce a false FMCSA Compliance Review of Korca Enterprises, Inc. We are conducting the investigation jointly with FMCSA's Massachusetts Division.

11.20.2013 [Georgia Woman Convicted In Double Brokering Scheme](#)

On November 20, 2013, Pauline Robinson-Kirkland, pleaded guilty in U.S. District Court, Macon, Georgia, to mail fraud in conjunction with her involvement in a double brokering scheme. The investigation revealed that Robinson-Kirkland used the Internet to access web sites where senders advertised loads of commercial freight available for transport. She bid on these loads of freight using the names of her various companies which are listed as having broker authority with the Federal Motor Carrier Safety Administration, and was awarded the bids. She led the sender to believe her trucking business would deliver the freight for the contracted price and the sender of the freight would send her payment at the agreed upon price. However, after accepting the bid, she would immediately re-advertise the job, using a

different company name. She accepted bids from legitimate trucking companies and had them deliver the freight from the sender to the intended destination, never disclosing that she had arranged for the sender to send payment to her. This resulted in the actual freight hauler never being paid. This investigation was worked jointly with the Decatur County Sheriff's Office, Decatur, Georgia.

11.14.2013 Audit Initiated of FAA's Progress in Reducing Helicopter Emergency Medical Services Accidents

Requested by the Ranking Member of the Aviation Subcommittee of the House Committee on Transportation and Infrastructure

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) progress in improving Helicopter Emergency Medical Services (HEMS) safety. We are conducting this review at the request of the Ranking Member of the Aviation Subcommittee of the House Committee on Transportation and Infrastructure. The HEMS industry safely transports over 400,000 patients in the United States each year, frequently under challenging conditions. However, since 2008, there have been 39 deaths and 19 injuries from HEMS accidents, and the FAA Modernization Reform Act of 2012 required that FAA take specific actions to reduce the HEMS accident rate. Our audit objectives are to evaluate (1) FAA's progress in meeting requirements for HEMS operations cited in the FAA Modernization and Reform Act of 2012, and (2) whether FAA has implemented other actions to reduce the HEMS accident rate.

11.14.2013 President and Owner of New York-based DBE Contractor Sentenced For Role In Fraud Scheme

On November 14, 2013, Yona Jimenez, a/k/a "Yona J. Bocchino", the president and owner of Global Marine Construction Supply (GMCS), was sentenced in United States District Court, White Plains, New York, to three years supervised release and a forfeiture of \$52,347. Jimenez was convicted for her role as a pass-through disadvantaged business enterprise (DBE) purporting to provide structural steel on the FHWA-funded Cross Westchester Expressway Project. Between June 2006 and October 2009, the general contractor claimed that GMCS was awarded a \$6 million subcontract to supply structural steel to reconstruct bridges, although another company (a non-DBE) actually supplied the steel. The general contractor then claimed credit for the "services" provided by GMCS towards meeting its DBE goal. GMCS was paid approximately 1% of the subcontract value as a commission. We are conducting this investigation jointly with the NYS-Metropolitan Transportation Authority OIG, and the Port Authority of New York and New Jersey OIG.

11.14.2013 Commercial Pilot Sentenced for Flying An Aircraft While Under the Influence of Alcohol

On November 14, 2013, Paul Roessler, Federal Way, Washington, was sentenced in U.S. District Court, Spokane, Washington, for flying a commercial aircraft while under the influence of alcohol. He was sentenced to 4 months home confinement, 240 hours of community service, 2 years probation, ordered to attend substance abuse evaluation and counseling and to pay a \$1,500 fine. The investigation disclosed that Roessler failed to establish contact with the Federal Aviation Administration's (FAA) Seattle Air Route Traffic Control Center, and lined up for the wrong runway on approach. The Spokane Airport police administered a breathalyzer test to Roessler, which resulted in a reading of .109 alcohol concentration, more than twice the legal alcohol concentration limit of .04. OIG conducted this investigation, with the assistance of the FAA.

11.07.2013 [Massachusetts Construction Company and Owner Sentenced for Theft and False Statements](#)

On November 7, 2013, in U.S. District Court, Boston, Massachusetts, Juan J. Alonso and his business, Aguila Construction Company, were sentenced for the theft of benefit plans, making false statements in documents submitted to benefit plans, and making false statements to the U.S. Department of Transportation. Alonso was sentenced to 13 months incarceration, 36 months supervised release, and the company received 5 years probation. Both Alonso and his company were ordered to pay \$782,824 in restitution and forfeit \$752,520. Between 2008 and 2011, Alonso operated Aguila Construction Company, Inc. and Alonso Construction, Inc. from the same location in Fitchburg, Massachusetts. The companies performed the same type of work, used the same equipment, and used the same laborers and office staff. This "double-breasted" arrangement is often used in the construction industry to avoid paying union members the union wages and benefits. Alonso defrauded the benefit funds by running part of the Aguila Construction payroll through his non-union company, Alonso Construction, thereby underreporting the hours actually worked by Local 39 union members. Alonso also defrauded the funds by paying Aguila Construction laborers in cash, in order to avoid making hourly payments to the benefit funds. Over the four-year period, Alonso failed to pay the benefits fund by approximately \$805,338. During the scheme, Alonso secured several publicly-funded projects, including 12 projects funded by the DOT pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA). As part of the scheme, a portion of this contract work was conducted by Alonso Construction rather than Aguila Construction, the signatory to the contracts. In particular, between June 2009 and May 2010, Aguila Construction was subcontracted to perform construction work on an ARRA-funded construction project on Route 2 in Harvard and Littleton. In connection with this project, Aguila Construction completed and sent to the Massachusetts Department of Transportation certified payroll records falsely stating the identity of employees, the number of hours worked and the wages paid. We conducted this investigation jointly with the U.S. Department of Labor (DOL), Office of Inspector General, Office of Labor Racketeering and Fraud Investigations; and the U.S. DOL, Employee Benefits Security Administration.

11.06.2013 [Logistics Manager Indicted for Producing False Shipping Manifests](#)

On November 6, 2013, Ryan Thomas, former Logistics Manager, CES Environmental Services, was indicted in U.S. District Court, Beaumont, Texas, on false statements charges. Our investigation disclosed that Thomas produced manifests which indicated that three tanker truck loads of waste-water originated from CES' Houston plant when in fact, they were produced and shipped from CES' Port Arthur (PACES) plant. The PACES location was placed on a moratorium after a November 3, 2008, accident in which a CES driver was overcome by vapors released during the offloading of waste-water. The disposal facility placed the moratorium on all loads of waste-water from the PACES location until the cause of the accident could be identified and new inbound load testing protocols were agreed to. However, this has not taken place yet.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

11.05.2013 [Audit Initiated of FHWA's Oversight of Bridge Safety](#)

Requested by the Ranking Member of the House Transportation and Infrastructure Committee

The Office of Inspector General is initiating an audit of the Federal Highway Administration's (FHWA) efforts to improve bridge safety. This audit is the second in a series of audits responding to a congressional request. There are over 600,000 bridges on public roads that carry, on average, 4 billion vehicles per day. FHWA established the National Bridge Inspection Standards for proper inspections of public highway bridges and oversees States' efforts to ensure bridges within their jurisdictions are safe. Our objectives are to assess whether (1) FHWA Division Offices are effectively overseeing the States' bridge inspection programs and (2) FHWA Headquarters is identifying and addressing high-priority risks to bridge safety at the national level.

11.04.2013 [Former Aerospace Company Owner Convicted for Fraudulent Aircraft Part Repairs](#)

On November 4, 2013, a federal jury in U.S. District Court, Sacramento, California, found William Hugh Weygandt, of Granite Bay, California, guilty of conspiracy to commit fraud involving aircraft parts repair. Weygandt is the former owner/president of Weco Aerospace Systems, Inc. (Weco). Our investigation disclosed that from approximately the mid-1990s until 2007, Weco falsified test results at its Federal Aviation Administration (FAA) certified repair stations in Lincoln and Burbank, California. WECO employees at both repair stations failed to follow FAA regulations and the manufacturer's Component Maintenance Manual (CMM), a step-by-step guide for conducting proper repairs and overhaul of aircraft parts. In many cases, WECO did not have equipment capable of performing some of the tests required by the CMMs. However, WECO employees performed repairs and returned parts to customers, falsely certifying that their parts had been repaired in accordance with the CMMs. The evidence showed that Weygandt was aware of equipment needs at the Burbank and Lincoln facilities but continued to operate WECO without taking steps to comply with FAA regulations. We are investigating this case jointly with the FBI and the U.S. Department of Homeland Security, OIG.

11.01.2013 [Moving Company Owner Pleads Guilty to Defrauding Customers](#)

On November 1, 2013, Yaron Roni Levin, pleaded guilty to conspiracy to commit wire fraud in Colorado District Court. Levin is the owner of Movers USA/Golden Hand Movers. He admitted to luring in customers with extremely low moving estimates and then fraudulently inflating the price of transportation. When customers refused, or were unable to pay, Levin refused delivery and often threatened to auction their household goods until the inflated price was paid. The investigation identified over 75 victims. Levin routinely doubled quoted estimates for an average increase of \$2,000 to \$5,000, although some victims were charged as much as \$10,000 over initial estimates. We are conducting this investigation with the FBI, with assistance from the Federal Motor Carrier Safety Administration.



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**Contact: (202) 366-8751
Eric Weems or David Wonnemberg**

12.19.2013 [Audit Initiated on FAA's Organizational Structure](#)

Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) recent structural and organizational reforms. We are conducting this audit at the request of the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation. Over the past two decades, FAA has undergone several reorganizations and structural changes in an effort to improve its operation of the National Airspace System, such as the establishment of the Air Traffic Organization in 2000. Our audit objectives are to (1) determine whether FAA reforms implemented since 1995 have resulted in improved air traffic operations, reduced Agency costs, and expedited delivery of new technologies and (2) compare the processes used by different countries to deliver air traffic services and implement new technologies.

12.19.2013 [Audit Initiated of Volpe's Transportation Information Project Support Contract](#)

Self-initiated

The Volpe National Transportation Center (Volpe) is a Federal, fee-for-service organization within the U.S. Department of Transportation's (DOT) Research and Innovative Technology Administration (RITA). Each year, Volpe spends approximately \$250 million—based on DOT and non-DOT customer requests and associated fees—to perform a wide range of transportation related systems research and applications development. One vehicle Volpe relies on to provide information technology services for its customers is a specialized multiple award service contract known as Volpe's Transportation Information Project Support (V-TRIPS), which was awarded to five vendors in 2010. Our past work on large service contracts found that agencies do not always ensure adequate competition or provide sufficient oversight of contractor performance. Accordingly, our audit objective will be to determine whether Volpe (1) awarded the base V-TRIPS contract under competitive procedures and provides each awardee fair opportunities for subsequent task orders and (2) administers and oversees the contract in accordance with Federal and DOT acquisition regulations.

12.18.2013 [Audit of the Department of Transportation's Enterprise Services Center](#)

Self-initiated

The Department of Transportation (DOT) is a Federal shared services provider, offering a wide range of business services to its operating administrations and other Federal entities through its Enterprise Services Center (ESC). The Office of Management and Budget requires DOT, as a shared services provider, to provide its client agencies with an independent service auditor's report in accordance with the

American Institute of Certified Public Accountants' Statement on Standards for Attestation Engagements (SSAE) No. 16. DOT's and its client agencies' auditors will use the results of this review in their fiscal year 2014's financial statement audits. KPMG, LLP, an independent audit firm, will perform this engagement, subject to OIG's oversight, and determine whether: (1) management's description of ESC's systems is fairly presented; (2) ESC's controls are suitably designed; (3) ESC's controls effectively operate throughout the period of October 1, 2013 to June 30, 2014.

12.18.2013 Review Initiated of NHTSA's Fiscal Year 2013 Drug Control Obligation and Performance Summary Reports

Required by ONDCP Circular - Accounting of Drug Control Funding and Performance Summary

The Office of Inspector General is initiating a review of the National Highway Traffic Safety Administration's (NHTSA) fiscal year 2013 Drug Control Obligation and Performance Summary Reports. NHTSA funds its Drug Impaired Driving program to reduce drugged driving on the nation's roadways. The Office of National Drug Control Policy's Circular, Accounting of Drug Control Funding and Performance Summary (January 2013), requires agencies to submit annual reports on its drug control activities after reviews by their inspectors general.

12.18.2013 Review Initiated of FAA's Fiscal Year 2013 Drug Control Obligation and Performance Summary Reports

Required by ONDCP Circular - Accounting of Drug Control Funding and Performance Summary

The Office of Inspector General is initiating a review of the Federal Aviation Administration's (FAA) fiscal year 2013 Drug Control Obligation and Performance Summary reports. FAA funds programs to reduce drug use throughout the national airspace, and to support external law enforcement agencies. The Office of National Drug Control Policy's Circular, Accounting of Drug Control Funding and Performance Summary (January 2013), requires agencies to submit annual reports on their drug control activities after reviews by their inspectors general.

12.18.2013 FAA's Safety Data Analysis and Sharing System Shows Progress, but More Advanced Capabilities and Inspector Access Remain Limited

Required by the Airline Safety and FAA Extension Act of 2010

In 2007, the Federal Aviation Administration (FAA) implemented the Aviation Safety Information Analysis and Sharing (ASIAS) system in an effort to proactively identify and address safety risks that may lead to accidents. Through ASIAS, FAA collects and analyzes safety data from multiple public and confidential databases, such as from airline voluntary safety reporting programs. In the Airline Safety and FAA Extension Act of 2010, Congress directed us to assess FAA's ability to establish a system such as ASIAS that can accommodate multiple data sources and also be accessible to FAA safety inspectors and analysts who oversee air carriers. Accordingly, our audit objectives were to assess FAA's (1) progress in implementing ASIAS and (2) access to and use of ASIAS data by FAA inspectors to assist in commercial air carrier safety oversight. We found that FAA has made significant progress with implementing and encouraging participation in ASIAS since 2007, and the program now captures key confidential voluntary safety data from 95 percent of all Part 121 operations. However, FAA's plans to use ASIAS to predict safety risks are still years away, and the program does not yet contain data from non-commercial sectors of the aviation industry that could also benefit from ASIAS's safety analyses. In addition, we found that FAA does not allow its inspectors and analysts to use ASIAS's confidential data for air carrier oversight due to complex data protection agreements. Although many of the inspectors we surveyed stated that access to national-level trends from voluntary safety programs would improve air carrier oversight, FAA has not yet disseminated these data and safety trends to the field. FAA concurred with all four of our

recommendations to enhance the Agency's policies and processes for accessing and using ASIAs information. We are requesting additional information for one recommendation.

12.18.2013 [FAA Needs To Improve ATCOTS Contract Management To Achieve Its Air Traffic Controller Training Goals](#)

Requested by the Chairman of the Subcommittee on Financial and Contracting Oversight, Senate Committee on Homeland Security and Governmental Affairs

The Federal Aviation Administration (FAA) plans to hire over 11,700 air traffic controllers through fiscal year 2021. To help develop the new cadre of professional air traffic controllers FAA awarded the \$859-million Air Traffic Control Optimum Training Solution (ATCOTS) contract, which is intended to provide up to 10 years of controller training support. In September 2010, we reported on FAA's weak acquisition practices and lack of effective contract oversight for the ATCOTS contract. At the request of the Chairman of the Subcommittee on Financial and Contracting Oversight, Senate Committee on Homeland Security and Governmental Affairs, we conducted a follow-up review to determine FAA's progress in addressing our prior findings and recommendations, as well as to determine whether FAA can achieve ATCOTS training goals under the current contract. We found that, although FAA addressed 8 of 9 recommendations from our prior report, weaknesses in contract and program oversight continue. Due to lack of clearly defined requirements, the ATCOTS program experienced 4 consecutive years of cost overruns, totaling about \$89 million. FAA has also not been able to achieve key training goals to reduce training time and innovate training and has not measured its progress toward its goal to reduce training costs. In addition, FAA's cost incentives were ineffective for controlling costs; and the performance measures FAA used for award fees were not tied to enhancing key contract goals. FAA concurred with 9 of 10 recommendations, and partially concurred with one. However, we are requesting additional information for 7 recommendations.

12.18.2013 [More Comprehensive Data Are Needed To Better Understand The Nation's Flight Delays And Their Causes](#)

Required by the FAA Modernization and Reform Act of 2012

The causes and impacts of flight delays and cancellations continue to be a key concern for Congress, the Department of Transportation, the airline industry, and the flying public. In the Federal Aviation Administration (FAA) Modernization and Reform Act of 2012, Congress directed us to examine various delay statistics, air carrier scheduling practices, and airport capacity benchmarks (i.e., the maximum number of flights an airport can safely accommodate per hour). Our audit objectives were to (1) analyze recent flight delay and cancellation trends, (2) examine air carrier scheduling practices and their relative impact in causing flight delays and cancellations, and (3) review FAA's use of capacity benchmarks to assess airport capacity and monitor airline scheduling practices at the Nation's largest airports. We found that overall, flight delays fell by 33 percent from 2000 to 2012, and the number of cancellations nationwide has decreased by 56 percent at the 55 major airports. However, data limitations hinder the Department's ability to track some of these delays or fully understand their causes. In addition, we found that air carrier scheduling practices have had a major impact on reducing the number of flight delays both nationwide and at specific airports, such as by increasing scheduled gate-to-gate times and reducing flight volume. However, over-scheduling and congestion remain a problem at several major airports, particularly in the New York area. Finally, we found that FAA's capacity benchmarks have proven useful for assessing capacity needs at major airports; however, the Agency has not shared them with outside stakeholders and the general public since 2004. We made five recommendations to the Office of the Secretary of Transportation (OST), FAA, and the Research and Innovative Technology Administration (RITA) to improve the collection, reporting, and communication of flight delay and other related data.

The agencies concurred with three of our recommendations and partially concurred with two. Based on their responses, we consider all recommendations resolved but open pending completion of planned actions.

12.17.2013 [Tennessee Man Indicted for Making False Statements](#)

On December 17, 2013, in U.S. District Court, Knoxville, Tennessee, Thomas Lee Overton was indicted for making false statements. Overton, the owner of J and T Flying Service, Inc., allegedly submitted falsified Bills of Sale for two helicopters which reflected that he had purchased the aircraft from private individuals, when in fact; he purchased them from salvage yards. One helicopter had been involved in a crash and the other had received extensive fire damage. By falsifying the documents, Overton was attempting to conceal the damage history of these aircraft.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

12.16.2013 [DOT's FY 2014 Top Management Challenges](#)

On December 16, 2013, we issued our annual report on the top management challenges facing the Department in fiscal year 2014. The seven issues comprising this year's report are as follows: improving FAA's oversight of the aviation industry and the operations of the National Airspace System; identifying and addressing root causes of problems with NextGen and setting investment priorities; continuing actions to strengthen highway, transit, and pipeline safety; improving oversight of surface infrastructure investments and implementing statutory requirements; implementing requirements to address the FRA's expanded and traditional responsibilities; managing acquisitions and contracts to achieve results and save taxpayer dollars; and building a secure and modern information technology infrastructure. This report was included in the Department's Annual Financial Report, as required by law.

12.16.2013 [Quality Control Review of the Department of Transportation's Audited Financial Statements for Fiscal Years 2013 and 2012](#)

Required by the Chief Financial Officers Act

On December 16, 2013, we issued an audit report on our quality control review (QCR) of the Department of Transportation's consolidated financial statements for fiscal years 2013 and 2012. KPMG LLP, under contract to the Office of the Inspector General, issued a clean (unmodified) audit opinion on these financial statements. KPMG LLP found three significant deficiencies in internal control over financial reporting. KPMG LLP also found instances of reportable noncompliance with the laws and regulations tested. Our QCR disclosed no instances in which KPMG LLP did not comply, in all material respects, with auditing standards.

12.16.2013 [Tennessee Man Sentenced for Flying Without a License](#)

On December 16, 2013, Steven Allan Cate was sentenced in U.S. District Court, Greenville, Tennessee, for piloting an aircraft without an airman's certificate. This sentencing stems from a June 5, 2013, guilty plea in which Cate admitted to flying a plane without a valid airman certificate. Cate was sentenced to serve six months in prison and twelve months of supervised release. On April 1, 2013, air traffic controllers identified an unregistered aircraft that was being flown from Daytona Beach, Florida, to Morristown, Tennessee. The Federal Aviation Administration (FAA) contacted the Morristown Police Department (PD) and requested officers meet the aircraft. Morristown PD identified Cate as the pilot. The FAA reported that Cate did not possess a valid pilot's certificate. This is the second time Cate has

engaged in such conduct, having been convicted of an identical offense in December 2004. This investigation was conducted with assistance from the FAA.

12.11.2013 Guam Firm Sentenced for its role in a Buy America Billing Scheme on a \$1.8 million ARRA Funded Project

On December 11, 2013, in the Districts of Guam and the Northern Mariana Islands, Hubtec International Corporation (Hubtec), was sentenced to 5 years of probation, and ordered to pay restitution in the amount of \$150,266 after having admitted to devising a scheme to defraud the Department of Public Works (DPW) and the Federal Highway Administration (FHWA) by falsely representing that they used U.S. made reinforcement steel bars for an ARRA funded project in Guam. On June 27, 2013, Hubtec president and project manager, Young C. Kim, of Tamuning, Guam, was sentenced to 2 years of probation for his role in the scheme. In January 2010, Hubtec received a \$1.8 million contract with the DPW for the reconstruction and rehabilitation of the Route 2 culverts. The contract was funded in part by \$1.4 million in American Recovery and Reinvestment Act (ARRA) funds and required that the contractor comply with the Buy America requirement that all steel and iron permanently incorporated into the project be manufactured in the U.S. OIG's investigation determined that Hubtec and Kim falsely represented that U.S. made reinforcement steel bars were used for the project, when in fact, they had incorporated Korean-made reinforcement steel bars. They also committed fraud through a billing scheme which falsely over-reported the costs of materials. In May 2012, the FHWA debarred Kim for 3 years and in June 2012, FHWA debarred Hubtec for 3 years. The investigation was conducted jointly with the Federal Bureau of Investigation, with assistance provided by the FHWA.

12.11.2013 Audit Initiated on DOT's Fiscal Year 2013 Implementation of the Improper Payments Elimination and Recovery Act of 2010

Required by the Improper Payments Elimination and Recovery Act of 2010

In July 2010, the President signed the Improper Payments Elimination and Recovery Act of 2010 (IPERA), which includes improper payment reporting requirements for agencies and oversight requirements for inspectors general. As required, we are initiating an audit of the Department of Transportation's (DOT) implementation of IPERA. Our objectives are to determine whether: (1) the improper payment information reported in DOT's fiscal year 2013 Annual Financial Report was accurate; and (2) DOT complied with IPERA's requirements.

12.09.2013 Pennsylvania Bridge Contractor Charged For Falsifying Documents

On December 9, 2013, in U.S. District Court, Pittsburgh, Pennsylvania, Matthew Williams was charged with wire fraud in a scheme in which he falsified engineering documents on federally-funded highway construction projects. Williams, former owner of Clear Span Construction Products, LLC, Latrobe, Pennsylvania, manufactured stay-in-place metal bridge deck forms. It is alleged that Williams, on multiple occasions and without authorization, forged or affixed the seal and signature of unwitting Professional Engineers on bridge plans and transmitted these engineering documents to prime contractors on federally-funded highway construction projects. Williams allegedly submitted over 500 falsified engineering documents on more than 75 federal and state funded highway projects in 13 states. On August 21, 2013, Clear Span entered into a civil settlement agreement and agreed to pay a civil fine of \$50,000. This investigation is being worked jointly with the Federal Bureau of Investigation, with assistance from the Federal Highway Administration.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

12.05.2013 [NEPA: FRA Coordinates as Required but Opportunities Exist to Modernize Procedures and Improve Project Delivery](#)

Self-initiated

On December 5, 2013 we issued a report that assessed the procedures the Federal Railroad Administration (FRA) has in place to administer the National Environmental Policy Act (NEPA). As part of its \$10.1 billion High Speed Intercity Passenger Rail Program, FRA collaborates with project grantees, the Federal Highway Administration (FHWA), and the Federal Transit Administration (FTA) on both construction and compliance with NEPA's requirements. Federal agencies are required to follow regulations established by the President's Council on Environmental Quality (CEQ) and develop procedures as necessary to ensure proper consideration of environmental concerns in agency decision-making. As such, we conducted this review to (1) assess FRA's procedures for coordination with FHWA and FTA to ensure compliance with NEPA requirements and (2) determine whether the procedures incorporate relevant statutory requirements and CEQ guidance. We found that FRA coordinates with FHWA and FTA in compliance with NEPA, and is working with the Office of the Secretary of Transportation to further enhance coordination on the Department's multimodal projects. However, we also found FRA's implementing procedures are outdated and limited. Because the Agency has not updated most of its implementing procedures since 1999, requirements from subsequent statutes and recommended CEQ guidance have not been included. In addition, FRA is still developing standard operating procedures for its staff to use in NEPA process administration and to help ensure consistency in the environmental documentation that grantees submit. We made two recommendations to FRA to improve its compliance with the NEPA process. The Agency concurred with both recommendations.

12.03.2013 [Initial Assessment of FTA's Oversight of the Emergency Relief Program and Hurricane Sandy Relief Funds](#)

Self-Initiated

On December 3, OIG issued a final report on the Federal Transit Administration's (FTA) oversight of the Emergency Relief Program and Hurricane Sandy relief funds. The Disaster Relief Appropriations Act, 2013 (DRAA) provided over \$10 billion to FTA's Emergency Relief Program for Hurricane Sandy-related repair and recovery efforts and directed our office to support oversight of FTA's Sandy relief funds. Our initial assessment focused on FTA's early efforts in response to Hurricane Sandy. We determined that FTA complied with DRAA's requirements, made significant progress in developing its Emergency Relief Program and allocating DRAA funds, and developed plans and procedures to conduct oversight. However, further actions are needed to more effectively allocate, obligate, and oversee relief funds, and FTA has yet to fully address these challenges in its oversight plans and procedures. For example, FTA's Oversight Plan did not include sufficient steps to mitigate risks of improper payments. Finally, FTA has opportunities to consider lessons learned from Federal emergency responses and acquisition best practices that could help the Agency to effectively finalize its Emergency Relief Program and related guidance. We made nine recommendations to improve FTA's oversight of Hurricane Sandy relief funds and its Emergency Relief Program guidance. FTA concurred with eight of our nine recommendations and partially concurred with one. FTA provided appropriate planned actions and timeframes for completion of eight recommendations. We are requesting that FTA provide additional information regarding its plans for the remaining recommendation.

12.02.2013 [Maryland Woman Pleads Guilty in Fraudulent Tax Scheme](#)

On December 2, 2013, in U.S. District Court, Baltimore, Maryland, Tonia Lawson pleaded guilty to charges of conspiracy to obtain fraudulent tax refunds while using the personal information of other individuals, without their knowledge or permission. From February 2010 through April 2013, Lawson

conspired with Sheila Anderson-Cloude, a FMCSA employee, to prepare fraudulent tax returns. Lawson and Anderson-Cloude recruited individuals who ordinarily did not meet the threshold to file income tax returns, because they had little or no earned income, and convinced these individuals that they could obtain a substantial refund and therefore should file a federal individual income tax return. At least 15 fraudulent tax refunds were deposited directly into accounts controlled by Lawson, who then wrote checks to the recruits to pay them for their portion of the refund. Over the course of the scheme, Lawson conspired in the filing of 84 fraudulent tax returns, with a resultant loss to the government of \$546,785. This investigation was conducted jointly with IRS Criminal Investigation Division (CID).

12.02.2013 [Tennessee Contractor Charged with Theft of Federal Funds](#)

On December 2, 2013, in U.S. District Court, Nashville, Tennessee, Michael Young was charged with theft of federal funds. Young was contracted by the Tennessee Department of Transportation (TDOT) to manage federally funded right of way acquisitions on behalf of TDOT. It is alleged Young executed a scheme to obtain over \$900,000 from TDOT by falsely representing to TDOT he would procure right of way properties with the proceeds, and instead used the money to manage other personal properties and financial obligations. Young was also charged under forfeiture statutes and stands to forfeit property valued at approximately \$900,000.

Note: Indictments, Informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



Department of Transportation
Office of Inspector General

Office of Inspector General Monthly Activity Report Activities since January 1, 2014

Contact: (202) 366-8751
Eric Weems or David Wonnemberg

01.31.2014 [Management Advisory on Registration of Aircraft to U.S. Citizen Trustees in Situations Involving Non-U.S. Citizen Trustors and Beneficiaries](#)
Self-Initiated

This management advisory informs the Federal Aviation Administration (FAA) of additional concerns we identified regarding the registration of aircraft owned under trusts for non-U.S. citizens. After our audit of FAA's Civil Aviation Registry (OIG Report Number FI-2013-101, June 27, 2013) in which we reported that FAA cannot identify key information—such as the identity of trustors and beneficiaries—for many of the aircraft registered under these trusts, we conducted additional work and determined that in some cases this information is also not available from the trustees. Furthermore, FAA does not always comply with its requirements when registering these aircraft. The lack of complete and accurate data on aircraft registered on behalf of non-U.S. citizens makes it difficult for FAA to ensure aviation safety.

01.31.2014 [Inspector General Review of Fiscal Year 2013 Drug Control Funds and Performance Summary Reporting - National Highway Traffic Safety Administration](#)
Required by ONDCP Circular - Accounting of Drug Control Funding and Performance Summary

During our review, no information came to our attention that would reverse the National Highway Traffic Safety Administration's assertions that its fiscal year 2013 Drug Control Obligation Summary and Performance Summary reports complied, in all material respects, with the requirements of the Office of National Drug Control Policy Circular, Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013. Our report and the related attachments will be published online as soon as accessible text versions of the documents are available. Non-accessible copies may be obtained by contacting George Banks at (410) 962-1729.

01.31.2014 [Inspector General Review of Fiscal Year 2013 Drug Control Funds and Performance Summary Reporting - Federal Aviation Administration](#)
Required by ONDCP Circular - Accounting of Drug Control Funding and Performance Summary

During our review, no information came to our attention that would reverse the Federal Aviation Administration's assertions that its fiscal year 2013 Drug Control Obligation Summary and Performance Summary reports complied, in all material respects, with the requirements of the Office of National Drug Control Policy Circular, Accounting of Drug Control Funding and Performance Summary, dated January 18, 2013.

01.29.2014 [Audit Initiated of the Efficiency of DOT's Implementation of Cloud-Computing Self-Initiated](#)

The Office of Inspector General is initiating an audit of the Department of Transportation's (DOT) management practices for the implementation of cloud computing services. Federal agencies are required to default to cloud-based solutions whenever a secure, reliable, and cost-effective cloud option exists. Our audit objectives are to determine whether DOT has (1) an effective process to transition IT services to cloud computing, and (2) identified and mitigated security risks associated with the transition to cloud computing.

01.28.2014 [FAA Made Limited Progress in Implementing NextGen Provisions of the FAA Modernization and Reform Act of 2012](#)

Requested by Chairmen Shuster and LoBiondo and Ranking Member Larsen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation

On January 28, 2014, we issued a report on the Federal Aviation Administration's (FAA) progress in meeting Next Generation Air Transportation System (NextGen) provisions in Title II of the FAA Modernization and Reform Act of 2012. Title II of the FAA Modernization and Reform Act of 2012 includes 24 provisions intended to help the Federal Aviation Administration (FAA) better manage and advance its Next Generation Air Transportation System (NextGen) and other modernization efforts. As of August 2013, FAA had implemented or was on target to implement about half of these provisions. However, FAA has yet to implement several provisions that are key to achieving the full benefits of NextGen. Longstanding programmatic and organizational challenges have hindered FAA's efforts to meet the act's provisions, including technical complexity; collaboration with other Government and aviation stakeholders; and financial concerns, including meeting the provisions of the Budget Control Act of 2011. FAA concurred with our two recommendations to provide more information to Congress and other stakeholders regarding its progress in meeting the act's Title II provisions. We are requesting that the Agency provide this specific information in future planning documents and briefings with Congress.

01.27.2014 [Company Sentenced for its Role in the Illegal Transportation of Explosives](#)

On January 27, 2014, in U.S. District Court, West Palm Beach, Florida, Coastal Shipping Holding, Inc., previously known as G&G Marine, Inc. (Coastal), was sentenced to 24 months probation and a fine of \$750,000 for its role in the illegal transportation of hazardous materials, failure of a hazardous material employer to train its employees, and recklessly loading and stowing explosives on a vessel. The vessel was docked at Port Everglades, Fort Lauderdale, Florida, and was bound for the Bahamas. The investigation revealed that Coastal received and accepted a shipment of explosives that were intended to be shipped out of Port Everglades to Nassau, Bahamas. Coastal employees illegally transported the explosives in a commercial truck from their warehouse staging area to the dockside facility, and onto an ocean-going commercial vessel, placing them alongside other hazardous materials.

01.24.2014 [Owner of California Bond Company Indicted for Defrauding Trust Funds for Motor Carriers](#)

On January 24, 2014, Bonnie Warren, owner of Oasis Capital, Inc. (Oasis), of Fullerton, California, was indicted in U.S. District Court, Los Angeles, California, in connection with a fraudulent trust fund scheme. Our investigation was initiated after the Federal Motor Carrier Safety Administration (FMCSA) referred allegations that Oasis was violating FMCSA regulations by accepting money from property brokers for the establishment of trust funds and actually using the money for other purposes. Trust fund monies are supposed to be maintained for the purpose of providing payments to shippers or motor carriers in cases where the broker fails to carry out its contract to provide transportation services by authorized motor

carriers. Oasis solicited brokers and accepted payments in the amount of \$10,000 each to establish trust funds only to use the monies for other purposes. FMCSA suspended Oasis' privileges to file trust funds on behalf of brokers in January 2010 and began the process of revoking the approximately 500 Oasis trust funds on file with FMCSA.

Note: Indictments, informations, and criminal complaints are accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

01.24.2014 [Former Pennsylvania Bridge Contractor Pleads Guilty to Fraud Charges](#)

On January 24, 2014, Matthew Williams, former owner of Clear Span Construction Products, LLC, pleaded guilty in U.S. District Court, Pittsburgh, Pennsylvania, to a charge of falsifying engineering documents related to federally-funded highway construction projects between July 2008 and April 2012. Clear Span manufactured stay-in-place (SIP) metal bridge deck forms that were placed between either structural steel or pre-stressed concrete bridge girders. Williams admitted that, on multiple occasions and without authorization, he forged or affixed the seal and signature of unwitting Professional Engineers (P.E.) on bridge plans and transmitted these engineering documents, as required, to prime contractors on the Federal Highway Administration (FHWA) funded projects. The investigation revealed that Williams submitted over 500 falsified documents on more than 75 federal and state funded highway projects in 13 states. FHWA funded contracts require P.E. approval to ensure both the safety of the construction workers during bridge construction and the integrity of the bridge designs. FHWA concluded that there were no safety concerns surrounding the metal bridge deck form designs upon which Williams falsely affixed P.E. signatures. Additionally, in August 2013, the U.S. Attorney's Office entered into a civil settlement agreement with Clear Span and its partners that resulted in a \$50,000 civil settlement. We are conducting the investigation jointly with the Federal Bureau of Investigation. FHWA has provided substantial assistance.

01.17.2014 [Connecticut Company Sentenced in Falsification of Logbooks Scheme](#)

On January 17, 2014, Wisla Express, LLC (Wisla), New Britain, Connecticut, was sentenced in United States District Court, Hartford, Connecticut, to 5 years probation and a \$75,000 fine in connection with its role in presenting falsified documents to the Federal Motor Carrier Safety Administration (FMCSA). Wisla's owner Elzbieta Szteborowski and manager Dariusz Szteborowski were ordered to divest themselves of all ownership interests in Wisla and may not reacquire any ownership interests during the duration of Wisla's probation. Dariusz Szteborowski is not permitted to work for Wisla during the probation period. Wisla is a commercial passenger carrier operating vans, mini-buses, and tour buses. Wisla's office Manager, Dariusz Szteborowski, of Rocky Hill, Connecticut, previously entered a guilty plea in connection with the scheme. The investigation disclosed that Szteborowski created and maintained false and fraudulent driver time records or caused others to create false and fraudulent driver logs in order to meet the prescribed reporting requirements. Szteborowski and others working with and for Szteborowski and Wisla often assigned drivers to trips knowing that the drivers would be exceeding the regulated limits of on-duty driving time. In order to hide these violations from FMCSA inspectors, Szteborowski instructed the drivers and/or other Wisla employees to record falsely in the logs that the driver was off-duty during those times, and then Szteborowski submitted the falsified logs to FMCSA during its inspection. The investigation was conducted with assistance from FMCSA.

01.16.2014 [MWAA's Financial Management Controls Are Not Sufficient To Ensure Eligibility of Expenses on FTA's Dulles Rail Project Grant](#)

Requested by Congressmen Frank R. Wolf and Tom Latham

The Metropolitan Washington Airports Authority (MWAA) is an independent public body responsible for the design and construction of Phases 1 and 2 of the Dulles Corridor Metrorail Project. In March 2009, the Federal Transit Administration (FTA) awarded MWAA the last in a series of grants for Phase 1 of the project, providing \$975 million in Federal funds including \$77 million in American Recovery and Reinvestment Act funds. Despite significant Federal investment, MWAA lacks adequate controls to ensure that expenses claimed for funding on the FTA grant for Phase 1 of the Dulles rail project are eligible for reimbursement. Our review of 282 Dulles rail project transactions determined that MWAA claimed \$36 million in unsupported costs and \$119,000 in unallowable costs for Federal reimbursement on the project. Given that \$289 million in Federal grant funds remain available for disbursement, improvements to MWAA's financial management controls are critical for effective management of this Federal investment. FTA concurred with the seven recommendations we made to increase FTA's oversight of MWAA's controls for ensuring that Dulles rail project expenses claimed are eligible for reimbursement.

01.16.2014 [Audit Initiated: Phase 2 Assessment of FTA's Hurricane Sandy Grant Award and Oversight Processes](#)

Required by the Disaster Relief Appropriations Act of 2013

The Disaster Relief Appropriations Act of 2013 (DRAA) provided over \$10 billion to the Federal Transit Administration's (FTA) Public Transportation Emergency Relief Program for Hurricane Sandy relief and directed our office to provide oversight of FTA's Hurricane Sandy relief funds. To date, FTA has awarded grants for about \$577 million of those funds to transit agencies, including the New York Metropolitan Transportation Authority and New Jersey Transit. In addition, FTA recently announced the availability of \$3 billion to be competitively awarded for resilience projects intended to protect transit assets from future disasters in areas impacted by Hurricane Sandy. Transit agencies in the affected areas may also receive funds from the Federal Emergency Management Agency (FEMA) and insurance companies to cover Sandy-related expenses. To comply with DRAA, we initiated a series of audits using a three-phase strategy. In December 2013, we issued our Phase 1 assessment of FTA's efforts to meet DRAA's requirements and implement the new Emergency Relief Program. In this Phase 2 audit, our objectives are to (1) determine if FTA has fully implemented the processes it established to award and oversee projects receiving Hurricane Sandy funds, (2) determine whether effective controls are in place to prevent duplicate payments from FEMA and insurance companies, and (3) identify any issues that may have an impact on timely obligation and expenditure of FTA's Hurricane Sandy funds.

01.15.2014 [DOT's Efforts to Reduce Spending on Management Support Services Contracts Have Been Delayed](#)

Self-initiated

In 2011, as part of its "Campaign to Cut Waste," the Office of Management and Budget (OMB) set a goal for agencies to reduce spending on management support services contracts by 15 percent—from fiscal year 2010 spending levels—by the end of fiscal year 2012. OMB also called for the Chief Financial Officer and Chief Acquisition Officer of each agency to institute controls to monitor fiscal year 2012 obligations for management support services under new contracts. However, DOT's spending on management support services contracts, which totals over \$1 billion annually, increased from fiscal years 2010 through 2012, and over half of DOT's management support services contract obligations involve high-risk contract types, such as time-and-materials and cost-reimbursement contracts. Despite this increase, the

Department reported that it achieved contract cost savings through an ongoing strategic sourcing initiative. However, DOT delayed implementing the phases of the strategic sourcing initiative that focus in part on management support services spending, and it lacked comprehensive plans and policies for implementing these initiatives. DOT recently initiated actions that could provide a foundation for improving its use of management support services contracts, such as revising its “Acquisition Oversight and Risk Management Policy,” but it has not implemented OMB’s suggested internal controls for managing and monitoring obligations for management support services contracts. Deferring these efforts to focus on management support services contracts has delayed opportunities to reduce spending and better manage these contracts. We made two recommendations to help DOT control spending and improve management of its management support services contracts. The Department concurred with both recommendations; however, we requested that DOT perform additional actions to ensure it meets the intent of one.

01.15.2014 [Quality Control Review of Controls Over DOT’s Enterprise Services Center](#)

Required by OMB Memorandum M-08-24, Technical Amendments to OMB Bulletin No. 07-04, Audit Requirements for Federal Financial Statements

We conducted a quality control review of an attestation engagement performed by KPMG LLP on the Enterprise Services Center’s (ESC) description of its system and the suitability of the controls’ design and operating effectiveness. KPMG’s attestation engagement was conducted in accordance with the American Institute of Certified Public Accountants’ Statement on Standards for Attestation Engagements Number 16. The Office of Management and Budget requires ESC, as a Federal service provider, either to (1) provide its user organizations with independent attestation reports on the design and effectiveness of its internal controls, or (2) allow user auditors to perform tests of its controls. The engagement covered Delphi Financial Management System’s operations (used by multiple Federal agencies), and the Consolidated Automation System for Time and Labor Entry (CASTLE), which is used to support DOT operations only. KPMG found that (1) in all material respects throughout the period October 1, 2012, to June 30, 2013, ESC’s description of its controls fairly presents ESC’s implemented system, (2) the controls were suitably designed to provide reasonable assurance that the controls’ objectives would be achieved if the controls operated effectively throughout the period, (3) user entities applied throughout the period the complementary user controls contemplated in the controls’ design, and (4) the controls tested—together with the complementary user entities’ controls, if operating effectively—were those necessary to provide reasonable assurance that the controls; objectives were achieved and operated effectively throughout the period. Our quality control review disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards. The quality control review and attachment have been marked as For Official Use Only (FOUO) to protect sensitive information exempt from public disclosure under the Freedom of Information Act, 5 U.S.C. § 552. To receive a copy of the report, please contact our Freedom of Information Act Office.

01.15.2014 [Texas Moving Company Owner Sentenced for Household Goods Moving Scheme](#)

On January 15, 2014, Anthony Fanelli was sentenced in Harris County, Texas, state court to 20 years in jail and ordered to pay \$200,000 in restitution in connection with a household goods moving scheme. Between May 2009 and January 2012, Fanelli, along with others, lured customers into doing business with various moving companies by offering extremely low moving estimates. After taking possession of the customers’ household goods, the price was significantly increased and delivery of their household goods was withheld until the customers paid the fraudulently inflated price. In addition, customers were threatened that if they refused to pay, their household goods would be auctioned.

This investigation was conducted jointly with the Houston and Austin, Texas, Police Departments, with assistance from the Federal Motor Carrier Safety Administration.

01.14.2014 [The Success of FAA's Air Traffic Controller Optimum Training Solution Relies on Sound Contracting and Program Management Practices](#)

Requested by the Committee on Homeland Security and Governmental Affairs Subcommittee on Financial and Contracting Oversight

On January 14, 2014, the Office of Inspector General's Assistant Inspector General for Acquisition and Procurement Audits testified before the Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Financial and Contracting Oversight, on FAA's Air Traffic Control Optimum Training Solution (ATCOTS) contract. Our reviews have identified four primary weaknesses that undermine FAA's efforts to achieve its ATCOTS training goals and to maintain a sufficient cadre of fully trained air traffic controllers. Those weaknesses concern (1) training requirements, (2) training innovations, (3) use of award and incentive fees, and (4) contract oversight.

01.13.2014 [Highway Construction Officials Sentenced to Jail and Ordered to Pay \\$119 Million in Pennsylvania DBE Fraud Case](#)

On January 13 and 15, 2014, in U.S. District Court, Harrisburg, Pennsylvania, Dennis F. Campbell, Timothy Hubler, and Romeo Cruz were sentenced in connection with their roles in the largest reported Disadvantaged Business Enterprise (DBE) fraud in the Department's history. Campbell, the former vice-president of Schuylkill Products (SPI), was sentenced to 24 months imprisonment and 2 years supervised release. Hubler, a former vice president of CDS Engineers, Inc. (CDS), was sentenced to 33 months imprisonment, ordered to pay \$82,370 in restitution to the IRS, and 2 years supervised release. Cruz, who operated Marikina Construction Corporation, was sentenced to 33 months imprisonment, ordered to pay \$79,450 in restitution to the IRS, and 2 years of supervised release. Additionally, all three defendants were ordered to pay \$119 million in restitution, jointly and severally, to the Federal Highway Administration (FHWA). The investigation revealed that Campbell, Hubler, Cruz, and others defrauded the DOT DBE program for more than 15 years, involving more than \$136 million in highway transportation contracts. SPI and CDS, a subsidiary of SPI, used Marikina as a shell DBE corporation, to obtain DBE subcontracts for bridge beam installation projects with the intention of having CDS and SPI employees perform, manage, control, and supervise the beam installations. SPI and CDS officials fraudulently prepared business documents on Marikina letterhead, used a Marikina payroll account to pay a CDS supervisor and work crew, and SPI officials paid Marikina a fixed fee for the use of its name in obtaining the DBE contracts. We investigated this case jointly with the FBI, U.S. Department of Labor OIG, and the FHWA provided substantial assistance.

01.10.2014 [California Man Pleads Guilty in Fraud Scheme to Steal Computer Equipment Intended for Non-profit Schools](#)

On January 3, 2014, Steven A. Bolden of Palmdale, California, pleaded guilty in U.S. District Court, Tacoma, Washington, to charges relating to his role in a scheme to transfer computer equipment to himself that was originally purchased by the U.S. Government for more than \$25 million. He presented himself as a representative of non-profit schools eligible to receive excess computers through General Services Administration's (GSA) Computers for Learning (CFL) program. This program allows for the transfer of surplus computers and technology equipment to schools and nonprofit educational groups. OIG began investigating Bolden based on information received from the Federal Highway Administration, Western Federal Lands Highway Division (WFLHD), Vancouver, Washington. In March 2011, the WFLHD posted a pallet of 15 computers, initially costing the government \$13,950, on the CFL website. Soon after, a person requested those computers on behalf of the Los Angeles Academy of Educational Development

(LAAED). In April 2011, the computers were shipped from the WFLHD to the LAAED. The WFLHD became suspicious when they received a bill for the shipment from UPS in September 2011. Shipping costs were supposed to be paid by the LAAED, but UPS was unable to contact that entity or Bolden to collect payment. Our investigation determined that the LAAED was not a legitimate non-profit school. We are investigating this case jointly with Army Criminal Investigations Division; Department of Homeland Security OIG; Department of Energy OIG; Department of Justice OIG; FBI; GSA-OIG; Internal Revenue Service-Criminal Investigations Division; Social Security Administration OIG; and the Veterans Administration OIG.

01.10.2014 [Owner of Defunct New Jersey-based DBE Subcontractor Sentenced for Her Role in a DBE Scheme](#)

On January 10, 2014, Eva C. Glasgow, owner of now-defunct Eva Glasgow Contractors, Inc. (EGC), was sentenced in U.S. District Court, Camden, New Jersey, to 3 years probation, a \$75,000 fine, and \$4,316 in restitution. Glasgow previously pleaded guilty to making false statements on Disadvantaged Business Enterprise (DBE) Utilization Reports associated with a Federal Highway Administration (FHWA) funded project, and false statements relating to prevailing wage statutes contained in the Davis Bacon Act. Our investigation revealed a DBE fraud scheme involving EGC that occurred on a \$26 million FHWA-funded road construction project in Collingswood, New Jersey. JPC Group, Inc. (JPC), the prime contractor, and Beneficial Soil Solutions, Inc. (BSS), a subcontractor based in Maryland, conspired with Glasgow to utilize EGC as a pass-through in order for JPC to claim credit for meeting DBE contract requirements. The conspiracy resulted in JPC claiming \$3,158,820 in fraudulent DBE work that was actually performed by a non-DBE. Additionally, EGC submitted false certified payroll records to New Jersey, claiming that EGC employees that did work at the construction site were paid the prevailing rate and benefits, when in fact they were not. This case was worked jointly with the U.S. Department of Labor-OIG and IRS-CID.

01.09.2014 [Michigan Firm Agrees to Pay \\$3.825M to the Government to Settle DBE Fraud Claims](#)

On January 9, 2014, representatives for Oldcastle Materials, Inc., entered into a \$3,825,000 Settlement Agreement with the United States Department of Justice and the USAO in the Eastern District of Michigan, to resolve their False Claims Act liability arising from falsely claiming DBE participation on a number of FHWA and FAA construction projects between January 2006 and December 2010 in the State of Michigan. From January 2006 to December 2010, it is alleged the defendants violated Disadvantaged Business Enterprise (DBE) requirements by representing that liquid asphalt for various identified projects was supplied by BN&M (the listed DBE), when in fact, BN&M simply acted as a pass-through. This case was worked with the FAA and the Department of Justice, Civil Division.



Department of Transportation
Office of Inspector General

Office of Inspector General Monthly Activity Report Activities since February 1, 2014

Contact: (202) 366-8751
Eric Weems or David Wonnemberg

02.27.2014 [Audit Initiated of FAA's Response to the NextGen Advisory Committee's Recommendations on NextGen Priorities](#)

Requested by the Chairmen and Ranking Members of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation

The Office of Inspector General is initiating an audit on the Federal Aviation Administration's (FAA) response to recommendations for Next Generation Air Transportation System (NextGen) investment priorities from the NextGen Advisory Committee (NAC). At FAA's request, the NAC issued a report in September 2013 with recommendations for prioritizing NextGen activities and investments based on their benefits and implementation readiness. Our audit objectives are to (1) identify the steps FAA is taking to address the NAC's recommended investment priorities and (2) evaluate FAA's plans for implementation.

02.25.2014 [FRA Continues To Make Progress Implementing PRIIA Responsibilities but Faces Challenges With Rail Planning](#)

Required by the Passenger Rail Investment and Improvement Act of 2008

The Passenger Rail Investment and Improvement Act of 2008 (PRIIA) gives the Federal Railroad Administration (FRA) important new responsibilities, including integrated rail planning for the entire country. PRIIA also requires OIG to conduct two assessments of FRA's progress in implementing the Act's provisions. This report presents the results of our second assessment (the results of our first assessment were reported on March 6, 2012). Since our first report, FRA continued to make progress, but 12 of its 29 PRIIA responsibilities remain incomplete. The Agency made progress on 10 of these 12, including ensuring that Amtrak's stations comply with the Americans with Disabilities Act, and initiating research studies on bio-fuels and the use of bio-based technology for locomotives. However, FRA has not initiated work on two responsibilities—conducting high-speed rail corridor studies for Congress, and establishing a process for the designation and extension of high-speed rail corridors. Development of a national rail plan is a major challenge to FRA's complete implementation of its responsibilities. While it undertook several rail planning activities, FRA did not articulate how its approach will fully address PRIIA's requirement to develop a national rail plan. Rather than creating a single, national rail plan as PRIIA calls for, FRA has chosen a decentralized strategy that focuses on State and regional planning. FRA's efforts to date have focused on plans for the Northeast Corridor and three states in the southwest—California, Nevada, and Arizona. The Agency has not yet established plans and milestones for other regions, or determined how it will link regional plans into a unified national rail plan.

FRA concurred with our recommendation to update its PRIIA Action Plan and include an explanation of how its strategy will fulfill PRIIA's requirement for a national rail plan. The Agency proposed an appropriate action plan.

02.25.2014 Addressing Underlying Causes for NextGen Delays Will Require Sustained FAA Leadership and Action

Requested by the Chairmen and Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation

Over the past 8 years, the Federal Aviation Administration (FAA) has been working to develop the Next Generation Air Transportation System (NextGen)—a multibillion-dollar program intended to fundamentally transform the Nation's air traffic system. FAA manages this transformation in part through its Enterprise Architecture (EA) plan—a key strategic planning tool that details the numerous integration and investment decisions required to advance NextGen. While FAA is making progress with elements of NextGen, our work continues to find longstanding problems with cost increases, schedule slips, and performance shortfalls. Accordingly, we conducted this audit to (1) determine FAA's progress on key EA decisions related to achieving NextGen capabilities (2) identify underlying causes for FAA's delays in advancing NextGen and (3) assess FAA's recent reorganization to improve the management and execution of NextGen initiatives. From January 2009 through May 2013, FAA made 157 key NextGen-related decisions in its EA. Despite this progress, some critical EA decisions have not been made. Overall, the EA's usefulness as a strategic planning tool for NextGen has been limited due to incomplete information, a lack of policy and guidance, and unresolved NextGen design decisions. Longstanding programmatic and organizational challenges further undermine NextGen's progress, including the lack of an executable plan, delays in fielding foundational air traffic management hardware and software, frequent changes in senior leadership, and an industry that remains reluctant to invest in NextGen. FAA's recent reorganization may better position the Agency to meet its NextGen goals. However, it is too early to fully assess the reorganization's effectiveness, in part because FAA has been slow to fill key leadership positions and best practices have yet to be captured or implemented. We made six recommendations to FAA to provide greater visibility into critical NextGen decisions and to assist in achieving a successful reorganization. FAA concurred with four of our recommendations and partially concurred with two. Based on FAA's response, we are requesting additional information for four recommendations.

02.25.2014 Maryland Woman Pleads Guilty in Tax Fraud Scheme

On February 25, 2014, in U.S. District Court, Baltimore, Maryland, Sheila Anderson-Cloude, Financial Management Specialist, Federal Motor Carrier Safety Administration, pleaded guilty for her role in a conspiracy to obtain fraudulent tax refunds, sometimes using the personal information of other individuals, without their knowledge or permission. From February 2010, through February 2012, Anderson-Cloude filed and caused others to file false federal income tax returns in order to illegally obtain tax refunds to which she was not entitled. Our investigation revealed that she prepared and filed the fraudulent tax returns on her work computer while at work. In total, she misappropriated over \$574,000. We conducted this investigation jointly with IRS Criminal Investigation.

02.21.2014 Audit Initiated of FAA's Implementation of a Pilot Records Database

Requested by the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation

The Office of Inspector General is initiating an audit on the Federal Aviation Administration's (FAA) implementation of a pilot records database. We are conducting this audit at the request of the Chairman and Ranking Member of the House Transportation and Infrastructure Subcommittee on Aviation.

To ensure that air carriers have full information on a pilot's performance history during the hiring process, Congress mandated in 2010 that FAA create a centralized database of FAA and air carrier pilot records. Accordingly, our audit objectives are to (1) evaluate FAA's progress in developing and implementing the pilot records database and (2) determine what pilot records are available for air carriers to obtain and review for new applicants.

02.21.2014 [Audit Initiated of FAA's Oversight of Pilot Use of Flight Deck Automation](#)

Requested by the current and former Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation

The Office of Inspector General is initiating an audit on the Federal Aviation Administration's (FAA) oversight of the use of flight deck automation by air carrier pilots. We are conducting this audit at the request of the current and former Ranking Members of the House Transportation and Infrastructure Committee and its Subcommittee on Aviation. While flight deck automation allows for greater precision and a decreased workload for pilots, some safety experts have expressed concerns that pilots rely too heavily on automated systems, which could erode manual flying skills. Accordingly, our audit objectives are to (1) determine whether FAA has established regulations governing the use of flight deck automation and (2) identify FAA's process for ensuring that air carrier pilots are trained to use and monitor these systems while also maintaining proficiency in manual flight operations.

02.21.2014 [Trucking Company Manager Sentenced for Logbook Falsification](#)

On February 21, 2014, Dariusz Szteborowski, manager of Wisla Express, LLC (Wisla), New Britain, Connecticut, was sentenced in United States District Court, Hartford, Connecticut, to a 14 month prison term, 3 years of supervised release and a \$20,000 fine for his role in the falsification and destruction of driver logbook entries which were submitted to the Federal Motor Carrier Safety Administration (FMCSA). Szteborowski was ordered to divest himself of all ownership interests in Wisla and may not reacquire any ownership interests during the duration of his supervised release. Moreover, neither Szteborowski nor his wife is permitted to work for Wisla or any other DOT regulated entity during the supervised release period. The investigation disclosed that Szteborowski often created and maintained false and fraudulent driver time records or caused others to create false and fraudulent driver logs in order to meet the prescribed reporting requirements and that Szteborowski submitted logs to the FMCSA that were not only false, but in many cases had not been created by the driver as required under the federal regulations. Szteborowski and others working with and for Szteborowski and Wisla often assigned drivers to trips knowing that the drivers would be exceeding the regulated limits of on-duty driving time. In order to hide these violations from FMCSA inspectors, Szteborowski often instructed the drivers and/or other Wisla employees to record falsely in the logs that the driver was off-duty during those times, and then Szteborowski submitted the falsified logs to FMCSA during its inspection. The investigation was conducted with assistance from FMCSA.

02.20.2014 [Audit Initiated of the Productivity of FAA's Air Traffic Control Towers](#)

Requested by the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation

The Office of Inspector General plans to initiate an audit of the productivity of Federal Aviation Administration (FAA) air traffic control towers. We are conducting this audit in response to a request from the Chairmen of the House Committee on Transportation and Infrastructure and its Subcommittee on Aviation. Knowledge of which air traffic control towers operate relatively more efficiently will aid determination of which factors affect air traffic control tower productivity. The objective of this audit is to assess the relative efficiency of FAA air traffic control towers.

02.20.2014 [Audit Initiated of FAA's Financial Statements for Fiscal Years 2014 and 2013](#)

Required by the Chief Financial Officers Act of 1990

The Office of Inspector General (OIG) is initiating an audit of FAA's financial statements for fiscal years 2014 and 2013 in accordance with the Chief Financial Officers Act of 1990. An independent audit firm, KPMG LLP, will perform the audit—subject to OIG oversight—according to generally accepted Government auditing standards and the Office of Management and Budget's (OMB) audit requirements. The audit report will be delivered to OMB by November 17, 2014.

02.20.2014 [Audit Initiated of DOT's Consolidated Financial Statements for Fiscal Years 2014 and 2013](#)

Required by the Chief Financial Officers Act of 1990

The Office of Inspector General (OIG) is initiating an audit of the U.S. Department of Transportation's consolidated financial statements for fiscal years 2014 and 2013 in accordance with the Chief Financial Officers Act of 1990. An independent audit firm, KPMG LLP, will perform the audit—subject to OIG oversight—according to generally accepted Government auditing standards and the Office of Management and Budget's (OMB) audit requirements. The audit report will be delivered to OMB by November 17, 2014.

02.20.2014 [Colombian National Sentenced for Making False Statements to FAA](#)

On February 20, 2014, in United States District Court, Fort Lauderdale, Florida, Javier Alexander Zapata-Isaza, a Colombian National employed by a Federal Aviation Administration (FAA) approved foreign repair station operating in Colombia, was sentenced to time served (42 days) and 2 years supervised release for making false statements to the FAA. Zapata-Isaza falsely obtained the certificate that authorized him to conduct maintenance on commercial aircraft. However, he did not have the proper training and experience normally required for an A&P certificate. We investigated the case jointly with the U.S. Department of Homeland Security, Homeland Security Investigations, with significant assistance from FAA.

02.14.2014 [Tennessee Contractor Convicted of Theft of Federal Funds](#)

On February 14, 2014, in U.S. District Court, Nashville, Tennessee, Michael Young pleaded guilty to theft of federal funds. Young was the owner of two corporations contracted by the Tennessee Department of Transportation (TDOT) to manage right of way acquisitions on behalf of TDOT. Young executed a scheme to obtain over \$900,000 from TDOT by falsely representing that he would procure right of way properties with the proceeds. Instead, the money was used to manage other personal properties and financial obligations Young had incurred outside of TDOT's right of way acquisitions. Young was further charged under forfeiture statutes and stands to forfeit real property traceable to the theft of federal funds in the approximate amount of \$900,000. We conducted this investigation jointly with the Federal Bureau of Investigation and the Internal Revenue Service – Criminal Investigations with assistance from the TDOT Internal Audit Division.

02.14.2014 [Former FAA Air Traffic Control Assistant Sentenced in Connection with Theft of Employee Union Funds and Falsification of Records](#)

On February 14, 2014, Rufino Sanchez, a former FAA Air Traffic Control Assistant at the New York Center, MacArthur Airport, Ronkonkoma, New York, was sentenced in U.S. District Court, Central Islip, New York, to 4 years probation and 6 months of home detention. He was also ordered pay \$18,765 in restitution and to forfeit \$18,765. Sanchez served as Local President for Local R-310, National Association

of Government Employees. The Local's members operate FAA terminal radar approach control (TRACON) facilities throughout the U.S. Sanchez opened the Local's checking account as sole signatory in December 2004. Sanchez withdrew funds, paid into this account by members for union dues, to use for his own personal expenses. As an official of the Local, Sanchez was also required to complete and submit Labor Organization Annual Reports to the U.S. Department of Labor at the end of each fiscal year and on these forms, Sanchez falsely stated that less than \$100 was paid to Local officials and that the monies were spent on official Local matters. Sanchez had been an employee of the FAA for approximately 36 years. On August 25, 2012, during the course of the investigation, Sanchez resigned from federal service.

02.12.2014 [Northern California Aircraft Mechanic and Repair Shop Owner Charged with Aircraft Parts Fraud](#)

On February 12, 2014, Randy Lee Thompson of Anderson, California, was indicted in U.S. District Court, Sacramento, California, for fraud involving aircraft parts. Thompson is the owner of Thompson's Air, an aircraft maintenance repair shop based in Anderson, California. In approximately September 2010, Thompson installed a crankshaft on an aircraft's engine that failed while the aircraft was in flight. The pilot and his nine year-old daughter made an emergency landing, without injury, in the middle of a field in Pennsylvania. The Federal Aviation Administration (FAA) later determined the cause of the crash was due to cracks found in the engine's crankshaft. The investigation showed that Thompson had installed the crankshaft even though the part had been returned to him by FAA certified repair stations, in 2003 and again in 2005. It was returned with a tag documenting that the crankshaft was cracked and no longer suitable for use on an aircraft. The investigation also found that Thompson falsified an FAA Form 337, when he represented that the repair and alteration of the crankshaft was done in compliance with FAA regulations and the engine manufacturer specifications. We conducted this investigation jointly with the Federal Bureau of Investigation, with assistance from the FAA.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

02.11.2014 [Georgia Man Indicted for Making False Statements to the FAA](#)

On February 11, 2014, in U.S. District Court, Albany, Georgia, Rodney Hailey was indicted for his role in conspiring with a Brazilian citizen to falsely register three aircraft with the Federal Aviation Administration (FAA). Hailey, a certificated Airframe & Powerplant (A&P) mechanic with Inspection Authorization privileges, was paid \$1,000 per aircraft to falsely represent to the FAA that he was the owner of the aircraft, when in fact he was not. By falsely registering the aircraft, Hailey's conduct significantly impeded the FAA's protocols and procedures designed to aid in the tracking and identification of aircraft traveling in the national airway system. This matter was investigated with significant assistance from FAA's Security Division.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

02.11.2014 [Florida Man Convicted for Making False Statements to the FAA and Illegally Piloting an Aircraft](#)

On February 11, 2014, in United States District Court, Orlando, Florida, Reginald Wayne Sibley, Jr., Owner, Intelijet Air, Inc., Orlando, Florida, pleaded guilty to making false statements to the Federal Aviation Administration (FAA) and illegally piloting an aircraft. As part of the FAA certification process, Sibley was required to undergo annual medical examinations to determine his medical fitness to act as a

pilot. On June 1, 2009, Sibley stated on his FAA airman medical certificate application form that he did not have a criminal history, when in fact, he had at least three criminal convictions. Our investigation also revealed that, on October 8, 2009, Sibley was the pilot in command of a Gulfstream aircraft that departed from the Orlando Executive Airport and landed in California. After landing, Sibley claimed to an FAA representative that he was "rated" to fly the Gulfstream aircraft, when he was not.

02.10.2014 [Southern California Company Charged with Fraud Involving Aircraft Parts](#)

On January 30, 2014, VJ Engineering, Inc. (VJE) was charged in U.S. District Court, Santa Ana, California, with fraud involving aircraft parts. VJE was charged with making a false statement on a certificate of conformance for commercial aviation parts. Additionally, VJE was charged with providing a false certificate of tests to the U.S. Department of Defense for parts shipped to the U.S. Air Force. It is alleged that the certificates VJE submitted with the commercial and military aircraft parts falsely claimed that the parts had been subjected to a chemical process and were made of a specific type of stainless steel. According to the manufacturer, the parts were structural and carried flight and emergency loads. If the parts failed, objects could have loosened during a landing and caused a crash. We are conducting this investigation jointly with the Defense Criminal Investigative Service, Department of Homeland Security, Federal Bureau of Investigation, and Army-CID.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

02.10.2014 [Hazardous Waste Transport Company and Owner Plead Guilty to Failure to Maintain Commercial Driver Training Record](#)

On February 10, 2014, in U.S. District Court, Los Angeles, California, Barry Bancroft, owner, Slate Industrial Services (SIS), pleaded guilty to failure to maintain commercial motor vehicle driver training records. On the same date, SIS pleaded guilty to transportation of hazardous waste without a manifest. Our investigation was initiated after an explosive reaction between incompatible hazardous waste materials occurred at a Home Depot retail store. The investigation determined that the commercial driver was not trained to carry hazardous materials. However, under the direction of SIS, various waste streams were consolidated into a single drum. We conducted the investigation jointly with FBI, California Department of Toxic Substance Control, Los Angeles County Fire Department-Health Hazmat and the Environmental Protection Agency.

02.05.2014 [FAA's Implementation of the FAA Modernization and Reform Act of 2012 Remains Incomplete](#)

Requested by the House Transportation and Infrastructure Subcommittee on Aviation

The Inspector General testified on the Federal Aviation Administration's (FAA) progress in implementing key provisions of the FAA Modernization and Reform Act of 2012. The Inspector General stated that while FAA has made progress implementing provisions of the act, significant actions are needed to meet the act's intent and improve the execution and management of its programs. First, the Inspector General noted that FAA has yet to meet provisions intended to expedite a key element of the Automatic Dependent Surveillance Broadcast (ADS-B) program—the core for shifting from today's ground-based radar to the Next Generation Air Traffic System's (NextGen) satellite-based systems. He also pointed to other underlying programmatic and organizational challenges that we have previously reported continue to impact FAA's ability to deliver NextGen capabilities as originally planned. Second, the Inspector General noted FAA has determined that it will not meet the act's September 2015 deadline for integration of unmanned aircraft systems (UAS) into the Nation's airspace due to a series of complex technological, regulatory, and managerial barriers. Finally, the Inspector General stated that FAA has not effectively

maximized use of key segments of its aviation safety inspector workforce or developed metrics to determine whether its new air traffic controller scheduling policies will reduce controller fatigue.

02.05.2014 [Columbian National Charged with Making False Statements to the FAA](#)

On February 5, 2014, in United States District Court, Fort Lauderdale, Florida, Javier Alexander Zapata-Isaza, a Colombian National employed by a foreign repair station operating in Colombia, was charged with making false statements to the FAA. It is alleged Zapata-Isaza knowingly possessed a fraudulently issued FAA Airframe and Powerplant (A&P) Mechanics Certificate. By falsely obtaining an FAA A&P Certificate, Zapata-Isaza was authorized to conduct maintenance on commercial aircraft without having the proper training and experience normally required for a valid certificate. We investigated this case jointly with the U.S. Department of Homeland Security, Homeland Security Investigations, with significant assistance from FAA's Security Division and Airman Registry Branch.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

02.03.2014 [Audit Initiated of DOT's Compliance With Contracting Officer Certification and Warrant Requirements](#)

Self-initiated

The Office of Inspector General is initiating an audit of the Department of Transportation's (DOT) practices for certifying and issuing warrants to Contracting Officers. DOT's Contracting Officers are responsible for awarding and managing a significant portfolio of contracts that totaled \$1.3 billion in obligations in fiscal year 2013 (excluding the Federal Aviation Administration). As such, it is important that the Department's Contracting Officers meet Federal and DOT qualification standards. The Office of Federal Procurement Policy requires that Contracting Officers be certified at the appropriate level to correspond with the dollar value of contracts they are authorized to award and administer and directed each agency's Chief Acquisition Officer to establish agency-specific certification and warrant requirements. DOT established a Contracting Officer Warrant Program, which outlines the Department's standards and is intended to ensure that only properly trained and qualified employees are appointed as Contracting Officers. Accordingly, our audit objectives will be to (1) evaluate DOT's compliance with requirements for certifying and assigning warrant levels to its Contracting Officers and (2) determine whether DOT has effective oversight policies and practices to ensure its Contracting Officers meet applicable requirements.

02.03.2014 [Owner of an Ohio Construction Firm Pleads Guilty to Tax Fraud and False Statements](#)

On February 3, 2014, Scott Bonamase, Owner, Bonamase Construction, pleaded guilty in U.S. District Court, Cleveland, Ohio, to the failure to pay taxes and false statements related to their contracts with the Ohio Department of Transportation (ODOT). Between 2007 and 2009, Bonamase worked on a HUD funded project in Youngstown, Ohio, and on various federally-funded ODOT construction projects. The investigation disclosed Bonamase conspired to submit false tax returns to the IRS, underreported employees' quarterly wages, and made false statements on certified payroll forms submitted to HUD and ODOT, indicating that they paid their employees prevailing wages, when they did not. The federally funded ODOT projects that Bonamase worked on, which included an ARRA-funded project, totaled roughly \$1,152,015. We conducted this investigation jointly with the Department of Labor-OIG, Housing and Urban Development-OIG, the IRS, and the USAO.



Department of Transportation
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Office of Inspector General Monthly Activity Report **Activities since March 1, 2014**

Contact: (202) 366-8751
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03.31.2014 [Southern California Company Pleads Guilty to Fraud Involving Aircraft Parts](#)

On March 31, 2014, VJ Engineering, Inc. (VJE), a company located in Garden Grove, California, that processes a variety of aircraft parts, pleaded guilty in U.S. District Court, Santa Ana, California, to fraud involving commercial and military aircraft parts. VJE submitted certificates that falsely claimed aircraft parts were in conformance with requirements, specifications and drawings as approved by the Federal Aviation Administration and the U.S. Department of Defense, when they were not. According to the commercial manufacturer, the parts were structural and carried flight and emergency loads. If the parts failed, objects could have loosened during a landing or crash and caused injuries. We are conducting this investigation jointly with the Defense Criminal Investigative Service, Department of Homeland Security, the Federal Bureau of Investigation, and Army Criminal Investigation Division.

03.31.2014 [Contractor Suspended for Buy America Violations](#)

On March 31, 2014, the Federal Highway Administration suspended and proposed debarment of Paul Hunt Rose, general manager of Hercules Customs Iron, in Walkersville, Maryland, for altering a steel certification document. Rose admitted he altered the certification to state that foreign steel used on the federally-funded Intercounty Connector (ICC) Project in Maryland was manufactured in the U.S. when it was not. Rose took a legitimate certification document, and using his home computer changed information so it would appear that the appropriate type of American-made steel was used on the project. After making these changes, Rose gave the fraudulent certification to Hercules Fence of Maryland, LLC, a subcontractor on the ICC Project.

03.28.2014 [Former Dallas County Deputy Debarred for Altering Government Documents](#)

On December 17, 2013, the National Highway Traffic Safety Administration (NHTSA) debarred Johnny Quarles for 36 Months in response to pleading guilty to charges filed against him for fraud related to the falsification of overtime worksheets on NHTSA Safety Grants. On March 8, 2013, Johnny Quarles, former Dallas County Deputy Sheriff, was sentenced in Dallas County Criminal Court, Dallas, Texas, in conjunction with his plea to tampering with governmental records. Quarles was sentenced to three years of community supervision and was ordered to pay a \$2,500 fine, \$240 in court costs, and \$2,232 in community supervision fees. Quarles was also ordered to surrender his Texas police officer's license. Quarles is one of three deputies indicted in Dallas County for submitting overtime reimbursement requests containing false information as to the times worked and the number of traffic citations issued in 2009, 2010 and 2011 while working overtime under the Selective Traffic Enforcement Program, which is

funded through a NHTSA grant. During this investigation, Dallas County has repaid \$214,030 in ineligible costs to NHTSA. We conducted this investigation jointly with the Dallas County Sheriff's Office, with assistance from NHTSA and Texas Department of Transportation.

03.26.2014 [Owner of Massachusetts Trucking Company Sentenced for Bribery](#)

On March 26, 2014, Irfan Dushku, owner of Korca Enterprises, Inc., was sentenced in U.S. District Court, Worcester, Massachusetts, to one year of probation and a fine of \$1,000 for bribery of a public official. Dushku paid a Federal Motor Carrier Safety Administration (FMCSA) Safety Inspector \$1,000 to produce a false FMCSA Compliance Review to avoid negative findings. We conducted this investigation, with assistance from FMCSA's Massachusetts Division.

03.26.2014 [Florida Pilot Convicted of Falsifying FAA Medical Applications](#)

On March 26, 2014, Henry Albert Schaller II was convicted by a jury in U.S. District Court, West Palm Beach, Florida, of making false statements to the Federal Aviation Administration (FAA) on multiple airmen medical applications. Schaller stated he had never been convicted of a misdemeanor crime despite being convicted and sentenced to three years of probation in 2003 for making a false statement to Immigration and Customs Enforcement. This case was investigated jointly with the Drug Enforcement Administration, with assistance from FAA.

03.21.2014 [Inspector General Scovel Issues a Statement in Response to Secretary Foxx's Memo Requesting Review of NHTSA's Oversight of Issues Related to GM Recalls](#)

Requested by the Office of the Secretary of Transportation

On March 21, 2014, DOT Inspector General Cal Scovel received a request from the Secretary of Transportation to review the National Highway Traffic Safety Administration's oversight of issues related to General Motors' recalls. Inspector General Scovel's statement in response and the Secretary's memo can be found on our web site.

03.19.2014 [Justice Department Announces Criminal Charge Against Toyota Motor Corporation and Deferred Prosecution Agreement with \\$1.2 Billion Financial Penalty](#)

On March 19, 2014, U.S. Attorney General Eric Holder, U.S. Secretary of Transportation Anthony Foxx, U.S. Attorney for the Southern District of New York Preet Bharara, DOT Inspector General Calvin L. Scovel III, National Highway Traffic Safety Administration Acting Administrator David Friedman and FBI Deputy Assistant Director Joe Campbell announced a criminal wire fraud charge against Toyota Motor Corporation (Toyota) in connection with its role in providing misleading information to the National Highway Traffic Safety Administration (NHTSA) about safety issues in Toyota and Lexus vehicles. In conjunction with this charge, the Department of Justice (DOJ) announced a deferred prosecution agreement with Toyota under which the company admits that it misled U.S. consumers by concealing and making deceptive statements about two safety issues affecting its vehicles, each of which caused a type of unintended acceleration. The agreement requires Toyota to pay a \$1.2 billion financial penalty—the largest penalty of its kind ever imposed on an automotive company, and imposes on Toyota an independent monitor to review and assess policies, practices and procedures relating to Toyota's safety-related public statements and reporting obligations. The investigation disclosed that in the fall of 2009, Toyota deceived consumers and NHTSA by claiming that it had "addressed" the "root cause" of unintended acceleration in its vehicles through a limited safety recall of eight models for floor-mat entrapment, a dangerous condition in which an improperly secured or incompatible all-weather floor mat can "trap" a depressed gas pedal causing the car to accelerate to a high speed. However, at the time the statements were made, Toyota knew that it had not recalled some cars with design features that made

them just as susceptible to floor-mat entrapment as some of the recalled cars. Second, only weeks before these statements were made, Toyota had taken steps to hide from NHTSA another type of unintended acceleration in its vehicles, separate and apart from floor-mat entrapment: a problem with accelerators getting stuck at partially depressed levels, known as “sticky pedal.” We conducted the investigation jointly with the DOJ Securities and Commodities Fraud Task Force and the Federal Bureau of Investigation.

More information on the DOJ press release, deferred prosecution agreement, criminal charges and statement of facts are available on the DOJ web site.

03.19.2014 [Former Idaho Construction Company Co-Owner Sentenced for Obstruction and Conspiracy](#)

On March 19, 2014, in U.S. District Court, Boise, Idaho, Darrell Swigert, former co-owner of MarCon, Incorporated, (MarCon) a highway construction company that specialized in guardrail installation, was sentenced to three months in prison, two years of supervised release, ordered to pay a \$5,000 fine and perform 100 hours of community service for his role in a U.S. Department of Transportation (DOT), Disadvantaged Business Enterprise (DBE) Program/U.S. Small Business Administration (SBA) 8(a) Program fraud scheme. Swigert and his co-defendant, Elaine Martin, defrauded the DOT DBE program, which resulted in MarCon being awarded more than \$15 million in government contracts based on the company's fraudulently obtained DBE status, and more than \$2.5 million in government contracts based on the company's fraudulently obtained SBA 8(a) status. Martin was sentenced in February 2014. Swigert assisted Martin in submitting false and fraudulent applications to have her construction company, MarCon, admitted and/or remain in two different federally funded programs, the SBA 8(a) Program, and the Department of Transportation DBE Program. Both programs are designed to help economically and socially disadvantaged businesses compete in the marketplace. To be admitted into the programs, the owner/shareholder that qualifies as socially disadvantaged must also demonstrate economic disadvantage, in part by having a personal net worth below a certain statutory cap. Our investigation disclosed that Martin took steps to artificially lower her personal net worth, such as acquiring, holding and transferring assets into the names of nominees in order to appear to be economically disadvantaged. This allowed Martin's construction firm, MarCon, to qualify for the DBE and SBA 8(a) programs. We conducted this investigation jointly with the SBA-OIG, IRS-CID, and the FBI.

03.18.2014 [Former Dallas County Deputies Suspended for Altering Government Documents](#)

On March 18, 2014, the National Highway Traffic Safety Administration (NHTSA) suspended and proposed debarment of Sherman McIntyre and Derce Kirby, former Dallas County Deputy Sheriffs, following their guilty pleas for fraud related to the falsification of overtime worksheets on NHTSA Safety Grants. In October 2013, McIntyre and Kirby were sentenced separately in Dallas County Criminal Court, Dallas, Texas, to twelve months of community supervision and ordered to pay a \$1,000 fine for tampering with governmental records. They were also ordered to surrender their Texas police officer's licenses. McIntyre and Kirby were two of three deputies indicted in Dallas County for submitting overtime reimbursement requests containing false information as to the times worked and the number of traffic citations issued. The falsifications occurred in 2009, 2010 and 2011 while they were working overtime under the Selective Traffic Enforcement Program, which was funded through a NHTSA grant. During this investigation, Dallas County has repaid \$214,030 in ineligible costs to NHTSA. We conducted this investigation jointly with the Dallas County Sheriff's Department.

03.13.2014 [Owner of Bus Company Pleads Guilty to Operating Without FMCSA Authority](#)

On March 13, 2014, Angel De La Torre, former owner of Angel Tours, a commercial motor carrier, based in Houston, Texas, pleaded guilty to operating a commercial motor vehicle after an unsatisfactory rating. Our investigation disclosed that De La Torre and Angel Tours operated a commercial motor vehicle after being placed out of service due to an unsatisfactory safety rating following a Federal Motor Carrier Safety Administration (FMCSA) inspection that uncovered numerous record keeping and safety violations. As a result of this inspection, FMCSA ordered Angel Tours to cease all interstate transportation on June 23, 2008. On May 30, 2013, Angel De La Torre, Carlos Ortuno, and Angel Tours of Houston, Texas, were indicted in U.S. District Court, Houston, Texas, on charges of conspiracy, false statements, and operating a commercial motor vehicle after being placed out of service. The charges relate to an August 2008 fatal crash of an Angel Tours passenger bus near Sherman, Texas, which occurred weeks after FMCSA ordered them to cease all interstate transportation. This case was investigated jointly with the FBI, with assistance from FMCSA.

03.12.2014 [Audit Announcement of FAA Oversight of Accountable Property](#)

Self-initiated

The Office of Inspector General is initiating an audit of the Federal Aviation Administration's (FAA) oversight of non-capitalized accountable personal property. Non-capitalized property has a value of less than \$100,000 and is not recorded in DOT's consolidated financial statements as assets. In 2013, we reported that purchase cardholders and property control officials at FAA did not always follow Agency policy for tracking accountable personal property such as computers and digital cameras. As of November 2013, FAA's automated inventory tracking system included about \$1.2 billion of non-capitalized accountable personal property. Our objectives are to (1) determine whether FAA has implemented effective internal controls for managing non-capitalized accountable property, and (2) assess the extent of compliance with these controls.

03.12.2014 [Tennessee Contractor Indicted on Fraud Charges](#)

On March 12, 2014, in U.S. District Court, Nashville, Tennessee, Ricardo Colon, was indicted for theft of federal funds and mail fraud. Colon was contracted by the Tennessee Department of Transportation (TDOT) to purchase tracts of real property for right of way projects involving federal funds. He appraised the tracts of land, negotiated a sales price, received funding from TDOT to acquire the tracts; but, he never completed the transactions. Instead, he deposited approximately \$330,000 into personal accounts.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

03.12.2014 [Tennessee Businessmen Debarred from Contracting on Federal-Aid Projects](#)

On March 12, 2014, the Federal Highway Administration debarred Allen R. Defoe and Kevin Peel, both officers of Tennessee Guardrail, Inc., from contracting or participating in federal-aid projects for a period of three years beginning November 8, 2014. The debarments were based on Defoe's guilty plea and conviction in U.S. District Court, Nashville, Tennessee, for obstruction of justice and for Peel's pre-trial diversion agreement. On February 14, 2012, Defoe was sentenced to three years of probation and ordered to pay a \$4,000 fine for his role in destroying documents subpoenaed by a federal court. The Court previously deferred prosecution of Peel for his role in conspiring to obstruct the investigation by shredding subpoenaed documents. We conducted this investigation jointly with the Tennessee Bureau of Investigation and the Tennessee Department of Transportation.

03.10.2014 [Ohio Project Engineer Pleads Guilty for Failure to Pay Taxes](#)

On March 10, 2014, David Bonamase, Project Engineer, Bonamase Contracting, Inc., (Bonamase) pleaded guilty in U.S. District Court, Cleveland, Ohio, for failure to collect and pay taxes. As part of the plea agreement, Bonamase agreed to a permanent debarment from future involvement or participation in any federal government contract. Between 2007 and 2009, Bonamase worked on federally-funded Ohio Department of Transportation (ODOT) construction projects. These projects, which included an ARRA-funded project, totaled roughly \$1,152,015. Our investigation disclosed that Bonamase conspired to submit false tax returns to the IRS, underreported employees' quarterly wages, and made false statements on certified payroll forms that were submitted to HUD and ODOT, indicating that employees were paid prevailing wages, when they were not. This is a joint investigation with DOL-OIG, HUD-OIG, the IRS, and the USAO.

03.10.2014 [Connecticut Man Charged for Falsifying Documents](#)

On March 10, 2014, Barry Purnell was charged with larceny in Connecticut Superior Court. This investigation was initiated based upon a referral from the Connecticut Department of Transportation that Purnell had falsified his college education and engineering certifications on his resume, which he submitted to engineering firms in order to gain employment. Purnell subsequently worked as an inspector on many ARRA and state-funded construction projects for multiple engineering firms and continued to seek employment utilizing the fabricated credentials. During an interview, Purnell acknowledged falsifying his application materials and fabricating a diploma. This investigation was worked jointly with Amtrak-OIG.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

03.08.2014 [California Man Sentenced for Endangering the Safety of an Aircraft](#)

On February 21, 2014, Hasan Ibrahim, owner of Medchem, was sentenced in U.S. District Court, San Francisco, California, to 30 days in prison followed by three years supervised release. He was also assessed a penalty of \$2,200. Ibrahim was convicted on July 3, 2013, for attempted placement of a destructive substance on an aircraft, transportation of hazardous materials without shipping papers, transportation of hazardous materials without labels, the failure to file export information, and attempted smuggling of goods. The investigation revealed that Ibrahim attempted to ship 64 boxes that contained hazardous materials to Jeddah, Saudi Arabia. The shipment was detained and later seized by Customs and Border Protection. Several of the hazardous materials were forbidden to be transported on passenger aircraft and two chemicals were forbidden to be transported on any aircraft. We conducted this investigation jointly with the FBI, with assistance from the FAA.

03.05.2014 [Audit Initiated of FTA's Efforts To Identify and Deploy Low or No Emission Buses and Other Transit-Focused Technologies](#)

Requested by the House and Senate Transportation, Housing and Urban Development, and Related Agencies Appropriations Subcommittees

The Office of Inspector General is initiating an audit of the Federal Transit Administration's (FTA) efforts to identify and deploy low or no emission buses and other transit-focused technologies. This audit is in response to a congressional directive accompanying the fiscal year 2014 Appropriations Act. Our audit will solicit stakeholders' views on opportunities for FTA to improve its identification, promotion, and deployment of low or no emission buses and other transit-focused technologies

03.05.2014 Audit Initiated of FRA's High Speed Intercity Passenger Rail Grant Amendment and Oversight Processes

Requested by the Chairman of the House Committee on Transportation and Infrastructure's Subcommittee on Railroads, Pipelines, and Hazardous Materials

The Federal Railroad Administration's (FRA) high speed intercity passenger rail (HSIPR) grant program is intended to help address the Nation's transportation challenges by investing in an efficient high speed rail network. Since 2009, Congress has appropriated over \$10 billion for this program. As of September 2013, FRA had obligated nearly all and disbursed approximately \$1.4 billion. Nearly 85 percent of funding obligated to date has been dedicated to 6 corridors, with the California corridor receiving the largest portion—\$3.9 billion. We previously reported that FRA's lack of an effective grants administration framework may be putting Federal funds at risk. In December 2013, the Chairman of the House Committee on Transportation and Infrastructure's Subcommittee on Railroads, Pipelines, and Hazardous Materials requested that we evaluate FRA's processes for negotiating, amending, and overseeing compliance with HSIPR grant agreements. Accordingly, our objectives will be to evaluate FRA's policies, procedures, and processes for (1) amending HSIPR grant agreements and (2) identifying and mitigating funding risks to federally-funded HSIPR projects.

03.05.2014 Audit Initiated of DOT's Information Security Program and Practices for FY 2014

Required by the Federal Information Security Management Act of 2002 (FISMA)

The Office of Inspector General is initiating its annual audit of the Department of Transportation's (DOT) Information Security Program. As part of our audit, we will review samples of information systems managed by the Department and by contractor personnel, and follow up on issues from last year's report. The audit objective is to determine the effectiveness of DOT's information security program and practices.

03.05.2014 Actions Are Needed To Strengthen FMCSA's Compliance, Safety, Accountability Program

Request by the Chairman and Ranking Member of the House Committee on Transportation and Infrastructure's Subcommittee on Highways and Transit

To improve commercial motor vehicle safety, the Federal Motor Carrier Safety Administration (FMCSA) launched its Compliance, Safety, Accountability (CSA) program nationwide at the end of 2010. CSA is designed to target unsafe motor carriers through enforcement interventions such as roadside inspections and on-site reviews. To identify carriers that pose safety risks, FMCSA implemented the Carrier Safety Measurement System, which draws on State and carrier data on carriers' on-road safety performance. While FMCSA has strengthened its controls to improve the quality of State-reported data used to assess carriers' safety performance, the Agency has not fully implemented planned improvements to its processes for reviewing data correction requests and for ensuring that carriers submit accurate information. In addition, FMCSA has not fully implemented the CSA enforcement intervention process nationwide; at the time of our report, only 10 States had fully implemented CSA enforcement interventions. Finally, FMCSA has limited documentation demonstrating it followed information technology best practices and Federal guidance for its Carrier Safety Measurement System. FMCSA concurred with all six of our recommendations to strengthen CSA.

03.05.2014 [Tennessee Citizen Pleads Guilty to Making False Statements](#)

On March 5, 2014, in U.S. District Court, Knoxville, Tennessee, Thomas Lee Overton pleaded guilty to making a false statement. Overton, owner of J and T Flying Service, Inc., submitted falsified Bills of Sale for two helicopters which reflected that he had purchased them from private individuals, when in fact, he had purchased them from salvage yards. One helicopter had been involved in a crash and the other one had received extensive fire damage. By falsifying the documents, Overton attempted to conceal the damage history of these aircraft.



Department of Transportation
Office of Inspector General

Office of Inspector General Monthly Activity Report Activities since April 1, 2014

Contact: (202) 366-8751
Eric Weems or David Wonnemberg

04.23.2014 [Reductions in Competition Increase Airline Flight Delays and Cancellations](#)

Required by the FAA Modernization and Reform Act of 2012

Since 2005, the U.S. airline industry's service quality—airlines' on-time performance and cancellation rates—has varied greatly. Considerable industry consolidation has also occurred since 2005, with three mergers involving six major carriers. The FAA Modernization and Reform Act of 2012 required our office to assess the effects of limited airline service options on the frequency of delays and cancellations. To isolate the effects of limited competition on service quality separate from those of other factors such as congestion and weather, we constructed econometric models using data on 2,530 domestic routes flown by 20 airlines from the fourth quarter of calendar year 2005 through the fourth quarter of 2012. The models estimated the effects of competition on the length of arrival delays, the percentage of total flights that were late, and the percentage of total flights that were cancelled. We found that variation in airline service quality related substantially to changes in the level of competition within airline markets. In particular, the effects of reduced competition on the average length of flight delays and cancellation rates were statistically significant and sizeable. For example, we estimated that when a market's service options shrank from three equal-sized airlines to two, the average minutes of delay in the market increased by over 25 percent, and the flight cancellation rate increased by nearly 7 percent. We also found that the degree to which competition affected service quality depended on initial levels of competition. Following a reduction in competition, markets that started out fairly competitive experienced the greatest increase in delay length, and those that started out with fairly limited service options experienced the greatest increase in the cancellation rate. We made no recommendations in this report.

04.22.2014 [Quality Control Review of the Single Audit on the National Railroad Passenger Corporation and Subsidiaries \(Amtrak\)](#)

On April 22, 2014, DOT OIG issued a quality control review of the single audit performed by Ernst & Young LLP (E&Y) on the National Railroad Passenger Corporation and Subsidiaries' (Amtrak) use of DOT grants for the fiscal year ended September 30, 2012. During this period, the Amtrak expended approximately \$1.7 billion from DOT's grant programs. E&Y determined that DOT's major program was the National Railroad Passenger Corporation Grants. OIG determined that the E&Y's audit work was Acceptable with Deficiencies and therefore, generally met the requirements of the Single Audit Act, Office of Management and Budget's Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and DOT's major program. OIG found nothing to indicate that E&Y's opinion on DOT's major program was inappropriate or unreliable.

04.22.2014 [Audit Initiated of MWAA's Audit Quality Control System and Quality Control Review](#)
Self-Initiated

The Office of Inspector General is initiating an audit of the Metropolitan Washington Airports Authority's (MWAA) Audit Quality Control System and a quality control review (QCR) of MWAA's independent audit of its 2013 and 2012 financial statements. Our objective for the audit of MWAA's Audit Quality Control System will be to determine whether MWAA has established and carried out an audit quality assurance and improvement program in accordance with applicable standards. The objective of the QCR will be to determine whether the independent audit of the financial statements was conducted in accordance with applicable standards.

04.21.2014 [Audit Initiated of NTSB's Financial Statements for Fiscal Years 2014 and 2013](#)
Required by the Accountability of Tax Dollars Act of 2002

The Office of Inspector General (OIG) is initiating an audit of the National Transportation Safety Board's (NTSB) financial statements for fiscal years 2014 and 2013, in accordance with the Accountability of Tax Dollars Act of 2002. An independent audit firm, Leon Snead and Company, PC, will perform the audit—subject to OIG oversight—according to generally accepted Government auditing standards and the Office of Management and Budget's (OMB) audit requirements. The audit report will be delivered to OMB by November 17, 2014.

04.17.2014 [Georgia Woman Sentenced in Double Brokering Scheme](#)

On April 17, 2014, Tina Blyth was sentenced in U.S. District Court, Albany, Georgia, to 24 months incarceration, three years supervised release, and ordered to pay \$57,450 in restitution for her involvement in an illegal double brokering scheme. The investigation revealed that Blyth accessed web sites advertising loads of commercial freight available for transport. She bid on the loads using the names of her various companies that had Federal Motor Carrier Safety Administration broker authority. Once Blyth was awarded a bid, she led the senders to believe her trucking business would deliver the freight for the contracted price and accepted payment from the senders. After accepting the bid, she immediately re-advertised the job, using a different company name. She hired legitimate trucking companies to pick up the freight and deliver it to the intended destination, never disclosing she had received payment from the senders. As a result, the legitimate trucking companies were never paid. We investigated this case jointly with the Decatur County Sheriff's Office, Decatur, Georgia.

04.16.2014 [Former Bridge Inspector Suspended by the Federal Highway Administration](#)

On April 16, 2014, the Federal Highway Administration suspended and proposed the debarment of Barry Purnell in response to charges filed against him by the State of Connecticut. Purnell was charged with larceny related to the falsification of his education and engineering credentials that were furnished to engineering firms in order to gain employment. Purnell subsequently worked as a bridge inspector on multiple American Recovery and Reinvestment Act and other state funded construction projects. In March 2014, based on our investigation, Purnell surrendered to the Connecticut Chief State's Attorney's office. The investigation determined that while seeking employment, Purnell had falsified his application materials to various engineering firms to include his engineering certifications and college education. In a December 2013 interview with case agents, Purnell acknowledged falsifying his application materials and fabricating his college diploma.

04.15.2014 [Accuracy And Reliability Of DOT's Improper Payment Reporting Can Be Improved](#)

Required by the Improper Payments Elimination and Recovery Act of 2010

The Improper Payments Elimination and Recovery Act (IPERA) encourages the elimination of payment error, waste, fraud, and abuse in Federal programs. IPERA requires annually that agencies test for and report on improper payments in their programs and that inspectors general review their agencies' IPERA compliance. We found that the Department's improper payment testing report for fiscal year 2013 included all of the Office of Management and Budget's required IPERA reporting elements. DOT reported that its programs met IPERA's requirement that less than 10 percent of total payments be improper and that it made specific progress in reducing improper payment estimates for the Federal Highway Administration's Federal-Aid Highway program below IPERA's threshold for significant risk. However, one of the Federal Transit Administration's tested programs—the Formula Grant Program—did not achieve its own target to reduce improper payments to 0.25 percent or less for fiscal year 2013 as set by Office of Management and Budget guidelines. DOT acknowledged that unmet target reduction rates create a risk that its Operating Administrations will not progress in reducing their improper payments. DOT's 2013 report also included inaccurate information on the number of payments tested, improper payment estimates for 2012, and costs of DOT's payment recapture audit. DOT officials acknowledged that its 2013 report included these inaccuracies and attributed them to poor screening of data files and administrative oversight errors. We made three recommendations to improve the accuracy and reliability of DOT's improper payment reporting. DOT officials concurred with our findings and recommendations.

04.15.2014 [ARRA Financial & Activity Report - January through March 2014](#)

On April 15, 2014, we issued our second quarterly American Recovery and Reinvestment Act (ARRA) Financial and Activity Report for the period of January - March 2014. The report summarizes our cumulative ARRA oversight activities. The report also describes ARRA major actions, both taken to date and planned by our office and provides a list of our ARRA-related training events and outreach efforts.

04.10.2014 [Further Actions Are Needed To Improve FAA's Oversight of the Voluntary Disclosure Reporting Program](#)

Required by the FAA Modernization and Reform Act of 2012

The Federal Aviation Administration's (FAA) Voluntary Disclosure Reporting Program (VDRP) provides air carriers the opportunity to report and correct areas of non-compliance without civil penalty. While VDRP helps FAA identify and mitigate safety issues, it requires close monitoring to ensure the program is not misused. The FAA Modernization and Reform Act of 2012 mandated that our office examine FAA's oversight of VDRP. FAA has made progress in ensuring that air carrier disclosure reports meet VDRP requirements, but the Agency lacks awareness of the root causes that led to reported violations—in part because FAA does not require air carriers to identify or document the root cause of a violation when they submit a self-disclosure. Furthermore, FAA does not ensure that air carriers fully implement corrective actions or verify whether the actions are adequate at resolving problems. We also found that FAA does not effectively collect, analyze, and trend VDRP data to identify safety risks at the national level. As a result, FAA inspectors are not realizing the full potential of VDRP data to target inspections to areas of highest risk. We made eight recommendations to improve FAA's VDRP oversight and its ability to identify safety risks using VDRP data. We have requested that FAA provide a written response to our report and recommendations within 30 days.

04.09.2014 [FAA Oversight Is Inadequate To Ensure Proper Use of Los Angeles International Airport Revenue for Police Services and Maximization of Resources](#)

Chairman Tom Latham, House THUD Appropriations Subcommittee; Congressman Gary Miller; Congressman Dan Lungren; Congressman Elton Gallegly

As one of the busiest airports in the Nation, Los Angeles International Airport (LAX) generated nearly \$822 million in airport revenues and received nearly \$45 million in grant funding from the Federal Aviation Administration (FAA) in 2012. FAA is responsible for providing oversight to ensure that airports such as LAX meet Federal obligations regarding using airport revenue for airport-only purposes, and maximizing self-sustainability to decrease airports' reliance on Federal grant funds. Several Members of Congress asked us to review allegations of revenue diversion at LAX, which is operated by Los Angeles World Airports (LAWA), an independent department of the City of Los Angeles. We found that FAA's oversight did not prevent LAWA from using more than \$8 million in LAX revenues and funding—about \$7.87 million for services provided by the Los Angeles Police Department (LAPD), and over \$360,000 in administrative grant charges—without adequate documentation or support for these charges. In addition, LAWA spent approximately \$192,000 of airport revenue on unauthorized LAPD personnel working at LAX. Our review also found that LAWA could not demonstrate that it met Federal requirements to be as self-sustaining as possible in establishing rental rates for its non-aeronautical land leases. In particular, three of the leases we reviewed were below fair market value estimates, resulting, in one case, in LAWA missing up to approximately \$558,000 in potential additional rental income. Finally, we detected about \$49 million in financial reporting discrepancies between the amounts LAWA reported in its statutorily required annual financial reports to FAA and its internal financial reports. According to LAWA, the discrepancies were due, in part, to data integrity issues. We made six recommendations to improve FAA's oversight of airport revenue and the airport's self-sustainability. FAA concurred with five recommendations and partially concurred with one recommendation. FAA provided reasonable planned actions and timeframes for all recommendations.

04.09.2014 [Letter Responding to Allegations of Revenue Diversion Concerning Los Angeles Police Department Personnel at Los Angeles World Airports](#)

Chairman Tom Latham, House THUD Appropriations Subcommittee; Congressman Gary Miller; Congressman Dan Lungren; Congressman Elton Gallegly

The Federal Aviation Administration (FAA) is responsible for providing oversight to ensure that airports meet Federal obligations regarding using airport revenue for airport-only purposes. OIG's Office of Investigations, Complaint Center Operations, asked FAA to conduct an inquiry into allegations of revenue diversion at Los Angeles International Airport (LAX), which is operated by the Los Angeles World Airports (LAWA). In its memorandum of findings, FAA concluded that LAWA's payment of overtime to Los Angeles Police Department (LAPD) officers, length of assignments for LAPD officers, and decision to deploy higher paid LAPD officers did not constitute revenue diversion. We concur that LAWA possesses the authority to determine how it deploys security personnel and may use LAPD officers to meet its security needs, even if those officers work overtime or cost more than their LAWA counterparts. LAPD officers deployed to LAX, however, may not charge LAWA for duties unrelated to the airport. In its memorandum, FAA found instances of such revenue diversion. According to the memorandum, however, the lack of adequate detail contained in the records FAA received from LAWA prevented FAA from quantifying the full extent of the LAPD's off-airport duties. Given OIG's concern about potential revenue diversion, OIG's Office of Aviation Audits conducted its own inquiry into the use of airport revenues at LAX and issued a separate report with its findings.

04.09.2014 [Defunct Pennsylvania FAA Repair Facility and Former Operator Convicted At Trial for Aircraft Parts Fraud](#)

On April 9, 2014, after a nine day trial in U.S. District Court, Philadelphia, Pennsylvania, a federal jury convicted Jay Stout and Flying Tigers, Inc. of conspiracy, fraud involving aircraft parts, mail fraud, and obstruction of justice. A September 2013 superseding indictment charged Jay Stout, Howard Gunter, and Flying Tigers, Inc. with various crimes for their role in the conspiracy to conduct illicit aircraft repairs and fraudulent aircraft inspections at its Marietta, Pennsylvania, based operations. Gunter, a former Federal Aviation Administration (FAA) inspector, died of natural causes prior to trial. The investigation revealed that in 2003, the FAA suspended Jay Stout's authority to conduct aircraft inspections, and ultimately in 2004, revoked both his airframe and powerplant certification and his inspection authorization certification. Joel Stout, former director of operations at Flying Tigers, Inc., did not hold FAA inspection authority past March 2006. The prosecution proved that at various times between October 2003 and January 2010, Flying Tigers, Inc. charged customers for the annual inspections of their aircraft despite the absence of a certified mechanic with inspection authority. The six-year aviation safety investigation revealed that the defendants routinely altered airframe and engine logbooks and made false entries to conceal their actions. Once Jay Stout learned of the Government's investigation, he obstructed the investigation by altering aircraft logbooks in order to conceal the false certifications. Flying Tigers, Inc. conducted more than 100 questionable aircraft inspections and repairs between 2003 and 2010 affecting over 40 aircraft. In March 2013, Joel Stout pleaded guilty related to his participation in the fraud.

04.04.2014 [Former Radiograph Technician Sentenced to Probation for Violating Pipeline Safety Law](#)

On April 4, 2014, Edna Stoner, a former Acuren Inspection, Inc. Level II Radiograph Technician, was sentenced in U.S. District Court, Urbana, Illinois, to 3 years probation and ordered to pay a \$5,400 fine for submitting false statements on documentation associated with pipeline safety testing. Stoner was responsible for conducting non-destructive testing (NDT) of pipeline welds and interpreting and reporting the results of tests on a portion of the Rockies Express Pipeline. The results of the NDT included the weld numbers, whether the pipeline weld radiographs (a type of x-ray) were acceptable or rejected, and other technical data about the process. The results were recorded on reader sheets which were maintained by the pipeline owner as required by the Pipeline and Hazardous Materials Safety Administration (PHMSA). Stoner falsely stated on reader sheets that all pipeline welds had been radiographed and tested at the compressor station in Blue Mound, Illinois, when they had not. Stoner also mislabeled the radiograph film to give the impression that multiple pipeline welds had been radiographed when she had only tested one. This investigation was conducted with the U.S. Department of Justice, Environmental Crimes Section, with assistance from PHMSA.

04.03.2014 [Audit Initiated of FAA's Controller Staffing at Critical Air Traffic Control Facilities](#) *Directed by The Consolidated Appropriations Act of 2014*

The Office of Inspector General plans to initiate a follow-up audit on the Federal Aviation Administration's (FAA) efforts to ensure adequate staffing levels at critical air traffic control facilities. In 2012, we reported that FAA faces a possible shortage of experienced air traffic controllers at the Nation's busiest and most complex facilities, in part because of the large number of controllers currently eligible to retire. Accordingly, our audit objectives are to determine (1) whether controller staffing levels at FAA's most critical facilities are consistent with FAA's plans, and (2) how training needs and pending retirements impact controller resources.

04.03.2014 [Connecticut Construction Company Agrees to Pay \\$2.4 million for DBE Fraud](#)

On April 3, 2014, Manafort Brothers, Inc. (Manafort), a construction company based Plainville, Connecticut, agreed to pay \$2.4 million as part of a civil settlement agreement with the United States Attorney's Office in New Haven, Connecticut, in connection with their role in a Disadvantaged Business Enterprise (DBE) pass-through scheme. A non-prosecution agreement was also reached with Manafort to resolve the company's corporate criminal liability. This investigation was initiated upon a referral from the Connecticut Department of Transportation and the Connecticut Division of the Federal Highway Administration (FHWA). The investigation revealed that Manafort utilized a DBE subcontractor as a pass-through entity on the federally-funded \$40 million Route 72 relocation project in Bristol, Connecticut. Manafort and the FHWA have also entered into an Administrative/Compliance Agreement wherein additional administrative sanctions will not be initiated in consideration of Manafort's agreement to independent monitoring and the institution of a corporate compliance program. This case was jointly investigated with the Federal Bureau of Investigation and Department of Labor, Office of Inspector General.

04.03.2014 [Georgia Woman Sentenced in Double Brokering Scheme](#)

On April 3, 2014, Pauline Robinson-Kirkland was sentenced in U.S. District Court, Albany, Georgia, to one year probation and ordered to pay \$5,490 in restitution for her involvement in a double brokering scheme. The investigation revealed that Robinson-Kirkland accessed web sites advertising loads of commercial freight available for transport. She would then bid on the loads using her various company names with Federal Motor Carrier Safety Administration broker authority. Once Robinson-Kirkland was awarded a bid, she allowed the sender to believe her trucking business would deliver the freight and accepted payment from the sender for the contracted price. After accepting the bid, she immediately re-advertised the job, using a different company name. She then hired legitimate trucking companies to pick up the freight and deliver it to the intended destination, never disclosing that she had already received payment from the sender. As a result, the legitimate trucking companies were never paid. This investigation was worked jointly with the Decatur County Sheriff's Office, Decatur, Georgia.

04.02.2014 [Identifying and Investigating Vehicle Safety Defects](#)

Testimony before the Senate Commerce, Science, and Transportation Subcommittee on Consumer Protection, Product Safety, and Insurance

The Inspector General testified on the National Highway Traffic Safety Administration's (NHTSA) efforts to identify and investigate vehicle safety defects. The Inspector General focused on the status of NHTSA's actions to address major weaknesses that the Office of Inspector General (OIG) reported in 2011. The Inspector General noted that, in response to OIG recommendations, NHTSA has implemented more robust processes to identify and investigate safety defects. However, the effectiveness of these process enhancements will depend on whether NHTSA's Office of Defects Identification (ODI) systematically uses and applies the new processes when conducting its analyses and investigations. The Inspector General also noted that NHTSA has yet to complete a workforce assessment for determining the number and most effective mix of ODI staff. Finally, the Inspector General discussed how OIG's investigative efforts can help lead to strong sanctions against companies that withhold critical safety data from NHTSA. Most recently, OIG investigators participated in the criminal probe of Toyota, which forfeited \$1.2 billion for intentionally concealing information on vehicle defects from NHTSA.

04.02.2014 [ARRA Lessons Learned: FTA Needs To Improve Its Grant Oversight To Prevent Improper Payments](#)
Self-Initiated

In February 2009, the Federal Transit Administration (FTA) received \$8.4 billion from the American Recovery and Reinvestment Act of 2009 (ARRA) for economic stimulus and recovery grants. FTA and other Federal agencies reimburse grantees for project costs, and ARRA, along with the Improper Payments Information Act of 2002 (IPIA), requires agencies to hold grantees accountable for their expenditures. Further, in 2010, the Office of Management and Budget (OMB) directed agencies to increase their oversight of grantees. FTA's oversight of its ARRA grantees did not prevent or detect approximately \$7.3 million in improper payments to 10 of the 16 grantees in our sample. Approximately \$5.9 million, or 80 percent, was paid for charges that grantees did not sufficiently document. While a lack of documentation does not necessarily mean a payment was invalid, it raises questions about the payment's eligibility as well as the overall effectiveness of internal controls. FTA's oversight also did not ensure that grantees justified the use of their own labor forces, known as force account work, for preventive maintenance. FTA's November 2008 Circular required grantees to develop plans for work performed by their own labor on capital projects, and listed preventive maintenance as a capital project. However, of the transactions we reviewed, FTA reimbursed over \$253.5 million for force account work for preventive maintenance without complete plans or, in some cases, without any plans. FTA later modified its Circular to no longer require plans for this type of work. FTA generally concurred with our recommendations to strengthen its oversight of grantees to prevent and detect improper payments for current and future Federal-aid projects and assist the Agency in recovering improper payments. Upon completion of these actions by FTA, we will assess their effectiveness in meeting the intent of our recommendations.

04.02.2014 [Household Goods Moving Company Operations Manager Sentenced for "Low-Ball" Estimate Scam](#)

On April 2, 2014, Asaf Nass, operations manager of AY Transport, Inc. (AY), a household goods moving company located in San Jose, California, was sentenced in U.S. District Court, San Jose, California, to 18 months incarceration and three years of supervised release and was ordered to pay a \$100 special assessment in connection with a household goods moving scheme. He was also ordered to pay restitution, which will be determined at a later date. Our investigation disclosed that AY participated in a "low-ball estimate" scheme with National Moving Network (NMN), a household goods broker located in Miami, Florida. NMN estimators artificially quoted customers low estimates to move their household goods, then referred a majority of the moves to AY. Upon taking custody of a customer's goods, AY employees raised the price, typically at Nass' direction. The increased fees for release of the goods sometimes totaled two to three times the amount of the original bid provided by NMN. If customers refused to pay the fees, their goods were sometimes held in storage lockers, and occasionally, Nass instructed AY employees to sell the customers' goods at auction. On February 26, 2014, Randy Goldberg, former owner and president of NMN, was sentenced in U.S. District Court, San Jose, California, to 18 months incarceration, followed by one year of supervised release. We conducted this investigation jointly with the Federal Bureau of Investigation and Internal Revenue Service – Criminal Investigation, with assistance from the Federal Motor Carrier Safety Administration.

04.01.2014 [CAPTURED: DOT OIG Wanted Fugitive Arrested in Philadelphia, PA](#)

On April 1, 2014, after almost two years on the run from charges filed in Harris County Texas, Jovan Balknight turned himself into federal law enforcement officers in Philadelphia, PA. Balknight had been constantly moving around, staying wherever he could for short periods, and most recently had been living

on the streets of Philadelphia. Under pressure from being on the run, Balknight entered the Federal Courthouse in Philadelphia and told Court Security Officers in the lobby that he wanted to turn himself in. U.S. Marshals responded and discovered that Balknight was wanted by the Department of Transportation Office of Inspector General and the State of Texas. Balknight was then taken into custody by the Philadelphia Police pending his extradition back to Houston, Texas to face charges for his alleged involvement in a household goods moving fraud scheme. In July 2012, Balknight and two accomplices were indicted by a grand jury in Harris County Texas on charges that they lured moving customers using extremely low moving estimates. Allegedly, after taking possession of the customers' household goods, the price was significantly increased and delivery of their belongings was withheld until the customers paid the fraudulently inflated price. Customers were also allegedly threatened that if they refused to pay, their household goods would be auctioned. Balknight's accomplices, Anthony Fanelli and Andy Bueno, have both pled guilty in Harris County District Court and were sentenced for their roles in this scheme. In January 2013, Bueno was sentenced to 8 years imprisonment and ordered to pay \$249,000 in restitution. In January 2014, Fanelli was sentenced to 20 years imprisonment and ordered to pay \$200,000 in restitution. This investigation is being conducted jointly with the Houston and Austin Police Departments, with assistance from the Federal Motor Carrier Safety Administration. The case was prosecuted by the Harris County District Attorney's Office, Houston, TX.

04.01.2014 [PG&E Charged with Multiple Violations of the Natural Gas Pipeline Safety Act](#)

On April 1, 2014, Pacific Gas and Electric Company (PG&E), located in San Francisco, California, was indicted in U.S. District Court, San Francisco, California, for multiple violations of the Natural Gas Pipeline Safety Act of 1968 (PSA). OIG initiated an investigation after the explosion of a natural gas pipeline in 2010 that killed eight people in San Bruno, California. The charges relate to PG&E's record keeping and pipeline "integrity management" practices. The indictment alleges that PG&E knowingly and willfully violated the PSA and its regulations between 2003 and 2010 by failing to address record keeping deficiencies concerning its larger natural gas pipelines, knowing that its records were inaccurate or incomplete; failing to identify threats to its larger natural gas pipelines; failing to take appropriate actions to investigate the seriousness of threats to pipelines when they were identified; and failing to adequately reprioritize and assess threatened pipelines after the pipelines were over pressurized as required by the PSA and its regulations. We are investigating this case jointly with the San Mateo County District Attorney's Office, San Bruno Police Department, and Federal Bureau of Investigation, with assistance from the Pipeline and Hazardous Materials Safety Administration.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

04.01.2014 [Inadequate Planning, Limited Revenue, and Rising Costs Undermine Efforts to Sustain Washington, DC's, Union Station](#)

Requested by the Ranking Member of the U.S. House Committee on Transportation and Infrastructure and former Ranking Member of its Subcommittee on Economic Development, Public Buildings, and Emergency Management

Union Station is Washington, DC's main multimodal transportation hub as well as a commercial retail center. Each year, it serves millions of rail passengers, transit riders, residents, and tourists. The station is a Federal heritage asset, owned by the Federal Railroad Administration (FRA). In 1983, the Department of Transportation (DOT) created the Union Station Redevelopment Corporation (USRC) to manage and oversee Union Station's operations. Presently, Union Station is undergoing repairs, major interior renovations, and other significant changes to improve access to trains, Metrorail, and buses. These high-

dollar investments warrant increased oversight to avoid cost overruns, wasted funds, and damage to Union Station's historical and functional value. While FRA retains authority for adopting and enforcing building and safety codes, this authority has not been effectively executed, raising concerns about potential lapses in safety oversight. DOT and FRA have relied on USRC to effectively manage Union Station. However, USRC has not adequately planned for Union Station's future. In addition, Union Station's capital maintenance reserve fund is at risk of depletion and faces a potential shortfall of more than \$5 million by September 30, 2014. The actual extent of the shortfall cannot be accurately estimated because the condition of various building components is unknown. FRA generally concurred with our recommendations to improve the management and oversight of Union Station, and proposed actions to address them. Once these actions have been completed, we will assess their effectiveness in meeting the intent of our recommendations.

04.01.2014 [Drug Tester Indicted and Arrested for Scamming Pennsylvania Commercial Truck Operators](#)

On April 1, 2014, a federal grand jury in Pittsburgh, Pennsylvania, indicted Elizabeth "Betsy" Pope, operator of Eastgate Laboratory Testing (Eastgate), for mail fraud related to a scheme to defraud several Pittsburgh-area commercial motor vehicle drivers and employers. Our investigation revealed that Eastgate conducted drug testing for commercial vehicle operators and various trucking companies located in Pittsburgh, Pennsylvania. Eastgate served as a third party administrator to oversee the Federal Motor Carrier Safety Administration (FMCSA) regulated testing. The indictment alleged that between 2008 and 2012, Pope used the signature of a medical review officer (MRO) who had not worked for Eastgate since June 2005 to certify test results. FMCSA and the commercial operators relied on the suspect drug test reports to demonstrate compliance with federal regulations.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.



Department of Transportation
Office of Inspector General

Office of Inspector General Monthly Activity Report Activities since May 1, 2014

Contact: (202) 366-8751
Eric Weems or David Wonnemberg

5.27.2014 [Audit Initiated of the Security and Controls over FAA's Data Communications Program](#) *Self-Initiated*

The Office of Inspector General is self-initiating an audit of the Federal Aviation Administration's (FAA) security and controls for the Data Communications Program (DataComm)—an important element of FAA's Next Generation Air Transportation System (NextGen) initiative. DataComm will provide a direct link for digital communications between aircraft flight decks and air traffic controllers. Our audit objectives are to determine whether: (1) FAA is identifying security risks and properly mitigating them; and (2) FAA's contingency plan for the system limits the effects of the loss of DataComm's availability.

05.23.2014 [Former Flying Tigers Official Sentenced in Pennsylvania Fraud Case Involving False Aircraft Inspections](#)

On May 14, 2014, Joel Stout, of Elizabethtown, Pennsylvania, was sentenced in U.S. District Court, Philadelphia, Pennsylvania, to 60 months probation and 60 hours of community service. Stout, a Federal Aviation Administration (FAA) certified A&P mechanic and former employee of Flying Tigers Inc., previously pled guilty to criminal charges related to his participation in a complex fraud involving unauthorized aircraft inspections. Joel Stout's father, Jay Stout, the president of Flying Tigers, Inc., was convicted of numerous counts after a nine day jury trial in Philadelphia. Joel Stout provided substantial cooperation to the prosecution and testified at the trial on the government's behalf. The investigation revealed that in 2003, the FAA suspended Jay Stout's authority to conduct aircraft inspections, and ultimately in 2004, revoked both his airframe and power plant certification and his inspection authorization certification. Joel Stout, former director of operations at Flying Tigers, Inc., did not hold FAA inspection authority past March 2006. The prosecution proved that at various times between October 2003 and January 2010, Flying Tigers, Inc. charged customers for the annual inspections of their aircraft despite the absence of a certified mechanic with inspection authority. The six-year aviation safety investigation revealed that the defendants routinely altered airframe and engine logbooks and made false entries to conceal their actions. Once Jay Stout learned of the Government's investigation, he obstructed the investigation by altering aircraft logbooks in order to conceal the false certifications. Flying Tigers, Inc. conducted more than 100 questionable aircraft inspections and repairs between 2003 and 2010 involving over 40 aircraft. Howard Gunter, a former FAA inspector also charged in the scheme, recently died of natural causes prior to the trial. We conducted this investigation with assistance from FAA.

05.22.2014 [Florida Pilot Sentenced for Falsifying FAA Airman Medical Applications](#)

On May 22, 2014, in U.S District Court, Miami, Florida, Henry Albert Schaller, II, President of B2BJETS, Inc., was sentenced to two years probation for making false statements to the Federal Aviation Administration (FAA). Schaller lied on multiple airman's medical applications in an effort to obtain a medical certification, by stating he had never been convicted of a crime. However, the investigation revealed that he was convicted in April 2013 for making a false statement to Immigrations and Customs Enforcement. In addition to the term of probation, Schaller was fined \$500.00 and ordered to pay a special assessment fee of \$500.00. As a special condition of supervised release, Schaller was ordered not to operate an aircraft in the United States or any other country without a valid pilot's license and medical certificate from the FAA. This investigation was conducted jointly with the Drug Enforcement Agency (DEA), with assistance from the Federal Aviation Administration.

05.22.2014 [Man Pleads Guilty in Connection with Fraudulent CDL Test-Taking Scheme](#)

On May 22, 2014, Jose Payano (a/k/a Polo) pleaded guilty in U.S. District Court, Brooklyn, New York, to mail fraud in connection with an investigation of a widespread fraudulent Commercial Driver's License (CDL) test-taking scheme. The investigation has revealed that fraudulent CDL test-taking activities have taken place at five Department of Motor Vehicle (DMV) test centers in the New York City area. Payano participated in the scheme by facilitating the exchange of testing materials between a CDL applicant and an external test-taker. CDL applicants paid facilitators between \$1,800-\$2,500 in return for CDL exam answers and escort assistance through DMV processes. Other fraud schemes identified during the investigation include the use of pencils with miniaturized test answers encoded therein and the use of a Bluetooth headset as a communication device to relay CDL test answers. On September 25, 2013, Payano and ten other subjects were arrested in connection with this matter and subsequently charged. We are conducting this investigation with the assistance from Department of Homeland Security, New York Police Department, NYC DMV Investigations, NYS-Attorney General's Office, and NYS-IG.

05.21.2014 [Pennsylvania Weapons Manufacturer Pleads Guilty to Hazmat Charges](#)

On May 21, 2014, Action Manufacturing (Action), Atglen, Pennsylvania, pled guilty to criminal charges related to the illegal storage and transportation of hazardous materials. The charges arose from the illegal storage of explosive hazardous waste and the unsafe transportation of explosive materials on public roads without the proper labels, markings, or declarations. As part of the plea settlement, Action has agreed to pay a \$1.2 million fine. In addition, Action's president has agreed to resign. Action produced explosive arming and timing devices for use in munitions and weapon systems, as well as warhead assemblies, detonators, and fuses. Action's manufacturing process generated explosive waste in various forms and from various waste streams that are deemed hazardous under federal law due to the product's characteristics of reactivity. Action admitted that it illegally stored explosive hazardous waste between 1980 and approximately July 2013 without the required Environmental Protection Agency permits. In addition, Action admitted that it transported military grade explosives without hazardous material shipping papers required by the Pipelines and Hazardous Material Safety Administration.

05.21.2014 [Bridge Painting Company Employees Indicted for Numerous Federal Criminal Violations Related to a PennDOT Bridge Painting Contract](#)

On May 21, 2014, the U.S. Attorney's Office, Philadelphia, Pennsylvania, announced the unsealing of an indictment charging Nikolaos Frangos, George Capuzello, and Mikhail Zubialevich with criminal conspiracy, witness tampering, perjury, false statements and harboring an alien. These Liberty Alpha

Joint Venture (Liberty) officials were charged in connection with a scheme to lie to government officials to conceal the fact that Liberty employed illegal aliens on the \$75 million American Recovery and Reinvestment Act (ARRA) funded Girard Point Bridge painting project in Philadelphia, Pennsylvania. The indictment, filed on May 13, 2014, alleged that Liberty employees, including an illegal alien, violated a Pennsylvania Department of Transportation (PennDOT) contract when they disturbed and ultimately destroyed protected bird species nesting sites. The indictment described that the PennDOT contract safeguarded nesting sites along the Girard Point Bridge. The indictment further alleged that Frangos did not want the U.S. Department of Transportation (U.S. DOT), PennDOT, or law enforcement authorities to learn that Liberty employed illegal aliens. When confronted by government agents, Frangos lied as to the identity of the employees who violated those contract provisions to conceal the fact that Liberty employed illegal aliens. He also allegedly instructed other project employees to lie to government officials. Likewise, the indictment further alleged that Capuzello lied to a grand jury as to the identity of the Liberty employees in question. This indictment is part of a larger investigation examining allegations of DBE fraud and corruption on bridge painting projects in the Philadelphia area. We are investigating this case with the Federal Bureau of Investigations; U.S. Department of Labor, Office of Inspector General (OIG); Social Security Administration, OIG; Homeland Security Investigations; Environmental Protection Agency, Criminal Investigation Division; Amtrak OIG; and the Internal Revenue Service, Criminal Investigation Division.

Note: Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

05.15.2014 North Carolina Pilot Pleads Guilty to Operating Aircraft without Proper Licensing and Providing False Statements to FAA

On May 15, 2014, Paul Douglas Tharp pleaded guilty in U.S. District Court, Charlotte, North Carolina, to serving as an airman without an airman's certificate and providing false statements to an FAA investigator. Tharp operates at an airport in Davidson County, North Carolina. He held a pilot certificate with a single engine rating but he did not hold a mechanic certificate. However, Tharp falsely represented himself as a pilot with a multi-engine rating and a mechanic who held an FAA Mechanic Certificate with an Airframe and/or Powerplant (A&P) rating. In or around 2011, Tharp was hired by Warriors and Warbirds, a group based in Monroe, North Carolina, to work as a mechanic to repair and refurbish a multi-engine C-46 airplane. To earn fees from the group as a mechanic and pilot, Tharp told a representative that he was an A&P mechanic. Additionally, Tharp acted as second in command on a March 4, 2011, flight from Midland, Texas, to Monroe, North Carolina. Because the C-46F is a multi-engine airplane with a required crew of two, Tharp, who held a single engine pilot certificate, lacked the proper authorization to fly this airplane. On or about June 5, 2011, Tharp represented to an FAA inspector that he was an A&P mechanic in order to obtain a ferry permit for the C-46F and provided the inspector with an A&P certificate number belonging to someone else. Tharp again acted as second in command of the multi-engine C-46F on the June 5, 2011, trip, even though he should not have been flying this aircraft.

05.14.2014 Audit Initiated of FAA's Oversight of the Organization Designation Authorization Program

Requested by Representative Peter DeFazio

The Office of Inspector General plans to initiate an audit on the Federal Aviation Administration's (FAA) oversight of the Organization Designation Authorization (ODA) program. We are conducting this review at the request of Representative Peter DeFazio. Recognizing that it is not possible for FAA employees to oversee every facet of the aviation industry, public law allows FAA to delegate certain functions, such as approving new aircraft designs and certifying aircraft components, to private individuals or organizations

through its ODA program. However, it is critical that FAA have the resources in place to effectively oversee this important program. Accordingly, our audit objectives will be to assess FAA's: (1) process for determining staffing levels needed to conduct ODA oversight, and (2) oversight of delegated organizations' program controls.

05.12.2014 [New York Construction Firm Agrees to Pay \\$3 Million to Settle Allegations of Fraud](#)

On May 12, 2014, the U.S. District Court, New York, New York, approved a civil settlement agreement whereby Moretrench American Corporation (Moretrench), a Yonkers, New York, based construction company, agreed to pay \$3,050,000 to settle civil false claims charges related to Disadvantaged, Minority Owned, and Women Owned Business Enterprise (D/M/WBE) fraud perpetrated on a Federal Transit Administration (FTA) funded Port Authority of New York & New Jersey (PANY&NJ) construction project at the World Trade Center hub train station (the "HUB Project"). Between approximately 2007 and 2009, Moretrench fraudulently used Environmental Energy Associates (EEA), a certified D/M/WBE, as a "pass-through" business on a subcontract worth approximately \$1.1 Million for dewatering (i.e. groundwater removal) at the HUB Project. The subcontract value equated to a 17 percent D/M/WBE participation requirement. In reality, Moretrench hired the pump operators, supervised the job site, and assembled payroll records. In turn, EEA retained an approximate 10 percent mark-up on each invoice for the use of its minority business status. The FTA has provided \$2.2 billion in grant monies for the reconstruction of the HUB Project. We investigated this case with the PANY&NJ-Office of Inspector General (OIG). As part of this settlement, Moretrench agreed to pay \$50,000 to the PANY&NJ-OIG for investigative costs.

05.12.2014 [Florida Man Sentenced for Making False Statements to the FAA and Illegally Piloting an Aircraft](#)

On May 12, 2014, the U.S. District Court, Orlando, Florida, sentenced Reginald Sibley to 12 months confinement, 24 months of supervised release, and 25 hours of community service, for making false statements to the Federal Aviation Administration (FAA) and flying as a pilot in command of a Gulfstream aircraft without a valid airman certificate. As a special condition of supervised release, Sibley was also ordered to refrain from engaging in any employment related to piloting commercial aircraft. As part of the FAA certification process, Sibley was required to undergo annual medical examinations to determine his medical fitness as a pilot. On June 1, 2009, Sibley stated on his FAA airmen medical certificate application form he did not have a criminal history, when in fact, he had at least three criminal convictions. The investigation also revealed that on October 8, 2009, Sibley was the pilot in command of a Gulfstream aircraft which departed from the Orlando Executive Airport and landed in California. After landing, Sibley claimed to a FAA representative he was "rated" to fly the Gulfstream aircraft. The FAA informed Sibley it had no record of his "rating" for this kind of aircraft and recommended Sibley not continue to fly the aircraft. Sibley disregarded the FAA and proceeded to board passengers onto the aircraft and fly to another location. The investigation confirmed Sibley was not authorized or "rated" to fly the Gulfstream aircraft. We investigated this case with assistance from the FAA.

05.12.2014 [Oregon Pilot Enters Pre-Trial Diversion after being Charged for Falsifying his Airman's Medical Applications](#)

On May 12, 2014, Greg M. Traynor of San Ardo, California entered the Pre-Trial Diversion Program after being charged in U.S. District Court, Portland, Oregon, for making false statements to the Federal Aviation Administration (FAA) on multiple airman's medical applications. Traynor falsified the applications in an effort to obtain a medical certificate by stating that he was not taking any medications and had not been previously diagnosed with or presently had any mental health disorder. However, the investigation revealed Traynor had been taking disqualifying medications at the time he filed the medical applications

and he had previously reported a mental health diagnosis to the FAA. The agreement for pretrial diversion requires Traynor to comply with all requirements of the diversion for a period of 18 months. These requirements include filing an amended 2013 airman medical application within 60 days, complying with the FAA administrative requirements arising from the submission of the amended application, and performing 120 hours of community service. We conducted this investigation with the assistance of the FAA.

05.09.2014 [Owner of Household Goods Company Sentenced to Prison and Ordered to Pay Restitution to Victims](#)

On May 9, 2014, Yaron Roni Levin, was sentenced in U.S. District Court, Denver, Colorado, to serve 33 months confinement, 36 months supervised release and to pay restitution in the amount of \$92,161.51 to 19 victims of household goods moving fraud. Levin was also ordered to have no involvement with household goods moving businesses for the time he is incarcerated and on supervised release. Levin, the owner of Movers USA/Golden Hand Movers, admitted to luring customers with extremely low moving estimates and then fraudulently inflating the price of transportation. When customers refused, or were unable to pay, Levin refused delivery and often threatened to auction their household goods until the inflated price was paid. Levin routinely doubled quoted estimates for an average increase of \$2,000 to \$5,000, although some victims were charged as much as \$10,000 over the initial estimates. This investigation was part of OIG's "Operation Boxed Up", which is a national investigative initiative to locate, identify, and prosecute interstate household goods movers who are defrauding consumers. We investigated this case with the Federal Bureau of Investigation, with assistance from the Federal Motor Carrier Safety Administration.

05.07.2014 [PHMSA's State Pipeline Safety Program Lacks Effective Management and Oversight Requested by the Secretary of Transportation](#)

The Nation's network of approximately 2.5 million miles of pipelines moves millions of gallons of hazardous liquids and 55 billion cubic feet of natural gas every day. DOT's Pipeline and Hazardous Materials Safety Administration (PHMSA) authorizes States to oversee and enforce operators' compliance with Federal pipeline safety regulations through its State Pipeline Safety Program. PHMSA also allocates grants to State programs. In September 2010, an intra-State natural gas pipeline exploded in San Bruno, CA, resulting in eight fatalities, injuries, and destroyed homes. In its investigation of the explosion, the National Transportation Safety Board found weaknesses in PHMSA's oversight of State programs, and recommended that DOT assess the effectiveness of PHMSA's oversight of intra-State pipeline safety and whether State programs use Federal grants effectively. Accordingly, we assessed PHMSA's (1) policies and procedures for managing its State Pipeline Safety Program, including guidelines to participating States, and (2) oversight of State pipeline safety programs. PHMSA's guidelines, policies, and procedures for State pipeline safety programs lack elements to ensure State inspections cover all Federal requirements and pipeline operators maintain safety standards. The staffing formula in the guidelines is outdated. The guidelines also lack sufficient detail on States' use of risk factors for scheduling inspections and do not require PHMSA evaluators to review the adequacy of States' inspection procedures. Furthermore, PHMSA lacks formal written procedures to guide its triennial reviews of State programs' expenditures. PHMSA's oversight of State pipeline safety programs also does not ensure that States comply with program evaluation requirements and properly use all grant funds. Lapses in oversight have resulted in undetected safety weaknesses in State programs. Because it has not accounted for these non-compliances, the Agency cannot be sure that States correct program deficiencies. Furthermore, PHMSA has neither provided States sufficient guidance on suspension funds nor completed financial audits of their use. PHMSA concurred or partially concurred with our seven

recommendations to improve PHMSA's oversight of State pipeline safety programs and grants. We have requested that the Agency reconsider its response to one recommendation and provide further information in support of its actions taken or planned for the six other recommendations.

05.06.2014 [Pennsylvania Weapons Manufacturer Charged with Hazardous Materials Violations](#)

On May 6, 2014, the U.S. Attorney's Office, Philadelphia, Pennsylvania, filed an information charging Action Manufacturing (Action), Atglen, Pennsylvania, with the illegal storage and transportation of hazardous materials. The charges arose from the alleged illegal storage of explosive hazardous waste and the unsafe transportation of explosive materials on public roads without the proper labels, markings, or declarations. Action produced explosive arming and timing devices for use in munitions and weapon systems, as well as warhead assemblies, detonators, and fuses. Action's manufacturing process generated explosive waste in various forms and from various waste streams that are deemed hazardous under federal law due to the product's characteristics of reactivity. The investigation determined that Action illegally stored explosive hazardous waste between 1980 and approximately July 2013 without the required Environmental Protection Agency permits. In addition, Action allegedly transported military grade explosives without hazardous material shipping papers required by the Pipelines and Hazardous Material Safety Administration.

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05.02.2014 [FMCSA Suspends Redding California Company and its Owner from Providing DOT Drug Testing Service](#)

On May 2, 2014, the Federal Motor Carrier Safety Administration (FMCSA) issued Notices of Suspension to Demetri Dearth, and to her company, Advanced Substance Abuse Programs (ASAP), both of Redding, California. The suspensions are based on Dearth's August 22, 2013, indictment in U.S. District Court, Sacramento, California. The indictment charged Dearth with allegedly falsifying drug test results required by and provided to FMCSA and/or other DOT agencies. Our investigation found that between March 2009 and February 2010, ASAP collected urine specimens on behalf of 80 trucking companies that employed commercial drivers. Dearth did not forward many of the urine specimens to certified laboratories and failed to have a medical review officer (MRO) review the drug test results for the specimens collected. She created false and fraudulent Custody and Control Forms and MRO reports indicating that the drug tests had come back negative and had purportedly been reviewed and signed by the MROs. Dearth then mailed invoices to her clients, billing them for urine specimen testing. We investigated this case with assistance from the California Highway Patrol and the DOT, Office of the Secretary, Office of Drug and Alcohol Policy Compliance.

05.01.2014 [Chicago Construction Co. to Pay \\$12 Million to Settle Contract Fraud Claims by U.S.](#)

On May 1, 2014, McHugh Construction Company, Inc., a Chicago, Illinois, based construction company, agreed to pay the United States and the State of Illinois \$12 million to resolve allegations of fraud on government programs designed to benefit women and minority-owned subcontractors under the terms of a civil settlement. The contractor, James McHugh Construction Co., Inc., allegedly failed to abide by Federal and State requirements for the participation of Disadvantaged Business Enterprises (DBE) on seven publicly funded highway and transit contracts between 2004 and 2011. In a separate administrative settlement and compliance agreement, James McHugh Construction Co., Inc., agreed to implement a corporate compliance program, appoint a compliance officer, and be subject to an independent monitor for three years. In exchange, Federal, State, and City of Chicago transportation agencies agreed not to

bar McHugh from future government contracts. The three-year administrative monitoring settlement and compliance agreement was reached between James McHugh Construction Co., Inc., and the U.S. Department of Transportation, Federal Transit Administration, Federal Highway Administration, the Illinois Department of Transportation, and the City of Chicago. The settlement is neither an admission of liability by James McHugh Construction Co., Inc., nor a concession by the Federal and State Governments that their contentions are not well founded, and James McHugh Construction Co., Inc., expressly denies the claims.

05.01.2014 [Audit Initiated of NHTSA's Efforts To Identify Safety-Related Vehicle Defects](#)

Requested by the Secretary of Transportation

Since February 2014, General Motors Company (GM) has recalled 2.6 million vehicles manufactured between 2003 and 2011. The recalled vehicles have a defective ignition switch that can unintentionally move from the “run” or “on” position to the “accessory” or “off” position, shutting down the engine and disabling power steering, power brakes, and airbags. On March 21, 2014, the Secretary of Transportation requested that we undertake a review of the National Highway Traffic Safety Administration’s (NHTSA) safety functions and processes related to the GM recall. Accordingly, our objectives will be to (1) assess NHTSA’s procedures for collecting, analyzing, and managing information to identify safety-related vehicle defects, (2) determine if information on ignition switch issues or non-deploying airbags was available to NHTSA but not used in the GM defect analysis, and (3) determine whether NHTSA has completed actions to implement our 2011 recommendations to strengthen its processes for identifying and addressing vehicle safety defects.