Description of document:	Closing documents for Thirty Four (34) Department of Transportation (DOT) Inspector General investigations, 2009-2016
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U.S. Department of Transportation

Office of Inspector General
Washington, D.C. 20590

May 23, 2017

RE: FOIA Request Control No.: FI-2017-0049

This letter is in response to your Freedom of Information Act (FOIA) request, dated, February 17, 2017 to the U.S. Department of Transportation (DOT), Office of Inspector General (OIG). You requested: a copy of the concluding document (i.e. final report, report of investigation, closing memo, referral memo, referral letter, etc.) associated with each closed Inspector General investigation concerning or relating to NHTSA during the years 2006 to the present.

Enclosed is a CD-ROM containing documents response to your request. Some information was redacted or withheld pursuant to exemptions provided by the Freedom of Information Act (5 U.S.C. § 552(b)(5), (b)(6) & (7)(C))[1]. There are 38 files responsive to your request. We are providing 38 files with redactions.

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. Any appeal should contain all facts and arguments that you propose warrant a more favorable determination. Please reference the file number above in any correspondence.

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 90 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.

[1] Exemption 5 protects documents that are pre-decisional and a direct part of the deliberative process. Exemption 6 protects names and any data identifying individuals if public disclosure would be a clearly unwarranted invasion of privacy. Exemption 7(C) protects personal information in law enforcement records. It prevents the disclosure of law enforcement information which could reasonably be expected to constitute an unwarranted invasion of personal privacy.

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 response, please contact the DOT OIG FOIA office at (202) 366-6131. For additional assistance, please see the contact information below.

Sincerely,

Siera Griffin
Government Information Specialist

Enclosure

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U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I08E000401CC	DATE January 27, 2009
TITLE (b)(6), (b)(7)c (b)(6), (b)(7)c National Highway Traffic Safety Administration Washington, DC	PREPARED BY SPECIAL AGENT / INVESTIGATOR (b)(6), (b)(7)c DISTRIBUTION JRI-3	STATUS Final APPROVED BY KAJ

PREDICATION/BACKGROUND:

On September 17, 2008, the DOT-OIG Hotline received a complaint that alleged (b)(6), (b)(7)c (b)(6), (b)(7)c NHTSA, violated procurement ethics when (b)(6), (b)(7)c tried to steer the procurement of Information Technology (IT) services towards e-Management, Inc., an IT vendor located in Silver Spring, Maryland, by sending various internal NHTSA emails and divulging source selection information to e-Management during the selection process for a $20 million to $30 million NHTSA IT services contract that was awarded September 11, 2008 (Attachment 1).

SUMMARY FINDINGS:

In brief, our investigation did not find evidence that (b)(6), (b)(7)c divulged source selection information or internal NHTSA communications to e-Management during the selection process for the above-referenced contract. Specifically, there is no evidence that (b)(6), (b)(7)c provided any information to e-Management during, or following, the evaluation process. The hotline complaint references two emails dated September 4 and September 5, 2008, authored by (b)(6), (b)(7)c that were sent to (b)(6), (b)(7)c (b)(6), (b)(7)c (Attachment 2). The emails essentially summarize (b)(6), (b)(7)c concerns about the overall selection process and questions whether the (b)(6), (b)(7)c (b)(6), (b)(7)c was being objective when evaluating the bidders' proposals. Centech, a separate IT vendor, was ultimately awarded the above-referenced contract by NHTSA. The incumbent contractor, e-Management, subsequently filed a protest on September 16, 2008, and the September 4th and 5th (b)(6), (b)(7)c emails were attached to their protest and appeared to have been faxed to them. Investigators identified the fax machine from which the emails to e-Management were sent. The machine resides on the 5th floor of the west building

of DOT Headquarters, in NHTSA occupied space. These emails were received by e-Management, via fax, on September 12, 2008, a day after the contract was awarded by NHTSA.

During interviews with members of the (b)(6), (b)(7)c (Attachment 3, Attachment 4), investigators asked if the members ever felt pressured to choose one company over another during the evaluation process. Both individuals interviewed responded they did not feel pressured at any point during the process.

During the course of this ongoing investigation, information provided to investigators by (b)(6), (b)(7)c disclosed a personal relationship involving (b)(6), (b)(7)c e-Management, Inc. In conjunction with that relationship, we learned of a 2008 cruise to England that was taken by (b)(6), (b)(7)c as well as by (b)(6), (b)(7)c While the investigation disclosed that both couples were on the cruise ship at the same time, it appears that both couples paid for their trips separately (Attachment 5, Attachment 6).

(b)(6), (b)(7)c (b)(6), (b)(7)c October 2008, pending completion of the investigation, and surrendered (b)(6), (b)(7)c laptop computer to OIG investigators (Attachment 7). Subsequent interview of (b)(6), (b)(7)c and forensic analysis of (b)(6), (b)(7)c laptop computer and email records have corroborated the personal relationship (Attachment 8).

IDENTIFICATION:

The following is identifying information regarding the subject of investigation:

Name:	(b)(6), (b)(7)c
Grade:	SES
Date of Birth:	(b)(6), (b)(7)c
SSN:	(b)(6), (b)(7)c
Current Title/Post of Duty:	(b)(6), (b)(7)c National Highway Traffic Safety Administration, Washington, DC
Criminal History:	None

DETAILS:

Interview of (b)(6), (b)(7)c Information Technology (IT) Compliance, NHTSA

(b)(6), (b)(7)c TEC

During a September (b)(6), (b)(7)c 2008 interview, (b)(6), (b)(7)c stated to investigator (b)(6), (b)(7)c at no time during the evaluation process, felt pressured by anyone to choose one company over another.

Interview of (b)(6), (b)(7)c Corporate Customer Services, NHTSA, member of TEC

During a Septembe(b)(6), (b)(7)c 2008 interview, (b)(6), (b)(7)c reported (b)(6), (b)(7)c did not feel pressured during the evaluation process to choose one company over another.

Inteview of (b)(6), (b)(7)c e-Management

During an Octobe(b)(6), (b)(7)c 2008 interview, (b)(6), (b)(7)c characterized (b)(6), (b)(7)c relationship with (b)(6), (b)(7)c as a professional acquaintance and advised that in December of 2002 or 2003 (b)(6), (b)(7)c attended one (b)(6), (b)(7)c in which all federal and contract staff were invited (b)(6), (b)(7)c also stated that while (b)(6), (b)(7)c as well as other NHTSA employees, attended (b)(6), (b)(7)c in 2005.

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c has had lunch with (b)(6), (b)(7)c one or two times over the time they have known each other, each time paying for their respective meals separately (b)(6), (b)(7)c advised (b)(6), (b)(7)c (b)(6), (b)(7)c aboard the Queen Elizabeth (QE) II in April 2008 (b)(6), (b)(7)c (b)(6), (b)(7)c advised that in preparation for the cruise, (b)(6), (b)(7)c went to lunch with (b)(6), (b)(7)c and discussed their planned trip.

(b)(6), (b)(7)c stated (b)(6), (b)(7)c made a reservation for (b)(6), (b)(7)c while on-board a cruise on the QE II in 2007. The reserved cruise was scheduled for April 2008 (b)(6), (b)(7)c stated (b)(6), (b)(7)c had no knowledge of the reservations until after (b)(6), (b)(7)c returned from the 2007 cruise. (b)(6), (b)(7)c advised that the reservation did not require a monetary deposit, only the name of the interested party, and (b)(6), (b)(7)c had five months to cancel the reservation (b)(6), (b)(7)c stated (b)(6), (b)(7)c ultimately contacted a travel agent to arrange the cruise and paid for the trip in full (b)(6), (b)(7)c stated during the cruise (b)(6), (b)(7)c saw (b)(6), (b)(7)c at lunch and at dinner, as the (b)(6), (b)(7)c (b)(6), (b)(7)c were seated at the same dining table.

(b)(6), (b)(7)c advised the cruise traveled from New York to England and the (b)(6), (b)(7)c traveled to New York in the same rental car. (b)(6), (b)(7)c stated the rental car was charged to (b)(6), (b)(7)c credit card and (b)(6), (b)(7)c for half the expense, in cash. (b)(6), (b)(7)c elaborated once the ship docked in England, the (b)(6), (b)(7)c separated for the remainder of the trip and arranged different flights home.

When asked specifically, if (b)(6), (b)(7)c had received anything of value from (b)(6), (b)(7)c (b)(6), (b)(7)c responded that (b)(6), (b)(7)c was given a "coffee table" book by (b)(6), (b)(7)c as a souvenir. (b)(6), (b)(7)c stated (b)(6), (b)(7)c has not had contact of any sort with (b)(6), (b)(7)c since the week of September 30, 2008.

(b)(6), (b)(7)c provided investigators with a copy of the original fax containing the September 4 and September 5, 2008 emails (b)(6), (b)(7)c received on September 12, 2008. Upon receipt of the emails on September 12, 2008, (b)(6), (b)(7)c contacted (b)(6), (b)(7)c about the origin of the emails at which time (b)(6), (b)(7)c indicated to (b)(6), (b)(7)c that they could have come from anywhere.

Facsimile Telephone Number Determination

On October 14, 2008, investigators analyzed the facsimile, and noted an inscription of a Facsimile Number, (b)(6), (b)(7)c and another alphanumeric number, (b)(6), (b)(7)c After analysis, investigators hypothesized that the facsimile was transmitted from (b)(6), (b)(7)c 1200 New Jersey Ave, SE, Washington, DC (DOT Headquarters).

On October 14, 2008, an OIG investigator went to the afore-mentioned address and located a Work Center Pro 265 Xerox machine capable of sending and receiving facsimiles. Subsequently, utilizing the Work Center Pro 265 Xerox machine, OIG (b)(6), (b)(7)c transmitted a message to (b)(6), (b)(7)c Upon receipt of the transmission, (b)(6), (b)(7)c noted that the afore-mentioned facsimile machine was used to transmit to (b)(6), (b)(7)c at 0946, September 12, 2008 (Attachment 9).

Interview of (b)(6), (b)(7)c NHTSA

During a September (b)(6), (b)(7)c 2008 interview, (b)(6), (b)(7)c stated that (b)(6), (b)(7)c authored the September 4 and September 5, 2008 emails that were shown to (b)(6), (b)(7)c by investigators, but adamantly denied any involvement in providing the email messages to e-Management and denied any knowledge of how e-Management received the emails. When asked if (b)(6), (b)(7)c knew any one that may have

provided the email correspondence to e-Management, (b)(6), (b)(7)c provided the names of three (b)(6), (b)(7)c currently working on (b)(6), (b)(7)c staff:

- (b)(6), (b)(7)c
-
-

(b)(6), (b)(7)c stated that in the emails (b)(6), (b)(7)c expressed (b)(6), (b)(7)c concern about whether (b)(6), (b)(7)c was objective in the evaluation process and suggested the removal of (b)(6), (b)(7)c evaluation to determine if the committee's selection would change. (b)(6), (b)(7)c advised that it was (b)(6), (b)(7)c belief that if the evaluation process worked correctly, the removal of any one evaluation should not change the outcome of the results.

(b)(6), (b)(7)c stated (b)(6), (b)(7)c wrote in one of the emails that if all companies were considered equally, (b)(6), (b)(7)c believed that e-Management should be awarded the contract. (b)(6), (b)(7)c added that (b)(6), (b)(7)c did not feel the panel was objective in their decision making process because they were unable to disregard the last three to six months of the current contract in which money was running out and e-Management was not receiving all of the resources it had at the start of the year. (b)(6), (b)(7)c was not part of the evaluation planning process.

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c spoke with (b)(6), (b)(7)c the NHTSA Office of Acquisitions, prior to the start of the evaluation process regarding whether or not there would be an issue with bidders having to meet North American Industry Classification System (NAICS) code because (b)(6), (b)(7)c did not want there to be a protest. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c shared (b)(6), (b)(7)c concerns, regarding the size of the bidders, to a number of individuals, including:

- (b)(6), (b)(7)c
-
-

and possibly:

- (b)(6), (b)(7)c
-

Upon further questioning, (b)(6), (b)(7)c stated that (b)(6), (b)(7)c maintains a personal relationship with (b)(6), (b)(7)c and detailed the extent of that relationship. (b)(6), (b)(7)c has known (b)(6), (b)(7)c and (b)(6), (b)(7)c since 2000, when e-Management was an IT service contractor at the Department of Energy (DOE). (b)(6), (b)(7)c hosted holiday parties at (b)(6), (b)(7)c residence and other venues on numerous occasions in which (b)(6), (b)(7)c invited all of (b)(6), (b)(7)c federal staff and all of (b)(6), (b)(7)c contract staff and that (b)(6), (b)(7)c was in attendance. (b)(6), (b)(7)c stated that in April of 2008, (b)(6), (b)(7)c and (b)(6), (b)(7)c participated in a six day crossing of the Atlantic Ocean aboard the QE-II. (b)(6), (b)(7)c stated that though (b)(6), (b)(7)c made the reservation, (b)(6), (b)(7)c paid for their own tickets for the voyage. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c attended (b)(6), (b)(7)c along with other NHTSA colleagues and was not part of the (b)(6), (b)(7)c

Follow-up interview of (b)(6), (b)(7)c

During an October (b)(6), (b)(7)c 2008 interview, (b)(6), (b)(7)c advised that (b)(6), (b)(7)c met (b)(6), (b)(7)c in either January or February of 2000, while working at DOE. (b)(6), (b)(7)c stated that when (b)(6), (b)(7)c began (b)(6), (b)(7)c (b)(6), (b)(7)c interviewed all of the contractors that were working for (b)(6), (b)(7)c and (b)(6), (b)(7)c stated that, at the time, (b)(6), (b)(7)c had federal employees and contractors working for (b)(6), (b)(7)c and that (b)(6), (b)(7)c believed the primary contractor was Dyncore. (b)(6), (b)(7)c advised that (b)(6), (b)(7)c was already a (b)(6), (b)(7)c and functioned in the role of (b)(6), (b)(7)c when (b)(6) was hired.

(b)(6), (b)(7)c stated that for two or three years while (b)(6), (b)(7)c hosted holiday parties for all of (b)(6), (b)(7)c federal and contract staff, in which (b)(6), (b)(7)c was in attendance. (b)(6), (b)(7)c advised that the last holiday party (b)(6), (b)(7)c hosted for any of (b)(6), (b)(7)c staff was in 2004, which is (b)(6), (b)(7)c

(b)(6), (b)(7)c advised that while on a crossing with (b)(6), (b)(7)c prior to April of 2008, (b)(6), (b)(7)c made reservations, without a monetary deposit, for an upcoming cruise for six individuals (b)(6), (b)(7)c said (b)(6), (b)(7)c ultimately switched the reservation and used it towards a crossing at a later date. (b)(6), (b)(7)c met for lunch prior to the April 2008 crossing, to discuss the upcoming trip. (b)(6), (b)(7)c stated that at no time did (b)(6), (b)(7)c ever pay for meals on (b)(6), (b)(7)c behalf, nor did (b)(6), (b)(7)c ever pay for a meal for (b)(6), (b)(7)c

(b)(6), (b)(7)c stated that while at DOT, (b)(6), (b)(7)c NHTSA (b)(6), (b)(7)c had lunch together a total of three times. (b)(6), (b)(7)c advised that on each occasion, each individual paid their own lunch bill.

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c considers (b)(6), (b)(7)c a professional friend. When asked to elaborate, (b)(6), (b)(7)c stated that (b)(6), (b)(7)c considered anyone with whom (b)(6), (b)(7)c has worked a number of years with to be a friend. (b)(6), (b)(7)c advised the agents that in (b)(6), (b)(7)c opinion, a professional friend is someone who may work in the same field or share similar interests. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c considers all of (b)(6), (b)(7)c to be professional friends. (b)(6), (b)(7)c advised that (b)(6), (b)(7)c does not consider (b)(6), (b)(7)c a close friend and that (b)(6), (b)(7)c only has a few friends (b)(6), (b)(7)c would consider to be close friends. (b)(6), (b)(7)c stated that the nature of contact between (b)(6), (b)(7)c is usually by email about contract-related staffing issues. (b)(6), (b)(7)c further stated that during the time (b)(6), (b)(7)c there was no contact between (b)(6), (b)(7)c

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c is aware of the Code of Ethical Conduct, to include the appearance of impropriety, and acknowledged participating in ethics training in November of 2007. When asked about recusal, (b)(6), (b)(7)c stated that (b)(6), (b)(7)c did not feel that (b)(6), (b)(7)c should have recused (b)(6), (b)(7)c from the procurement process because (b)(6), (b)(7)c was not part of the evaluation committee that selected Centech. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c does not feel (b)(6), (b)(7)c participated substantially in the procurement process. (b)(6), (b)(7)c advised that (b)(6), (b)(7)c wrote the Statement of Work, the Independent Government Cost Estimate, drafted the original evaluation criteria/section M, recommended the clauses for the contract and named the individuals on the technical evaluation committee, but did not participate in the selection process. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c entire involvement in the process was completed before submission of bids.

(b)(6), (b)(7)c stated that as (b)(7)c on the newly-awarded Centech contract, (b)(6), (b)(7)c held the kick-off meeting and performed staffing assignments. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c was identified as the (b)(6), (b)(7)c on at least one of e-Management's previous two contracts.

Forensic Analysis of (b)(6), (b)(7)c Laptop Computer and Email Correspondence

During interviews with both (b)(6), (b)(7)c they indicated they traveled via rental car to New York to board the QE II, which departed from New York. However, a cursory review of (b)(6), (b)(7)c emails disclosed a copy of a Limousine Contract, dated April 12, 2008, from Part Limousine, LLC (Attachment 10). The contract is for travel, by limousine, from Washington, DC, to New York, NY, on Saturday, April 12, 2008 at 8:30 am. During the review conducted however, no email correspondence was found to indicate how payment for the limousine was made.

During the October 10, 2008 interview with (b)(6), (b)(7)c indicated (b)(6), (b)(7)c did not to place a deposit on the reservations (b)(7)c was making on behalf of (b)(6), (b)(7)c however, investigators found email correspondence between (b)(6), (b)(7)c discussing a $600.00 deposit required for each cabin on the ship. These emails were sent, from (b)(6), (b)(7)c while on a previous cruise, contradicting statements made by (b)(6), (b)(7)c that (b)(6), (b)(7)c did not learn about the reservations made by (b)(6), (b)(7)c until after (b)(6), (b)(7)c return from (b)(6), (b)(7)c cruise.

Subsequent to this investigation, and sighting a decision to pursue career and life options other than continuing to work at NHTSA, (b)(6), (b)(7)c with NHTSA effective November (b)(6), (b)(6), (b)(7)c 2008. (Attachment 11)

REDACTED FOR DISCLOSURE

U.S. Department of Transportation
Office of Inspector General

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I08E00012SINV – ALERTS 08IHA593001 - TIGR	2/04/2009
TITLE	**PREPARED BY:**	**STATUS**
(b)(6), (b)(7)c National Highway Traffic Safety Administration (NHTSA), Washington, DC	(b)(6), (b)(7)c	FINAL
	DISTRIBUTION	**APPROVED BY:**
	NHTSA (1), JI-3 (1)	ESV

I. PREDICATION

On January 7, 2008, the U.S. Department of Transportation (DOT) Office of Inspector General (OIG) Hotline received a telephonic complaint from (b)(6), (b)(7)c (b)(6), (b)(7)c National Highway Traffic Safety Administration (NHTSA), Washington, DC, referring information alleging that (b)(6), (b)(7)c Office of Vehicle Safety Compliance, NHTSA, Washington, DC, violated time and attendance (T&A) regulations. Specifically, (b)(6), (b)(7)c alleged that during (b)(6), (b)(7)c (b)(6), (b)(7)c failed to show-up for work at the DOT headquarters, and despite failing to submit annual or sick leave requests, was paid for the eight days.

At the request of (b)(6), (b)(7)c Office of Vehicle Safety Compliance, NHTSA, (b)(6), (b)(7)c NHTSA, contacted DOT Security and obtained a copy of the DOT headquarters entry/exit records for June through September 2007. The records show that (b)(6), (b)(7)c did not enter or exit the DOT Headquarters building on July 2007, or from August through August 2007. The records also showed no building entry or exit on September 2007. According to (b)(6), (b)(7)c T&A records, took 2 hours of annual leave on August and 3 hours of annual leave on September 2007, but did not submit a leave request for the remainder of the time was not at work. Moreover, the entry/exit record indicates that (b)(6), (b)(7)c arrived to work late, on numerous occasions between June and September 2007, but did not submit leave requests for the time was late. (b)(6), (b)(7)c provided this information to (b)(6), (b)(7)c who then contacted OIG, requesting an investigation into this matter. **(Attachments 1 & 2)**

II. METHODOLOGY

On February 19, 2008, DOT/OIG (b)(6), (b)(7)c presented this case to Assistant U.S. Attorney (AUSA) Stephanie MILLER, District of Columbia (DC) Superior Court. She declined criminal prosecution.

In addition to interviewing (b)(6), (b)(7)c OIG interviewed:

- (b)(6), (b)(7)c Office of Vehicle Safety Compliance, NHTSA. (b)(6), (b)(7)c

During this investigation, OIG spoke to the following individuals in order to obtain documentation and background information:

- (b)(6), (b)(7)c NHTSA.
- (b)(6), (b)(7)c, Office of Vehicle Safety Compliance, NHTSA.
- (b)(6), (b)(7)c Office of Vehicle Safety Compliance, NHTSA.

We also obtained and reviewed copies of (b)(6), (b)(7)c T&A, emails sent to NHTSA management announcing (b)(6), (b)(7)c arrival time at work, and (b)(6), (b)(7)c government computer sign on/off information.

III. SUMMARY OF FINDINGS

OIG's investigation determined that between June (b)(6), (b)(7)c and September (b)(6), (b)(7)c 2007, (b)(6), (b)(7)c was paid for working 162 hours and 9 minutes when, in fact, (b)(6), (b)(7)c was absent without leave (AWOL), in violation of the Standards of Ethical Conduct for Employees of the Executive Branch, 5 U.S.C. § 2635.705(a). [1] During that time (b)(6), (b)(7)c was paid at the GS-13, (b)(6), (b)(7)c (b)(6), (b)(7)c

[1] 5 U.S.C. § 2635.705(a), (b)(6), (b)(7)c violated (b)(6), (b)(7)c obligation to "use official time in an honest effort to perform official duties." In addition, NHTSA Order 360-5A, dated July 21, 1995 – Absence and Leave, Chapter VII, page 29, Absence Without Leave (AWOL), paragraph 1. states, "Any absence from duty for which permission has not been granted in accordance with applicable regulations and NHTSA policy is an unauthorized absence. Such absence includes unexcused tardiness and failure to report to work promptly after a period of approved leave. An absence from duty which was not authorized or approved, or for which a leave request has been denied, should be recorded as "AWOL" on the leave record. An employee receives no pay for the entire period of absence without leave." **(Attachments 3 & 4)**

During the same time, (b)(6), (b)(7)c was required by (b)(6), (b)(7)c to send an email from (b)(6), (b)(7)c government computer to (b)(6), (b)(7)c government email accounts upon arrival at (b)(6), (b)(7)c work station. This was a daily requirement, resulting from (b)(6), (b)(7)c previous inability to arrive to work on time.

OIG determined that, between June (b)(6), (b)(7)c and September (b)(6), (b)(7)c 2007, (b)(6), (b)(7)c falsely generated 22 of the required emails from (b)(6), (b)(7)c stated that on the days (b)(6), (b)(7)c falsely submitted the "arrival" emails from (b)(6), (b)(7)c knew would not be able to get to work by (b)(6), (b)(7)c 6:30 AM start time, so (b)(6), (b)(7)c logged-on the NHTSA email site from (b)(6), (b)(7)c and sent the required "arrival" email. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c had used annual leave and sick leave as quickly as (b)(6), (b)(7)c had earned it, leaving (b)(6), (b)(7)c with no available leave. Therefore, when (b)(6), (b)(7)c would be late for work, (b)(6), (b)(7)c options were: (1) being declared AWOL or (2) requesting to be placed on leave without pay, (LWOP). (b)(6), (b)(7)c did not believe that (b)(6), (b)(7)c would authorize LWOP to cover the number of times (b)(6), (b)(7)c had been late getting to work and (b)(6), (b)(7)c did not want additional AWOL entries in (b)(6), (b)(7)c personnel file.[2] Therefore, (b)(6), (b)(7)c submitted the false emails to (b)(6), (b)(7)c

(b)(6), (b)(7)c attributed (b)(6), (b)(7)c inability to get to work on time to not having child-care back-up in place on days when (b)(6), (b)(7)c had to work over-time at (b)(6), (b)(7)c or when (b)(6), (b)(7)c was late getting home because the morning shift relief arrived late. Either way, (b)(6), (b)(7)c said (b)(6), (b)(7)c could not leave (b)(6), (b)(7)c alone waiting for (b)(6), (b)(7)c to get home from work.

Finally, OIG determined that between June (b)(6), (b)(7)c and September (b)(6), (b)(7)c 2007, (b)(6), (b)(7)c spent 2 hours or more sleeping in (b)(6), (b)(7)c car during what should have been a 30-minute lunch break. This occurred on 31 of the 43 days (b)(6), (b)(7)c worked. According to (b)(6), (b)(7)c entry/exit records, (b)(6), (b)(7)c would routinely, exit the DOT Headquarters Building at 11:35 AM and re-enter the building at 1:45 PM, or later, taking 2 and sometimes 3 hours for (b)(6), (b)(7)c lunch break. (b)(6), (b)(7)c conceded (b)(6), (b)(7)c was sleeping during these times. (b)(6), (b)(7)c explained that because (b)(6), (b)(7)c worked all night, (b)(6), (b)(7)c would be up with (b)(6), (b)(7)c resulting in (b)(6), (b)(7)c not being able to get a full nights rest. (b)(6), (b)(7)c constantly felt tired while at work and instead of eating lunch, (b)(6), (b)(7)c took a nap in (b)(6), (b)(7)c car.

IV. DETAILED FINDINGS

1. OIG found (b)(6), (b)(7)c was AWOL for 162 hours and 9 minutes

[2] (b)(6), (b)(7)c was previously counseled on February (b)(6), (b)(7)c 2005, for unsatisfactory attendance from September 2004 to January 2005; March (b)(6), (b)(7)c 2007, for unsatisfactory attendance from November 2006 to February 2007, and on November (b)(6), (b)(7)c 2007 for continued unsatisfactory attendance. The last sentence of the first paragraph contained in the November (b)(6), (b)(7)c 2007 memo to (b)(6), (b)(7)c states, "In addition, you have been declared absent without leave (AWOL) for 21 hours thus far this year." **(Attachments 5, 6, and 7)**

OIG's investigation found that between June (b)(6), (b)(7)c and September (b)(6), (b)(7)c 2007, (b)(6), (b)(7)c was paid for working 162 hours and 9 minutes, when in fact (b)(6), (b)(7)c was AWOL during that time. As a (b)(6), (b)(7)c earning an (b)(6), (b)(7)c this equates to $6371.76 paid to (b)(6), (b)(7)c under false pretenses.

On March 12, 2008, (b)(6), (b)(7)c was interviewed by (b)(6), (b)(7)c (b)(6), (b)(7)c DOT/OIG, regarding the above allegations. (b)(6), (b)(7)c advised that, from June 2007 to November 2007, (b)(6), (b)(7)c worked an Alternative Work Schedule (AWS); (b)(6), (b)(7)c hours being 6:30 a.m. to 4:00 p.m. On November (b)(6), (b)(7)c 2007, (b)(6), (b)(7)c was counseled[3] for the third time about (b)(6), (b)(7)c unsatisfactory T&A and (b)(6), (b)(7)c inability to improve (b)(6), (b)(7)c attendance record. As a result, (b)(6), (b)(7)c was no longer allowed to work an AWS. Instead, (b)(6), (b)(7)c was scheduled to work Monday – Friday, 6:30 a.m. to 3:00 p.m. **(Attachment 6).** As of the date of (b)(6), (b)(7)c interview with OIG, (b)(6), (b)(7)c was still on the 5-days per week work schedule.

(b)(6), (b)(7)c also stated that (b)(6), (b)(7)c daily routine would involve (b)(6), (b)(7)c passing through the DOT Headquarters security gates when (b)(6), (b)(7)c arrived to work, and again in the afternoon when (b)(6), (b)(7)c left work for the day. (b)(6), (b)(7)c said that (b)(6), (b)(7)c had been given permission to start work between 5:00 a.m. and 5:30 a.m., and leave work a few minutes early, in order to miss the morning and afternoon traffic congestion. Occasionally, (b)(6), (b)(7)c would step out of the building for a few minutes, if (b)(6), (b)(7)c had parked (b)(6), (b)(7)c car in a metered zone. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c lunch break was 30 minutes and (b)(6), (b)(7)c usually brought (b)(6), (b)(7)c lunch and ate at (b)(6), (b)(7)c desk.

As a result of a March (b)(6), (b)(7)c 2007, counseling session, which addressed (b)(6), (b)(7)c unsatisfactory T&A, (b)(6), (b)(7)c to send (b)(6), (b)(7)c an email, every morning, upon (b)(6), (b)(7)c arrival to work. The computer generated time stamp would be (b)(6), (b)(7)c notification of (b)(6), (b)(7)c arrival time at work. OIG showed (b)(6), (b)(7)c an email dated October 1, 2007, with a time of 5:16 a.m. and asked if the email was one of the ones sent between March (b)(6), (b)(7)c and November (b)(6), (b)(7)c 2007. (b)(6), (b)(7)c acknowledged that it was.

OIG produced the DOT OST Security record of (b)(6), (b)(7)c entry/exit at DOT Headquarters from June (b)(6), (b)(7)c through September (b)(6), (b)(7)c 2007. **(Attachment 8)** (b)(6), (b)(7)c was shown an email dated August (b)(6), (b)(7)c 2007, with a time of 5:28 a.m. and told that (b)(6), (b)(7)c OST enter/exit record for August (b)(6), (b)(7)c 2007, had (b)(6), (b)(7)c entering DOT Headquarters at 9:41 a.m. (b)(6), (b)(7)c was also shown an August (b)(6), (b)(7)c 2007, email with a time of 6:41 a.m. and told that on August (b)(6), (b)(7)c 2007, the OST entry of record showed that (b)(6), (b)(7)c did not enter the building until 9:57 a.m. **(Attachment 8, pp. 22, lines 522-543)**

[3] Based on the documents provided to DOT/OIG, (b)(6), (b)(7)c was previously counseled about (b)(6), (b)(7)c unsatisfactory T&A on Feb (b)(6), (b)(7)c 2005 **(Attachment 7)** and May (b)(6), (b)(7)c 2007. **(Attachment 5)**

When asked how (b)(6), (b)(7)c could account for the above discrepancies, (b)(6), (b)(7)c first response was, "I don't have any excuse. I would have thought I would have given a leave slip, if I wasn't here." **(Attachment 9, pp. 23, lines 548-549)** When OIG asked if (b)(6), (b)(7)c was logging into a computer from (b)(6), (b)(7)c home and under the guise of being at work. (b)(6), (b)(7)c responded, "I don't think so. I wouldn't think I could do that." **(Attachment 9, pp. 23, lines 550-555)**

When asked how it was possible that (b)(6), (b)(7)c e-mail indicates that (b)(6), (b)(7)c was in the building at 6:06 AM, but the electronic entry/exit record has (b)(6), (b)(7)c entering the building, for the first time that day, at 9:55 a.m., (b)(6), (b)(7)c responded, "I must have been logging in when I, when I wasn't here, saying that I was." When asked where (b)(6), (b)(7)c was logging in from, (b)(6), (b)(7)c replied, "I guess wherever [a] computer [was] available to me." **(Attachment 9, pp. 23, lines 556-564)**

A few moments later, when asked, "Where were you at, physically, when you were logging in there telling them that you were here (DOT Headquarters)." (b)(6), (b)(7)c said, "I was probably at home. I don't, you know, I only have one place that I am other than here." "Yeah, I'm at home." **(Attachment 9, pp. 24-25, lines 549-603)**

The July (b)(6), (b)(7)c 2007, entry/exit notation was described to (b)(6), (b)(7)c as (b)(6), (b)(7)c not entering the building until 10:47 a.m., which was 47 minutes after (b)(6), (b)(7)c should have arrived at work, given the 3.5 hours of annual leave (b)(6), (b)(7)c took that morning. (b)(6), (b)(7)c was also shown the record which indicated (b)(6), (b)(7)c exited the building at 12:04 p.m. and did not return until 1:57 p.m. (b)(6), (b)(7)c was told that the entry/exit record reflects numerous days in which (b)(6), (b)(7)c took 2 to 3 hour lunch breaks. (b)(6), (b)(7)c was asked, "What were you doing?" (b)(6), (b)(7)c replied, "Sleeping." **(Attachment 9, pp. 27, lines 657-671)** It was also pointed out that (b)(6), (b)(7)c entry/exit record showed (b)(6), (b)(7)c departing for the day, 15 to 30 minutes earlier than (b)(6), (b)(7)c 4:00 p.m. departure time.

(b)(6), (b)(7)c was asked why (b)(6), (b)(7)c was not starting work on time, why (b)(6), (b)(7)c was sleeping in (b)(6), (b)(7)c car, in the middle of the day, and why (b)(6), (b)(7)c was leaving work early. (b)(6), (b)(7)c replied:

"I have, I have reasons, and they are the truth, and I just feel uncomfortable saying them, but I guess I have to. Getting here late, I mean it could have been any number of just a couple of reasons, which would have been that (b)(6), (b)(7)c had worked and I had to stay until (b)(6), (b)(7)c got home or someone else could come over because (b)(6), (b)(7)c would then had to sleep. (b)(6), (b)(7)c (b)(6), (b)(7)c And I knew I didn't have any leave. And it wasn't an opportunity to, to use the leave. And I did where I could (use leave).

We have (b)(6), (b)(7)c (b)(6), (b)(7)c Sleeping in the car, it was never

meant to be sleeping in the car. It was just I'm so tired now that I've been up all this time because (b)(6), (b)(7)c at work or whatever issue it was (b)(6), (b)(7)c I would go out to the car purposely to relax to get some sleep, and then a half hour turned into an hour or turned into two hours. Get home to leave -- leaving early, it would just be an instance of trying to get ahead of some traffic any little minute that I could to be there so that (b)(6), (b)(7)c could go to work (b)(6), (b)(7)c evening shift on time.

It is as simple as that, and I never looked at it in the totality, I guess, you know. Every day was a different day, and I didn't -- I think I was telling myself that I'm going to make up the time when I can by staying late whenever I can or coming in early whenever I can. I guess I did when I could, and obviously too much for me to do, and I didn't handle it the right way. I don't know what I could have done, but I guess I should have at the very least gone to (b)(6), (b)(7)c and told (b)(6), (b)(7)c that I'm having issues with, you know, being able to pay for things, and I don't want (b)(6), (b)(7)c to work but (b)(6), (b)(7)c has to, and we (b)(6), (b)(7)c but just living a distance away. It's a compounding of things. It doesn't -- it's not an excuse but those are, those are the reasons, and I don't think they're good reasons. I don't think that's effable but there's nothing, nothing really more to it other than I took the wrong way trying to deal with being able to be at work when I'm supposed to be at work." OIG asked, "And so you're not disputing any of this (referring to (b)(6), (b)(7)c absences)?" To which (b)(6), (b)(7)c replied, "I'm not disputing any of that." **(Attachment 9, pp. 29-31, lines 712-754)** Records further indicate (b)(6), (b)(7)c had accumulated (b)(6), (b)(7)c hours of leave without pay in (b)(6), (b)(7)c months; and that (b)(6), (b)(7)c had previously been denied a request for advance leave.

(b)(6), (b)(7)c was told that (b)(6), (b)(7)c entry/exit record did not show any activity during the week of August (b)(6), (b)(7)c through (b)(6), (b)(7)c 2007 and (b)(6), (b)(7)c was asked to explain where (b)(6), (b)(7)c was during that time. (b)(6), (b)(7)c replied, "I honestly don't know what the hell that's about. I would not, not come to work for a week. There is no way that I would do something like that. You're saying that I wasn't here from the (b)(6), (b)(7)c through the (b)(6), (b)(7)c **(Attachment 9, pp. 38, lines 925-944)**

OIG's response was that according to (b)(6), (b)(7)c entry/exit record and T&A records, (b)(6), (b)(7)c took (b)(6), (b)(7)c hours of annual leave August (b)(6), (b)(7)c 2007, but the entry/exit records have no activity during that entire week. (b)(6), (b)(7)c response was, "I don't – the truth is I do not know. I, I really don't understand." **(Attachment 9, pp. 38 & 39, lines 945-960)**

(b)(6), (b)(7)c was asked if (b)(6), (b)(7)c went on vacation that week (b)(6), (b)(7)c said, "No. We don't take a week vacation, my family and me. We don't. I never have that kind of leave to, to do that." OIG suggested that perhaps (b)(6), (b)(7)c just decided to go on vacation, whether (b)(6), (b)(7)c had the leave or not, to which (b)(6), (b)(7)c replied, "No. No. We'll take a long weekend or something, you know." I don't know if you believe me or not, but I'm telling you the truth,

I think I was here. I'm not going to tell you I know I was here because I can't remember that far back. **(Attachment 9, pp. 39-40, lines 961-974; p. 44, lines 1082-1089)**

(b)(6), (b)(7)c was asked to describe (b)(6), (b)(7)c morning routine, upon arriving to work (b)(6), (b)(7)c explained that, at the end of the work-day, (b)(6), (b)(7)c leaves (b)(6), (b)(7)c work computer turned-on, so all (b)(6), (b)(7)c needs to do in the morning is log-on. (b)(6), (b)(7)c said that (b)(6), (b)(7)c logs on (b)(6), (b)(7)c computer within 5 to 10 minutes after arriving at work.

2. (b)(6), (b)(7)c Access to DOT Headquarters from September 2007 to January 2008.

(b)(6), (b)(7)c was told that no entry/exit record existed for (b)(6), (b)(7)c after September 2007, and was asked how (b)(6), (b)(7)c gained access to DOT Headquarters. (b)(6), (b)(7)c said that (b)(6), (b)(7)c has, "had a few [identification] cards." **(Attachment 9, pp. 47, line 1163)** In the past (b)(6), (b)(7)c has had to get a replacement card on more than one occasion (b)(6), (b)(7)c would let (b)(6), (b)(7)c wear this badge around the house and from time to time, this would result in (b)(6), (b)(7)c losing (b)(6), (b)(7)c DOT Security Badge. (b)(6), (b)(7)c believed that (b)(6), (b)(7)c would never find the missing badge, so instead (b)(6), (b)(7)c would go to OST Security and submit a request to have a replacement badge issued.

(b)(6), (b)(7)c said that shortly after (b)(6), (b)(7)c lost the security badge for the new DOT Headquarters building (in September 2007) (b)(6), (b)(7)c found a badge that had been issued to (b)(6), (b)(7)c during the time DOT Headquarters was located at L'Enfant Plaza. (b)(6), (b)(7)c discovered that (b)(6), (b)(7)c could get into the new DOT Headquarters building by showing the L'Enfant Plaza issued badge to the security guards, who then allowed (b)(6), (b)(7)c to pass through the gates. (b)(6), (b)(7)c said that during the five months that (b)(6), (b)(7)c entered and exited the building in this manner, (b)(6), (b)(7)c did so using the 3rd Street Entrance of the West Building. When asked why (b)(6), (b)(7)c did not get a new security badge issued, (b)(6), (b)(7)c replied that (b)(6), (b)(7)c remembered how much of a hassle it was to visit the OST Security Office during their selected hours when they would issue security badges, so (b)(6), (b)(7)c continued to use (b)(6), (b)(7)c old security badge and have the Security Guards pass (b)(6), (b)(7)c in and out every day.

(b)(6), (b)(7)c told OIG that in January 2008, a member of OST security visited (b)(6), (b)(7)c inquiring as to why (b)(6), (b)(7)c was not showing on their electronic entry/exit data base. After speaking with (b)(6), (b)(7)c OST security told (b)(6), (b)(7)c to obtain a new electronic badge. OIG spoke with OST (b)(6), (b)(7)c who confirmed that (b)(6), (b)(7)c was identified during one of their audits as an individual who had not used (b)(6), (b)(7)c new building security badge to enter the building for the previous 45 days. (b)(6), (b)(7)c produced an old L'Enfant Plaza security badge telling (b)(6), (b)(7)c that (b)(6), (b)(7)c had lost (b)(6), (b)(7)c new electronic badge, but had found an old one that (b)(6), (b)(7)c previously thought was lost. We note that upon issuance of the new building badge, NHTSA personnel were required to have obtained (b)(6), (b)(7)c old L'Enfant Plaza badge. This suggests that either NHTSA personnel failed to

properly account for (b)(6), (b)(7)c old badge, or that (b)(6), (b)(7)c has had a minimum of three badges (2 from L'Enfant, 1 from the new building) in the past two to three years. Due to a database conversion at OST security, we were unable to ascertain how many badges (b)(6), (b)(7)c had received during (b)(6), (b)(7)c tenure with DOT.

3. Analysis of Security Event Logs for (b)(6), (b)(7)c Government Computer

On February (b)(6), (b)(7)c 2008, (b)(6), (b)(7)c provided (b)(6), (b)(7)c (b)(6), (b)(7)c U.S. DOT/OIG, Computer Crimes Unit, Washington, DC, with a CD-ROM containing the Microsoft Security Event Log (EVT) for (b)(6), (b)(7)c government computer (b)(6), (b)(7)c was asked to review the time period of August (b)(6), (b)(7)c 2007, to determine if (b)(6), (b)(7)c logged onto (b)(6), (b)(7)c workstation.[4] **(Attachment 10)**

(b)(6), (b)(7)c compared a number of days that (b)(6), (b)(7)c electronically entered the building, with corresponding days from (b)(6), (b)(7)c EVT and determined that the EVT times were 4 hours later than (b)(6), (b)(7)c initial entry into the building. (b)(6), (b)(7)c determined that the only explanation for this difference is that the EVT times are in Greenwich Mean Time (GMT).[5] The Northeast section of the United States is in a minus (-) 4 hours GMT Zone, during Daylight Savings Time (DST), which is reflected below:

(b)(6), (b)(7)c

[4] "When a user returns to their workstation and unlocks the console, Windows treats this as a logon and logs the appropriate Logon/Logoff event but in this case the logon type will be 7 – identifying the event as a workstation unlock attempt." http://www.windowsecurity.com/articles/Logon-Types.html

[5] Greenwich Mean Time (GMT), sometimes called Greenwich Meridian Time marks the starting point of every time zone in the World. GMT is the mean (average) time that the earth takes to rotate from noon-to-noon. http://wwp.greenwichmeantime.com/what-is-gmt.htm

(b)(6), (b)(7)c

Based on the EVT Logon, (b)(6), (b)(7)c was at work the entire week of August 2007, and, because these times were used to substantiate (b)(6), (b)(7)c presence at work, they were also used to show that (b)(6), (b)(7)c was late (**) getting to work, on all five days, during the week of August 2007. In sum, (b)(6), (b)(7)c arrived at work a minimum of four hours late each day, but was present for a portion of (b)(6), (b)(7)c work day.

On March 2008, (b)(6), (b)(7)c requested to meet with OIG, stating that (b)(6), (b)(7)c had additional information that (b)(6), (b)(7)c believed OIG should include as part of (b)(6), (b)(7)c interview. (b)(6), (b)(7)c advised OIG that (b)(6), (b)(7)c thought (b)(6), (b)(7)c should make OIG aware of potentially mitigating information. (b)(6), (b)(7)c explained that following (b)(6), (b)(7)c initial interview on March 12, (b)(6), (b)(7)c spoke with (b)(6), (b)(7)c telling (b)(6), (b)(7)c about the outcome of the interview and apologizing to (b)(6), (b)(7)c for deceiving (b)(6), (b)(7)c with the false e-mails, etc. (b)(6), (b)(7)c also told (b)(6), (b)(7)c that (b)(6), (b)(7)c was being treated for an (b)(6), (b)(7)c and informed (b)(6), (b)(7)c that OIG had not been told about the (b)(6), (b)(7)c medication.

(b)(6), (b)(7)c

(b)(6), (b)(7)c

(b)(6), (b)(7)c

Moreover, (b)(6), (b)(7)c stated that during a March 2007 meeting with (b)(6), (b)(7)c (b)(6), (b)(7)c asked (b)(6), (b)(7)c if there was anything going on that (b)(6), (b)(7)c were not aware of. (b)(6), (b)(7)c responded that (b)(6), (b)(7)c had a lot going on but (b)(6), (b)(7)c had to take care of those things, (b)(6), (b)(7)c and no more was said.

A few weeks after the March 2007 meeting, (b)(6), (b)(7)c said (b)(6), (b)(7)c approached (b)(6), (b)(7)c and

(b)(6), (b)(7)c

(b)(6), (b)(7)c **(Attachment 11, pp. 12-13, lines 291-308).**

In (b)(6), (b)(7)c e-mail statement to OIG following (b)(6), (b)(7)c second interview, (b)(6), (b)(7)c stated that this was, "more or less the extent of the conversation." (b)(6), (b)(7)c said that (b)(6), (b)(7)c was in no way suggesting that (b)(6), (b)(7)c could or should have done anything more and that (b)(6), (b)(7)c (b)(6), (b)(7)c takes full responsibility for (b)(6), (b)(7)c actions. **(Attachment 12, pp. 4, paragraph 6 and pp. 5, paragraph 1)**

(b)(6), (b)(7)c also wanted the record to reflect that beginning sometime in January 2008, (b)(6), (b)(7)c began to stay in the office beyond (b)(6), (b)(7)c normal departure time of 3:00 PM, even though (b)(6), (b)(7)c knew that none of that time was going to be credited. (b)(6), (b)(7)c felt that this was the right thing to do and this was (b)(6), (b)(7)c way to give back the time (b)(6), (b)(7)c knew (b)(6), (b)(7)c had been paid for but did not earn. However, (b)(6), (b)(7)c provided no documentary evidence or witness testimony to support this claim. **(Attachment 12, pp. 2, paragraph 2)**

(b)(6), (b)(7)c said that (b)(6), (b)(7)c was not looking for this information to be considered as an acceptable excuse for (b)(6), (b)(7)c actions, but (b)(6), (b)(7)c wanted NHTSA management to be aware of these factors that were occurring in (b)(6), (b)(7)c life. **(Attachment 12, pp. 6, paragraphs 2 & 3)**

5. Despite knowledge of (b)(6), (b)(7)c previous T&A issues, (b)(6), (b)(7)c failed to provide appropriate oversight of (b)(6), (b)(7)c

On March (b)(6), (b)(7)c 2008, (b)(6), (b)(7)c Office of Vehicle Safety Compliance, NHTSA, Washington, DC, was interviewed by (b)(6), (b)(7)c (b)(6), (b)(7)c DOT/OIG, regarding (b)(6), (b)(7)c actions as (b)(6), (b)(7)c (b)(6), (b)(7)c first in the Office of

Chief Counsel, Litigation and Enforcement Division as (b)(6), (b)(7)c and in December 2002 in (b)(6), (b)(7)c present position.

(b)(6), (b)(7)c was asked if (b)(6), (b)(7)c ever asked for help with any type of personal problems, to which (b)(6), (b)(7)c replied, "No. As you know from (b)(6), (b)(7)c statement, (b)(6), (b)(7)c does say that (b)(6), (b)(7)c confided in me at one point that (b)(6), (b)(7)c (b)(6), (b)(7)c **(Attachment 13, pp. 8, lines 177-199)** (b)(6), (b)(7)c explained that (b)(6), (b)(7)c responded to (b)(6), (b)(7)c Moreover, (b)(6), (b)(7)c stated that (b)(6), (b)(7)c did not respond; to the contrary, (b)(6), (b)(7)c did not attempt to elaborate on the issue, resulting in the conversation concluding. (b)(6), (b)(7)c said that (b)(6), (b)(7)c never again discussed this matter with (b)(6), (b)(7)c although in hindsight, perhaps (b)(6), (b)(7)c should have questioned (b)(6), (b)(7)c about the matter.

(b)(6), (b)(7)c was asked if (b)(6), (b)(7)c ever complained to management that (b)(6), (b)(7)c was getting to work late or taking long lunch breaks or leaving work early. (b)(6), (b)(7)c said that the configuration of work space within the new DOT Headquarters Building placed (b)(6), (b)(7)c in a part of the building away from the employees (b)(6), (b)(7)c including (b)(6), (b)(7)c Despite (b)(6), (b)(7)c awareness of (b)(6), (b)(7)c T&A problems, (b)(6), (b)(7)c did not monitor (b)(6), (b)(7)c stating (b)(6), (b)(7)c "seem for the most part responsible," and monitoring (b)(6), (b)(7)c as to who's there and who's not at any given moment in time, is "not (b)(6), (b)(7)c approach" to (b)(6), (b)(7)c **(Attachment 13, pp. 12-13, lines 293-317)**

(b)(6), (b)(7)c referred to the period of time that DOT Headquarters was located at L'Enfant Plaza, stating, "I remember going back to the old building, you know, noticing that (b)(6), (b)(7)c was not as this work station a lot of (b)(6), (b)(7)c was – with another employee, but yet (b)(6), (b)(7)c was able to get (b)(6), (b)(7)c work done and then some, so I wasn't – I didn't ride (b)(6), (b)(7)c about it, if you must know. I didn't ride (b)(6), (b)(7)c about it." **(Attachment 13, pp. 13, lines 318-323)** (b)(6), (b)(7)c recalled, "…a couple of times I did say where were you, (b)(6), (b)(7)c claimed that (b)(6), (b)(7)c was in the office and I knew (b)(6), (b)(7)c wasn't and I challenged (b)(6), (b)(7)c on that." **(Attachment 13, pp. 14, lines 325-328)**

"So probably within ten minutes of the quitting I'd go through looking for (b)(6), (b)(7)c and (b)(6), (b)(7)c wasn't there and, you know, I knew that (b)(6), (b)(7)c misrepresented that." **(Attachment 13, pp. 14, lines 341-343)**

(b)(6), (b)(7)c was, again asked, if (b)(6), (b)(7)c ever tried to explain (b)(6), (b)(7)c absence from the office or late arrivals to work. (b)(6), (b)(7)c replied, "You know, it was apparent obviously that (b)(6), (b)(7)c was having troubles, and (b)(6), (b)(7)c would kind of deny it. (b)(6), (b)(7)c never try to explain anything. I'm just trying to think of a particular circumstance (b)(6), (b)(7)c never tried to – you know (b)(6), (b)(7)c lives, first

of all, as you're aware, in (b)(6), (b)(7)c **(Attachment 13, pp. 14-15, lines 348-353)**

(b)(6), (b)(7)c (b)(6), (b)(7)c And so in the period that I dealt with (b)(6), (b)(7)c there's been a succession of children coming into the world in the (b)(6), (b)(7)c this long commute, (b)(6), (b)(7)c gave me the impression oftentimes of people -- of someone who was burning the candle at both ends, (b)(6), (b)(7)c was commuting this distance, (b)(6), (b)(7)c had the difficulty, you know, with (b)(6), (b)(7)c you know, odd shifts, which would oftentimes, you know, result in (b)(6), (b)(7)c getting to work late, not having any available leave, using up all of his leave."

Despite the discussion between the two men of possible drug dependency, (b)(6), (b)(7)c did not link the T&A issues with a possible dependency issue. (b)(6), (b)(7)c stated, "there were time and attendance issues, you know, that frequently come to the fore associated with this lifestyle that (b)(6), (b)(7)c has, but whether any of it -- you know, there was never a suggestion that it was associated with (b)(6), (b)(7)c with anything that was not readily understandable, if that's what you're asking. But, you know, (b)(6), (b)(7)c got a lifestyle that's fundamentally incompatible with holding a full-time position, you know, a hundred miles from where (b)(6), (b)(7)c lives." **(Attachment 13, pp. 15-16, lines 362-383)**

(b)(6), (b)(7)c never requested leave in advance for any of that. I would get it the day -- you know, that morning in a phone call saying, you know, (b)(6), (b)(7)c (b)(6), (b)(7)c That would happen very frequently. But (b)(6), (b)(7)c never -- you know, (b)(6), (b)(7)c never came to me in the first instance and said, you know, my situation is fundamentally unmanageable." **(Attachment 13, pp. 16-17, lines 393-400)**

(b)(6), (b)(7)c was asked how (b)(6), (b)(7)c could be arriving late, taking long lunch breaks, and leaving early, (b)(6), (b)(7)c with nobody questioning (b)(6), (b)(7)c as to (b)(6), (b)(7)c whereabouts. (b)(6), (b)(7)c told OIG, "I must say -- I mean (b)(6), (b)(7)c work station was not well attended. And there's another employee like that (b)(6), (b)(7)c work station was not well attended. I guess probably in retrospect I certainly should have done more than I did. I mean I know that (b)(6), (b)(7)c at least in times past, had used the gym. I didn't know whether (b)(6), (b)(7)c was perhaps at the gym (b)(6), (b)(7)c was a ghost employee, a phantom employee. I'm not disputing that. I didn't inquire about it. Perhaps I should have. As a (b)(6), (b)(7)c I basically was getting the work out of (b)(6), (b)(7)c however, (b)(6), (b)(7)c was doing everything. It wasn't a situation where (b)(6), (b)(7)c wasn't performing work that (b)(6), (b)(7)c had to do, (b)(6), (b)(7)c was getting it all done, so there was less of a need and maybe I -- you know, I just did not -- I did not make the inquiry I should have in the situation where (b)(6), (b)(7)c was gone so much, so I've learned my lesson. I suppose there's a lesson

for us all to have in this and we probably could have uncovered this that much earlier, huh?" **(Attachment 13, pp. 32, lines 775-792)**

V. SUMMARY AND RECOMMENDATIONS

OIG has concluded (b)(6), (b)(7)c was AWOL for (b)(6), (b)(7)c admitted to arriving (b)(6), (b)(7)c hours late for work on (b)(6), (b)(7)c days between June and September 2007, and has admitted to each of these days. Moreover, on (b)(6), (b)(7)c of the (b)(6), (b)(7)c AWOL days, (b)(6), (b)(7)c took extended lunch breaks, sleeping in car for periods of (b)(6), (b)(7)c hours at a time, also has admitted (b)(6), (b)(7)c left work (b)(6), (b)(7)c minutes early on (b)(6), (b)(7)c of the AWOL days.

During the investigation, OIG discovered that (b)(6), (b)(7)c lied to (b)(6), (b)(7)c on (b)(6), (b)(7)c of the (b)(6), (b)(7)c days was AWOL, by sending emails to (b)(6), (b)(7)c indicating that (b)(6), (b)(7)c was at (b)(6), (b)(7)c DOT work position when in fact, (b)(6), (b)(7)c was at (b)(6), (b)(7)c at the time the emails were transmitted. (b)(6), (b)(7)c would then arrive to work (b)(6), (b)(7)c hours late, having falsely indicated to (b)(6), (b)(7)c that (b)(6), (b)(7)c had been at (b)(6), (b)(7)c work station since 6:00 a.m. or earlier.

According to (b)(6), (b)(7)c OST's electronic swipe in/out log, (b)(6), (b)(7)c did not enter DOT Headquarters building for the entire week of August (b)(6), (b)(7)c through (b)(6), (b)(7)c 2007. (b)(6), (b)(7)c admitted to being AWOL on the days indicated on the OST swipe in/out log; however, (b)(6), (b)(7)c refuted this particular allegation, but could not provide a reason as to why there was no activity on (b)(6), (b)(7)c OST swipe in/out log for this particular period of time. OIG requested and received a forensic review of (b)(6), (b)(7)c log in/out on (b)(6), (b)(7)c government computer and the information indicated that (b)(6), (b)(7)c was at work all five days of the week of August (b)(6), (b)(7)c through (b)(6), (b)(7)c 2007, although (b)(6), (b)(7)c arrived late to work on all five days.[7]

(b)(6), (b)(7)c attributed (b)(6), (b)(7)c actions to (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c Memos, dating back to 2005, from NHTSA management to (b)(6), (b)(7)c show that (b)(6), (b)(7)c was not maintaining any type of leave balance, in fact, (b)(6), (b)(7)c was using (b)(6), (b)(7)c leave as quickly as (b)(6), (b)(7)c earned it resulting in (b)(6), (b)(7)c being AWOL for (b)(6), (b)(7)c

[7] The only logical conclusion is that (b)(6), (b)(7)c gained access to DOT Headquarters by displaying an old DOT badge and the security guards then allowed (b)(6), (b)(7)c to enter the building. This method of entry would not have been electronically documented.

Although (b)(6), (b)(7)c volunteered to OIG that (b)(6), (b)(7)c (b)(6), (b)(7)c

Given OIG's findings that (b)(6), (b)(7)c was AWOL on multiple occasions, and that (b)(6), (b)(7)c submitted false documentation to (b)(6), (b)(7)c in an order to commit T&A fraud, OIG recommends that NHTSA take appropriate administrative action regarding (b)(6), (b)(7)c fraudulent activities. Moreover, given that (b)(6), (b)(7)c had been previously disciplined/counseled on multiple occasions for T&A violations, we recommend that NHTSA consider taking appropriate administrative action for (b)(6), (b)(7)c failure to properly (b)(6), (b)(7)c activities and location. This failure to provide appropriate oversight of an employee with multiple known T&A violations allowed (b)(6), (b)(7)c to receive over $6,000 in wage compensation which (b)(6), (b)(7)c was not entitled to receive.

If I can answer any questions or be of further assistance in this matter, please feel free to contact me at (b)(6), (b)(7)c or Rick Beitel, Assistant Inspector General for Washington Investigative Operations, at (b)(6), (b)(7)c

*

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I08G0002760500	10/7/09
TITLE	PREPARED BY SPECIAL AGENT	STATUS
	(b)(6), (b)(7)c	Final
GREAT PLAINS GROUP, Springfield, IL	DISTRIBUTION	(b)(6), (b)(7)c 1/3
	JRI-5 (1)	
18 USC 287 - False Claims 18 USC 1001 - False Statements		APPROVED MTM

DETAILS

This case was predicated on referral from the Federal Bureau of Investigation, Springfield, IL alleging that Robert SULLINGER, dba GREAT PLAINS GROUP, INC. (GPG) falsely billed the Illinois Department of Transportation (IDOT) for the production and posting of anti-DUI billboards. IDOT's Traffic Safety Division received Federal funding from the National Highway Traffic Safety Administration (NHTSA) and the Federal Highway Administration to fund alcohol related traffic safety activities. On an annual basis, the Sangamon County (municipality) signed the Highway Safety Project Agreement with IDOT to justify receiving Federal funds for alcohol related safety programs. Sangamon County started the program in late 1998 and received Federal funding through 2004. Sangamon County contracted with GPG during the period for the production and placement of anti-DUI billboards. It was alleged that SULLINGER of GPG overbilled IDOT for billboards, postings, and other materials that were not purchased.

On March 5, 2008, SULLINGER was indicted on nine counts. These counts consisted of 5 counts of false claims, 2 counts of mail fraud, and 2 counts of false statements (See Attachment 1).

On November 17, 2008, SULLINGER pled guilty to two counts of false claims, 18 U.S.C. 287, and one count of false statements, 18 U.S.C. 1001 (See Attachment 2).

On March 30, 2009, SULLINGER was sentenced to 41 months imprisonment, 3 years supervised release, $524,500 total restitution, and $300 mandatory special assessment (See Attachment 3).

It is recommended this investigation be closed.

Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Inspector General

Subject: **ACTION**: OIG Investigation #I10E000032SINV, Re: Conduct of (b)(6), (b)(7)c *et al.*

Date: July 2, 2010

Reply to Attn. of:

From: Calvin L. Scovel, III
Inspector General

To: John D. Porcari
Deputy Secretary
Office of the Secretary of Transportation

Rosalind A. Knapp
Deputy General Counsel
Office of the General Counsel

On February 22, 2010, Rep. Darrell Issa (R-California), Ranking Member of the Committee on Oversight and Government Reform, asked the Office of the Inspector General to conduct an internal investigation to determine whether certain Department of Transportation officials "acted outside the bounds of acceptable professional conduct" in communications with State Farm Insurance Co. in February 2010. Our Report of Investigation is attached for your review and any administrative action deemed appropriate. In summary, our investigation identified possible violations of the Standards of Ethical Conduct for Employees of the Executive Branch.

Please advise our office of any action taken with respect to this investigation.

If you have any questions or concerns, please feel free to contact me at (b)(6), (b)(7)c (b)(6), (b)(7)c Principal Assistant Inspector General for Investigations Timothy Barry at (b)(6), (b)(7)c or Acting Assistant Inspector General for Special Investigations Robert Westbrooks at (b)(6), (b)(7)c

REDACTED FOR DISCLOSURE

U.S. Department of Transportation
Office of Inspector General

REPORT OF INVESTIGATION	INVESTIGATION NUMBER #I10E000032SINV	DATE July 1, 2010
TITLE Conduct of (b)(6), (b)(7)c (b)(6), (b)(7)c	PREPARED BY: Robert A. Westbrooks Acting Assistant Inspector General for Special Investigations and Analysis JI-3	STATUS FINAL
	DISTRIBUTION S-2, C-2	APPROVED BY: JI-1

REDACTED FOR DISCLOSURE

BACKGROUND

Toyota Motor Corporation has recalled millions of vehicles in the United States following persistent customer complaints of sudden acceleration. To date, the National Highway Traffic Safety Administration (NHTSA) has received complaints involving 89 fatalities allegedly caused by sudden acceleration in Toyota vehicles. Beginning in January 2010, three congressional committees opened oversight investigations into Toyota's and NHTSA's handling of the matter.

In early February 2010, the media reported that the insurer State Farm had provided NHTSA with information in 2007 concerning sudden acceleration in Toyota vehicles. Department of Transportation (DOT) Assistant (b)(6), (b)(7)c (b)(6), (b)(7)c staff contacted State Farm officials in response to these reports. Specifically, on February 10, (b)(6), (b)(7)c and a direct report to (b)(6), (b)(7)c emailed State Farm (b)(6), (b)(7)c (b)(6), (b)(7)c writing in part: "We're still getting heat [on the State Farm media issue]. If you get media inquiries it would be great if you could echo the fact that we were being responsive to complaints of safety problems." **(Attachment 1)** On February 15, Ms. (b)(6), (b)(7)c emailed (b)(6), (b)(7)c writing in part: "I'd like to post a blog setting the record straight about State Farm and NHTSA and I want to be sure we are on the same page about the facts. Second, I understand that State Farm will be testifying about the Toyota matter on Capitol Hill, and again, I want to be sure I understand what you plan to say and that it's consistent with the facts." **(Attachment 2)**

On February 22, Rep. Darrell Issa (R-California), Ranking Member of the Committee on Oversight and Government Reform, asked the Office of the Inspector General (OIG) to conduct an internal investigation to determine whether (b)(6), (b)(7)c and (b)(6), (b)(7)c "acted outside the bounds of acceptable professional conduct" in these communications with State Farm. We expanded the scope of this investigation when we determined that other DOT officials had also communicated with State Farm in this matter.

For the purposes of this investigation, we define "acceptable professional conduct" in terms of the U.S. criminal code (Title 18) and the Standards of Ethical Conduct for Employees of the Executive Branch.

18 U.S. Code § 1505 (Obstruction of proceedings before committees) states in part:

* * *

> Whoever corruptly, or by threats or force, or by any threatening letter or communication influences, obstructs, or impedes or endeavors to influence, obstruct, or impede . . . the due and proper exercise of the power of inquiry under which any inquiry or investigation is being had by either House, or

> any committee of either House or any joint committee of the Congress shall be fined under this title, imprisoned not more than 5 years, or . . . both.

The Standards of Ethical Conduct, 5 C.F.R. § 2635.101 (Basic obligation of public service) states in part:

* * *

> (b) (14) Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards set forth in this part. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts.

In applying the "Appearance" standard to allegations of obstruction of proceedings before congressional committees, the test is whether a reasonable person knowing all of the relevant facts could believe that the employee was attempting to corruptly influence or obstruct the congressional investigation.

Attachment 3 describes the Objective, Scope and Methodology of our investigation. **Attachment 4** is a Timeline of Significant Events.

SYNOPSIS

We found that (b)(6), (b)(7)c called (b)(6), (b)(7)c on February 9 to (b)(6), (b)(7)c words) "extend an olive branch" following the media reports that portrayed NHTSA in a negative light. (b)(6), (b)(7)c asked what (b)(6), (b)(7)c could do to help DOT better message its position. (b)(6), (b)(7)c asked (b)(6), (b)(7)c for a copy of DOT's statement, which (b)(6), (b)(7)c emailed to (b)(6), (b)(7)c on February 10. In capacity as (b)(6), (b)(7)c regularly provides statements to third parties. Although congressional interest in State Farm's contacts with NHTSA was prominently noted in media reports by February 9, the issue of a congressional hearing or testimony was not discussed during the conference call or in (b)(6), (b)(7)c subsequent email. (b)(6), (b)(7)c interaction with State Farm was limited to (b)(6), (b)(7)c participation in the February 9 conference call and (b)(6), (b)(7)c February 10 email. We found no evidence of wrongdoing by (b)(6), (b)(7)c in either communication.

We identified a possible violation of the Standards of Ethical Conduct by (b)(6), (b)(7)c for creating an appearance that (b)(6), (b)(7)c was attempting to: (1) influence State Farm's testimony to Congress and (2) obstruct or impede the congressional oversight investigations. At the time (b)(6), (b)(7)c emailed (b)(6), (b)(7)c was aware of the congressional oversight investigations involving NHTSA's handling of the State Farm information. (b)(6), (b)(7)c involvement in the issue was based on various news reports, all of which prominently noted congressional interest in the matter. Prior to sending (b)(6), (b)(7)c email, (b)(6), (b)(7)c told the Secretary that (b)(6), (b)(7)c planned to ask State Farm about its testimony.

In email, (b)(6), (b)(7)c asked (b)(6), (b)(7)c what State Farm planned to say on Capitol Hill, and said (b)(6), (b)(7)c wanted to ensure it was "consistent with the facts." Following a brief delay, (b)(6), (b)(7)c sent a second email to (b)(6), (b)(7)c asking to address the blog that day and the testimony the next day. (b)(6), (b)(7)c later emailed (b)(6), (b)(7)c a draft blog post (in the Secretary's voice) without explanation or qualifier indicating that (b)(6), (b)(7)c was in any way uncertain as to the accuracy of the facts. While (b)(6), (b)(7)c conceded in (b)(6), (b)(7)c OIG interview that at the time (b)(6), (b)(7)c was not certain if DOT had all the facts, the tone and content of (b)(6), (b)(7)c emails with (b)(6), (b)(7)c convey certainty. After being rebuffed by State Farm, (b)(6), (b)(7)c sent an email to DOT General Counsel (b)(6), (b)(7)c stating (b)(6), (b)(7)c had emailed (b)(6), (b)(7)c because (b)(6), (b)(7)c wanted to make sure State Farm and DOT "are totally in sync on the testimony on the Hill on how this has been handled."

(b)(6), (b)(7)c emails drew an immediate objection from State Farm attorneys. A State Farm attorney contacted DOT's General Counsel to convey that State Farm was not in a position to coordinate its communications with the Department. (b)(6), (b)(7)c emails drew the attention of a House committee ranking member, who requested an OIG internal investigation. (b)(6), (b)(7)c emails brought notoriety to the Department in the form of published articles in *Politico* and the *Washington Post*.

We identified a possible violation of the Standards of Ethical Conduct by (b)(6), (b)(7)c for creating an appearance that (b)(6), (b)(7)c was attempting to obstruct or impede the congressional oversight investigations when (b)(6), (b)(7)c caused a NHTSA Special Order to be issued for a purpose not authorized by law. The Special Order was not issued for the purpose of gathering vehicle safety information. NHTSA had no open safety investigation involving Toyota unintended acceleration at the time the Special Order was issued. The Special Order was not initiated at the request of the NHTSA Office of Defects Investigation (ODI), and we found no evidence ODI staff was even aware it was issued until after the fact. (b)(6), (b)(7)c arranged for the Special Order to be issued for the express purpose of obtaining "a complete set" of the congressionally subpoenaed documents. (b)(6), (b)(7)c acknowledged in (b)(6), (b)(7)c OIG interview that the Special Order was issued only after NHTSA could not locate State Farm records that it ought to have been able to find and in anticipation of a congressional hearing. The Special Order cover letter states that the purpose was to "cross-reference" NHTSA documents with State Farm documents; however, it is not clear how NHTSA could "cross-reference" to documents it could not locate. The documents obtained through the Special Order were not used in any specific investigation into sudden acceleration. Instead, (b)(6), (b)(7)c provided the information to a *Detroit News* reporter within hours to (in (b)(6), (b)(7)c words) "give what (b)(6), (b)(7)c was doing a little more credibility." The Special Order was an artifice to keep DOT a step ahead of congressional investigators and media criticism. (b)(6), (b)(7)c also provided inconsistent information during (b)(6), (b)(7)c OIG interview.

The attempt by the subject of a congressional oversight investigation (DOT/NHTSA) to "synch" its testimony with a witness prior to a hearing, if successful, could have thwarted

a legitimate congressional inquiry or misled the committees. This is particularly concerning when DOT/NHTSA's unaided testimony may have subjected the agency to heightened congressional scrutiny or embarrassment. Similarly, by obtaining a "complete set" of the State Farm documents being provided to the committees, the Department could have given a false impression as to how effectively it responded to this information. In the words of one congressional investigator, "By obtaining documents submitted to the Committee, NHTSA and DOT were able to formulate a defense of their review of insurance information. This defense may not have been possible had NHTSA not obtained documents from State Farm, pursuant to the Special Order."

DETAILS

State Farm Media Reports

According to State Farm representatives, in late January 2010, State Farm was contacted by a reporter from the website *insure.com*. The reporter had recalled State Farm's interaction with NHTSA in the Firestone matter, when State Farm notified NHTSA in 1998 about a large number of claims relating to Firestone tread failure. The issue was the subject of congressional hearings and culminated in the passage of the TREAD Act of 2000. The *insure.com* reporter called State Farm to ask if it had similarly reported unintended acceleration to NHTSA. On January 29, 2010, a State Farm public affairs official confirmed to the reporter a single contact with NHTSA in 2007.[1]

On February 2, the NHTSA Hotline received a FOIA request from a *USA Today* reporter asking for information NHTSA may have received from State Farm. The request specifically identified a letter allegedly received by NHTSA in late 2007.

The *USA Today* published the State Farm story online on February 7 under the headline "State Farm gave NHTSA a heads up in 2007." A State Farm spokesman was quoted saying the insurer "has received numerous inquiries about alleged unwanted acceleration problems in Toyota and Lexus vehicles in recent years . . . Information from State Farm may help confirm a trend NHTSA is already aware of, or help identify a new one." The article referenced the State Farm-Firestone connection: ("In the late 1990s, State Farm was a key contributor to identifying the increasing trend of tire tread separation, which eventually led to major recalls involving Ford Explorers and Firestone tires."). The article concluded by noting the congressional interest in the issue:

> Congress is also studying Toyota's and NHTSA's reactions. On Wednesday, the House Committee on Oversight and Government Reform is holding a hearing on

[1] This 2007 date later proved to be inaccurate. When State Farm received congressional subpoenas during the first week of February, it further researched the company's contacts with NHTSA and discovered a 2004 contact as discussed further below.

> the gas pedal issues. On Feb. 25, a House Energy and Commerce subcommittee is holding a hearing on whether Toyota and NHTSA acted swiftly enough. 'The whole thing got brushed over,' says Rep. Bart Stupak, D-Mich., subcommittee chairman. 'We think it may go back to 2004.'

The *USA Today* article did not contain any statement from NHTSA.

The story was repeated in the *USA Today* newspaper (print) on February 8 under the headline "State Farm gave NHTSA a heads up in 2007; Insurer warned about Toyota and Lexus models." This article contained the same State Farm quote and noted the same congressional interest. **(Attachment 5)**

The *Washington Post* published the story on February 9 under the headline "Insurer warned U.S. on Toyotas; Acceleration issues cited in 2007; automaker recalls Priuses in Japan." This article also noted the congressional interest:

> Congressional investigators are now focusing on whether the government reacted properly to years of complaints and other evidence regarding the acceleration problems. As those investigations get underway, Toyota announced early Tuesday that it would recall its 2010 Prius hybrid vehicles in Japan over brake problems. The insurer's warnings to the National Highway Traffic Safety Administration could add to criticism that the agency missed or overlooked signs of trouble.

In the *Washington Post* article, a NHTSA spokesperson confirmed that the "agency received a claim letter from State Farm in September 2007 regarding a Camry crash." **(Attachment 6)**

On February 9, *CNN News* broadcast a segment on the State Farm issue. As in the other reports, the congressional interest in NHTSA's handling of the matter was prominently featured.

> INES FERRE, CNN CORRESPONDENT: A lot of people must be wondering who knew what when? That's the question. And we know that the insurance company State Farm said it received numerous alleged accelerator problem complaints on some Toyota and Lexus cars over the last years. It had notified the National Highway Traffic Safety Administration about these problems in 2007. A State Farm spokesman says information from State Farm may help confirm a trend NHTSA is already aware of or help identify a new one. The question is did the government do enough, Tony [Harris-CNN anchor]? Did they act fast enough? We know there have been investigations. For example there was one in 2007 on some Lexus models that lasted a couple of months from August to October of 2007. And they determined that it was because of the floor mat issue and then, later, they had some floor mat recalls on some Lexus models . . . So now, lawmakers are also wondering did they do enough and we also know that tomorrow, there is going to be a House Committee -- an oversight hearing . . .

> And that is going to -- that hearing is going to talk about the accelerator issue. They want to know, Representative Darrell Issa sent a letter to the chairman of that committee saying, "Evidence suggests that for nearly a decade, both Toyota and officials at the (NHTSA) were aware of complaints related to unintended acceleration." Tony, they just want to know who knew what . . . and did these people do enough? Did Toyota do enough and did the administrators from the government also do enough?

By February 9, there was considerable media attention concerning the State Farm issue. The DOT News Briefing for this date (the Department's daily email summary of news stories) had the following headline under the NHTSA section: "Congressional Investigators Question NHTSA's Vigilance, Toyota's Car Fix." Under this headline are summaries and links to stories from *CBS Evening News*, *Washington Post*, *Politico*, *New York Times*, and *Reuters*. **(Attachment 7)** (b)(6), (b)(7)c is responsible for the DOT News Briefing.

The State Farm media reports were one piece of the larger Toyota sudden acceleration issue. During this period (b)(6), (b)(7)c staff were working long hours, including weekends, to address the issue and respond to the media.

The Congressional Inquiry

The House Committee on Energy and Commerce officially contacted State Farm on this issue on February 9. The Committee posted the following on its website:

> Chairman Henry A. Waxman and Subcommittee Chairman Bart Stupak sent letters today to five automobile insurance companies requesting information regarding persistent consumer complaints of sudden unintended acceleration in vehicles manufactured by the Toyota Motor Corporation, and warnings the insurance companies may have provided to the National Highway Traffic Safety Administration (NHTSA) about defect trends in Toyota vehicles.

The Committee's February 9 letter to State Farm (b)(6), (b)(7)c states:

> The Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce is examining persistent consumer complaints of sudden unintended acceleration in vehicles manufactured by Toyota Motor Corporation, and the response by Toyota and the National Highway Safety Administration (NHTSA) to those and other complaints lodged by Toyota drivers in recent years.

The letter requested that State Farm produce various documents including reports provided by State Farm to NHTSA and emails since 2000.

By this time, oversight investigations were also underway by the House Committee on Oversight and Government Reform (OGR), as well as the Senate Committee on Commerce, Science and Transportation. As House OGR minority investigative staff

confirmed to the OIG, NHTSA was a subject of their oversight investigation and OGR was examining how NHTSA reacted to information it had received over time from State Farm.

State Farm Extends an "Olive Branch"

According to State Farm officials, after seeing the February 9 *Washington Post* article they became concerned the story was being sensationalized. Although State Farm had provided what it believed to be accurate information regarding the 2007 contact, the insurer was concerned NHTSA was being portrayed in a negative light. State Farm officials told OIG investigators the insurer values its relationship with NHTSA, and they did not want the media attention to damage it. State Farm officials decided to call DOT (b)(6), (b)(7)c to (in their words) "extend an olive branch." (b)(6), (b)(7)c (b)(6), (b)(7)c was instructed to make the call. On February 9, (b)(6), (b)(7)c left a voice mail with (b)(6), (b)(7)c provided the voice mail information to (b)(6), (b)(7)c. The two then contacted (b)(6), (b)(7)c and the three called (b)(6), (b)(7)c back from (b)(6), (b)(7)c office. According to all participants, (b)(6), (b)(7)c apologized on behalf of State Farm for the way the story was being sensationalized. (b)(6), (b)(7)c did most of the talking for DOT. (b)(6), (b)(7)c asked what State Farm could do to help DOT better message the Department's position. (b)(6), (b)(7)c asked for DOT's statement in response to the media reports.

The next morning (February 10), at 6:43 a.m., (b)(6), (b)(7)c emailed (b)(6), (b)(7)c saying "it would be great if you could echo the fact that we were being responsive to complaints of safety problems." (b)(6), (b)(7)c attached a copy of DOT's statement. The statement confirmed that State Farm provided NHTSA with information in 2007 involving the crash of a 2005 Toyota Camry and stated that the information was added to the NHTSA complaint database. OIG investigators have determined that this complaint was not, in fact, added to the NHTSA complaint database. However, we found no evidence that (b)(6), (b)(7)c (b)(6), (b)(7)c was aware of this inaccuracy at the time (b)(6), (b)(7)c emailed the statement to (b)(6), (b)(7)c (b)(6), (b)(7)c had no further direct contact with (b)(6), (b)(7)c or any other State Farm officials.

(b)(6), (b)(7)c Reacts to the State Farm Media Reports

By February 10, (b)(6), (b)(7)c was convinced State Farm was responsible for the negative press, unaware the media had, in fact, first contacted State Farm. In an OIG interview, (b)(6), (b)(7)c claimed, "(b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c also faulted the (b)(6), (b)(7)c for their handling of the issue. In a February 10 email to (b)(6), (b)(7)c (b)(6), (b)(7)c wrote in part:

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

In OIG interview, (b)(6), (b)(7)c also faulted *USA Today* (b)(6), (b)(7)c explained, "(b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c said, " (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c." A State Farm spokesperson is quoted in both the *USA Today* and the *Washington Post* articles acknowledging that "Information from State Farm may help confirm a trend NHTSA is already aware of, or help identify a new one." When asked about these quotes, (b)(6), (b)(7)c told OIG investigators, "(b)(6), (b)(7)c"

Following the February 8 *USA Today* story, (b)(6), (b)(7)c developed a public relations strategy and (b)(6), (b)(7)c. According to (b)(6), (b)(7)c (b)(6), (b)(7)c also (b)(6), (b)(7)c on NHTSA at the suggestion of (b)(6), (b)(7)c (b)(6), (b)(7)c In a February 11 email to (b)(6), (b)(7)c (b)(6), (b)(7)c stated in part,

(b)(5), (b)(6), (b)(7)c

* * *

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c **(Attachment 8)**

The statement (b)(6), (b)(7)c forwarded to (b)(6), (b)(7)c read as follows:

> State Farm copied the National Highway Traffic Safety Administration on a claim letter to Toyota dated September 7, 2007 concerning a 2005 Camry crash that occurred earlier that year. Our investigative staff reviewed the report and added the information to our complaint database. At the time we received the letter the agency already had a formal investigation open. That investigation led to the

> Toyota floor mat recall, announced on September 26, 2007, that included the Camry. NHTSA had also completed an investigation earlier that year on sudden acceleration in Camrys in which it had reviewed data from State Farm.

As OIG investigators later learned, State Farm had provided information on sudden acceleration to NHTSA beginning in 2004, and the information was not added to NHTSA's complaint database, ARTEMIS, as represented.

The Trip to Bloomington

The Secretary traveled to Bloomington, Illinois, on February 12, to attend a local Chamber of Commerce function. Bloomington is the corporate headquarters of State Farm. As (b)(6), (b)(7)c later told OIG investigators, "(b)(6), (b)(7)c (b)(6), (b)(7)d (b)(6), (b)(7)c

On February 10, (b)(6), (b)(7)c emailed (b)(6), (b)(7)c to ask (b)(6), (b)(7)c opinion on such a trip: "(b)(6), (b)(7)c (b)(6), (b)(7)c He's wondering what you think about that. . . ." (b)(6), (b)(7)c replied, "(b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c" (b)(6), (b)(7)c responded: "Would you call me? (b)(6), (b)(7)c **(Attachment 9)**

Later that morning, (b)(6), (b)(7)c emailed (b)(6), (b)(7)c stating in part: "(b)(5), (b)(6), (b)(7)c (b)(5), (b)(6), (b)(7)c

(b)(6), (b)(7)c prepared the following talking point for the Secretary for his Bloomington trip.

> Our Office of Defects Investigation at NHTSA routinely works with State Farm and other insurance companies, asking them for claims data to support our ongoing investigations.
>
> In the case of unintended acceleration, NHTSA asked State Farm for information and State Farm provided five years worth of data in March of 2006.

State Farm also copied NHTSA on a claim letter to Toyota dated Sept. 7, 2007 concerning a 2005 Camry crash that occurred earlier that year. Our investigative staff reviewed the report and added the information to our complaint database. At the time we received the letter, we already had a formal investigation open. That investigation led to the Toyota floor mat recall announced on Sept. 26, 2007 that included the Camry.

Here's the bottom line: We were on top of the situation. State Farm didn't discover this stuff and bring it to our attention, which is how it was portrayed to reporters.

At approximately 10:45 a.m. on February 12, the Secretary met briefly with State Farm (b)(6), (b)(7)c and (b)(6), (b)(7)c at a reception in the Central Illinois Regional Airport in Bloomington. (b)(6), (b)(7)c approached the Secretary after the Secretary concluded his remarks. According to (b)(6), (b)(7)c after exchanging greetings and thanking the Secretary for his continued support of high speed rail, the Secretary brought up the Toyota issue saying words to the effect, " (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c ." (b)(6), (b)(7)c told the Secretary (b)(6), (b)(7)c felt awful" if what State Farm provided to the media created problems. (b)(6), (b)(7)c said (b)(6), (b)(7)c was "deeply apologetic" and State Farm had no intention to embarrass NHTSA. At some point in the conversation, the two were joined by (b)(6), (b)(7)c According to (b)(6), (b)(7)c (b)(6), (b)(7)c and the Secretary repeated their conversation for the benefit of (b)(6), (b)(7)c (b)(6), (b)(7)c said the Secretary stated that the media coverage has led to congressional hearings. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c replied, "We're aware" or "I know," and said State Farm "would cooperate fully in the congressional investigation." (b)(6), (b)(7)c (b)(6), (b)(7)c later told OIG investigators that (b)(6), (b)(7)c believed "there was no ill intent" on the part of the Secretary during this conversation.

Sometime during the weekend of February 13-14, the Secretary and (b)(6), (b)(7)c talked by phone about (b)(6), (b)(7)c meeting with State Farm. As (b)(6), (b)(7)c told OIG investigators,

(b)(6), (b)(7)c

(b)(6), (b)(7)c

Emails State Farm

On Monday morning, February (b)(6), (b)(7)c emailed the Secretary about his State Farm meeting, (b)(6), (b)(7)c wrote, (b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c **(Attachment 10)**

(b)(6), (b)(7)c then emailed (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

(b)(6), (b)(7)c

(b)(6), (b)(7)c

(b)(6), (b)(7)c

In (b)(6), (b)(7)c OIG interview, (b)(6) could not explain under what authority (b)(6), (b)(7)c was obligated or entitled to ensure that State Farm's testimony was "consistent with the facts."

(b)(6), (b)(7)c replied, "(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

When (b)(6), (b)(7)c emailed (b)(6), (b)(7)c later that day about delays in rounding up the three, (b)(6), (b)(7)c responded:

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

At 1:17 pm, (b)(6), (b)(7)c replied, (b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

(b)(6), (b)(7)c forwarded this email thread to DOT General Counsel (b)(6), (b)(7)c with the following note attached: (b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c **(Attachment 11)**

At 1:26 pm, (b)(6), (b)(7)c emailed (b)(6), (b)(7)c a copy of a (b)(6), (b)(7)c (in the Secretary's voice) on the State Farm story. The email does not contain any explanation or qualifier by (b)(6), (b)(7)c indicating that (b)(6), (b)(7)c was uncertain about the accuracy of any facts represented in the post. The attached blog post states:

> **NHTSA welcomes safety information from all sources**
>
> There's been a lot written recently about the National Highway Traffic Safety Administration's responsiveness to information provided by State Farm on the issue of Toyota vehicle safety--much of it factually incorrect or incomplete.
>
> I have read the articles discussing how State Farm notified NHTSA of trends in customer claims that point to car safety issues.
>
> But what's missing from those articles is the fact that NHTSA officials actually asked State Farm to provide that information so they could incorporate it into their ongoing vehicle defect investigations. As they do information from *all* sources.
>
> [EMBEDDED VIDEO FROM NBC NIGHTLY NEWS]
>
> For example, State Farm copied NHTSA on a claim letter to Toyota dated September 7, 2007. This letter concerned a crash that occurred earlier that year involving a 2005 Camry. Our investigative staff reviewed the incident report and added the information to our complaint database.
>
> What you may not have read is that, at the time we received the letter from State Farm, NHTSA already had accumulated considerable experience investigating

> similar concerns with this vehicle as part of two defect petitions and was in the process of investigating this vehicle for a separate concern involving floor mat entrapment. Although no defect was identified in either defect petition, the investigation led to the Toyota floor mat recall, announced on September 26, 2007, that included the Camry.
>
> Despite media reports to the contrary, NHTSA has not received analyses or warnings related to unintended acceleration from State Farm. From time to time, NHTSA requested and received broad data concerning unintended acceleration in all manufacturers' vehicles. This information offered no new root causes or trends.
>
> I'll say it again: we *already had* an investigation open, and State Farm provided NHTSA no new information.
>
> Now, NHTSA had also completed an investigation earlier that year on sudden acceleration in Camrys in which it reviewed five years worth of data from State Farm that agency officials had requested.
>
> So, the idea that NHTSA is in the business of ignoring information--valuable or otherwise--from automobile insurers, safety organizations, or consumers is patently ridiculous. I hope we can all agree that, when consumer safety is at stake, it's important that consumers be able to turn to their safety agencies. Right now, consumers need the clarity on Toyota safety that only an authoritative safety agency can provide.
>
> [EMBEDDED VIDEO FROM ABC's GOOD MORNING AMERICA]
>
> And that's why I appeared with Brian Williams on NBC's Nightly News and with George Stephanopoulos on ABC's Good Morning America.
>
> I want people to know, as I have said over and over, that safety is our number one priority at DOT, and in none of our agencies is that better demonstrated than our auto safety agency. (emphasis in original) **(Attachment 12)**

As OIG investigators later learned, State Farm had provided some information to NHTSA on its own initiative and the information was not added to NHTSA's complaint database.

(b)(6), (b)(7)c emailed (b)(6), (b)(7)c at 4:59 p.m. on February 15, stating in part

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

During (b)(6), (b)(7)c OIG interview, (b)(6), (b)(7)c described (b)(6), (b)(7)c intent in sending these emails to State Farm as follows:

(b)(6), (b)(7)c

State Farm Reacts to (b)(6), (b)(7)c Emails

State Farm (b)(6), (b)(7)c immediately identified (b)(6), (b)(7)c emails as a legal concern. (b)(6), (b)(7)c told OIG investigators, "There was no way an employee of State Farm would be discussing State Farm congressional testimony with anybody [outside State Farm]." As soon as (b)(6), (b)(7)c saw (b)(6), (b)(7)c email, (b)(6), (b)(7)c ordered the issue to be handled between legal departments.

State Farm (b)(6), (b)(7)c told OIG investigators that (b)(6), (b)(7)c had a problem with (b)(6), (b)(7)c email. According to (b)(6), (b)(7)c the last thing State Farm wanted was the appearance it was coordinating congressional testimony with anyone.

The Lawyers Talk; DOT Learns of Additional Contacts between State Farm and NHTSA

Sometime in the late afternoon on February 15, State Farm (b)(6), (b)(7)c (b)(6), (b)(7)c called (b)(6), (b)(7)c told OIG investigators (b)(6), (b)(7)c was ordered to call DOT to respond to (b)(6), (b)(7)c email and explain that State Farm was not in a position to coordinate communications. (b)(6), (b)(7)c tried to reach (b)(6), (b)(7)c but was unsuccessful, so (b)(6), (b)(7)c called (b)(6), (b)(7)c replied with words to the effect, "You probably want to talk to the lawyers." After unsuccessful attempts to connect, the

(b)(6), (b)(7)c eventually spoke by phone. (b)(6), (b)(7)c was with (b)(6), (b)(7)c office when they spoke to (b)(6), (b)(7)c told OIG investigators that (b)(6), (b)(7)c told (b)(6), (b)(7)c that State Farm had received three congressional subpoenas, and said words to the effect, "State Farm is not in a position to coordinate communications" given the pending congressional inquiries. (b)(6), (b)(7)c then asked about the accuracy of the blog post. (b)(6), (b)(7)c reported that (b)(6), (b)(7)c told (b)(6), (b)(7)c "did not want to characterize or editorialize" but that State Farm's first contact was on February 27, 2004, not 2007, and it was initiated by State Farm. (b)(6), (b)(7)c asked for the specifics of the 2004 contact and about any other dates. (b)(6), (b)(7)c said (b)(6), (b)(7)c told (b)(6), (b)(7)c that State Farm was still working on the congressional document requests and (b)(6), (b)(7)c did not have all the dates, but (b)(6), (b)(7)c provided (b)(6), (b)(7)c with the dates of five other known contacts.

In (b)(6), (b)(7)c OIG interview, (b)(6), (b)(7)c recalled the conversation as follows:

> (b)(6), (b)(7)c explained to (b)(6), (b)(7)c that we were trying to get the facts of the matter in this case, and that we understood that they had information that could be helpful to us, and that we were kind of operating at a deficit because we were missing information, and (b)(6), (b)(7)c said that (b)(6), (b)(7)c expected to be subpoenaed by the committees on the Hill. I think (b)(6), (b)(7)c said (b)(6), (b)(7)c had heard from two or three of the committees on the Hill, expected to be subpoenaed the next day for all of their documents, and that did not want to be seen as cooperating with us at all. And then (b)(6), (b)(7)c proceeded to keep talking. I mean (b)(6), (b)(7)c kind of shut us down, but then (b)(6), (b)(7)c started telling us dates we should look for e-mails.

(b)(6), (b)(7)c recalled the conversation as follows:

> . . . So I talked to (b)(6), (b)(7)c and I said, we don't have a record of such a conversation, can you get us the document, the email or whatever it is, so that we can see what it was, because we don't know what it was. And (b)(6), (b)(7)c said, you know, well, we don't want to send you the documents, you know, you should already have them. And I remember saying, well, okay, we should already have them, but we've looked and we don't. So we'd like to know what they say. And so -- and (b)(6), (b)(7)c basically said, well, I'm not going to send you the documents, but I'll tell you the dates around which time you should be looking for the documents. So (b)(6), (b)(7)c gave us a series of dates. My recollection is there were roughly five different dates, which (b)(6), (b)(7)c was taking down in some way. And (b)(6), (b)(7)c said, look, look for those dates. Those are the dates, you know, that are relevant. So we said, okay, thank you. And then we had NHTSA go -- or IT or whoever it was, somebody had them go look for the documents around those dates. So that's what I remember as the first call being. Just (b)(6), (b)(7)c saying, here are the dates of communications that you should go back and look for.

In (b)(6), (b)(7)c OIG interview, (b)(6), (b)(7)c did not recall (b)(6), (b)(7)c telling (b)(6), (b)(7)c that State Farm was not in a position to coordinate communications, but (b)(6), (b)(7)c did recall saying (b)(6), (b)(7)c

(b)(6), (b)(7)c all I'm asking you for is dates so that we can find the records that after all are our communications with you. I'm not asking for anything more than that." (b)(6), (b)(7)c (b)(6), (b)(7)c could not recall how (b)(6), (b)(7)c learned that State Farm had been subpoenaed stating, "I don't know. I don't remember." When asked about when (b)(6), (b)(7)c learned that State Farm and NHTSA did not have a common understanding of events, (b)(6), (b)(7)c told OIG investigators at one point: "My belief is that there is a common understanding of what the events show. But I wouldn't know. I haven't talked to (b)(6), (b)(7)c about it."

At 3:44 pm on February 15, (b)(6), (b)(7)c sent an email to NHTSA (b)(6), (b)(7)c (b)(6), (b)(7)c other NHTSA staff, and (b)(6), (b)(7)c with the subject title "Urgent Conference call on State Farm contacts." In the email, (b)(6), (b)(7)c wrote, (b)(5), (b)(7)c (b)(5), (b)(7)c

At 4:59 p.m., (b)(6), (b)(7)c emailed (b)(6), (b)(7)c with a summary of the conference call with (b)(6), (b)(7)c describing how (b)(6), (b)(7)c provided additional dates of contacts from State Farm. **(Attachment 13)**

NHTSA Unable to Find Additional Contacts

According to (b)(6), (b)(7)c received a voice mail from (b)(6), (b)(7)c on the afternoon of February 17. (b)(6), (b)(7)c told OIG investigators that (b)(6), (b)(7)c said that NHTSA had looked in its files and could not locate the February 27, 2004 contact, and some of the other dates provided by (b)(6), (b)(7)c NHTSA was concerned that State Farm was expected to provide these documents to the Hill and they [NHTSA] did not have a record of the contacts.

(b)(6), (b)(7)c recalled NHTSA's inability to find the additional contacts:

(b)(6), (b)(7)c

On the morning of February 18, (b)(6), (b)(7)c spoke with (b)(6), (b)(7)c by telephone. (b)(6), (b)(7)c In OIG interview, (b)(6), (b)(7)c said (b)(6), (b)(7)c asked (b)(6), (b)(7)c to "send us the documents you're sending to the Committee." According to (b)(6), (b)(7)c said, "We can't -- I can't give you the documents without a subpoena." (b)(6), (b)(7)c told OIG investigators that (b)(6), (b)(7)c and (b)(6), (b)(7)c replied, "Well, we have subpoena authority and we have, you know, special order authority, but we don't -- you know, weren't going to subpoena you for it." (b)(6), (b)(7)c replied, "It would be much easier if you would. We would like a subpoena so that we can turn them over." (b)(6), (b)(7)c told OIG

investigators that (b)(6), (b)(7)c suggested (b)(6), (b)(7)c use the NHTSA subpoena authority to issue a "friendly" subpoena.

(b)(6), (b)(7)c recalled this conversation as follows:

> (b)(6), (b)(7)c was decidedly not forthcoming about anything. I remember we were extremely irritated that after having some press releases from them (b)(6), (b)(7)c essentially wouldn't tell us anything over the phone and (b)(6), (b)(7)c initial response was, write me a letter or, you know, basically just wouldn't engage with us over the phone. So (b)(6), (b)(7)c (b)(6), (b)(7)c were both pretty hacked at (b)(6), (b)(7)c just that after they essentially stirred up this issue --
>
> * * *
>
> INVESTIGATOR: And (b)(6), (b)(7)c free on giving those -- that information?
>
> (b)(6), (b)(7)c Not at all. As a matter of fact, what came out of either that initial conversation or a subsequent conversation because we had several, was that (b)(6), (b)(7)c wouldn't give us any information until we actually subpoenaed them. . . .

(b)(6), (b)(7)c later told OIG investigators that NHTSA was, in fact, eventually able to locate all the State Farm contacts. (b)(6), (b)(7)c said the initial difficulty was because State Farm's dates of contact were inaccurate. However, NHTSA (b)(6), (b)(7)c who serves as the (b)(6), (b)(7)c between NHTSA and State Farm, told OIG investigators that (b)(6), (b)(7)c could not, in fact, locate all the State Farm contacts. (b)(6), (b)(7)c acknowledged that NHTSA "didn't have a complete picture because (b)(6), (b)(7)c predecessor had passed away." According to (b)(6), (b)(7)c the State Farm information helped "fill in the gaps."

NHTSA issues a Special Order to Obtain State Farm Documents

On February 18, following the (b)(6), (b)(7)c conference call, (b)(6), (b)(7)c went to NHTSA (b)(6), (b)(7)c and asked (b)(6), (b)(7)c to draft a subpoena. (b)(6), (b)(7)c and has been in this position for approximately (b)(6), (b)(7)c recommended using a Special Order rather than a subpoena, and told (b)(6), (b)(7)c that NHTSA has issued a Special Order to State Farm in the past.[2] According to (b)(6), (b)(7)c the office has never issued a subpoena under the Vehicle Safety Act. (b)(6), (b)(7)c explained to OIG investigators that NHTSA obtains information through Information Requests and Special Orders, and Special Orders are broader in scope than subpoenas and are not limited to violations of the Act. Special Orders can be used to obtain documents and answers to questions, can include a continuing obligation provision, and may be enforced in U.S. District Court. (b)(6), (b)(7)c

[2] (b)(6), (b)(7)c provided OIG investigators with a copy of a draft Special Order (printed on a grid sheet) issued to State Farm in 2006. No copy of the final Special Order could be located. This Special Order includes a request for information that would be considered personally identifiable information. According to (b)(6), (b)(7)c NHTSA has no central record keeping system for Special Orders, and (b)(6), (b)(7)c unable to tell OIG investigators how many Special Orders have been issued by NHTSA.

said that (b)(6), (b)(7)c. At the time of the request, (b)(6), (b)(7)c was not told that a congressional investigation was pending or that the Special Order was to obtain State Farm documents being provided to congressional committees under subpoena. Within hours, (b)(6), (b)(7)c drafted the Special Order and a cover letter for (b)(6), (b)(7)c signature. (b)(6), (b)(7)c said "time was of the essence" with this Special Order.

(b)(6), (b)(7)c then called NHTSA (b)(6), (b)(7)c to get a fax number for State Farm. (b)(6), (b)(7)c faxed the Special Order to State Farm, who received the fax at 6:44 pm (Central Time). **(Attachment 14)** The cover letter for the Special Order states:

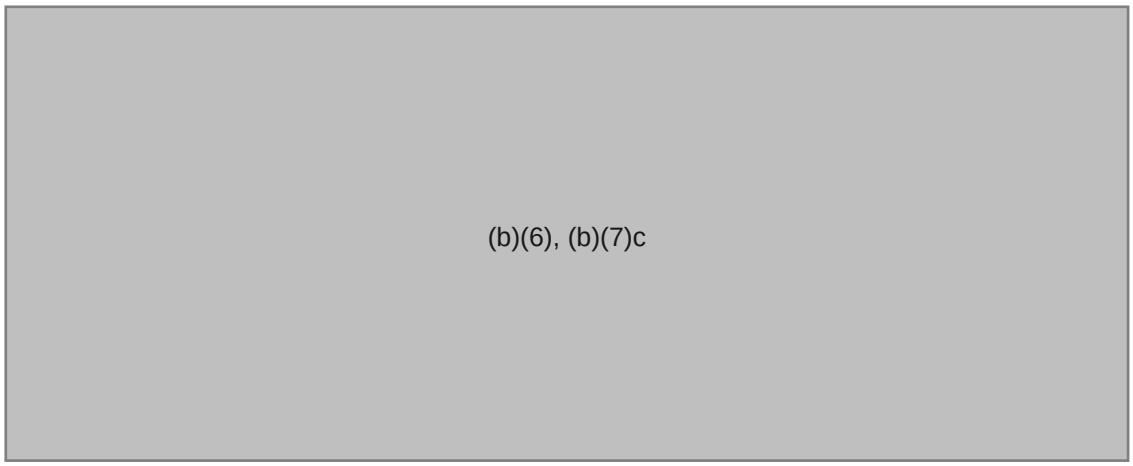
> Pursuant to 49 U.S.C. § 30166(g) and 49 CFR Part 510, The National Highway Traffic Safety Administration ("NHTSA" or "agency") issues the enclosed Special Order relating to unintended acceleration in Toyota vehicles.
>
> As you know, there is considerable public interest in information on unwanted acceleration in Toyota vehicles. State Farm has provided information to NHTSA in the past, and we are sending this Special Order to cross-reference our documents with yours. We understand that a congressional committee has also requested this information and State Farm has provided it or will soon provide it. We therefore expect that it is readily available.

Under the above-cited statute and regulation, the Secretary of Transportation may issue Special Orders "in carrying out this chapter." The Secretary's authority is defined as investigations that "may be necessary to enforce this chapter" or "related to a motor vehicle accident and designed to carry out this chapter." This chapter referenced is chapter 301, entitled "Motor Vehicle Safety."

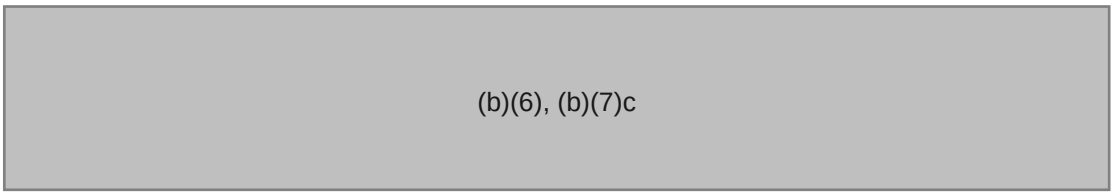
In his OIG interview, (b)(6), (b)(7)c explained the purpose for which the Special Order was issued:

> The purpose as I think I've tried to explain several times was to make sure that NHTSA had all the communications between State Farm and NHTSA that had been relevant to this issue.
>
> BY INVESTIGATOR: In anticipation of a congressional hearing?

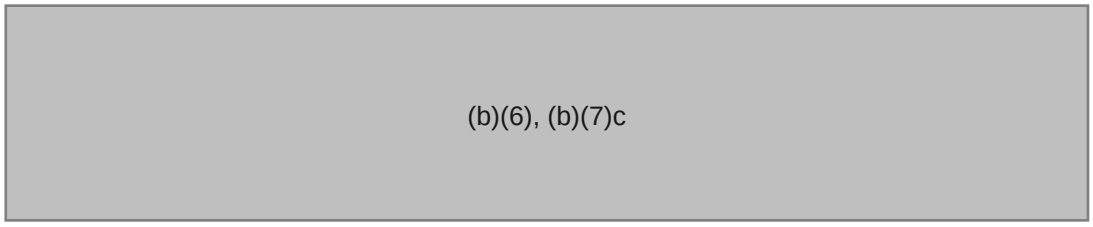
(b)(6), (b)(7)c



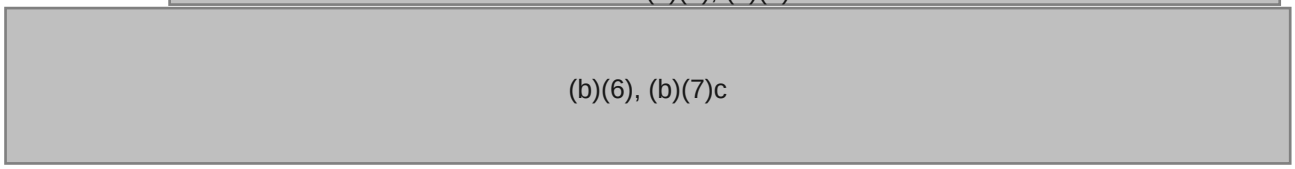
At another point during (b)(6), (b)(7)c interview, (b)(6), (b)(7)c told OIG investigators that (b)(6), (b)(7)c believed NHTSA had all the records prior to issuing the Special Order:



(b)(6), (b)(7)c emailed (b)(6), (b)(7)c describing how (b)(6), (b)(7)c briefed the Secretary on the Special Order.



When interviewed, (b)(6), (b)(7)c told OIG investigators the Special Order was issued in connection with an investigation "in the generic sense," but (b)(6), (b)(7)c could not recall if NHTSA had an open investigation of Toyota at the time (b)(6), (b)(7)c signed the Special Order. (b)(6), (b)(7)c recalled, "(b)(6), (b)(7)c



NHTSA (b)(6), (b)(7)c told OIG investigators that the Special Order was not related to any open investigation. We found no evidence (b)(6), (b)(7)c was aware of the existence of the Special Order until after the documents were produced by State Farm and (b)(6), (b)(7)c was asked to review the records.

During (b)(6), (b)(7)c OIG interview, (b)(6), (b)(7)c implied to OIG investigators that the State Farm information was of minimal value, stated, " (b)(6), (b)(7)c (b)(6), (b)(7)d (b)(6), (b)(7)c

According to (b)(6), (b)(7)c however, (b)(6), (b)(7)c called (b)(6), (b)(7)c February 19 asking (b)(6), (b)(7)c to produce the documents quicker because the Secretary was about to testify before Congress. (b)(6), (b)(7)c stated to (b)(6), (b)(7)c words to the effect, (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c replied that State Farm would not provide the documents until after it had complied with the congressional request.

State Farm Produces the Documents

On Friday evening, February 19, State Farm hand-delivered documents to the three congressional committees as ordered by the subpoenas. State Farm then complied with the Special Order and supplied a copy of the documents to DOT. State Farm's response to DOT states in part, "As we discussed, we are herewith producing all of the material that we have produced to the House Energy and Commerce and Oversight and Government Reform Committees up to the present time which you have indicated would comply with the Special Order." Also included in State Farm's response was the following section: "Additionally, the House Committee on Oversight and Government Reform asked a series of questions to which State Farm responded." The State Farm response then identified the six questions and State Farm's answers. **(Attachment 16)**

According to (b)(6), (b)(7)c (b)(6), (b)(7)c reviewed the documents in (b)(6), (b)(7)c office with (b)(6), (b)(7)c (b)(6), (b)(7)c and (b)(6), (b)(7)c (b)(6), (b)(7)c told OIG investigators, "And we -- they found some documents and we were able to pin it down pretty quickly, the dates from 2003 and 2004." (b)(6), (b)(7)c similarly recalled reviewing the documents on that Friday night in (b)(6), (b)(7)c office. (b)(6), (b)(7)c denied to OIG investigators reviewing these records. (b)(6), (b)(7)c stated, "As soon as they arrived, I gave them to (b)(6), (b)(7)c to deliver them to NHTSA."

(b)(6), (b)(7)c told OIG investigators that (b)(6), (b)(7)c reviewed the State Farm documents that Friday evening and scanned the documents into (b)(6), (b)(7)c computer. (b)(6), (b)(7)c used the information to "fill in gaps." (b)(6), (b)(7)c said, "And I made up a ring binder. I made several copies and circulated it throughout the department, with my chronology and commentary, and the supporting documents, some State Farm, some mine because I felt that I had an obligation to explain to my management, you know, what we knew and when we knew it." (b)(6), (b)(7)c said that (b)(6), (b)(7)c knowledge that was the sole use of the State Farm information. We found no evidence that DOT submitted any of the State Farm documents to congressional committees.

(b)(6) Provides the State Farm Information to a *Detroit News* Reporter

Within hours of receiving the State Farm's records on February 19, (b)(6), (b)(7)c provided the State Farm information and possibly the records themselves to a reporter from the *Detroit News*. (b)(6), (b)(7)c emailed a different *Detroit News* reporter at 9:33 a.m. on Saturday, February 20, saying, "(b)(6), (b)(7)c (b)(6), (b)(7)c " **(Attachment 17)**

At 11:12 a.m., (b)(6), (b)(7)c emailed the Secretary, (b)(5), (b)(6), (b)(7)c (b)(5), (b)(6), (b)(7)c (b)(5), (b)(6), (b)(7)c **(Attachment 18)**

The *Detroit News* story was referenced in the Secretary's February 21, 2010 blog entitled, "The Truth about State Farm, Toyota and NHTSA." **(Attachment 19)** As (b)(6), (b)(7)c later explained to OIG investigators,

(b)(6), (b)(7)c

The blog states,

> There's been a lot written recently about the National Highway Traffic Safety Administration's responsiveness to information provided by State Farm on the issue of Toyota vehicle safety--much of it factually incorrect or incomplete.
>
> Today's *Detroit News* has it right, however. . .

During (b)(6), (b)(7)c OIG interview, (b)(6), (b)(7)c could not identify any factual inaccuracies in any of the press reports.

The *Detroit News* story reported,

> The Detroit News obtained on Saturday a series of e-mails between State Farm and NHTSA officials in 2004 that show the government had already been probing the issue. The e-mails show NHTSA was appreciative of the "timely" submissions by the insurer. The records also show that NHTSA continued to working with State Farm in 2009 as it further probed the issue of unintended acceleration in Toyota vehicles.

[3] The (b)(6), (b)(7)c It is not clear to whom (b)(6), (b)(7)c was referring in the (b)(6), (b)(7)c interview. In addition, DOT Public Affairs and the White House are in frequent contact on issues of mutual interest. Investigators were unable to determine who initiated contact on this matter.

> But the new e-mails don't shed any new light on why NHTSA ended its investigation in July 2004 without requiring any action by Toyota Motor Corp. NHTSA dropped its investigation because it didn't find a safety defect or any evidence of an unreasonable safety risk, the government said . . .The records detailing contacts between the insurer and NHTSA were turned over by State Farm to the House Oversight and Government Reform Committee late Friday, which will hold a Wednesday hearing on Toyota's worldwide recall of 8.5 million vehicles over pedal entrapment and sticky pedal concerns." **(Attachment 20)**

DOT's Official Response to Rep. Issa's Referral for Investigation

The congressional committees received the State Farm records on Friday, February 19. By Monday, February 22, Rep. Issa's staff identified a legal concern with (b)(5), (b)(7)c and (b)(6), (b)(7)c emails and referred the matter to the Inspector General.

On February 22, a *Politico* reporter emailed (b)(6), (b)(7)c (b)(6), (b)(7)c for response on the Rep. Issa investigative referral. (b)(6), (b)(7)c In OIG interview, (b)(6), (b)(7)c stated that (b)(6), (b)(7)c then had a conference call with the Secretary (who was out of town), (b)(6), (b)(7)c and (b)(6), (b)(7)c to discuss what to say to the *Politico* reporter. According to (b)(6), (b)(7)c the Secretary was clear in what to say. (b)(6), (b)(7)c said (b)(6), (b)(7)c wrote it down and typed it up. At 4:38 p.m. (b)(6), (b)(7)c emailed the statement to the Secretary, with a courtesy copy to (b)(6), (b)(7)c and (b)(6), (b)(7)c **(Attachment 21)** After receiving no comments or suggested changes, (b)(6), (b)(7)c (b)(6), (b)(7)c emailed the statement to the *Politico* reporter at 4:52 p.m. **(Attachment 22)** (b)(6), (b)(7)c told OIG investigators that (b)(6), (b)(7)c and (b)(6), (b)(7)c also called the reporter to provide additional information on background, but the reporter did not use any of the background in (b)(6), (b)(7)c story.

The Secretary's statement, as transcribed by (b)(6), (b)(7)c read as follows:

> State Farm apologized to me and my staff about media stories that portrayed State Farm as having been the first to alert NHTSA to sudden acceleration in Toyota vehicles. After those apologies, my staff was merely confirming that State Farm now agreed that NHTSA was already looking into this issue before it received information from State Farm.

We found no evidence that State Farm has publicly acknowledged that it agreed NHTSA was already looking into the issue before it received information from the insurer. With the exception of (b)(6), (b)(7)c emails, we found no evidence that State Farm privately acknowledged this assertion. At the time (b)(6), (b)(7)c original February 15 email, (b)(6), (b)(7)c believed there to be only a single State Farm-NHTSA contact in 2007, but (b)(6), (b)(7)c also acknowledges that (b)(6), (b)(7)c reached out to State Farm because (b)(6), (b)(7)c did not have all the facts. The statement that DOT staff was "merely confirming" is a characterization that is incomplete and inconsistent with the record.

(b)(6), (b)(7)c and (b)(6), (b)(7)c Received Ethics Training

Upon assuming duties in the Department, (b)(6), (b)(7)c received an initial agency ethics orientation from Office of General Counsel (b)(6), (b)(7)c on February 23, 2009. **(Attachment 23)** (b)(6), (b)(7)c received an initial agency ethics orientation on May 18, 2009. **(Attachment 24)** According to (b)(6), (b)(7)c one of the topics covered during the ethics orientation is avoiding the appearance of impropriety. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c typically explains to employees that if allegations about their conduct would be reported in the *Washington Post*, then they may be in violation of the Standards of Ethical Conduct. As we understand this *Washington Post* test, while the activities of high-level government officials may occasionally be reported in the media, the test is intended to apply to media reports relating to the propriety of the official's conduct.

Media Reports Relating to (b)(6), (b)(7)c Conduct

On February 22, 2010, (b)(6), (b)(7)c emails and Rep. Issa's investigative referral were reported in *Politico* under the headline, "Rep. Darrell Issa calls for probe into DOT bigs." The article states in part: "Issa's call for the investigation into (b)(6), (b)(7)c – formerly a Washington correspondent for the Chicago Tribune – has Democrats peeved at the Obama administration. A Democratic aide said such contact does not look good for DOT--such emails show a 'lack of judgment.'" **(Attachment 25)** On February 23, the *Washington Post* published a story on (b)(6), (b)(7)c emails and Rep. Issa's investigative referral under the headline, "Did Transportation Dept. interfere with Toyota investigation?" **(Attachment 26)**

(b)(6), (b)(7)c communicated with the White House following the publication of the *Politico* and *Washington Post* articles. In a February 23 email to (b)(6), (b)(7)c at the White House, (b)(6), (b)(7)c wrote in part,

(b)(5), (b)(6), (b)(7)c

In (b)(6), (b)(7)c email, (b)(6), (b)(7)c made no mention of NHTSA's inability to locate the State Farm information or the necessity of issuing a Special Order to obtain the missing information.

(b)(6), (b)(7)c and (b)(6), (b)(7)c Tell OIG Investigators They Believe Their Actions Were Appropriate

In (b)(6), (b)(7)c OIG interview, (b)(6), (b)(7)c was asked whether (b)(6), (b)(7)c recognized any problems with (b)(6), (b)(7)c emails to State Farm. (b)(6), (b)(7)c told OIG investigators: "(b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c" When asked whether (b)(6), (b)(7)c thought (b)(6), (b)(7)c made a mistake in the wording of the emails, (b)(6), (b)(7)c replied:

(b)(6), (b)(7)c

In (b)(6), (b)(7)c OIG interview, (b)(6), (b)(7)c was asked if (b)(6), (b)(7)c thought the use of a NHTSA Special Order to obtain congressionally subpoenaed records was an appropriate use of NHTSA's Special Order authority. (b)(6), (b)(7)c replied:

(b)(6), (b)(7)c

In addition, (b)(6), (b)(7)c on Special Orders, told OIG investigators that the Special Order in this case was appropriate because it was "clearly relevant to the agency's functioning." (b)(6), (b)(7)c said (b)(6), (b)(7)c had no concerns about drafting the Special Order

because: (1) (b)(6), (b)(7)c had asked for it," and (2) NHTSA had issued a Special Order to State Farm in the past. We determined, however, that unlike the Special Order in this case the prior Special Order to State Farm was not issued in the context of a congressional investigation and was used to obtain personally identifiable information about State Farm policy holders.

When asked about the Special Order, NHTSA (b)(6), (b)(7)c (b)(6), (b)(7)c said, "I hadn't thought of it frankly, but I am glad they did, otherwise we would have had a witness facing Congress saying gee - I don't know what we said regarding State Farm back then."

Congressional Staff's Reaction to the Special Order

Rep. Issa's OGR committee staff was not aware that NHTSA issued a Special Order to State Farm to obtain a copy of congressionally subpoenaed documents and information. Staff told OIG investigators that NHTSA's actions may have impacted their oversight investigation. Specifically, committee staff stated:

> A key question before the Committee was whether NHTSA reacted appropriately to reports of SUA investigations prior to the 2009 recalls. Based on Committee records, it appears that at the outset of our investigation, NHTSA and DOT were unaware of what information related to SUA events they received from State Farm and how the agency responded to the information. It was not until after NHTSA and DOT reviewed documents also submitted to OGR that NHTSA understood the timing and scope of what they had received from State Farm over the past decade regarding sudden unintended acceleration in Toyota vehicles. By obtaining documents submitted to the Committee, NHTSA and DOT were able to formulate a defense of their review of insurance information. This defense may not have been possible had NHTSA not obtained documents from State Farm, pursuant to the special order.

ADDITIONAL INFORMATION

On June 7, 2010, we referred this matter to the Public Integrity Section of the U.S. Department of Justice (DOJ) to determine if the above-described conduct violated any criminal statutes. DOJ has declined prosecution.

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U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I09Z0000670100	7/19/10
TITLE	PREPARED BY SPECIAL AGENT	STATUS
QUIRK CHEVROLET 293 Hogan Road Bangor, ME 04402	(b)(6), (b)(7)c (b)(6), (b)(7)c	Final
18 USC 1001	JRI-1	APPROVED TLD

DETAILS

This investigation was initiated based on a referral from the Environmental Protection Agency/Criminal Investigation Division (EPA/CID), Boston, Massachusetts. The EPA/CID hotline had received an anonymous complaint alleging that QUIRK CHEVROLET (QUIRK), Bangor, ME was in violation of the dealer certification with regards to the Cash for Clunkers program (CARS). The complainant stated QUIRK had sold vehicles taken in during the CARS program to GREENPOINT AUTO PARTS (GREENPOINT), Brewer, ME without retiring the engines as required by the regulations governing dealers participating in the program and receiving government reimbursement. According to the complaint, all vehicles sent to GREENPOINT were "run and drive" vehicles.

The complete CARS database for all transactions in the State of Maine was obtained and analyzed in comparison with vehicle information from the Maine Bureau of Motor Vehicles database to find potential recently registered vehicles. The query returned no suspected fraudulent CARS transactions.

The Vehicle Identification Numbers (VINs) were also run through the National Motor Vehicle Title Information System (NMVTIS), and this did not reveal any information that would indicate a fraudulent CARS transaction.

The investigation was coordinated with Immigration and Customs Enforcement (ICE) to follow up on three vehicles that had possibly been exported to Canada. ICE conducted a query of various Customs databases and was able to locate the three vehicles that were potentially in Canada. ICE further coordinated with the Canada Border Services Agency which was able to identify 10 vehicles from the CARS database that may have been registered in Canada.

Additional OIG coordination with Customs and Border Protection (CBP), Calais, ME revealed that CBP does not maintain any documentation on exported vehicles. According to CBP, when a vehicle is exported to Canada, a check is made to verify the vehicle is not stolen. If the check comes back clean, then the vehicle is allowed out of the country. CBP advised that the three vehicles that were previously reported as being exported may have been exported because they are now registered in Canada. CBP was able to determine this by running a registration check on the VINs provided by OIG.

OIG subsequently contacted the Royal Canadian Mounted Police (RCMP), Saint John, New Brunswick, Canada, and apprised RCMP of the CARS program and requested RCMP assistance in locating and interviewing dealerships and owners located near the Saint John area in furtherance of the investigation. RCMP agreed to assist and was provided a list of the VINs in question. RCMP subsequently responded that motor vehicle database checks had been conducted and confirmed the vehicles in question were not actively registered in Canada.

Inasmuch as no vehicles traded in to QUIRK during the CARS program were identified as potential fraudulent transactions, this investigation is being closed.

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I09Z0000420500	January 21, 2011
TITLE	PREPARED BY SPECIAL AGENT	STATUS
FORD MOTOR COMPANY World Headquarters Building 1 American Road, Room 1034 Dearborn, MI 48126 18 USC 1001 False Statements 49 USC 30170 Motor Vehicle Safety Criminal Penalties	(b)(6), (b)(7)c DISTRIBUTION JRI-5	Final (b)(6), (b)(7)c 1/7 APPROVED MTM

SYNOPSIS

This investigation was initiated based on information received from former FORD MOTOR COMPANY (FORD) (b)(6), (b)(7)c alleging that FORD knowingly and willingly violated the terms of The Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act in that (b)(6), (b)(7)c supervising middle management knew about a design flaw in the frames of their "Super Duty" (including SUV) pickup trucks and purposely chose not to divulge the information to the National Highway Traffic Safety Administration (NHTSA). If the vehicles were involved in a side impact crash then the passengers would face potentially serious or fatal injuries. (b)(6), (b)(7)c alleged that management instructed their subordinates not to produce or retain any subsequent documentation (also known as "field notes") and/or e-mails pertaining to the defect. (b)(6), (b)(7)c also alleged that (b)(6), (b)(7)c was wrongfully terminated as a result of (b)(6), (b)(7)c disagreement and attempt to notify upper management about the situation.

After reviewing the interviews and pertinent documents, there is no evidence that FORD committed any criminal federal offenses or violated the terms of the TREAD Act with respect to this allegation.

BACKGROUND

Prior to bringing this complaint to the OIG, (b)(6), (b)(7)c made the same allegations to the upper management of FORD, The FORD legal counsel, the Occupational Safety and

Health Administration (OSHA), U.S. Congressman John DINGELL, NHTSA, and the USAO-EDMI via a series of letters and e-mails (attachments 1-6).

Title 18 United States Code, Section 1001 provides for criminal penalties for a person who knowingly makes or uses a false writing or document in a matter within the jurisdiction of an agency of the Federal government.

Title 49 United States Code, Section 30170 provides for criminal penalties for a person who violates Title 18 United States Code, Section 1001 with respect to the reporting requirements of section 30166 with the specific intention of misleading the Secretary with respect to motor vehicle or motor vehicle equipment safety related defects that have caused death or serious bodily injury to an individual shall be subject to criminal penalties of a fine under Title 18, or imprisoned for not more than 15 years, or both.

DETAILS

(b)(6), (b)(7)c contacted the OIG on or around June 2009, and alleged that FORD knew of a potentially dangerous design flaw in the frames of their Super Duty (including SUV) pickup trucks and purposely chose not to divulge the information to NHTSA as required by the TREAD Act. This was allegedly done as a cost saving measure since NHTSA was not going to test the side impact protection until the 2010 model year (attachment 7). Side impact protection is covered by the Federal Motor Vehicle Safety Standards (FMVSS) 214 (attachment 8). (b)(6), (b)(7)c stated that the under carriage truck frame for the 1999-2009 model years for the FORD Super Duty pickup trucks (which includes the F-250, F-350, F-450, F-550, Explorer, and Expedition models) were a safety hazard because the frame was only 37 inches wide while the cab seat was 57 inches wide. (b)(6), (b)(7)c stated that in August 2005, (b)(6), (b)(7)c became aware of some side pole (side crash impact) tests (later identified as P356) that disclosed a person on the side of the impact would not survive the accident. (b)(6), (b)(7)c stated the reason being is the cab seats extend 10 inches on either side of the frame, which leaves 70% of the driver's or passenger's body in the "crush zone." (b)(6), (b)(7)c claimed there was a video tape made of the test and it was shown to the people who attended the meeting. Afterwards, no one spoke because they realized that no one would be able to survive the crash. (b)(6), (b)(7)c later admitted that (b)(6), (b)(7)c did not actually view the tape, but was instead told about it by one of the attendees, (b)(6), (b)(7)c stated (b)(6), (b)(7)c went to the Human Resources (HR) Department to report the safety issue and was told it was their policy not to put anything in writing or in e-mail concerning safety issues due to possible liability exposure. (b)(6), (b)(7)c further asserted that FORD management stated they could launch the 2008 and 2009 models because there would be no safety tests until the 2010 model years and that was the same year that FORD was going to remodel the vehicle. (b)(6), (b)(7)c sent a series of letters to the upper management of FORD to voice (b)(6), (b)(7)c concerns about the matter, but (b)(6), (b)(7)c did not perceive them as being responsive to the situation. (b)(6), (b)(7)c also stated that (b)(6), (b)(7)c provided FORD with a

cost cutting plan, that if implemented, would save the company over $100 million. (b)(6), (b)(7)c felt it was retribution on their part because (b)(6), (b)(7)c was trying to address the problem, but they were trying to cover it up. After (b)(6), (b)(7)c alleged that FORD implemented (b)(6), (b)(7)c cost cutting plan and they were able to save over $1 billion (attachment 9). (b)(6), (b)(7)c contacted Congressman John DINGELL and NHTSA's Office of Defects Investigation (ODI) and felt that they also were not responsive or concerned enough about the matter. (b)(6), (b)(7)c was convinced that any and all subsequent side crashes (and the resulting deaths) were preventable and would be NHTSA's fault because of their lack of action (attachments 4, 5 & 10). (b)(6), (b)(7)c supplied the OIG with a synopsis of (b)(6), (b)(7)c allegations and concerns about the matter, which included most of the letters, emails, and calls that (b)(6), (b)(7)c had done to that point (attachment 11).

The OIG interviewed (b)(6), (b)(7)c who works as a (b)(6), (b)(7)c (b)(6), (b)(7)c knew (b)(6), (b)(7)c when (b)(6), (b)(7)c was still employed at FORD and stated (b)(6), (b)(7)c worked in the value analysis department. (b)(6), (b)(7)c described the work of that department as cost quality weights and function or "who gives you the most product for the least amount of money." (b)(6), (b)(7)c stated that the frames for the F-250 & F-350 and the Explorer & Mountaineer are basically the same, but the others are not because of the different mounting points. (b)(6), (b)(7)c stated that the "Hollander's Book Interchange" (used by body shops and junk yards) would support this because it differentiates what parts can and cannot be used or interchanged with other parts for various cars and trucks. (b)(6), (b)(7)c was not in attendance, nor was (b)(6), (b)(7)c aware of a meeting where a videotape of a side pole crash test conducted on the Super Duty trucks was discussed. Furthermore, (b)(6), (b)(7)c was not aware that FORD had allegedly failed to notify NHTSA of a safety defect as required by the TREAD Act. Although it was not (b)(6), (b)(7)c area of expertise, (b)(6), (b)(7)c found (b)(6), (b)(7)c allegations hard to believe because in (b)(6), (b)(7)c opinion, "FORD is all about safety." (b)(6), (b)(7)c was aware of (b)(6), (b)(7)c plan to save money for FORD and it was based on (b)(6), (b)(7)c wanting to make things "common" (attachment 12).

The OIG interviewed (b)(6), (b)(7)c who is currently an (b)(6), (b)(7)c (b)(6), (b)(7)c was (b)(6), (b)(7)c for approximately three months from 2004-2005. Although (b)(6), (b)(7)c worked in the (b)(6), (b)(7)c group in 1998 and on the (b)(6), (b)(7)c group from 1999-2000, (b)(6), (b)(7)c explained that (b)(6), (b)(7)c role and (b)(6), (b)(7)c group is not currently associated with safety. (b)(6), (b)(7)c was not in attendance and not aware of a meeting where a videotape of a side crash test was discussed in 2005. (b)(6), (b)(7)c said (b)(6), (b)(7)c background is in finance, not engineering. (b)(6), (b)(7)c is a part of the team, whose job is to collect data for existing products. (b)(6), (b)(7)c did discuss (b)(6), (b)(7)c plan to save money for the company with (b)(6), (b)(7)c and told (b)(6), (b)(7)c to work within the company's process of doing things. (b)(6), (b)(7)c stated that although FORD encourages innovation among its employees, (b)(6), (b)(7)c plan was not within the scope of (b)(6), (b)(7)c assigned duties. (b)(6), (b)(7)c did one performance evaluation on (b)(6), (b)(7)c and rated (b)(6), (b)(7)c as average. (b)(6), (b)(7)c knew that (b)(6), (b)(7)c was

(b)(6), (b)(7)c but did not know why. However, (b)(6), (b)(7)c stated that FORD routinely terminated 10% - 15% of their workforce annually up until recently and a lot of people were cut regardless of how well or bad their job performances were (attachment 13).

The OIG requested and reviewed documents from FORD in reference to this matter and discovered that (b)(6), (b)(7)c has a history of (b)(6), (b)(7)c that include (b)(6), (b)(7)c The documents also report an admission by (b)(6), (b)(7)c (attachments 14 & 15 [pg 18]). Another document addresses an e-mail stream between (b)(6), (b)(7)c and an unnamed supervisor regarding (b)(6), (b)(7)c cost saving strategy where the supervisor stated (b)(6), (b)(7)c did not assign (b)(6), (b)(7)c that task and encouraged (b)(6), (b)(7)c work within the team concept (attachment 15 [pgs 34-36]). On or around January (b)(6), (b)(7)c 2006, (b)(6), (b)(7)c through the FORD Involuntary Salaried Separation Policy (attachment 15 [pgs 16-17]).

The OIG spoke with (b)(6), (b)(7)c NHTSA's Defects Warning Division, about the allegations brought forth by (b)(6), (b)(7)c explained that the TREAD Act was passed in the wake of the FORD Explorer/FIRESTONE Tire high failure rate investigation that occurred in 2000. As a result, some provisions that came from the Act were: gathering warranty data, property damage, and other information on a quarterly basis; monitoring company recalls and foreign safety issues; research in safety defects; enforcing criminal acts committed against it; and conducting crash tests. In this instance, FMVSS 214 pertains to side impact tests. (b)(6), (b)(7)c further explained that big trucks were not subject to the dynamic portion of the test, but rather the static portion, which is the hydraulic pressing in of the doors. Early Warning Reports (EWR) collect data from auto manufacturers quarterly for a variety of industry related information. If the information is less than a certain number, then it is not necessary to report; however, death notices are always required. In determining whether there is a safety defect trend, NHTSA's Office of Defects Investigation (ODI) has no set criteria. Some of the things they look for are: defects in manufacturing or materials; parts not made properly; design or material defect or performance defect; peer comparison; and a combination of human and program analysis determines trends (mostly human). Screening involves issues with a particular model such as:

- Are there any complaints?
- Asking EWR if there is a trend
- Tips received from insurance companies and the media
- Statistics people inquire about

The steps that can initiate an ODI investigation are a Congressional inquiry or an enforcement action. In response to (b)(6), (b)(7)c allegation, (b)(6), (b)(7)c department looked into the matter and determined: 1) there was no defect in the frame's design; 2) even if the sidepole crash videotape existed, FORD was not obligated to share it with NHTSA; 3) when comparing FORD's Super Duty pickup truck crash data to that of

similarly sized vehicles for other automakers, FORD's rate is slightly higher, but not significantly enough to indicate a problem. Therefore, ODI found no evidence to support the allegation. (b)(6), (b)(7)c added that when comparing (b)(6), (b)(7)c allegations to the FORD Explorer/FIRESTONE Tire situation, if the current ODI procedures were in place at that time, then the data collected would have shown a trend towards there being a problem and NHTSA would have been able to detect it earlier and taken action. (b)(6), (b)(7)c provided the OIG with statistical data and other documentation to support ODI's findings (attachments 16-22).

On or about February 19, 2010, in response to concerns expressed by the members of Congress and congressional committees regarding safety recalls by another auto manufacturer, the OIG's Assistant Inspector General for Surface and Maritime Program Audits (JA-40) initiated an audit of NHTSA ODI to assess their procedures and processes for ensuring that companies provide timely notification of potential safety defects (attachment 23). As such, OIG Investigations collaborated with JA-40 in the interviews (attachments 24-25). Subsequent to the interviews, ODI provided the OIG with copies of their operating procedures (attachments 26-29). JA-40 has not yet completed their audit, but their preliminary expectation is that they will make some recommendations, but there are basically no major problems with ODI's procedures.

On or about February 1, 2010, the OIG served an IG subpoena on FORD for all relevant documents and information pertaining to this matter. From March 2010 to June 2010, FORD provided documents to the OIG. However, upon reviewing those documents, the OIG discovered that on several occasions FORD redacted several names and other information and they had yet to produce the crash videotape that (b)(6), (b)(7)c alleged existed. FORD decided to redact the names to protect the privacy of their employees. In a letter to FORD's legal counsel, the OIG's Office of Legal Counsel (OLC) informed FORD that the OIG had not yet determined whether the provided documents were satisfactorily responsive to the subpoena and they may be required to provide the redacted names and information to facilitate the investigation (attachment 30). After discussing the matter with the OIG-OLC and reviewing subsequent evidence, the OIG determined: 1) even if the videotape existed, it would not have had any significant relevance in the final decision made by NHTSA; 2) compelling FORD to provide the redacted names would not affect the outcome of the investigation; and 3) any subsequent interviews of (b)(6), (b)(7)c (or any other FORD employee closely related to this matter) would not provide any significant information that would affect the outcome of the investigation.

After reviewing all relevant evidence, the OIG could not corroborate the allegations that (b)(6), (b)(7)c made against FORD. As such, there will be no further investigation, and it is recommended this matter be closed.

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U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I10G0001020100	DATE 8/12/2011
(b)(6), (b)(7)c Montpelier, VT 05602	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c	STATUS Final
18 USC § 208	DISTRIBUTION JRI-1	APPROVED TLD

DETAILS

This investigation was initiated based on information provided by the National Highway Traffic Safety Administration (NHTSA), Region 1, Cambridge, Massachusetts alleging grant funds that had been provided to the Governor's Highway Safety Program (GHSP) at the State of Vermont Department of Public Safety (DPS) may have been awarded improperly by GHSP personnel. Specifically, it was alleged that DPS employee (b)(6), (b)(7)c had awarded a grant for motorcycle safety education to the VERMONT SHERRIFFS ASSOCIATION (VSA) prior to (b)(6), (b)(7)c (b)(6), (b)(7)c and the VSA subcontracted all of the tasks under the grant to (b)(6), (b)(7)c doing business as the MOTORCYCLE SAFETY EDUCATION CENTER (MSEC), in January 2010.

(b)(6), (b)(7)c was interviewed and advised that (b)(6), (b)(7)c but was extended by GHSP Highway Safety Program (b)(6), (b)(7)c because the office was facing two major issues: getting out all the new grants and a major Federal close-out for the end of the year.

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c had been looking for someone to run the motorcycle safety program and had conversations with the Department of Motor Vehicles about the program. When asked how (b)(6), (b)(7)c was unable find anyone in the State of Vermont interested in this grant (b)(6), (b)(7)c replied that (b)(6), (b)(7)c didn't look or try very hard (b)(6), (b)(7)c advised that it was (b)(6), (b)(7)c idea to create the grant proposal. In mid-August 2009, (b)(6), (b)(7)c submitted the grant proposal to GHSP. No umbrella organization had been contacted at the time the proposal was written. VSA became the recipient when (b)(6), (b)(7)c called (b)(6), (b)(7)c and (b)(6), (b)(7)c met with (b)(6), (b)(7)c who understood that (b)(6), (b)(7)c would be doing the work as MSEC. During this meeting, (b)(6), (b)(7)c provided a written proposal with (b)(6), (b)(7)c hourly rate, budget, and things (b)(6), (b)(7)c would need to get set up. (b)(6), (b)(7)c asked questions about the proposal. All of this occurred before (b)(6), (b)(7)c proposal was even approved.

According to (b)(6), (b)(7)c there was a subsequent meeting held involving (b)(6), (b)(7)c and (b)(6), (b)(7)c to discuss the grant applications. (b)(6), (b)(7)c did not recuse (b)(6), (b)(7)c from discussions about the VSA/MSEC grant application per (b)(6), (b)(7)c direction. (b)(6), (b)(7)c never expressed any concerns about the situation.

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c did not have any direct discussions with (b)(6), (b)(7)c (b)(6), (b)(7)c regarding this grant application. At (b)(6), (b)(7)c party in December 2009, (b)(6), (b)(7)c congratulated (b)(6), (b)(7)c and told (b)(6), (b)(7)c the motorcycle safety program was a great thing and they discussed what (b)(6), (b)(7)c would be doing for VSA.

(b)(6), (b)(7)c was interviewed and stated that in regard to the VSA grant, it was (b)(6), (b)(7)c understanding that sometime in August of 2009, (b)(6), (b)(7)c met with (b)(6), (b)(7)c at a 99 restaurant in Rutland and (b)(6), (b)(7)c believed they agreed that (b)(6), (b)(7)c would be the (b)(6), (b)(7)c and VSA would be awarded this grant. (b)(6), (b)(7)c was not sure whether (b)(6), (b)(7)c knew that (b)(6), (b)(7)c had prepared the application for VSA.

According to (b)(6), (b)(7)c wanted (b)(6), (b)(7)c up and running by January 1, 2010 with (b)(6), (b)(7)c cellular telephone, computer, printer and everything ready when (b)(6), (b)(7)c started at VSA. (b)(6), (b)(7)c handled some reimbursement requests submitted by (b)(6), (b)(7)c while at VSA. (b)(6), (b)(7)c signed the requests for reimbursement for the expenses associated with the grant.

(b)(6), (b)(7)c was interviewed and advised (b)(6), (b)(7)c did not know what steps if any (b)(6), (b)(7)c took to find someone to run grants. (b)(6), (b)(7)c advised (b)(6), (b)(7)c didn't push (b)(6), (b)(7)c hard to find someone to run the motorcycle education program, although (b)(6), (b)(7)c discussed this program with (b)(6), (b)(7)c periodically throughout the year.

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c applied for a buyout package from the state so that (b)(6), (b)(7)c (b)(6), (b)(7)c application for the buyout package was accepted, but (b)(6), (b)(7)c requested an extension so that (b)(6), (b)(7)c could (b)(6), (b)(7)c wanted (b)(6), (b)(7)c to stay so that (b)(6), (b)(7)c could help with the closing out of the sub-grantees that (b)(6), (b)(7)c monitored and to help with the preparation of the annual report due to NHTSA on December 31, 2009.

(b)(6), (b)(7)c advised that at some point (b)(6), (b)(7)c asked (b)(6), (b)(7)c if (b)(6), (b)(7)c would consider being the program manager for the motorcycle education program for both the law enforcement and public education aspects. In 2009 (b)(6), (b)(7)c submitted a grant application for the motorcycle rider education program. The application was submitted prior to September 1, 2009. VSA was a sub-recipient. (b)(6), (b)(7)c recalled (b)(6), (b)(7)c had one conversation with (b)(6), (b)(7)c Most conversations were

between (b)(6), (b)(7)c drafted the grant application and (b)(6), (b)(7)c signed off on it.

(b)(6), (b)(7)c accepted the application submitted by VSA and authorized a sub-grant to be initiated. (b)(6), (b)(7)c also told (b)(6), (b)(7)c to put the grant into the official funding grid. The grant was generated prior to January 1, 2010, so when (b)(6), (b)(7)c could hit the ground running. (b)(6), (b)(7)c purchased equipment for this grant prior to (b)(6), (b)(7)c from the state.

(b)(6), (b)(7)c Division of Criminal Justice Services, DPS was interviewed and advised that it was (b)(6), (b)(7)c understanding that (b)(6), (b)(7)c came up with the idea to receive the sub-grant agreement after (b)(6), (b)(7)c came up with the idea with the sub-grant agreement in the late fall of 2009. Before (b)(6), (b)(7)c approached (b)(6), (b)(7)c with this idea. (b)(6), (b)(7)c brought this idea to (b)(6), (b)(7)c had worked with the VSA in the past.

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c wrote the grant application for VSA knowing that the grant was for (b)(6), (b)(7)c creating a golden parachute for (b)(6), (b)(7)c said (b)(6), (b)(7)c didn't read the grant before (b)(6), (b)(7)c signed it and (b)(6), (b)(7)c didn't know if (b)(6), (b)(7)c read the grant before (b)(6), (b)(7)c signed it. The sub-grant agreement didn't offer any specifics of the grant and would have been awarded to the VSA for enhanced motorcycle training. According to (b)(6), (b)(7)c the process regarding the grant began with the filing of a grant application. Then the application would have been reviewed by (b)(6), (b)(7)c and a staff of people, but that is not what happened in this case. This application was kind of a secret and may have been reviewed by (b)(6), (b)(7)c (b)(6), (b)(7)c believed the sub-grant agreement and the application for the VSA were drafted by (b)(6), (b)(7)c The grant application package was signed by (b)(6), (b)(7)c

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c drafted a letter to (b)(6), (b)(7)c revoking the two grants awarded to VSA. The letter was dated May 19, 2010 and was signed by (b)(6), (b)(7)c . All of the equipment purchased by (b)(6), (b)(7)c for the grant was returned to the state. The state did not reimburse VSA for their payments to (b)(6), (b)(7)c (b)(6), (b)(7)c because of the (b)(6), (b)(7)c sub-grant issue.

NHTSA (b)(6), (b)(7)c were briefed on the results of the investigation by JRI-1.

In a February 17, 2011 letter to DPS (b)(6), (b)(7)c who replaced (b)(6), (b)(7)c (b)(6), (b)(7)c advised that NHTSA would be undertaking a detailed review of NHTSA grant awards involving the GHSP. In addition, (b)(6), (b)(7)c indicated it was NHTSA's expectation that

(b)(6), (b)(7)c would not be returned to positions of responsibility and accountability for NHTSA funds.

NHTSA (b)(6), (b)(7)c advised that NHTSA recovered all grant funds involved in the VSA (b)(6), (b)(7)grant, which totaled $16,994.98. All equipment purchased by (b)(6), (b)(7)with grant funds was recovered by the DPS.

(b)(6), (b)(7)c with DPS Human Resources Division was contacted and (b)(6), (b)(7)c advised that (b)(6), (b)(7)c were allowed to return to work, but not in their former capacities and with no oversight of any federal funds.

This investigation is closed.

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I10G0001200500	2 /1/ 2012
TITLE	PREPARED BY SPECIAL AGENT	STATUS
LANE, SHAWN – NHTSA Grant Fraud Jennings, Missouri Lieutenant, City of Jennings Police Department	(b)(6), (b)(7)c (b)(6), (b)(7)c	Final
	DISTRIBUTION	(b)(6), (b)(7)c 1/ 3
18 U.S.C. §1001 - False Statements	JRI-5 (1)	APPROVED MTM

DETAILS

This case was referred to the United States Department of Transportation, Office of Inspector General (DOT-OIG), Chicago, IL, by the Missouri Department of Transportation, Office of Audits and Investigations (MODOT A&I), alleging members of the City of Jennings Police Department, Jennings, MO, were under investigation by the Missouri State Highway Patrol (MSHP) for grant fraud. The MSHP was contacted by the City of Jennings after it discovered irregularities with its driving under the influence (DUI) check point program; a program funded by the National Highway Traffic Safety Administration (NHTSA) and the University of Central Missouri (UCM). The allegations centered on the grant coordinator, Lieutenant Shawn LANE, City of Jennings Police Department, who allegedly submitted false claims to the city for overtime reimbursement in connection with DUI checkpoints and other traffic safety patrols that never occurred. LANE was also thought to have received a significant amount of the grant money in the form of regular overtime paid out by the city through false claims.

(b)(6), (b)(7)c, City of Jennings, MO, (b)(6), (b)(7)c learned from a city contracted tow truck operator (b)(6), (b)(7)c was not aware of any sobriety DUI checkpoints conducted in the previous two years. The city initiated an internal inquiry and learned it had filed reimbursement claims to MODOT every year since 2005 for its DUI Enforcement program, which was federally funded by NHTSA grants. The federal funding was dedicated solely to DUI enforcement and traffic related safety patrols; authorized under 23 United States Codes 402 and 154. The city received approximately $51,960.15 in NHTSA grant funding between fiscal years 2007 and 2009 (Attachment 1). (b)(6), (b)(7)c also learned LANE was solely responsible for administrating the grant program for the police department. LANE was immediately placed on administrative leave for the duration of the investigation.

On July 14, 2010, LANE was interviewed by (b)(6), (b)(7)c MSHP, and admitted he submitted driving while intoxicated (DWI) spot check forms to the State of

Missouri that were never conducted on approximately seven occasions over the course of two fiscal years (2007-2008 and 2008-2009). LANE further admitted he was the person who completed and sent all necessary forms to the State of Missouri for reimbursement of payroll money to the City of Jennings (Attachment 2). Subsequent witness interviews of multiple police officers, department dispatchers, the (b)(6), (b)(7)c were also conducted. The interviews corroborated the fact LANE managed all grant program paperwork, approved officer timesheets, coordinated all overtime schedules related to DUI checkpoints, and submitted overtime claims to the State of Missouri on behalf of the City of Jennings Police Department.

On August 4, 2010, (b)(6), (b)(7)c provided written consent for (b)(6), (b)(7)c and USDOT-OIG (b)(6), (b)(7)c (b)(6), (b)(7)c to search LANE's work office, and seize any evidence related to grant fraud (Attachment 3). On August 13, 2010, a warrant to search the contents of LANE's office computer was applied for and granted by the St. Louis County Court (Attachment 4). Analysis of LANE's computer and office files revealed LANE maintained all grant program paperwork, handled all overtime, special projects and expenditures on behalf of the police department, and filed for bankruptcy in 2008 (Attachment 5). (b)(6), (b)(7)c reviewed all associated grant requests, claim reimbursements, officer time sheets, computer aided dispatch records, and associated officer work schedules; results identified more than $31,000.00 of overtime related to Highway Safety Grants was fraudulently claimed for reimbursement. The overtime claimed was not actually paid to the officer for working the hours submitted on the grant claims. Additionally, of the $35,833 of Highway Safety Grant overtime paid but not officially claimed by grant reimbursement, $26,209 was paid to LANE (Attachment 6).

On October 8, 2010, Hal GOLDSMITH, Assistant U.S. Attorney (AUSA), Eastern District of Missouri, St. Louis, MO, declined criminal prosecution, and deferred the case to the St. Louis County Prosecutor's office (Attachment 7). On November 18, 2010, Bart CALHOUN, Prosecuting Attorney, St. Louis County, St. Louis, MO, accepted the case (Attachment 8).

On May 18, 2011, LANE was indicted on three counts for Stealing Over $500.00 by Deceit (State of Missouri, Section 570.030, RSMO - Class C Felony), from MODOT, UCM, and the City of Jennings, and an arrest warrant was issued by the St. Louis County Court, St. Louis, MO (Attachment 9). LANE turned himself into the court; however, the $5,000 bond was lifted and he was released to his attorney on personal recognizance until date of his arraignment.

On December 2, 2011, LANE pled guilty to one count of Stealing Over $500.00 by Deceit from the City of Jennings (Attachment 10). On December 15, 2011, LANE was sentenced in St. Louis County Circuit Court to a five (5) year suspended sentence; five (5) years probation; ordered to pay $21,515.00 in restitution to the City of Jennings and $46.00 in special assessment fees; and ordered to not be employed by any law enforcement agency (Attachment 11).

On February 1, 2012, (b)(6), (b)(7)c NHTSA Regional Administrator, informed (b)(6), (b)(7)c that NHTSA would either receive reimbursement from MODOT in the amount of the LANE's restitution, or would withhold the same amount from MODOT in future year grant funding.

It is recommended this case be closed.

Index of Attachments

No.	Description
1	NHTSA Grant Funding (2005 – 2010)
2	LANE Interview – July 14, 2010
3	Consent to Search LANE's office – August 4, 2010
4	Search Warrant for LANE's office computer – August 13, 2010
5	Analysis of seized evidence (office files and computer search)
6	Summary of Highway Safety Grant Claims and Paid Reimbursement Figures by (b)(6), (b)(7)c (b)(6), (b)(7)c dated 12/13/10.
7	Email of Case Declination by AUSA, Eastern District of MO – October 8, 2010
8	Case Acceptance by Assist. State Attorney, St. Louis, MO, MOA – November 18, 2010
9	LANE Indictment – May 18, 2011
10	LANE Guilty Plea – December 2, 2011
11	St. Louis County Circuit Court Sentence & Judgment / Restitution – December 15, 2011

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	10I10G0000950400	02/16/2012
TITLE CASE TITLE (b)(6), (b)(7)c False Statements/Certifications/Claims	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c (b)(6), (b)(7)c	STATUS Final
VIOLATION(S) Title 18 USC 287 Title 18 USC 1001	DISTRIBUTION JRI-4 w/ Attachments (1)	(b)(6), (b)(7)c 1/8 APPROVED

SYNOPSIS

This investigation was predicated on information received by the United States Department of Transportation, Office of Inspector General (USDOT/OIG) on June 3, 2010 from the National Highway Traffic Safety Administration (NHTSA), Region 6 Fort Worth, TX office, alleging that (b)(6), (b)(7)c at the University of Southern Mississippi (USM) stole approximately $9,005.47 from NHTSA grants by means of fraud. (Attachment 1)

After reviewing the complaint, on August 16, 2010 DOT/OIG (b)(6), (b)(7)c (b)(6), (b)(7)c Atlanta, GA, referred the case to Assistant United States Attorney (AUSA) Annette WILLIAMS, United States Attorney's Office, Southern District of Mississippi, Gulfport. AUSA WILLIAMS accepted the case for prosecution. (Attachments 20, 21)

The investigation determined that while employed at the Mississippi Department of Public Safety (DPS) as the (b)(6), (b)(7)c of the Office of Public Safety Planning for the DPS, (b)(6), (b)(7) oversaw the NHTSA grants received by the Mississippi Office of Highway Safety (MOHS) and issued a portion of NHTSA grant money to a sub-grantee who then hired (b)(6), (b)(7)c (b)(6), (b)(7)c for compensation. (Attachments 4, 5, 8, 9, 10, 11, 12, 13, 15, 16)

The Mississippi State Auditor's Office (MSAO) conducted an investigation of (b)(6), (b)(7) and produced evidence that (b)(6), (b)(7) received $12,188.67 in NHTSA grants funds, which included $4,600 for (b)(6), (b)(7)c never taught. Following MSAO's investigation, on June 7, 2011, (b)(6), (b)(7)c was given an ultimatum by the MSAO investigators to repay the full amount (b)(6), (b)(7)c received or to repay the amount (b)(6), (b)(7)c received for classes that were never taught plus interest and all investigation costs incurred by MSAO. (b)(6), (b)(7)c agreed with the

MSAO's investigation findings and decided to repay all of the money (b)(6), (b)(7)c received from (b)(6), (b)(7)c (b)(6), (b)(7)c which totaled $12,188.67, and (b)(6), (b)(7)c delivered a check for the full amount to the MSAO. On July 25, 2011, MSAO returned the $12,188.67 received from (b)(6), (b)(7)c to the DPS. (Attachments 5, 6, 7, 8, 9, 10, 11, 12, 13)

Following a discussion of the investigation findings, AUSA WILLIAMS informed DOT/OIG (b)(6), (b)(7)c New Orleans, LA, on September 7, 2011 that her office could not pursue a prosecution against (b)(6), (b)(7)c (b)(5) (b)(5), (b)(6), (b)(7)c (b)(5) (Attachment 17)

On September 8, 2011, NHTSA, Region 6, was informed by (b)(6), (b)(7)c that this investigation would be closed (b)(5) and NHTSA advised that they would submit a suspension and/or debarment recommendation against (b)(6), (b)(7)c to NHTSA legal counsel. (Attachment 18)

IDENTIFICATION

Name:
Address: (b)(6), (b)(7)c

BACKGROUND

Title 18 USC 287: False, Fictitious or Fraudulent Claims: Whoever makes or presents to any person or officer in the civil, military, or naval service of the United States, or to any department or agency thereof, any claim upon or against the United States, or any department or agency thereof, knowing such claim to be false, fictitious, or fraudulent, shall be imprisoned not more than five years and shall be subject to a fine in the amount provided in this title.

Title 18 USC 1001: Statements or Entries Generally: (a) Except as otherwise provided in this section, whoever, in any matter within the jurisdiction of the executive, legislative, or judicial branch of the Government of the United States, knowingly and willfully—

(1) falsifies, conceals, or covers up by any trick, scheme, or device a material fact;

(2) makes any materially false, fictitious, or fraudulent statement or representation; or

(3) makes or uses any false writing or document knowing the same to contain any materially false, fictitious, or fraudulent statement or entry;

shall be fined under this title, imprisoned not more than 5 years.

(b)(6), (b)(7)c

Leading up to (b)(6), (b)(7)c most recent position with the Mississippi DPS as (b)(6), (b)(7)c of the Office of Public Safety Planning, (b)(6), (b)(7)c had previously served in the following positions: (b)(6), (b)(7)c for the University of Mississippi Police Department in Oxford, MS; (b)(6), (b)(7)c for the Mississippi Law Enforcement Training Academy in Pearl, MS; (b)(6), (b)(7)c for the City of Tupelo, MS; (b)(6), (b)(7)c for the Jackson, MS Police Department; (b)(6), (b)(7)c for the Mississippi DPS; Mississippi Law Enforcement Liaison Office in Pearl, MS. In addition, (b)(6), (b)(7)c had previous experience (b)(6), (b)(7)c prior to obtaining the USM contract. (Attachments 5, 13, 14, 15)

(b)(6), (b)(7)c was reappointed to (b)(6), (b)(7)c most recent position of (b)(6), (b)(7)c of the Office of Public Safety Planning on July (b)(6), (b)(7)c 2009 as a full-time contract employee following (b)(6), (b)(7)c from the State of Mississippi. As the (b)(6), (b)(7)c of the Office of Public Safety Planning, (b)(6), (b)(7)c had signatory authority over grants, contracts, equipment purchases, and NHTSA documents for MOHS. (Attachments 5, 13, 14, 15, 16)

As a result of the MSAO investigation, (b)(6), (b)(7)c from (b)(6), (b)(7)c position at DPS as (b)(6), (b)(7)c (b)(6), (b)(7)c of the Office of Public Safety Planning on (b)(6), (b)(7)c (Attachment 4)

DETAILS

This investigation was conducted by DOT/OIG with assistance from the MSAO Investigation Division who conducted their own separate investigation at the request of the Mississippi DPS commissioner. (Attachment 2)

During a May 17-20, 2010 routine monitoring visit at the Mississippi Office of Highway Safety (MOHS) in Jackson, NHTSA Region 6 personnel identified disturbing practices and irregularities related to a sub-grant between MOHS and the University of Southern Mississippi (USM). In summary, NHTSA discovered a conflict of interest concerning (b)(6), (b)(7)c who as the (b)(6), (b)(7)c of the Office of Public Safety Planning for the Mississippi DPS was the (b)(6), (b)(7)c to MOHS. NHTSA cited instances in which there were invoices submitted by (b)(6), (b)(7)c to USM that were paid with funds received from portions of NHTSA grants. The two NHTSA funded sub-grants received by USM that were used, in part, to pay (b)(6), (b)(7)c were sub-grant 09-PT-412-1, Police Traffic Services (Law Enforcement Liaison Office) for $555,695 and sub-grant 10-PT-412-1, Traffic Services (Law Enforcement Liaison Office) for $619,003. (Attachments 1, 8, 9, 10, 11, 12, 16)

NHTSA notified the Mississippi DPS and DOT/OIG of their findings, and an investigation was initiated by DOT/OIG to investigate (b)(6), (b)(7)c conduct regarding the NHTSA grant funds used by USM to pay (b)(6), (b)(7)c The Mississippi DPS requested for their own investigation to be conducted by the MSAO and the MSAO opened a separate state investigation of (b)(6), (b)(7)c (Attachments 1, 2)

NHTSA Findings

On June 3, 2010, NHTSA Region 6 (b)(6), (b)(7)c Fort Worth, TX, provided DOT/OIG JRI-4 Assistant Special Agent-in-Charge Ramon SANCHEZ, Atlanta, GA, with a copy of the NHTSA Regions 6's "Preliminary Report of Findings Related to (b)(6), (b)(7)c (b)(6), (b)(7)c of the Mississippi Office of Highway Safety." The NHTSA report identified a total of $9,005.47 that was paid to (b)(6), (b)(7)c by the University of Southern Mississippi and reimbursed to the University of Southern Mississippi by MOHS from January 2009 to March 2010. (Attachment 1)

MSAO's Investigation

After being informed of the findings of NHTSA's review, on June 9, 2010 the Mississippi DPS (b)(6), (b)(7)c Jackson, requested for MSAO to conduct an investigation of the matter involving (b)(6), (b)(7)c MSAO conducted a thorough investigation of (b)(6), (b)(7)c concerning (b)(6), (b)(7)c contract with USM to (b)(6), (b)(7)c personnel in Mississippi. (Attachment 2)

On December (b)(6), (b)(7)c 2010, (b)(6), (b)(7)c was interviewed by MSAO Supervisory (b)(6), (b)(7)c (b)(6), (b)(7)c Jackson, and (b)(6), (b)(7)c Jackson. In this interview (b)(6), (b)(7)c stated that (b)(6), (b)(7)c thought the contract (b)(6), (b)(7)c had with USM was a retainer type agreement in which (b)(6), (b)(7)c would still be paid even in months when classes did not meet. In addition (b)(6), (b)(7)c stated that (b)(6), (b)(7)c thought a good class size was between 10 and 12 students, and (b)(6), (b)(7)c double-billed a Jackson Police Department academy class and a Mississippi Highway Patrol class because of the size of those classes (b)(6), (b)(7)c also stated that (b)(6), (b)(7)c would be willing to repay the full amount (b)(6), (b)(7)c received from USM. (Attachment 5)

On June 7, 2011, (b)(6), (b)(7)c met with MSAO Supervisory (b)(6), (b)(7)c (b)(6), (b)(7)c at their office in Jackson. At this meeting (b)(6), (b)(7)c was shown a spreadsheet created by MSAO Special Agents that listed all of the payments (b)(6), (b)(7)c received from USM and additional information such as the following: dates of invoices submitted to USM, class dates listed on invoices, class dates listed on class rosters, dates of checks issued to (b)(6), (b)(7)c from USM, check amounts, number of students in each class, amounts vouchered by (b)(6), (b)(7)c for

classes while (b)(6), (b)(7)c was listed on a DPS timesheet as working, notation of classes (b)(6), (b)(7)c was paid for that were never taught, notation of invoices (b)(6), (b)(7)c submitted prior to teaching the specified class, and notation of checks (b)(6), (b)(7)c received prior to teaching the specified class. The spreadsheet highlighted seven classes for a total of $4,600 in which (b)(6), (b)(7)c received payment for the classes but the classes were never taught. The spreadsheet also highlighted $9,605.47 in payments received by (b)(6), (b)(7)c for classes taught while (b)(6), (b)(7)c was also on duty with the Mississippi DPS. According to the MSAO investigative report for this meeting, (b)(6), (b)(7)c agreed with MSAO's spreadsheet computations and conclusions. (b)(6), (b)(7)c was then offered the following two options: 1) to repay all of the money (b)(6), (b)(7)c received from USM between January 1, 2009 and September 30, 2010 for the (b)(6), (b)(7)c classes, totaling $12,188.67, or 2) to repay all of the money (b)(6), (b)(7)c received from USM between January 1, 2009 and September 30, 2010 for classes that (b)(6), (b)(7)c did not teach, plus interest and MSAO investigative costs, for a total of $6,170.48. (Attachments 6, 8)

On June 8, 2011 (b)(6), (b)(7)c contacted MSAO (b)(6), (b)(7)c and stated (b)(6), (b)(7)c had decided to repay the full amount of money (b)(6), (b)(7)c received from USM between January 1, 2009 and September 30, 2010 which totaled $12,188.67. (Attachment 7)

On June 30, 2011 (b)(6), (b)(7)c delivered a check in the amount of $12,188.67, which was the agreed upon amount with the MSAO. On November 17, 2011, the Mississippi DPS returned $12,188.67 repayment to NHTSA for (b)(6), (b)(7)c fraudulent activities. (Attachments 3, 4)

As part of their investigation, MSAO Special Agents pieced together evidence for each of the invoices submitted by (b)(6), (b)(7)c to USM for payment and, based on the evidence, determined whether or not (b)(6), (b)(7)c taught the classes claimed in the invoices (b)(6), (b)(7)c received payment from. This evidence was presented to (b)(6), (b)(7)c during the June 7, 2011 meeting with (b)(6), (b)(7)c and, as discussed above, (b)(6), (b)(7)c agreed with MSAO's conclusions. In summary, of the $12,188.67 that (b)(6), (b)(7)c received between February 2009 and May 2010 from USM, it was determined that (b)(6), (b)(7)c was paid $4,600 for classes that (b)(6), (b)(7)c never taught. (Attachments 4, 6, 8, 13)

USDOT/OIG Investigation Findings

On August 16, 2010, (b)(6), (b)(7)c referred this case to AUSA WILLIAMS, United States Attorney's Office, Southern District of Mississippi, and discussed NHTSA's findings that (b)(6), (b)(7)c allegedly stole approximately $9,005.47 from NHTSA grants by means of fraud. AUSA WILLIAMS accepted the case for prosecution. (Attachments 1, 20, 21)

As part of DOT/OIG's investigation, (b)(6), (b)(7)c met with the MSAO investigators on July 21, 2011 and reviewed all of MSAO's case records. (b)(6), (b)(7)c noted that MSAO SAs compiled

evidence surrounding each invoice submitted by (b)(6), (b)(7)c including the facts surrounding the submission and payment of the invoices. In summary, based on discussions with MSAO investigators and a review of copies of MSAO's records, (b)(6), (b)(7)c agreed with MSAO's investigation findings as contained in the MSAO prepared Report of Investigation, Summary Spreadsheet with Comments, and Factual Summary. (Attachments 4, 8, 13, 19)

(b)(6), (b)(7)c discussed the investigations findings with AUSA WILLIAMS on September 7, 2011. AUSA WILLIAMS informed (b)(6), (b)(7)c that her office could not pursue a prosecution against (b)(6), (b)(7)c (b)(5) (b)(5), (b)(6), (b)(7)c (b)(5) (Attachment 17)

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I11G0100500	3/21/12
TITLE	PREPARED BY SPECIAL AGENT	STATUS
	(b)(6), (b)(7)c	Final
Lane Eitel Jackson County, MO	DISTRIBUTION JRI-5 (1)	(b)(6), (b)(7)c 1/2
Theft/Stealing Misdemeanor, Circuit Court of Jackson County, MO		APPROVED MTM

DETAILS:

The U.S. Department of Transportation, Office of Inspector General, was contacted by (b)(6), (b)(7)c Missouri Department of Transportation, Office of Audits and Investigations, regarding Sergeant Lane Eitel, Jackson County, MO, Sheriff's Department. It was alleged Eitel had submitted false claims for reimbursement related to various federally funded traffic safety grants.

The Jackson County Sheriff's Department receives funding from both the National Highway Traffic Safety Administration (NHTSA) and the Federal Highway Administration (FHWA). The FHWA funds are under the Safe Routes to School (SRS) grants. Jackson County also received federal money for work zone enforcement.

Investigation determined that Eitel issued warning tickets during the time his vehicle was observed at his residence. Missouri State Highway Patrol (MSHP) (b)(6), (b)(7)c conducted a review and estimated Eitel may have received $7,000 in overtime related to the SRS grants.

On December 12, 2011, Eitel pleaded guilty to three misdemeanor counts of Theft/stealing (value of property/services is less than $500) in Jackson County, MO. Eitel was sentenced to probation for a period of two years and was ordered to pay $1,700 in restitution.

(b)(5) AUSA Kate Mahoney, Chief, Fraud and Corruption Unit, USAO, Western District of Missouri, declined federal prosecution.

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I09G0000130401	DATE 03/22/12
TITLE Jeffrey Augenstein VIOLATION(S) Title 18 United States Code, Section 371 Title 31 United States Code, Section 3729, Civil False Claims	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c DISTRIBUTION JRI-4	STATUS (b)(6), (b)(7)c Final (b)(6), (b)(7)c 1/14 APPROVED MTG

SYNOPSIS:

This complaint is based on information from the U.S. Department of Defense (DOD). On June 10, 2008, the DOD received a hotline complaint from (b)(6), (b)(7)c (b)(6), (b)(7)c University of Miami (UM)/Jackson Medical Center, William Lehman Injury Research Center (WLIRC), Coral Gables, Florida (FL), who alleged that Dr. Jeffrey S. Augenstein, Director of WLIRC, and WLIRC employees hired work on and paid by two grants issued by the U.S. Department of Transportation (USDOT), National Highway Traffic Safety Administration (NHTSA) and DOD, have diverted those grant funds to their privately-owned vehicle crash consultation businesses.

The two NHTSA grants issued to WLIRC were: (1) grant titled "Crash Study," in the amount of $5,186,628 for the periods June 1, 1991 to May 21, 2000, and (2) a grant which was a part of the NHTSA Crash Injury Research and Engineering Network (CIREN), in the amount of $2,373,119, for the periods June 1, 2000 to May 31, 2005.

According to (b)(6), (b)(7)c Augenstein and WLIRC employees performed private consultation work during the time they were supposed to be performing the federally-funded grant work. During the grant period, little work was performed under the grant. The grant-related work that was completed was itself substandard since Augenstein and the complicit WLIRC employees focused on their more profitable private enterprises. (b)(6), (b)(7)c contacted the USDOT, Office of Inspector General (OIG) Complaint Center reporting Augenstein and other WLIRC employees provided private consulting services while being paid through a NHTSA grant. The focus of the investigation was to determine whether Augenstein and/or WLIRC personnel fraudulently claimed to have worked on the grants while performing non-grant work; in the process making material false statements to the U.S. Government.

This matter was investigated jointly between the USDOT/OIG, Sunrise Field Office, FL; Defense Criminal Investigative Service (DCIS), and U.S Army, Criminal Investigation Command (USACIDC) and support provided by the USDOT/NHTSA. Initially, this investigation was referred and accepted for criminal prosecution by the U.S. Attorney's Office (USAO), Southern Division of FL (SDFL), Miami, FL. However, the USAO declined criminal prosecution (b)(5) The matter was then referred and accepted by the Civil Division of the USAO and assigned to Assistant United States Attorney, James Weinkle.

IDENTIFICATION

1. Subject:	Jeffrey S. Augenstein
SSN:	(b)(6), (b)(7)c
DOB:	
Gender:	Male
Address:	(b)(6), (b)(7)c
Employer:	WLIRC
Position:	Doctor/Principal Investigator
2. Subject:	(b)(6), (b)(7)c
SSN:	(b)(6), (b)(7)c
DOB:	
Gender:	
Address:	(b)(6), (b)(7)c
Employer:	WLIRC
Position:	(b)(6), (b)(7)c
3. Company Name:	University of Miami/Jackson Medical Center, William Lehman Injury Research Center, Ryder Trauma Center
Address:	1611 N.W. 12th Avenue, Miami, FL 33136-1096

BACKGROUND

1) Criminal Statutes Affected:

1. 18 USC § 371, Conspiracy to Commit Offense or to Defraud United States

If two or more persons conspire either to commit any offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of the conspiracy, each shall be fined under this title or imprisoned not more than five years, or both. If, however, the offense, the commission of which is the object of the conspiracy, is a misdemeanor only, the punishment for such conspiracy shall not exceed the maximum punishment provided for such misdemeanor.

2) Civil Statutes Affected:

1. 31 USC § 3729, Civil False Claims

Any person who—

(A) knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval;
(B) knowingly makes, uses, or causes to be made or used, a false record or statement material to a false or fraudulent claim;
(C) conspires to commit a violation of subparagraph (A), (B), (D), (E), (F), or (G);
(D) has possession, custody, or control of property or money used, or to be used, by the Government and knowingly delivers, or causes to be delivered, less than all of that money or property;
(E) is authorized to make or deliver a document certifying receipt of property used, or to be used, by the Government and, intending to defraud the Government, makes or delivers the receipt without completely knowing that the information on the receipt is true;
(F) knowingly buys, or receives as a pledge of an obligation or debt, public property from an officer or employee of the Government, or a member of the Armed Forces, who lawfully may not sell or pledge property; or
(G) knowingly makes, uses, or causes to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the Government, or knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the Government, —

is liable to the United States Government for a civil penalty of not less than $5,000 and not more than $10,000, as adjusted by the Federal Civil Penalties Inflation Adjustment

Act of 1990 (28 U.S.C. 2461 note ; Public Law 104-410 [1]), plus 3 times the amount of damages which the Government sustains because of the act of that person.

DETAILS

On December 1, 2008, (b)(6), (b)(7)c contacted the USDOT/OIG Complaint Center via electronic mail (e-mail) message (b)(6), (b)(7)c reporting Augenstein and other WLIRC employees provided private consulting services while being paid through a NHTSA grant. (ATTACHMENT 1)

On January 13, 2009, (b)(6), (b)(7)c contacted (b)(6), (b)(7)c USDOT/NHTSA, (b)(6), (b)(7)c regarding the two cooperative agreements between NHTSA and UM for "crash studies" for the periods June 1, 1991 to May 31, 2000 in the amount of $5,186,628, and June 1, 2000 to May 31, 2005 in the amount of $2,373,119. The latter was a CIREN cooperative agreement, number DTNH22-00-H-07202. The former cooperative agreement was number DTNH22-91-Z-07279. (b)(6), (b)(7)c verified both cooperative agreements were inactive; the former agreement having been terminated approximately one year earlier due to conflicts with the WLIRC and their management of the funds. No other cooperative agreements and/or grants were forthcoming to the WLIRC.

On January 14, 2009, (b)(6), (b)(7)c USACIDC; and (b)(6), (b)(7)c DCIS, interviewed (b)(6), (b)(7)c regarding (b)(6), (b)(7)c knowledge of potentially fraudulent activity by (b)(6), (b)(7)c and other former colleagues at the WLIRC. (b)(6), (b)(7)c formerly with the WLIRC for 29 years; 23 of which serving as Augenstein's (b)(6), (b)(7)c stated (b)(6), (b)(7)c did some work with CIREN cooperative agreements prior to that grant program being halted. (ATTACHMENT 2)

(b)(6), (b)(7)c stated (b)(6), (b)(7)c attempted to convince (b)(6), (b)(7)c to obtain information on Augenstein, his side business, Delta-V, the WLIRC (b)(6), (b)(7)c and (b)(6), (b)(7)c (b)(6), (b)(7)c Augenstein, (b)(6), (b)(7)c and (b)(6), (b)(7)c business EWS. However, (b)(6), (b)(7)c claimed (b)(6), (b)(7)c generally refused (b)(6), (b)(7)c requests, only doing so infrequently as a safeguard to protect against any threats or negative actions by (b)(6), (b)(7)c

(b)(6), (b)(7)c claimed (b)(6), (b)(7)c observed EWS work being performed over 50 percent of the time at the WLIRC. On more than one occasion, (b)(6), (b)(7)c witnessed the repeated use of a EWS car accident case to generate reports of grant research being performed. (b)(6), (b)(7)c confirmed that work done by EWS cannot be used for grant research considering it a conflict of interest.

(b)(6), (b)(7)c stated, through an arrangement between UM and the center, any monies received any WLIRC employees, including Augenstein, were suppose to go to the UM's bank account. (b)(6), (b)(7)c claimed that almost all consulting money was sent directly to EWS and not Augenstein. According to (b)(6), (b)(7)c there were issues with the WLIRC employee's time sheets, known as effort reports. Namely, the WLIRC's (b)(6), (b)(7)c made up time sheets with workers hours pre-compiled and ordered each employee to sign it, against their will, as proof of grant work. This included (b)(6), (b)(7)c but (b)(6), (b)(7)c salary was paid through non-grant funds. Regarding the internal audit of the WLIRC, (b)(6), (b)(7)c attempted to dispose of documents subject to review, but was stopped from doing so.

On January 16, 2009, (b)(6), (b)(7)c interviewed (b)(6), (b)(7)c regarding (b)(6), (b)(7)c complaint against (b)(6), (b)(7)c former colleagues at the WLIRC. (b)(6), (b)(7)c opined various grant monies that were brought into UM by Augenstein were used to pay employees of private companies. Those employees, hired to work, manage and research the various grant programs within the WLIRC, were instead tasked to provide assistance to Augenstein's and (b)(6), (b)(7)c companies EWS and Crossroad Crash Consulting (CCC), a firm operated by (b)(6), (b)(7)c (ATTACHMENT 3)

According to (b)(6), (b)(7)c WLIRC's time effort reports, managed by (b)(6), (b)(7)c were being signed fraudulently since the employees were claiming grant work on the reports while spending a majority of their time assisting with the private consulting businesses. (b)(6), (b)(7)c advised (b)(6), (b)(7)c to continue to fill out the reports and forced the employees to sign them regardless if they agreed with the hours listed or not. (b)(6), (b)(7)c further claimed all of (b)(6), (b)(7)c effort reports were accurate.

On January 16, 2009, (b)(6), (b)(7)c was interviewed by (b)(6), (b)(7)c a medical doctor, was formerly employed at the WLIRC from (b)(6), (b)(7)c As part of (b)(6), (b)(7)c responsibilities, (b)(6), (b)(7)c and the WLIRC CIREN team was to enter crash study medical findings in a computer system set-up by NHTSA to collect such data. However, (b)(6), (b)(7)c also entered the same data in another system named "Crash Care" which was developed by Augenstein and his own team prior to (b)(6), (b)(7)c employment at WLIRC. NHTSA was concerned the inputting of data paid through their grant into both databases could be a conflict of interest. (ATTACHMENT 4)

Augenstein was not very involved with the CIREN team; nor did he provide much input to the team. Instead, Augenstein focused in getting grant monies for UM. Augenstein also performed private legal work for attorneys regarding crashes using the data collected during the crash

REDACTED FOR DISCLOSURE

studies and inputted into Crash Care. (b)(6), (b)(7)c was not involved in that scope of work. However, other WLIRC staff were involved with Augenstein including (b)(6), (b)(7)c whom (b)(6), (b)(7)c described has having been Augenstein's (b)(6), (b)(7)c While employed by WLIRC, (b)(6), (b)(7)c also owned and operated EWS, (b)(6), (b)(7)c and several WLIRC employees worked on EWS "expert witness" matters at Augenstein's and/or (b)(6), (b)(7)c request. (b)(6), (b)(7)c clarified the expert witness work was not part of the grant, but private work for law firms. NHTSA was concerned this represented a conflict of interest, demanding the WLIRC/CIREN team give annual presentations of all the cases in the CIREN database and informing Augenstein he and his staff could no longer do any private crash expert witness work since they were concerned with conflicts of interest with the grants' crash study efforts.

(b)(6), (b)(7)c did not think there was any misappropriation or theft of items purchased under the grants. (b)(6), (b)(7)c opined the only misappropriation of grant monies were unusual salaries paid to employees; however, (b)(6), (b)(7)c did not have any specific examples of this. (b)(6), (b)(7)c also reiterated having ethical concerns regarding the expert witness work, reiterating that work was probably a conflict of interest with the government grant work.

On January 26, 2009, (b)(6), (b)(7)c interviewed (b)(6), (b)(7)c regarding (b)(6), (b)(7)c knowledge of DOD and USDOT grants awarded to the WLIRC. (b)(6), (b)(7)c with the WLIRC, (b)(6), (b)(7)c mostly collecting traffic accident data. However, (b)(6), (b)(7)c was also essentially the (b)(6), (b)(7)c for a non-UM affiliated company, EWS, which was owned by (b)(6), (b)(7)c (ATTACHMENT 5)

According to (b)(6), (b)(7)c 50 percent of (b)(6), (b)(7)c time was spent on government grant work; specifically for USDOT. The other 50 percent of (b)(6), (b)(7)c effort was spent working for EWS and CCC. The later company was owned by a (b)(6), (b)(7)c That company, just as EWS with, only existed so Augenstein could provide litigation support and expert court testimony for law firms and insurance companies.

In 2007, an audit of Augenstein's government grant work and his associations with EWS and CCC was initiated by UM IAD. (b)(6), (b)(7)c informed (b)(6), (b)(7)c that money was paid back to UM by Augenstein and (b)(6), (b)(7)c was unaware if the audit uncovered any activities by Augenstein and/or (b)(6), (b)(7)c. However, a consequence of Augenstein's actions was the cancellation of the USDOT grants since they were unhappy with Augenstein's work. Finally, (b)(6), (b)(7)c stated the government grants served as a front for Augenstein's non-UM related business dealing with (b)(6), (b)(7)c

REDACTED FOR DISCLOSURE

On February 9, 2009, (b)(6), (b)(7)c spoke to (b)(6), (b)(7)c to clarify several issues related to the investigation to-date. Namely, whether WLIRC employees were authorized to input crash study and/or injury data obtained under the cooperative agreements in a private database as long as the same data was entered in the NHTSA database. (b)(6), (b)(7)c replied CIREN data was not releasable to private entities as it was a violation of NHTSA regulations, but NHTSA was unable to prevent the WLIRC from entering the data into non-CIREN and/or NHTSA-authorized databases.

On March 20, 2009, (b)(6), (b)(7)c was interviewed by (b)(6), (b)(7)c regarding (b)(6), (b)(7)c knowledge of the CIREN cooperative agreements awarded to the WLIRC. (ATTACHMENT 6). (b)(6), (b)(7)c responsibilities included obtaining automobile crashes and interacting with various officials regarding crashes. The data obtained during the course of the WLIRC research was entered into a database called the "crash study" system. According to (b)(6), (b)(7)c the WLIRC was extremely disorganized and a "front" for the accumulation of data just for appearance sake in support and justification of government grants. The "front" was perpetuated by the use of non-experts, including the friends and family of WLIRC (b)(6), (b)(7)c Augenstein and (b)(6), (b)(7)c in the study of crash study data.

As Augenstein's (b)(6), (b)(7)c was allowed by the doctor to do anything she pleased. Additionally, Augenstein allowed (b)(6), (b)(7)c to operate EWS within the WLIRC. (b)(6), (b)(7)c claimed Augenstein and (b)(6), (b)(7)c did not do any work they were supposed to do under the NHTSA grant, but were still paid by USDOT. Despite being paid under the CIREN grant, (b)(6), (b)(7)c worked heavily on EWS tasks. (b)(6), (b)(7)c never compensated (b)(6), (b)(7)c for (b)(6), (b)(7)c for EWS work. (b)(6), (b)(7)c stated no one outside of the WLIRC "circle" knew what was going on regarding EWS and their work. In fact the time cards, known as effort reports, representing (b)(6), (b)(7)c work, typically showed grant work including under CIREN, but did not show (b)(6), (b)(7)c work for EWS, despite the fact (b)(6), (b)(7)c was so heavily committed to EWS-related activities. Further, (b)(6), (b)(7)c salary did not reflect (b)(6), (b)(7)c EWS work. One time, (b)(6), (b)(7)c challenged the (b)(6), (b)(7)c about (b)(6), (b)(7)c effort report stating (b)(6), (b)(7)c worked exclusively on EWS-related tasks, which was not reflected in that particular report. (b)(6), (b)(7)c insisted (b)(6), (b)(7)c sign the effort report as directed by (b)(6), (b)(7)c (b)(6), (b)(7)c did not sign it, someone would sign for (b)(6), (b)(7)c anyway.

Finally, prior to (b)(6), (b)(7)c to UM, USDOT terminated the CIREN grant (b)(6), (b)(7)c wondered why USDOT did not do anything to the WLIRC other than terminate the grant. Further, (b)(6), (b)(7)c did not know whether anyone committed acts of fraud at the WLIRC.

On July 13, 2009, (b)(6), (b)(7)c DCIS, met with AUSA Joan Silverstein,

USAO/SDFL, to discuss the criminal investigation against Augenstein and (b)(6), (b)(7)c In addition to the facts known-to-date by the agents, as well as the major figures in this investigation, (b)(6), (b)(7)c (b)(6), (b)(7)c highlighted the fact that USDOT criminal nexus would cease with the reaching of the statute of limitations in 2010, due to the age of the two cooperative agreements. AUSA Silverstein was concerned over regulatory oversight of the grants/CA's, what work product, if anything, was provided to the U.S. Government, and with the materiality of any false statements made to the government. The agents clarified the focus of the investigation would be the false employee hours claimed in the effort reports and falsely reported to USDOT and DOD. Finally, the agents informed AUSA Silverstein about (b)(6), (b)(7)c complaints to UM, which triggered an audit by UM IAD.

On or about September 24, 2009, the USAO/SDFL accepted the investigation for criminal prosecution.

On October 1, 2009, (b)(6), (b)(7)c interviewed (b)(6), (b)(7)c regarding (b)(6), (b)(7)c audit of UM WLIRC. Present at the interview were (b)(6), (b)(7)c (b)(6), (b)(7)c UM, Office of Vice President and General Counsel. (ATTACHMENT 7)

In August 2007, (b)(6), (b)(7)c office received an allegation that funds had been potentially diverted. The (b)(6), (b)(7)c (b)(6), (b)(7)c claimed Augenstein and (b)(6), (b)(7)c diverted funds to "expert witness" work, monies were sent to private banking accounts established by Augenstein (b)(6), (b)(7)c unnecessary charges were made against Federal grants, and people were brought in to work on the government projects but instead worked on private matters. (b)(6), (b)(7)c also complained they were coerced into signing effort reports by (b)(6), (b)(7)c Based on the complaints, (b)(6), (b)(7)c initiated the audit of the WLIRC in September 2007 with the object of performing a comprehensive review of WLIRC books and records dated 2000 to 2007 relating to Federal grants, and between 2004 and 2007 relating to concerns that Augenstein and (b)(6), (b)(7)c violated internal UM private consulting work requirements. The subjects of the internal audit were Augenstein and (b)(6), (b)(7)c. With that, WLIRC documents and computers were seized, including private bank records in the name of Augenstein, and several WLIRC personnel interviewed.

During the seizing of documents, Augenstein did not surrender all pertinent records, including those for his private business venture, Delta V, and personal bank accounts. However, through a reconstruction of the bank records, it was revealed that monies obtained by EWS were deposited

into (b)(6), (b)(7)c private account and then transferred to the Delta V account. (b)(6), (b)(7)c also recounted the invoices revealed the billing of Augenstein's and (b)(6), (b)(7)c time and effort, as well as the use of any insurance companies and/or lawyers. Payments submitted for that work were separated; some payments submitted to EWS' account; others to UM's account, all contrary to UM's regulations as only a portion of the money derived from the private contractor work went to UM instead of the entire amount.

(b)(6), (b)(7)c interjected between 2004 and 2007, Augenstein earned $400,000 for UM. However, EWS made $1.4 million. As such, it was their contention Augenstein and (b)(6), (b)(7)c diverted all of the monies obtained through EWS into private accounts and only gave a portion to the university. (b)(6), (b)(7)c estimated 90% of the university's dispute with Augenstein was this diversion. The diversion of the government grants/cooperative agreement monies was a secondary consideration. (b)(6), (b)(7)c further stated Augenstein "confessed" to the diversion of the government monies.

UM IAD also attempted to ascertain the amount by percentage of private expert witness work that was accomplished by the WLIRC staff by reviewing the employee's time and attempted to ascertain what percentage of work was reasonably private expert witness work, as opposed to work applicable to the federal grants. Through the assistance of Augenstein, it was estimated approximately 15% of the time, applicable under the federal grants but spent during private expert witness work, was reimbursed to the government. The reimbursement amount was approximately $250,000 which was paid in the form of checks to USDOT and DOD. (b)(6), (b)(7)c stated (b)(6), (b)(7)c findings substantiated (b)(6), (b)(7)c complaint.

On October 20, 2009, (b)(6), (b)(7)c met with AUSAs Silverstein and James A. Weinkle, USAO, Civil Division, to discuss the investigation to-date against UM WLIRC. AUSA Weinkle was present to determine whether his office could pursue a parallel civil proceeding against UM. The facts of the investigation were outlined, including the results of the interview of (b)(6), (b)(7)c which uncovered the admission by UM that Augenstein diverted federal funds and monies that should have gone straight to the university into private funds after doing contract expert witness work. Both AUSAs replied they needed additional information in order to successfully prosecute this matter such as determining the amount of money the government could have saved if this fraud was proffered by UM as it was uncovered.

On October 23, 2009, (b)(6), (b)(7)c interviewed (b)(6), (b)(7)c (b)(6), (b)(7)c regarding payments made to the U.S. Government subsequent to an audit of UM

WLIRC. Present at the interview were (b)(6), (b)(7)c (ATTACHMENT 8)

(b)(6), (b)(7)c stated (b)(6), (b)(7)c first became aware of WLIRC's problems on about December 2007 after (b)(6), (b)(7)c informed (b)(6), (b)(7)c was undertaking an internal audit review of several Federal grants after receiving complaints against Augenstein. After the end of the internal audit, on or about the end of May 2008, (b)(6), (b)(7)c informed (b)(6), (b)(7)c money needed to be returned to the government. The refunded monies, continued, reflected direct charge disallowances. Monies due open U.S. Army grants were refunded back to the grant; monies due the closed USA and USDOT were reimbursed in the form of checks. To facilitate getting the monies back to the respective federal agencies, (b)(6), (b)(7)c contacted (b)(6), (b)(7)c from USDOT on June 10, 2008 and (b)(6), (b)(7)c USA counterpart. Finally, (b)(6), (b)(7)c stated on August 5, 2008, a check in the amount of $147,053 was issued to the USDOT for the cost disallowance.

On October 26, 2009, (b)(6), (b)(7)c contacted (b)(6), (b)(7)c USDOT/NHTSA, Grants Policy Division, Office of the Senior Procurement Executive, Washington, D.C., regarding (b)(6), (b)(7)c knowledge of a payment made for reimbursement of NHTSA cooperative agreement "cost disallowances" by UM. (b)(6), (b)(7)c confirmed there were three UM entries in (b)(6), (b)(7)c system, representing three different contracts. (b)(6), (b)(7)c could not recall any further details of (b)(6), (b)(7)c communication with UM.

On February 10, 2010, AUSA Silverstein declined the criminal prosecution of Augenstein and fellow co-conspirators, (b)(5) (b)(5) Augenstein's (b)(5), (b)(6) (b)(5), (b)(6)

On February 10, 2010, AUSA Weinkle accepted the investigation for civil prosecution.

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

On November 1, 2011, (b)(6), (b)(7)c spoke to (b)(6), (b)(7)c regarding the status of the records review. (b)(6), (b)(7)c stated (b)(6), (b)(7)c uncovered documents showing an aggregate amount of approximately $900,000, which was considered a mischarge to the various grantors which included the DOD and USDOT. The documents also revealed the university attempted to protect its reputation.

During the week of December 14, 2011, (b)(6), (b)(7)c reviewed select subpoenaed documents provided by (b)(6), (b)(7)c The documents revealed between 2001 and 2008, seven WLIRC employees' time were allocated to the NHTSA grant, that were in fact spent on private consultation work for EWS. Six of those employees' estimated percentages of work performed on EWS activities instead of grant work between 10 and 90 percent. The average was between 10 and 25 percent. Using a computation formula which included the percentage of EWS work performed out of each WLIRC's employee annual salary and composite fringe benefit, the IAD figured the disallowed cost was $147,053 which was reimbursed to the "DOT NHTSA" via a UM check, number 746131 on August 1, 2008. The check was deposited on or about September 11, 2008. An e-mail was submitted to (b)(6), (b)(7)c prior to the issuance of the check, on June 18, 2008, informing (b)(6), (b)(7)c of the pending reimbursement. (ATTACHMENT 9)

(b)(6), (b)(7)c record review lastly revealed UM sought to protect at least its reputation and/or safeguard itself from a federal audit. In one e-mail from (b)(6), (b)(7)c (b)(6), (b)(7)c dated April 14, 2008 (b)(6), (b)(7)c stamped "WLCIF-018633," (b)(6), (b)(7)c stated (b)(6), (b)(7)c was attempting "to do what is the right thing to do in order to keep the Feds happy. Just in case they come in to audit the situation, etc., or the matter hits the press." Within that e-mail chain, (b)(6), (b)(7)c admitted the situation kept deteriorating, fearing UM might have had to file fraud charges against Augenstein.

On a document titled "Dr. Augenstein matter-2/26/08 INPUT," (b)(6), (b)(7)c stamped "WLCIF-018644," the drafter of this document stated "diverting," "embezzlement," "fraudulent use of University resources" whether charged to the UM or Federal grant, and "mail/wire fraud" where criminal acts. The documents added Augenstein has sought criminal counsel representation, and EWS was "in essence, a shell corporation." The last page of this document, (b)(6), (b)(7)c stamped "WLCIF-018646," stated this matter was similar to a criminal fraud scheme perpetrated by and resulting prosecution against Dr. Lionel Resnick in 1996 for mail and wire fraud.

Based on the aforementioned findings, a determination was made by DOT/OIG that the investigation warranted further review between the investigating agencies with possibility of the

matter being brought back to the attention of AUSA Silverstein for criminal prosecution consideration.

On January 11, 2012, (b)(6), (b)(7)c, USA/CIDC, Melbourne, FL met to discuss the information revealed during the documents review. The investigators decided the best way to pursue criminal fraud charges against Augenstein and co-conspirators lay with the false statements made on the WLIRC effort reports and subsequent presentation of the false statements to the government by UM and/or WLIRC.

On January 13, 2012, (b)(6), (b)(7)c spoke to (b)(6), (b)(7)c regarding the status of a request for information regarding future requests for funds under the CIREN program by UM. According to (b)(6), (b)(7)c UM was not considered as a serious applicant for CIREN funds. The awards were made on June 2010. (b)(6), (b)(7)c stated UM was not selected as one of the eight applicants because of NHTSA's belief the WLIRC was still doing "expert witness" work on the side.

In February 12, 2012, (b)(6), (b)(7)c reviewed documents, including effort reports, from the WLIRC. Those documents originated from several hard drives obtained from UM through the DOD IG subpoena. The review did not reveal any significant discrepancies in the effort reports. Of note was that the only available effort reports were from Augenstein and (b)(6), (b)(7)c (b)(6), (b)(7)c.

On February 14, 2012, (b)(6), (b)(7)c informed (b)(6), (b)(7)c via e-mail of the death of Augenstein on or about February 11, 2012 in Los Angeles, California. (ATTACHMENT 10)

On March 9, 2012, (b)(6), (b)(7)c met with AUSA Weinkle to discuss the civil investigation against Augenstein and co-conspirators. The participants discussed the documents uncovered by (b)(6), (b)(7)c including the document titled "Dr. Augenstein matter-2/26/08 INPUT." AUSA Weinkle reviewed the documents showing the percentages of effort by WLIRC employees that were determined by UM as disallowed costs and used as the basis to reimburse the government. (b)(6), (b)(7)c stated it would be difficult to accurately assess those percentages as a loss to the government or to UM, as it appeared UM was defrauded by Augenstein; a position shared by UM.

(b)(5)
(b)(5) AUSA Weinkle declined civil prosecution of this matter.

On March 9, 2012, (b)(6), (b)(7)c met with complainant (b)(6), (b)(7)c to inform (b)(6), (b)(7)c of closure of the investigation. The agents explained the cessation of the investigation was primarily due to the reimbursement of monies to USDOT and DOD; secondarily due to the death of Augenstein. (b)(6), (b)(7)c objected to the decision citing (b)(6), (b)(7)c expectation that the government would help (b)(6), (b)(7)c regain (b)(6), (b)(7)c and/or recoup pay and benefits loss after (b)(6), (b)(7)c (b)(6), (b)(7)c The agents explained that a successful investigation and prosecution of Augenstein and/or any of his co-conspirators would not have guaranteed (b)(6), (b)(7)c job back or any restitution.

The investigation is closed.

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U.S. Department of Transportation
Office of the Secretary of Transportation

Office of Inspector General
Washington, DC 20590

April 17, 2012

(b)(6), (b)(7)c
c/o (b)(6), (b)(7)c
Tully Rinckey, P.L.L.C.
1800 K Street NW, Suite 1030
Washington, DC 20006

Re: OIG Case No. I12Z001SINV

Dear (b)(6), (b)(7)c:

Thank you for the opportunity to address your October 21, 2011, complaint. In it, you allege that officials from the Centech Group violated section 1553(a) of the American Recovery and Reinvestment Act of 2009 (ARRA) by discharging you from your (b)(6), (b)(7)c position for making ARRA-protected disclosures. As (b)(6), (b)(7)c, you oversaw a contract for information technology services with the National Highway Traffic Safety Administration (NHTSA).

ARRA section 1553(a) protects disclosures of information related to ARRA covered-funds. According to your complaint, NHTSA used ARRA funds to, in whole or in part: (1) pay Centech Group employees; (2) pay Centech Group subcontractor, PhaseOne Consulting Group; (3) operate agency websites, including www.cars.gov; (4) purchase information technology products and services; and (5) provide agency information technology services. During our investigation, however, we learned that NHTSA has not received any ARRA funds. Therefore, your disclosures could not have related to ARRA-covered funds. As such, we will no longer investigate your claim under ARRA of whistleblower retaliation by the Centech Group.

Thank you for providing us the opportunity to review this matter. If you have any questions, please contact me at (b)(6), (b)(7)c.

Sincerely,

Ronald C. Engler

Ronald C. Engler
Director, Special Investigations

REDACTED FOR DISCLOSURE

cc: (b)(6), (b)(7)c The Centech Group
c/o (b)(6), (b)(7)c Seyfarth Shaw L.L.P.

REPORT OF INVESTIGATION	**INVESTIGATION NUMBER** I11E002CCU	**DATE** July 25, 2012
TITLE (b)(6), (b)(7)c National Highway Traffic Safety Administration 1200 New Jersey Ave., SE, Washington, DC 20591	**PREPARED BY SPECIAL AGENT / INVESTIGATOR** SA (b)(6), (b)(7)c	**STATUS** Final
	DISTRIBUTION JI-2 NHTSA	(b)(6), (b)(7)c 1/8 **APPROVED BY** (b)(6), (b)(7)c

SUMMARY:

This investigation was based on a project to identify U.S. Department of Transportation (DOT) employees and contractor employees who may be using DOT computers and network resources to access and download child pornography (CP) from the Internet. The Office of Inspector General (OIG) reviewed DOT Internet logs and identified an IP address assigned to (b)(6), (b)(7)c National Highway Traffic Safety Administration (NHTSA), DOT Headquarters, 1200 New Jersey Ave., SE, Washington, DC 20591, that was accessing the Internet and searching for terms indicative of CP.

DOT-OIG's examination of (b)(6), (b)(7)c DOT-issued laptop computer identified pornographic images, to include obscene visual representations of sexual abuse of children (specifically, images of a cartoon nature) and numerous Internet searches indicative of an individual looking for pornographic material, specifically material depicting minors.

DOT-OIG monitored (b)(6), (b)(7)c DOT workstation for over a month recording (b)(6), (b)(7)c online activities and capturing screen shots of (b)(6), (b)(7)c desktop display at the time keywords were typed into the web browser. The screen shots included searches for “hentai loli,” “dancing girls,” “lesbian loli,” “hentai my little pony,” “hentai beautiful twins,” and “hentai blood.”

During an interview with DOT-OIG agents, (b)(6), (b)(7)c admitted to searching for and viewing cartoon images that (b)(6), (b)(7)c described as "inappropriate" while at work and on (b)(6), (b)(7)c DOT-issued computer. (b)(6), (b)(7)c provided a written statement detailing (b)(6), (b)(7)c Internet activities at work.

The DOT-OIG conducted a sample time analysis for the month of December 2010 and concluded (b)(6), (b)(7)c spent approximately 22 hours (avg. 37 min/day) actively searching out online content. By multiplying the value of approximately 22 hours/month by 12 months, the figure for time spent by (b)(6), (b)(7)c per year actively searching online content is approximately 264 hours/year (11 days).

The DOT-OIG coordinated with a Department of Justice (DOJ) Trial Attorney with the District of Columbia, who declined the case for prosecution as there were no chargeable CP images.

IDENTIFICATION:

The following is identifying information regarding the subject of investigation:

Name:	(b)(6), (b)(7)c
Home Address:	(b)(6), (b)(7)c
Grade:	(b)(6), (b)(7)c
Date of Birth:	(b)(6), (b)(7)c
SSN:	(b)(6), (b)(7)c
Current Title/Post of Duty:	(b)(6), (b)(7)c National Highway Traffic Safety Administration, Department of Transportation Headquarters 1200 New Jersey Ave, SE Washington, DC 20591
Criminal History:	None

BACKGROUND:

In late January 2011, DOT-OIG initiated an investigation to identify DOT employees and contractors who may be using DOT computers and network resources to access and/or download CP from the Internet. DOT-OIG obtained a copy of Bluecoat[1] logs covering the previous 12 months, and analysis of the logs identified an IP address at DOT headquarters as having a large number of "hits" (in the thousands) for Internet searches of terms indicative of CP (Attachments 1 and 2). The IP address was assigned to (b)(6), (b)(7)c DOT-issued computer. DOT-OIG conducted an analysis of (b)(6), (b)(7)c DOT-issued computer and found evidence that supported the results of the Bluecoat log analysis.

The possession, distribution, and/or receipt of child pornography constitutes a federal crime in violation of 18 USC § 2252 (Certain activities relating to material involving the sexual exploitation of minors) and/or 18 USC § 1466A (obscene visual representations of the sexual abuse of children). This activity is also in violation of Standards of Ethical Conduct for Federal Employees codified under 5 C.F.R § 2635.704, Use of Government Property.

All DOT federal employees, contractors, and other personnel who are provided access to DOT information or to DOT information systems are required to acknowledge the DOT Rules of Behavior annually. This is done either through the DOT online training management systems (TMS) for employees, or the DOT Security Awareness Training (SAT) application for its contractors. Section 4(d), Use of Government Office Equipment, DOT Order 1351.37, Departmental Cyber Security Compendium, Appendix E, DOT Rules of Behavior (Attachment 3), specifically addresses the use of government equipment.

> *4. Use of Government Office Equipment, (d) I understand that the viewing of pornographic or other offensive or graphic content is strictly prohibited on DOT furnished equipment and networks, unless explicitly approved by Secretarial Office Head or Component Administrator in order to support official duties.*

[1] A network device that maintains a log of websites visited by computers connected to the DOT network.

DETAILS:

Review of (b)(6), (b)(7)c *DOT-issued laptop computer*

On March 14, 2012, the OIG's Computer Crimes Unit (CCU) began analysis of a forensic image[2] of the hard disk drive (HDD) on (b)(6), (b)(7)c DOT-issued laptop computer. Analysis of all allocated[3] images located on the HDD did not identify sexually explicit images any kind.

Analysis of the unallocated space[4], Hiberfil.sys[5] and Pagefile.sys[6] on the HDD identified sexually explicit images to include obscene visual representations of sexual abuse of children (specifically, images of a cartoon nature) . This analysis involved carving out files with a .JPG file header from unallocated space using Foremost[7]. Carving is a process of locating a deleted file, either in its entirety or through fragments, by searching for its unique file header[8] and following the data string. The data carve resulted in the identification of approximately 4,833 image files, including 1,340 pornographic image files of which 310 of these files appeared to contain obscene visual representations of sexual abuse of children (cartoon in nature). Due to the explicit nature of these images, they were not included in this report but will be made available to authorized personnel upon request. No other relevant data was found. (Attachment 4)

Review of the System Registry determined that (b)(6), (b)(7)c was using Mozilla Firefox with (b)(6), (b)(7)c browser set to delete browsing history when closed. (b)(6), (b)(7)c confirmed these settings during an interview.

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[2] Files that contain the data from the source media that can be restored to other media in such a manner that the bit-by-bit order on the source drive is the same as the restored drive.

[3] Allocated files are those files the file system sees as active, non-deleted files and currently referred to by the file system.

[4] Space on media that is not currently referred to by the file system. If this area has been previously used, and not "wiped," it will contain remnants from that prior use. Deleted files are one type of unallocated space.

[5] Source: http://www.forensicswiki.org/wiki/Hiberfil.sys

Hiberfil.sys is the file used by default by Microsoft Windows to save the machine's state as part of the hibernation process. The operating system also keeps an open file handle to this file, so no user, including the Administrator, can read the file while the system is running.

[6] Source: http://searchcio-midmarket.techtarget.com/sDefinition/0,,sid183_gci214300,00.html

In storage, a pagefile is a reserved portion of a hard disk that is used as an extension of random access memory (RAM) for data in RAM that hasn't been used recently. A pagefile can be read from the hard disk as one contiguous chunk of data and thus faster than re-reading data from many different original locations. Windows NT administrators or users can reset the system-provided default size value of the pagefile to meet their particular needs.

[7] Source: http://foremost.sourceforge.net/

Foremost is a console program to recover files based on their headers, footers, and internal data structures.

[8] A unit of information that precedes data. In file management, a header is a region at the beginning of the file that may contain information such as date created and size and type of file.

A review of (b)(6), (b)(7)c Firefox user account profile "k7y57azc.default" provided investigators with a list of search terms used by (b)(6), (b)(7)c in the conduct of this alleged web activity, to include: "hentai," "hentai + mother + daughter + dog," "hentai + anal + balls," and "hentai + anal + animal." (Attachment 5)

Monitor of (b)(6), (b)(7)c *DOT-issued Computer*

On August 4, 2011, the DOT-OIG (b)(6), (b)(7)c, (b)(7)e (b)(7)e (b)(6), (b)(7)c, (b)(7)e (b)(7)a The screen shots included searches for "hentai loli," "dancing girls," "lesbian loli," "hentai my little pony," "hentai beautiful twins," and "hentai blood." Due to the explicit nature of the images contained in these screen shots, they were not included in this report, but will be made available to authorized personnel upon request. (b)(7)e included the following terms:

- *beautiful twinsstella white nights*
- *drawings lesbian*
- *nami nico closeuhardpuffy*
- *abby winters bdsm*
- *broken hymenfuta growing penishentai*
- *puffy nipplesphoto*
- *longhentai*
- *virginembarrassedmilton twinsblood*
- *fishnet stockings*
- *clitoris*
- *my hentai dog and showlady and the tramp*
- *little lesbian loli*
- *hentai loli*
- *leslita*
- *luckiest peemmahentai*

All monitoring activities ceased as of September 15, 2011, and the monitoring software was removed on September 27, 2011.

Sample Time Analysis

The DOT-OIG conducted a time analysis for the month of December 2010 to determine how much time (b)(6), (b)(7)c spent searching and viewing pornographic and other offensive material on the Internet while at work with DOT. The analysis was based on time data provided within the Bluecoat logs. Specifically, the Bluecoat logs capture how long it takes to idenfity and produce web content after a user enters a search string. DOT-OIG concluded (b)(6), (b)(7)c spent approximately 22 hours (avg. 37 min/day) actively searching out online content. By multiplying the value of approximately 22 hours/month by 12 months, the figure for time spent by (b)(6), (b)(7)c per year actively searching online content is approximately 264 hours/year (11 days). This calculation is based on a combination of the DOT-OIG's time analysis and (b)(6), (b)(7)c admissions during his interview with DOT-OIG agents. This calculation does not take into account how much time (b)(6), (b)(7)c may have spent actually viewing the online content.

Interview of (b)(6), (b)(7)c 11(6), (b)(7)c 2011

On November (b)(6), (b)(7)c 2011, DOT-OIG agents interviewed (b)(6), (b)(7)c (b)(6), (b)(7)c regarding allegations of possible criminal conduct which included searching for and accessing CP. During this interview, (b)(6), (b)(7)c admitted to using (b)(6), (b)(7)c DOT-issued laptop computer at work to search for sexually explicit material using Firefox web browser and Google Images. (Attachment 7) (b)(6), (b)(7)c consented to a search of (b)(6), (b)(7)c desktop computer. No relevant data was found on the HHD. (Attachment 8)

Interview of (b)(6), (b)(7)c 11(6), (b)(7)c 2011

On November (b)(6), (b)(7)c 2011, DOT-OIG agents interviewed (b)(6), (b)(7)c at DOT headquarters (HQ), 1200 New Jersey Ave., SE, Washington, DC 20591 (Attachment 9). (b)(6), (b)(7)c was asked if (b)(6), (b)(7)c was willing to provide a sworn, written statement (Attachment 10) regarding (b)(6), (b)(7)c online activities, and (b)(6), (b)(7)c agreed. In (b)(6), (b)(7)c written statement, (b)(6), (b)(7)c admitted to using (b)(6), (b)(7)c work computers, over a six or seven year period, to search for sexually explicit material and to play games while at work. (b)(6), (b)(7)c explained that in the past two years (b)(6), (b)(7)c has been conducting Google Image searches for terms like “hentai,” “futanari,” and “loli.” (b)(6), (b)(7)c added that (b)(6), (b)(7)c searches were for cartoon representations and not for pornography involving actual children. (b)(6), (b)(7)c admitted (b)(6), (b)(7)c understood (b)(6), (b)(7)c behavior was wrong and (b)(6), (b)(7)c would periodically discontinue (b)(6), (b)(7)c activities and then start up again.

DOJ referral

On January 10, 2012, CCA (b)(6), (b)(7)c briefed USDOJ Trial Attorney (b)(6), (b)(7)c on the status of the case and results of the investigation. (b)(5) (b)(5)

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U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I10G0000700500	09/05/2012
TITLE	PREPARED BY SPECIAL AGENT	STATUS
(b)(6), (b)(7)c Kansas Hispanic & Latino American Affairs Council Topeka, KS	(b)(6), (b)(7)c	Final
	DISTRIBUTION	(b)(6), (b)(7)c 1/7
18 USC 666 - Theft from Programs Receiving Federal Funds	JRI-5	APPROVED MTM

SYNOPSIS

This case was opened based upon a referral from the Kansas Bureau of Investigation (KBI) and KBI's inquiry into a National Highway Transportation Safety Administration (NHTSA) grant program that funded an initiative of approximately $180,000 to educate people on racial profiling through the Highway Safety Office and the Governor's Office. Over a 14 month period, approximately $142,000 in grant funds were spent. The Governor's auditors uncovered approximately $30,000 in questionable expenses that included developing a website that they could not find. (b)(6), (b)(7)c (b)(6), (b)(7)c Kansas Hispanic and Latino American Affairs Commission (KLHAAC), was responsible for the administration of the grant funds. (b)(6), (b)(7)c (b)(6), (b)(7)c for actions related to the administration of the grant. The KBI shared the information with the FBI who opened a public corruption case.

DETAILS

On approximately May (b)(6), (b)(7)c 2008, KDOT approved a federal grant to (b)(6), (b)(7)c (b)(6), (b)(7)c the Kansas African American Affairs Commission (KAAAC), who represented the Governor's Task Force on Racial Profiling (GTFRP). The grant was for $22,175 to cover the time period of July 1, 2008, to September 30, 2008, and $159,800 to cover the time period of October 1, 2008, to September 30, 2009, totaling $181,975 (Attachment 1). Included in the

document was the budget along with the contractual agreement pertaining to the project.

On approximately November 23, 2009, (b)(6), (b)(7)c of the KHLAAC who replaced (b)(6), (b)(7)c contacted (b)(6), (b)(7)c (b)(6), (b)(7)c Inspector General for KDOT, to report a possible occurrence of waste, fraud, and abuse associated with the racial profiling grant. The KDOT Inspector General conducted an internal audit of the program and discovered many questionable and unallowable expenditures charged to the grant (Attachment 2).

An external audit was conducted on the program by the Certified Public Accounting firm of Allen, Gibbs, & Houlik, L.C. (AGH). In a letter to the Kansas Bureau of Investigation (KBI), dated April 2, 2010, AGH presented the results of the audit indicating possible occurrences of waste, fraud, and abuse reported to KDOT. AGH provided their findings and in summary they determined there were approximately $6,000 in unallowable expenditures and approximately $56,000 in questionable expenditures charged to the grant (Attachment 3). KBI initiated an investigation and contacted the Federal Bureau of Investigation (FBI) and the DOT-OIG to collaborate on the investigation.

Initially the following people were under suspicion for their roles in the improper administering of the grant money:

- (b)(6), (b)(7)c for the KHLAAC
- (b)(6), (b)(7)c for the KAAAC
- (b)(6), (b)(7)c for the KAAAC
- (b)(6), (b)(7)c for the GTFRP

The following people were under suspicion for improperly receiving grant money:

- (b)(6), (b)(7)c of Morris Media
- (b)(6), (b)(7)c of Polar Media
- (b)(6), (b)(7)c of Wedding's Etc.

During the course of the investigation several witnesses and subjects were interviewed. It was determined that although the GTFRP was responsible for the

grant, the KAAAC, through (b)(6), (b)(7)c and the KHLAAC, through (b)(6), (b)(7)c were delegated with the actual running and oversight of the program. Although was actually employed by the Governor's office, (b)(6), (b)(7)c reported to (b)(6), (b)(7)c (b)(6), (b)(7)c. There was little to no close supervision of (b)(6), (b)(7)c and (b)(6), (b)(7)c practically had free reign to make changes and push through vouchers even though (b)(6), (b)(7)c had no signatory authority (Attachments 4-18).

In an effort to promote minority and female owned business participation, (b)(6), (b)(7)c (b)(6), (b)(7)c was given a sole source contract to do the original work on the website. However, in approximately March 2009, (b)(6), (b)(7)c removed (b)(6), (b)(7)c from doing any further work on the website stating unsatisfactory work as the reason. Subsequently, (b)(6), (b)(7)c of Polar Media, and (b)(6), (b)(7)c of Morris Media, to do work on the website. Both (b)(6), (b)(7)c were friends of (b)(6), (b)(7)c and there was no indication that either of them had any justifiable experience in web design nor was there any documentation to support that the work was competitively bid out or sole source contracts given. There was supporting documentation that suggested (b)(6), (b)(7)c knew that $2,000 was the threshold for having vendors to submit competitive bids (Attachment 19). Eventually, both businesses' federal employer identification numbers (FEINs) were added to the state's vendors list (Attachments 20-21). However, subsequent verification inquiries of those FEINs revealed that neither of them were valid (Attachments 22-23).

Around the time period when (b)(6), (b)(7)c were hired, KDOT (b)(6), (b)(7)c (b)(6), (b)(7)c began to make e-mail inquiries to (b)(6), (b)(7)c about the validity of some of the vouchers that came across (b)(6), (b)(7)c desk, to which (b)(6), (b)(7)c would provide (b)(6), (b)(7)c rationale (Attachments 24-27). Also during this time period, (b)(6), (b)(7)c would occasionally inquire about and personally pick up the payment checks for (b)(6), (b)(7)c (b)(6), (b)(7)c (Attachments 28-30).

The original budgeted amount for website design and maintenance was $1,000 per fiscal year for a total of $2,000. Between March 11, 2009, and November 6, 2009, (b)(6), (b)(7)c submitted 16 invoices totaling $20,710 to the GTFRP for payment of website services. None of (b)(6), (b)(7)c individual invoices totaled more than $1,540 (Attachment 31). Between June 10, 2009, and November 5, 2009, (b)(6), (b)(7)c submitted 12 invoices totaling $15,700 to the GTFRP for payment of services. None of (b)(6), (b)(7)c individual invoices totaled more than $1,500 (Attachment 32).

(b)(6), (b)(7)c stated that (b)(6), (b)(7)c performed the initial website set-up work; therefore, neither (b)(6), (b)(7)c would have had access to it to be able to do any website related work on it.

The GTFRP was deactivated from approximately the spring of 2009 to approximately October 2009 and did not meet during that time. Therefore, there should not have been any significant work or expenditures being charged to the grant during that time period.

The findings of the investigation were reported to the U.S. Attorney's Office, District of Kansas, including KDOT's administrative actions. The administrative actions included the (b)(6), (b)(7)c and KDOT's implementation of a new financial management system. The system provided improved oversight and tracking mechanisms for all fiscal actions. (b)(5), (b)(7)c (b)(5), (b)(7)c the U.S. Attorney's Office declined federal prosecution (Attachments 33 – 34).

Due to the declination, there will be no further investigation into this matter and this investigation is closed.

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OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I11Z0010900	DATE 10/4/12
TITLE Pinole-Rodeo Auto Wreckers Rodeo, CA 18 U.S.C. §§ 1018 and 2- Aiding and Abetting the Making and Delivery of a False Certificate	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c (b)(6), (b)(7)c DISTRIBUTION JRI-9 (1) NHTSA (1)	STATUS Final 1/7 APPROVED HWS

SYNOPSIS

This case was predicated upon a referral from the California Highway Patrol (CHP). The U.S. Department of Transportation (DOT), Office of Inspector General (OIG), received information from CHP in December 2010 indicating that an individual named (b)(6), (b)(7)c was trying to export two trade-in vehicles (aka cash-for-clunkers) to Nigeria by using a shipping company named Trans-Freight Express (TFE) in Alameda, CA. CHP received information from U.S. Customs that TFE was suspicious about two vehicles they had received from (b)(6), (b)(7)c for exportation. CHP ran the identification information on both vehicles and found out that both vehicles were trade-ins from the DOT, National Highway Traffic Safety Administration (NHTSA) Car Allowance Rebate System program (aka Cash-for-Clunkers program). CHP found out from NHTSA that Pinole-Rodeo Auto Wreckers, Inc. (Auto Wreckers), located at 700 Parker Avenue, Rodeo, CA 94572, was the automobile disposal facility that was responsible for destroying the two cash-for-clunkers. It was alleged that Auto Wreckers was representing to car dealerships and NHTSA that cash-for-clunkers were being destroyed; when in fact, they were being sold and exported out of the country.

During the course of the investigation, numerous interviews were conducted and evidence was collected. On March 24, 2011, two federal search warrants were executed on the premises of Auto Wreckers and TFE. On May 29, 2012, a Criminal Information was filed in U.S. District Court, Northern District of California, Oakland, CA, charging James F. Taylor, owner of Auto Wreckers, with one misdemeanor count, in violation of 18 U.S.C. §§ 1018 and 2- Aiding and Abetting the Making and Delivery of a False Certificate.

As a result of the investigation, on June 8, 2012, Taylor pled guilty to the charge. On September 25, 2012, Taylor was sentenced in U.S. District Court, Northern District of California, by Honorable Judge Kandis A. Westmore to one year probation. He was also ordered by the Court to pay a fine of $3,500 and a special assessment of $25.

This was a multi-agency investigation with CHP, State of California, Department of Motor Vehicles (DMV) and the OIG.

IDENTIFICATION

Name of Defendant:	James Franklin Taylor
Business Address:	700 Parker Avenue Rodeo, California 94572
DOB:	09/01/1945
Position:	Owner

BACKGROUND

NHTSA is an agency within DOT that administered the Cash-for-Clunkers program. On June 24, 2009, President Barack Obama signed the Consumer Assistance to Recycle and Save ("CARS") Act of 2009. The Act directed the Secretary of Transportation, acting through the NHTSA, to establish and administer a program in which owners of vehicles meeting statutorily specified criteria could receive a monetary credit or rebate for trading in a vehicle and purchasing or leasing a new, more fuel-efficient vehicle. The rebate was either $3,500 or $4,500 depending upon the improved fuel efficiency of the new vehicle. The CARS program was to reduce the emission of greenhouse gases by taking older, less fuel-efficient cars off of the street. The CARS program started in July 2009 and lasted to approximately August 24, 2009.

DETAILS

On December 17, 2010, the case was referred to the U.S. Attorney's Office (USAO), Criminal Division, Northern District of California, Oakland, CA, for prosecution. The case was accepted by the USAO and assigned to Assistant United States Attorney (AUSA) Keslie Stewart. (Attachment 1)

On December 29, 2010, (b)(6), (b)(7)c was interviewed regarding (b)(6), (b)(7)c knowledge about Auto Wreckers. (b)(6), (b)(7)c found out through an audit that Auto Wreckers picked up approximately 295 vehicles from four car dealerships in Northern California. (b)(6), (b)(7)c also found that Auto Wreckers had only entered about 20 cash-for-clunkers into the National Motor Vehicle Title Information System (NMVTIS). (b)(6), (b)(7)c stated NMVTIS was a U.S. Department of Justice database that NHTSA accessed to make sure disposal facilities reported the status information on the trade-in vehicles. On June 10, 2010, (b)(6), (b)(7)c conducted a compliance audit at Auto Wreckers. At that time, Taylor stated to (b)(6), (b)(7)c that all of the cash-for-clunkers at his facility were crushed. (Attachment 2)

On February 7, 2011, (b)(6), (b)(7)c TFE, was interviewed regarding the two cash-for-clunkers had at facility (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c conducted business with (b)(6), (b)(7)c since approximately October 2009. (b)(6), (b)(7)c dropped off two vehicles at TFE on January 21, 2010, to have exported to Nigeria. The two vehicles were a 2002 Isuzu Rodeo and a 2000 Jeep Grand Cherokee. (b)(6), (b)(7)c never exported the two vehicles out of the country for (b)(6), (b)(7)c (b)(6), (b)(7)c thought (b)(6), (b)(7)c mentioned to (b)(6), (b)(7)c (b)(6), (b)(7)c that got the two vehicles from the Cash-for-Clunkers program. (b)(6), (b)(7)c got suspicious about the two vehicles and notified U.S. Customs. (Attachment 3)

On February 10, 2011, (b)(6), (b)(7)c Auto Wreckers, was interviewed about the two cash-for-clunkers was trying to export to Nigeria. (b)(6), (b)(7)c (b)(6), (b)(7)c of the 2002 Isuzu Rodeo and 2000 Jeep Grand Cherokee. (b)(6), (b)(7)c bought the two cash-for-clunkers from Auto Wreckers in approximately early 2010. Besides these two cash-for-clunkers, (b)(6), (b)(7)c also purchased two more cash-for-clunkers (2001 Acura MDX and 1997 Toyota Tacoma pickup truck) from Auto Wreckers. (b)(6), (b)(7)c admitted that all four vehicles (b)(6), (b)(7)c purchased from Auto Wreckers were from the Cash-for-Clunkers program. (b)(6), (b)(7)c knew they were from the Cash-for-Clunkers program and paid approximately $800 apiece for each of the vehicles. Taylor told (b)(6), (b)(7)c that (b)(6), (b)(7)c had vehicles available and to go to (b)(6), (b)(7)c Chevrolet in Richmond, CA, to take a look at the cash-for-clunkers. (Attachment 4)

On March 24, 2011, James F. Taylor, owner of Auto Wreckers, was interviewed regarding the cash-for-clunkers he sold to (b)(6), (b)(7)c Taylor stated he did participate in the Cash-for-Clunkers program. (b)(6), (b)(7)c who worked at Auto Wreckers as the (b)(6), (b)(7)c Under Taylor's direction, (b)(6), (b)(7)c entered the disposal information of all the cash-for-clunkers in NMVTIS as crushed. Taylor said it was his responsibility to make sure the cash-for-clunkers were crushed, not (b)(6), (b)(7)c Taylor admitted to selling some of the cash-for-clunkers as auto parts. He also admitted to selling two of the cash-for-clunkers to (b)(6), (b)(7)c Taylor sold the two cash-for-clunkers for approximately $600-$800 apiece. He believed that (b)(6), (b)(7)c wrote him a personal check for the two vehicles. After Taylor reviewed photographs of four cash-for-clunkers, he identified a 2002 Isuzu Rodeo and a 2000 Jeep Grand Cherokee as being the two vehicles he sold to (b)(6), (b)(7)c However, Taylor alleged that the other two cash-for-clunkers (2001 Acura MDX and 1997 Toyota Tacoma pickup truck) were taken out of (b)(6), (b)(7)c Chevrolet lot in Richmond, CA, by (b)(6), (b)(7)c without Taylor's knowledge. (Attachment 5)

During the search warrant at Auto Wreckers on March 24, 2011, the OIG identified 16 cash-for-clunker vehicles at Auto Wreckers and two cash-for-clunkers (2002 Isuzu Rodeo and 2000 Jeep Grand Cherokee) that were seized at TFE. According to NMVTIS records, the 18 cash-for-clunkers were reported crushed. On March 31, 2011, the OIG observed 16 of the cash-for-

clunkers being crushed at Auto Wreckers. The 2002 Isuzu Rodeo and 2000 Jeep Grand Cherokee were seized as evidence. (Attachment 6)

On April 12, 2011, (b)(6), (b)(7)c of the 1997 Toyota Tacoma pickup truck, was interviewed regarding the cash-for-clunker (b)(6), (b)(7)c purchased with (b)(6), (b)(7)c. (b)(6), (b)(7)c purchased the truck with (b)(6), (b)(7)c from (b)(6), (b)(7)c for $1,400. (b)(6), (b)(7)c gave (b)(6), (b)(7)c $500 cash to give to (b)(6), (b)(7)c for the down payment on the truck. (b)(6), (b)(7)c (b)(6), (b)(7)c stilled owed (b)(6), (b)(7)c $900. (b)(6), (b)(7)c believed that they purchased the truck in approximately January or February 2010. (b)(6), (b)(7)c never paid (b)(6), (b)(7)c the $900 because (b)(6), (b)(7)c never provided (b)(6), (b)(7)c with the correct title paperwork for the truck. When (b)(6), (b)(7)c tried to get the truck registered at the DMV, DMV rejected the registration. (b)(6), (b)(7)c provided DMV with the wrong Vehicle Identification Number (VIN) information that (b)(6), (b)(7)c provided (b)(6), (b)(7)c After a DMV investigator visited Auto Wreckers inquiring about the truck, Taylor bought the truck back from (b)(6), (b)(7)c for $700 so it could be destroyed. (Attachment 7)

On April 12, 2011, (b)(6), (b)(7)c of the 1997 Toyota Tacoma pickup truck, was interviewed regarding the cash-for-clunker (b)(6), (b)(7)c purchased with (b)(6), (b)(7)c. At the time of the sales transaction, (b)(6), (b)(7)c did not know that the photocopy of the Certificate of Title that (b)(6), (b)(7)c provided to (b)(6), (b)(7)c belonged to another vehicle and not to the 1997 Toyota Tacoma pickup truck. (b)(6), (b)(7)c did not verify the VIN on the Certificate of Title to the VIN on the Toyota Tacoma truck during the sales transaction. (b)(6), (b)(7)c did not receive the original Certificate of Title for the Toyota Tacoma truck during the sales transaction. (b)(6), (b)(7)c told (b)(6), (b)(7)c that (b)(6), (b)(7)c bought the 1997 Toyota Tacoma pickup truck from a car dealership. (Attachment 8)

On April 12, 2011, (b)(6), (b)(7)c Chevrolet, was interviewed regarding the storage lot (b)(6), (b)(7)c was leasing to Taylor. Taylor initially talked to (b)(6), (b)(7)c (b)(6), (b)(7)c Chevrolet to inquire about leasing space at the dealership. After that, (b)(6), (b)(7)c dealt with Taylor regarding the lease agreement. Since Taylor did not have enough space at his business to store cash-for-clunkers, Taylor temporarily leased storage space at (b)(6), (b)(7)c Chevrolet. Taylor leased the storage space for approximately six months. After approximately a month Taylor was leasing the storage space, (b)(6), (b)(7)c gave Taylor a key so Taylor could access the storage lot at anytime. (b)(6), (b)(7)c after about a month or two Taylor started storing the cash-for-clunkers at (b)(6), (b)(7)c Chevrolet. (b)(6), (b)(7)c said before (b)(6), (b)(7)c gave Taylor the key, (b)(6), (b)(7)c showed up at (b)(6), (b)(7)c Chevrolet when (b)(6), (b)(7)c was there and wanted to take a look at the cash-for-clunkers Taylor was storing. (b)(6), (b)(7)c told (b)(6), (b)(7)c that (b)(6), (b)(7)c was working with Taylor and that Taylor said it was OK for (b)(6), (b)(7)c to look at some of the vehicles. (b)(6), (b)(7)c called Taylor to find out if it was OK for (b)(6), (b)(7)c to take a

look at the vehicles and Taylor said it was OK. (b)(6), (b)(7)c never represented (b)(6), (b)(7)c as being an employer of Auto Wreckers. (Attachment 9)

On May 5, 2011, Taylor was interviewed again regarding the cash-for-clunkers he sold to (b)(6), (b)(7)c Taylor said it was (b)(6), (b)(7)c idea to buy cash-for-clunkers from him, dismantle them and then ship them to Nigeria as parts only. Since Taylor had known (b)(6), (b)(7)c for over 20 years, Taylor believed that (b)(6), (b)(7)c was going to dismantle each of the cash-for-clunkers and return the engines to Auto Wreckers. Originally, Taylor wanted both of the cash-for-clunkers dismantled at his shop, but (b)(6), (b)(7)c informed Taylor that (b)(6), (b)(7)c would dismantle the vehicles at a yard (b)(6), (b)(7)c was renting somewhere in Alameda, CA. Taylor did not have any knowledge that (b)(6), (b)(7)c was shipping cash-for-clunkers as whole vehicles. Taylor believed selling a cash-for-clunker as parts only was legal. Taylor did not have a business agreement with (b)(6), (b)(7)c regarding the cash-for-clunkers. Taylor claimed he was not partners with (b)(6), (b)(7)c on anything relating to the cash-for-clunkers. (Attachment 10)

On June 9, 2011, (b)(6), (b)(7)c was interviewed again regarding the cash-for-clunkers (b)(6), (b)(7)c purchased from Taylor. (b)(6), (b)(7)c said the four cash-for-clunkers (b)(6), (b)(7)c purchased from Taylor were removed from (b)(6), (b)(7)c Chevrolet the same day, but not towed away (b)(6), (b)(7)c related the 2001 Acura MDX and 1997 Toyota Tacoma truck were towed away to United Auto Towing in Oakland, CA the first day, and the following day the 2002 Isuzu Rodeo and 2000 Jeep Grand Cherokee were towed to TFE in Alameda, CA. (b)(6), (b)(7)c said (b)(6), (b)(7)c sold the Acura MDX to (b)(6), (b)(7)c (b)(6), (b)(7)c believed that the Acura was shipped to Nigeria by (b)(6), (b)(7)c said Taylor provided (b)(6), (b)(7)c with the title for the Acura. (b)(6), (b)(7)c added that (b)(6), (b)(7)c purchased the Acura for $2,000 cash. According to (b)(6), (b)(7)c Taylor provided (b)(6), (b)(7)c with a sales receipt for the Acura. (b)(6), (b)(7)c gave Taylor a cashier's check for $2,000. (b)(6), (b)(7)c stated Taylor called (b)(6), (b)(7)c about the cash-for-clunkers and provided (b)(6), (b)(7)c with a hand-written list of all the cash-for-clunkers Auto Wreckers had in their possession. (Attachment 11)

On September 7, 2011, (b)(6), (b)(7)c of the 2001 Acura MDX, was interviewed regarding the cash-for-clunker (b)(6), (b)(7)c purchased from (b)(6), (b)(7)c stated (b)(6), (b)(7)c was the individual who sold (b)(6), (b)(7)c the Acura MDX. (b)(6), (b)(7)c paid (b)(6), (b)(7)c a $1,000 in cash for the Acura MDX and in return, (b)(6), (b)(7)c provided (b)(6), (b)(7)c with a bill of sale receipt. The Acura MDX was the only vehicle (b)(6), (b)(7)c had purchased from (b)(6), (b)(7)c was not aware when (b)(6), (b)(7)c purchased the Acura MDX that it was a cash-for-clunker. (b)(6), (b)(7)c never told (b)(6), (b)(7)c that the Acura MDX was a cash-for-clunker. (b)(6), (b)(7)c had mentioned to (b)(6), (b)(7)c that (b)(6), (b)(7)c (Attachment 12)

On May 29, 2012, a Criminal Information was filed in U.S. District Court, Northern District of California, Oakland, CA, charging Taylor with one misdemeanor count, in violation of 18 U.S.C. §§ 1018 and 2- Aiding and Abetting the Making and Delivery of a False Certificate. On June 8, 2012, Taylor pled guilty to one misdemeanor count, in violation of 18 U.S.C. §§ 1018 and 2- Aiding and Abetting the Making and Delivery of a False Certificate. (Attachments 13 and 14)

On September 25, 2012, Taylor was sentenced in U.S. District Court, Northern District of California, Oakland, CA, by Honorable Judge Kandis A. Westmore. Honorable Judge Westmore sentenced Taylor to one year probation. Taylor was also ordered by the Court to pay a fine of $3,500 and a special assessment of $25. (Attachment 15)

On October 2, 2012, the OIG observed the last two cash-for-clunkers (2002 Isuzu Rodeo and 2000 Jeep Grand Cherokee) being crushed by Auto Wreckers. As a result of Taylor's conviction and sentencing, OIG will close its investigative case file. (Attachment 16)

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U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I07Z0002580902	DATE 10/24/12
TITLE **GOLDENVALE, INC.** **2041 South Turner Ave** **Ontario, CA**	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c (b)(6), (b)(7)c	STATUS Final
18 USC 1001- False Statements 18 USC 545 Smuggling 42 USC 7401 Clear Air Act1a	DISTRIBUTION JRI-9 Cerritos	1/2
		APPROVED HWS

DETAILS

This case is predicated on a referral from (b)(6), (b)(7)c Environment Protection Agency Criminal Investigations Division (EPA CID). (b)(6), (b)(7)c alleged that Goldenvale Company dba Unique Trading Company aka Roketa located in Ontario, CA and Dallas, Texas illegally imported vehicles (motorcycles and scooters) into the U.S. using DOT HS-7 forms. (b)(6), (b)(7)c alleged that Goldenvale has made false statements on U.S. Department of Transportation Form HS-7, Importation of Motor Vehicles and Motor Vehicle Equipment, subject to Federal Motor Vehicle Safety and Theft Prevention Standards. It is alleged that Goldenvale checks and/or causes others to check Box 8 on the HS-7 form, which indicates that the vehicles being imported are for off-road use and are exempt from Federal Motor Vehicle Safety Standards (FMVSS) although Goldenvale is selling or knows that the vehicles are being sold for on-road use.

National Highway Transit Safety Administration (NHTSA) regulates the importation of motor vehicles which is defined as a vehicle driven or drawn by mechanical power and manufactured primarily for use on public streets, roads, and highways (49 U.S.C. 30102).

A search warrant was conducted at the business and several interviews conducted throughout the course of the investigation (Attachment 1). We identified HS-7 forms that contained false information in order to circumvent the requirement for the motor vehicle to conform to FMVSS.

The facts of the investigation were presented to the United States Attorney's Office, Central District of California. The USAO declined federal prosecution (b)(5)
(b)(5)

Based on this the matter is closed.

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I07Z0002590902	10/30/12
TITLE **Yokohama Trading, LLC** Woodburn, Oregon **18 U.S.C. § 1001 - False Statements**	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c DISTRIBUTION JRI-9 Los Angeles	STATUS Final 1/3 APPROVED HWS

DETAILS

This investigation was initiated in response to a referral from (b)(6), (b)(7)c Associate Administrator for Safety, National Highway Traffic Safety Administration (NHTSA). On or about March 29, 2007, (b)(6), (b)(7)c contacted the U.S. Department of Transportation (DOT), Office of Inspector General (OIG), and alleged that Yokohama Trading, LLC (Yokohama) was violating DOT regulations by submitting fraudulent DOT documents to U.S. Customs in order to import right-hand drive (RHD) vehicles that did not conform to Federal Motor Vehicle Safety Standards (FMVSS).

A Los Angeles area customs broker subsequently contacted U.S. DOT-OIG regarding similar issues and provided (b)(6), (b)(7)c Chief of Importation and Certification, NHTSA, with a letter (b)(6), (b)(7)c received from (b)(6), (b)(7)c Yokohama (b)(6), (b)(7)c (b)(6), (b)(7)c which stated three Jeep Cherokee vehicles that had been detained at the port in Savannah, GA, conformed to FMVSS. The letter, dated November 15, 2006, purported to be from the NHTSA Equipment and Importation Division (EID). (b)(6), (b)(7)c advised the letter was fraudulent and that EID had not existed at NHTSA for at least the past four years (b)(6), (b)(7)c also informed that the vehicles did not meet FMVSS (Attachments 1 & 2).

Since being denied entry into Savannah, GA, Yokohama attempted to import Jeep Cherokee vehicles into the port at Portland, OR, as off-road vehicles. NHTSA does not regulate off-road vehicles; however, vehicles that are not manufactured for primarily off-road use cannot be imported as off-road vehicles. These vehicles were also detained by U.S. Customs. Again, Yokohama responded to U.S. Customs stating the vehicles conformed to FMVSS (Attachment 3).

On or about April 12, 2007, three Jeep Cherokee vehicles that were previously denied entry in Savannah, GA, arrived at the Long Beach, CA port. The export vehicle labels had been torn off of the left side doors of the vehicles. These labels were placed on the vehicles by Chrysler at the time they were manufactured to indicate that the vehicles were to be exported and were not for the U.S. market (Attachment 4).

On May 16, 2007, a search warrant was executed on Yokohama in Oregon. The fraudulent NHTSA letter with a fraudulent NHTSA mailing envelope was found. Additionally, a fraudulent DaimlerChrysler Japan letter was found stating that the three vehicles that were denied entry into Savannah, GA, and detained in Long Beach, CA, conformed to FMVSS. The letter was identified as fraudulent by DaimlerChrysler (Attachment 5).

On May 18, 2012, the statute of limitations expired for all viable criminal charges, and on May 24, 2012, Assistant United States Attorney Joseph Johns informed that the case would not be prosecuted (b)(5) (b)(5) (Attachment 6).

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I08Z0002970902	DATE 10/30/12
TITLE **JDM EVOLUTION, INC.** **Franz TISSERA** Anaheim, California	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c (b)(6), (b)(7)c	STATUS Final
18 U.S.C. § 545, Smuggling of Goods into the United States **19 U.S.C. § 1304 (a), (1), Removal of Marking from Imported Article**	DISTRIBUTION JRI-9 Los Angeles	1/3 APPROVED HWS

DETAILS

This case was initiated in response to a referral from U.S. Customs and Border Protection (CBP) alleging that on January 8, 2008, a container shipped into Long Beach, California, contained four complete right-hand drive Japanese cars, while the invoice listed the contents as used auto parts and engines valued at $4017.00. The cars were imported by (b)(6), (b)(7)c California. Information provided on the documents and from the customs broker lead to an individual named Franz TISSERA, who operated a company named JDM EVOLUTION, INC. (JDM).

On January 10, 2008, agents met with (b)(6), (b)(7)c hired by and individual named Taing LOR to handle the importation of what (b)(6), (b)(7)c believed to be auto parts. LOR represented himself as an agent of (b)(6), (b)(7)c provided contact information for LOR.

On January 15, 2008, (b)(6), (b)(7)c National Highway Traffic Safety Administration, confirmed that the vehicles imported on or about January 8, 2008, did not conform to federal motor vehicle safety standards (FMVSS) and were not eligible to be conformed to FMVSS.

On January 17, 2008, information posted on the JDM web site showed matching contact information for LOR. Previous customs entries for LOR were reviewed, and one entry from March 8, 2007, listed TISSERA as the customer with the same (b)(6), (b)(7)c

(b)(6), (b)(7)c Through subsequent investigative efforts related to LOR's contact information, he (LOR) was identified as TISSERA.

On March 18, 2008, a search warrant was conducted at JDM and multiple items of evidence were seized.

On November 17, 2008, an Information for TISSERA was filed in the Central District of California. The Information charged TISSERA with one count of 18 U.S.C. § 545, Smuggling Goods into the United States, for clandestinely bringing three Nissan Skylines and one Nissan Silvia into the United States without invoicing the vehicles (Attachment 1).

On December 17, 2008, a plea agreement for TISSERA was filed in the Central District of California, and on February 2, 2009, TISSERA plead guilty to one count of 18 U.S.C. § 545, Smuggling Goods into the United States (Attachments 2 & 3).

On March 31, 2011, a Superseding Information was filed charging JDM with one count of 18 U.S.C. § 545, Smuggling Goods into the United States, and charging TISSERA with one count of 19 U.S.C. § 1304 (a), (1), Removal of Marking from Imported Article (Attachment 4).

On April 4, 2011, a plea agreement for TISSERA was filed, and on May 24, 2011, TISSERA plead guilty to one count of 18 U.S.C. § 545, Smuggling Goods into the United States (on behalf of JDM), and one count of 19 U.S.C. § 1304 (a), (1), Removal of Marking from Imported Article (Attachments 5 - 7).

On August 22, 2011, JDM was sentenced to one year of probation and ordered to pay a special assessment of $400 (Attachment 8).

On October 24, 2011, TISSERA was sentenced in federal court to three years probation and ordered to pay a special assessment of $25 (Attachment 9).

This investigation was worked jointly with U.S. Immigration and Customs Enforcement, Environmental Protection Agency, and the California Air Resources Board with assistance from CBP and NHTSA.

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I10Q000005CC	01/28/2013
TITLE U.S. Ex Rel. Lindley V. The Gallup Organization, Washington, DC, Case No. 1:09-CV-1985 (D.D.C.) Qui Tam	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c	STATUS FINAL
	DISTRIBUTION JRI-3	APPROVED BY KAJ

PREDICATION:

This investigation was predicated upon receipt of a complaint from U.S. Department of Justice, Civil Division, that a private citizen reported that The Gallup Organization of Washington, DC, violated the False Claims Act by submitting inflated estimates of the hours required to complete various tasks in polling contracts with the Federal Aviation Administration (FAA) and the National Highway Traffic Safety Administration (NHTSA). Specifically, on November 24, 2009, the U.S. Department of Transportation, Office of Inspector General (OIG) Complaint Analysis Center received a copy of Qui Tam [U.S. ex rel. Michael Lindley v. The Gallup Organization of Washington, DC, Case No. 1:09-cv-1985 (D.D.C.) Filed Under Seal] from Joyce R. Branda, Director, Commercial Litigation Branch, Civil Division, U.S. Department of Justice, Washington, DC, reporting that the Gallup Organization violated the False Claims Act when submitting false cost and pricing data on both FAA and NHTSA polling contracts. This also constitutes a violation of the Truth in Negotiations Act, 10 USC §2306a. Complainant alleged that Gallup violated the False Claims Act by submitting false or fraudulent inflated estimates of the hours required to complete various tasks in connection with a NHTSA polling contract valued at $2 million per year. Gallup also engaged in fraudulent, back-in, pricing on an FAA polling contract valued at $8.5 million. Complainant alleged that Gallup, the company that promotes itself as "the most trusted name in polling" - and its management have been defrauding the U.S. government in a variety of ways, including knowingly providing false information to the government during negotiations for fixed-price contracts, knowingly mischarging the government by billing labor to a cost-based contract when the labor was actually performed to meet requirements on other fixed-price contracts, and obtaining contracts through improper influence.

SUMMARY:

In brief, our investigation did not substantiate The Gallup Organization (Gallup) of Washington, DC, violated the False Claims Act by submitting inflated estimates of the hours required to complete various tasks in polling contracts with the Federal Aviation Administration(FAA) and National Highway Traffic Safety Administration (NHTSA). The lawsuit filed against The Gallup Organization was filed by Michael Lindley, a former Gallup employee, who alleged that Gallup violated the False Claims Act by making false claims for payment under contracts with federal agencies to provide polling services for various government programs. According to Lindley's complaint, Gallup violated the False Claims Act by giving the Government inflated estimates of the number of hours that it would take to perform its services, even though it had separate and lower internal estimates of the number of hours that would be required. The complaint further alleged that the Government paid Gallup based on the inflated estimates, rather than Gallup's lower internal estimates. Lindley provided working documents with cost adjustments for some Government contracts, but he was not able to provide specific working documents for FAA and NHTSA contracts that showed the cost adjustments. The U.S. Department of Justice filed a United States Complaint in Intervention alleging a civil action by the United States of America against defendant The Gallup Organization.

IDENTIFICATION:

Business Name: The Gallup Organization

Business/Home Address: 901 F St NW # 400, Washington, DC 20004

DETAILS:

Interview of Michael Lindley, Relator (Attachment 1)

On May 6, 2010, Michael Lindley was interviewed at the U.S. Attorney's Office for the District of Columbia. Lindley reported Gallup's billing strategy, under the SLR (Standard Labor Rate) structure. Gallup would bill Government agencies for services on contracts with a billing increase billing of 15-18%. Specifically, Gallup would increase the rates of the hourly rates of positions. When bidding on the contract Gallup would use the proper SLR structure but lower the hourly rates in order to get the contract, then Gallup would inflate the hours. Lindley reported that

the labor qualifications were on Government contracts were incorrect. The named individuals on the proposals would have the proper qualifications; i.e., the Project Director, but there was a disconnect between what was required and what was provided. Gallup would bulk up the experience requirements to meet the labor rate. Employees were not trained nor paid at the bulked up rate. Gallup would invent labor categories at the preliminary stages of the contract. When calculating the number of hours they should have been looking at historical data by reviewing completed projects, etc.

Lindley reported that Gallup used a process to bypass the system. Gallup would draft a budget to submit by the project director which would have a couple of revisions made, then it would make the rounds of Gallup management again and once approved, the partners would sign it. Some triggers that would elevate the budget draft to the CFO or executive committee would be: dollar amount, legal issues, or if it was a multi-year contract. Then it would be submitted to the agency. Some partners at Gallup followed standard practices and had very accurate budgets, but it was not required because Gallup had no formal set standards or formal processes. Increased Government scrutiny caused Gallup to begin to reevaluate its practices. A GSA audit turned out very badly and forced GSA to have consultants oversee Gallup.

Lindley stated that Gallup assigned (b)(6), (b)(7)c to the FAA contracts. Lindley worked with (b)(6) daily and noticed that (b)(6), (b)(7)c employed the scheme of organizing performance surveys in the contracts with FAA. Lindley said that Gallup used the "back in" budgeting techniques of taking the total on the contract and backing in category hours to fill up the final total on the contract. The ceiling on the contract was 2 million a year for 5 years, then the ceiling would be raised. The ceiling was raised every year on this contract. The claims that were submitted to the Government were paid without question. Gallup was never required to break out the invoices. The FAA contract with Grant Thornton as a sub contractor was a Human Resource organization performance contract with the RFP set at 9.5 million dollars. Gallup slashed the sub contractors' budgets and inflated the labor hours to make up the cash and billed in left over tasks and categories that were not used.

Lindley reported that there are only three or four other companies out in the marketplace today that do what Gallup does. Other competitors did come in below them on bids. Gallup came in last on costs when asked about it in customer surveys; Gallup was consistently well above competition, by about 400%.

Interview of Michael Lindley (Attachment 3)

On April 10, 2012, Michael Lindley was interviewed at the U.S. Department of Justice regarding the Gallup investigation. Lindley reported that (b)(6), (b)(7)c inflated the proposals that were submitted to Government agencies to include, the U.S. Department of Transportation. (b)(6), (b)(7)c who was responsible for running the numbers for the contracts, created the budget, then adjusted the numbers as (b)(6), (b)(7)c saw fit. (b)(6), (b)(7)c strongest points were calculating numbers; (b)(6), (b)(7)c inflated the numbers to a point where they were "passable." After the final budget was submitted to the Government for payment, (b)(6), (b)(7)c would locate the budget in the X-drive, print it out, and reduce the hours to what they should have been. Then (b)(6), (b)(7)c would give the documents to Lindley to use to create the initial budget. This would explain why Lindley had some documents from Government contracts with figures that were less than what was actually submitted to Gallup for payment. The documents that Lindley had in possession were turned over to the Government. Lindley did not have documents with altered figures for DOT.

JUDICIAL ACTION:

On November 27, 2012, the U.S. Department of Justice filed a United States Complaint in Intervention alleging a civil action by the United States of America against defendant The Gallup Organization to recover treble damages and civil penalties under the False Claims Act. The Plaintiff in this action is the United States of America, specifically the United States Department of the Treasury, United States Department of State, and United States Department of Homeland Security.

CITATIONS:

Statute: Title 31 USC § 3729 False Claims

(a) Liability for Certain Acts.—
(1) In general.— Subject to paragraph (2), any person who—
(A) knowingly presents, or causes to be presented, a false or fraudulent claim for payment or approval;
(B) knowingly makes, uses, or causes to be made or used, a false record or statement material to a false or fraudulent claim;
(C) conspires to commit a violation of subparagraph (A), (B), (D), (E), (F), or (G);

(D) has possession, custody, or control of property or money used, or to be used, by the Government and knowingly delivers, or causes to be delivered, less than all of that money or property;
(E) is authorized to make or deliver a document certifying receipt of property used, or to be used, by the Government and, intending to defraud the Government, makes or delivers the receipt without completely knowing that the information on the receipt is true;
(F) knowingly buys, or receives as a pledge of an obligation or debt, public property from an officer or employee of the Government, or a member of the Armed Forces, who lawfully may not sell or pledge property; or
(G) knowingly makes, uses, or causes to be made or used, a false record or statement material to an obligation to pay or transmit money or property to the Government, or knowingly conceals or knowingly and improperly avoids or decreases an obligation to pay or transmit money or property to the Government,
is liable to the United States Government for a civil penalty of not less than $5,000 and not more than $10,000, as adjusted by the Federal Civil Penalties Inflation Adjustment Act of 1990 (28 U.S.C. 2461 note; Public Law 104–410 [1]), plus 3 times the amount of damages which the Government sustains because of the act of that person.

INDEX OF ATTACHMENTS

No.:	Description
1.	Interview of Michael Lindley, May 6, 2012 (Attachment 1)
2.	Interview of Michael Lindley, April 10, 2012 (Attachment 2)

U.S. Department of Transportation
Office of the Secretary of Transportation

Office of Inspector General
Washington, DC 20590

April 22, 2013

(b)(6), (b)(7)c

(b)(6), (b)(7)c
Office of the Honorable Sherrod Brown
United States Senate
1301 East Ninth Street, Suite 1710
Cleveland, OH 44114

Re: (b)(6), (b)(7)c

Dear (b)(6), (b)(7)c :

This letter is in response to your email of April 23, 2012, in which you asked the U.S. Department of Transportation Office of Inspector General (OIG) to review the allegations of Senator Sherrod Brown's constituent, (b)(6), (b)(7)c As explained more fully below, we were unable to substantiate (b)(6), (b)(7)c allegations. Consequently, we have closed our file in this matter.

Background

On October 10, 2002, the National Highway Transportation Safety Administration (NHTSA) opened an investigation of Dayton Wheel Concepts, Inc. (Dayton) after receiving a complaint alleging the sudden collapse of a motorcycle wheel produced by American Wire Wheel, a company purchased by Dayton. Given NHTSA's investigation, Dayton recalled the wheel and provided affected customers with wheels of a different design.

In a December (b)(6), (b)(7)c 2009, letter, (b)(6), (b)(7)c through legal counsel, petitioned NHTSA to investigate several allegedly defective motor vehicle wheel models manufactured by Dayton (b)(6), (b)(7)c and order remedial action for the company. During the investigation, a NHTSA Vehicle Defects Investigator reviewed information provided by (b)(6), (b)(7)c including emails and other documents; analyzed data provided by Dayton; analyzed NHTSA's consumer complaint database; and interviewed several owners of motor vehicles equipped with Dayton wheels. The NHTSA investigator found no trend

indicating the wheels at issue were defective and denied (b)(6), (b)(7)c petition asking NHTSA to order remedial action. On November 29, 2011, NHTSA published a report in the Federal Register describing its investigation and the reasons for denying (b)(6), (b)(7)c (b)(6), (b)(7)c defect petition.

Current Allegations and Scope of OIG Review

In response to NHTSA's investigation, (b)(6), (b)(7)c made several allegations, which you forwarded to OIG in your April 23, 2012, email. According to (b)(6), (b)(7)c : Dayton officials may have improperly "influenced" NHTSA's investigation and decision to deny (b)(6), (b)(7)c defect petition; NHTSA investigated (b)(6), (b)(7)c defect petition in a "negligent" manner; and the investigator "threatened" retaliation against (b)(6), (b)(7)c for questioning the quality of the investigation. Our review of the allegations included analyzing documentation provided by (b)(6), (b)(7)c analyzing documentation authored by NHTSA, and interviewing (b)(6), (b)(7)c and the NHTSA investigator.

Summary of Findings

(b)(6), (b)(7)c *Provided No Actionable Investigative Leads Which Might Demonstrate Dayton Improperly Influenced NHTSA's Investigation and Decision to Deny (b)(6), (b)(7)c Defect Petition.*

(b)(6), (b)(7)c suggests Dayton used money and business relationships to ensure NHTSA did not adequately investigate the company or take action against it for producing defective wheels. To support this contention, (b)(6), (b)(7)c cited portions of (b)(6), (b)(7)c transcript of a May (b)(6), (b)(7)c 2006, telephone conference involving (b)(6), (b)(7)c According to page nine of (b)(6), (b)(7)c (b)(6), (b)(7)c transcript, (b)(6), (b)(7)c stated, "We've already gotten a 'BUY' from them [UNINTELLIGBLE]. . . . A buy for these [UNINTELLIGIBLE]." Further, (b)(6), (b)(7)c suggested during (b)(6), (b)(7)c telephone conversations with OIG that Dayton paid the NHTSA official who investigated the 2002 complaint and (b)(6), (b)(7)c in return for favorable investigations and decisions. (b)(6), (b)(7)c contends Dayton's improper influence is also demonstrated by (b)(6), (b)(7)c comments during the May (b)(6), (b)(7)c 2006, telephone conference. (b)(6), (b)(7)c points to pages 3-6 of the transcript, in which (b)(6), (b)(7)c (b)(6), (b)(7)c suggested that Dayton involve an attorney who specializes in NHTSA issues because, according to (b)(6), (b)(7)c such attorneys have "a relationship with people at NHTSA" and "this is a relationship business[.]"

The information (b)(6), (b)(7)c presented to OIG, however, does provide actionable investigative leads which might demonstrate Dayton improperly influenced NHTSA concerning (b)(6), (b)(7)c . The meaning of "buy" is unclear, as is the context in which it was used. Although (b)(6), (b)(7)c contends (b)(6), (b)(7)c used the

word "buy," it is also possible (b)(6), (b)(7)c used the term "bye" or "by." Moreover, we interviewed the NHTSA official who investigated the 2002 complaint, as well as (b)(6), (b)(7)c (b)(6), (b)(7)c against Dayton. The investigator insisted that no one at Dayton, including (b)(6), (b)(7)c attempted to influence (b)(6), (b)(7)c investigation in any way. Finally, even if Dayton sought counsel from an attorney whose practice includes handling NHTSA petitions, doing so is not improper.

OIG Will Not Reinvestigate (b)(6), (b)(7)c *2009 Product Defect Petition.*

(b)(6), (b)(7)c disagrees with the sufficiency of NHTSA's investigation of (b)(6), (b)(7)c (b)(6), (b)(7)c and the agency's corresponding decision to take no action against Dayton. OIG, however, typically does not reinvestigate matters originally reviewed under proper agency authority and within the technical expertise of the agency. NHTSA is uniquely qualified to investigate (b)(6), (b)(7)c . Moreover, much of the documentation (b)(6), (b)(7)c provided to Senator Brown's office – and that (b)(6), (b)(7)c now wants OIG to consider – is documentation NHTSA analyzed during its investigation of (b)(6), (b)(7)c has already been given the opportunity to have the appropriate agency, NHTSA, investigate the evidence supporting (b)(6), (b)(7)c contention that Dayton continued to produce allegedly defective wheels. Finally, as shown above, (b)(6), (b)(7)c (b)(6), (b)(7)c provided no actionable leads which might demonstrate Dayton improperly influenced NHTSA's decision to deny (b)(6), (b)(7)c . Consequently, we will not reconsider the findings from NHTSA's investigation into (b)(6), (b)(7)c (b)(6), (b)(7)c .

The Evidence Does Not Support (b)(6), (b)(7)c *Allegation that a NHTSA Investigator Threatened to Retaliate Against* (b)(6), (b)(7)c

In support of (b)(6), (b)(7)c contention that the NHTSA investigator threatened (b)(6), (b)(7)c with retaliation for questioning the quality of the investigation, (b)(6), (b)(7)b, (b)(7)c provided transcripts of (b)(6), (b)(7)c August 26 and September 8, 2011, telephone conversations with the investigator. According to the transcript of their September 8, 2011, conversation, the investigator informed (b)(6), (b)(7)c did not have (b)(6), (b)(7)c permission to record or release their conversations and that if (b)(6), (b)(7)c released a copy of the conversations, (b)(6), (b)(7)c would "refer" the matter to NHTSA attorneys. The NHTSA investigator confirmed for OIG that (b)(6), (b)(7)c would refer the matter to NHTSA attorneys if (b)(6), (b)(7)c released a transcript of their conversations without his permission.

On its face, the NHTSA investigator's statement does not contain a threat of retaliation against (b)(6), (b)(7)c for questioning the quality of the investigation. The investigator did not link referring the matter to agency counsel to (b)(6), (b)(7)c questioning the quality of (b)(6), (b)(7)c investigation. In any event, referring (b)(6), (b)(7)c taping of their conversations to

agency counsel is not improper retaliation, but a request for a legal review of the propriety of (b)(6), (b)(7)c actions.

Conclusion

Because our review did not substantiate (b)(6), (b)(7)c allegations, we have closed our file. If you have any questions, please contact me at (b)(6), (b)(7)c . Thank you for providing us the opportunity to look into this matter.

Sincerely,

Ronald C. Engler
Director, Special Investigations

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER 112G0110500	DATE 7/19/13
TITLE (b)(6), (b)(7)c Police Department City of Petosi, MO VIOLATION: 18 U.S.C. 1001 (False Statements)	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c DISTRIBUTION JRI-5 (1)	STATUS Final (b)(6), (b)(7)c 1/2 APPROVED MTM

DETAILS

On February 1, 2012, the U.S. Department of Transportation (DOT), Office of Inspector General (OIG), received a complaint from the Missouri Department of Transportation (MODOT), regarding the City of Petosi, MO, Police Department (COPPD). The allegations were that the Police Department for the City of Potosi had misused MODOT Highway safety grant money, including National Highway Traffic Safety Administration (NHTSA) grant money.

According to NHTSA funding documentation, the COPPD received approximately $41,000 in federal funding for FY 2009 – 2012, of which, $12,000 of that funding was used for equipment purchases (Attachment 1).

(b)(6), (b)(7)c COPPD, were interviewed (Attachment 2). (b)(6), (b)(7)c is the father of (b)(6), (b)(7)c wrote the grant applications. (b)(6), (b)(7)c said that COPPD inappropriately used grant funding to pay for regular overtime and operating expenses for the police department.

The investigation was presented for criminal prosecution to Assistant United States Attorney (AUSA) Jim Crowe, Criminal Chief, Eastern District of Missouri. (b)(5), (b)(7)c (b)(5), (b)(6), (b)(7)c AUSA Crowe determined that this case did not warrant criminal prosecution (Attachment 3). This investigation is closed.

Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Inspector General

Subject: **ACTION**: OIG Investigation # I14E003SINV, Re: Alleged Misuse of Position/Government Property

Date: December 19, 2013

From: Ronald C. Engler RCE
Director, Special Investigations, JI-3

Reply to Attn. of: X6-4189

To: Mary Sprauge, NHTSA Associate Administrator, Planning, Administrative & Financial Management, NPO-300

(b)(6), (b)(7)c

The OIG Complaint Center Operations received a complaint from NHTSA's Office of Human Resources alleging NHTSA (b)(6), (b)(7)c used, without permission, a NHTSA-paid parking decal intended for government vehicles to park (b)(6), (b)(7)c personal vehicle for free in the DOT headquarters garage. Section 2635.702, 5 CFR, provides that an employee shall not use (b)(6), (b)(7)c public office for (b)(6), (b)(7)c private gain. Section 2635.704, 5 CFR, provides that an employee may not use government property for other than authorized purposes.

Our investigation substantiated the claim that (b)(6), (b)(7)c used, without authorization, a NHTSA-paid parking decal to park (b)(6), (b)(7)c personal vehicle in the DOT headquarters garage from September 2012 through October 2013. By doing so, (b)(6), (b)(7)c avoided paying parking fees totaling $1,856.40. We also found a second NHTSA employee, (b)(6), (b)(7)c (b)(6), (b)(7)c used, without authorization, a NHTSA-paid parking decal to park (b)(6), (b)(7)c personal vehicle in the DOT headquarters garage from July 2009 to September 2013. By doing so, (b)(6), (b)(7)c avoided paying parking fees totaling $5,967.00.

Our Report of Investigation on this matter is attached for your review and any action you deem appropriate. If you have any questions or concerns, please feel free to contact me at (b)(6), (b)(7)c or Assistant Special Agent-in-Charge, Eileen Vidal-Codispot, at (b)(6), (b)(7)c (b)(6), (b)(7)c

U.S. Department of Transportation
Office of Inspector General

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I14E003SINV	DATE December 19, 2013
TITLE National Highway Traffic Safety Administration (NHTSA): Alleged Misuse of Position/ Government Property	PREPARED BY: (b)(6), (b)(7)c Investigator, JI-3	STATUS FINAL
	DISTRIBUTION NPO-300, NPO-012	APPROVED BY: rce/evc RCE

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BACKGROUND

The OIG Complaint Center Operations received a complaint from NHTSA's Office of Human Resources alleging NHTSA Program Assistant (b)(6), (b)(7)c used, without permission, a NHTSA-paid parking decal intended for government vehicles to park (b)(6), (b)(7)c personal vehicle for free in the DOT headquarters garage. Section 2635.702, 5 CFR, provides that an employee shall not use (b)(6), (b)(7)c public office for (b)(6), (b)(7)c private gain. Section 2635.704, 5 CFR, provides that an employee may not use government property for other than authorized purposes.

SYNOPSIS

(b)(6), (b)(7)c used, without authorization, a NHTSA-paid parking decal to park (b)(6), (b)(7)c personal vehicle in the DOT headquarters garage from September 2012 through October 2013. By doing so, (b)(6), (b)(7)c avoided paying parking fees totaling $1,856.40. We also found NHTSA (b)(6), (b)(7)c used, without authorization, a NHTSA-paid parking decal to park (b)(6), (b)(7)c personal vehicle in the DOT headquarters garage from July 2009 to September 2013. By doing so, (b)(6), (b)(7)c avoided paying parking fees totaling $5,967.00.

DETAILS

Allegation: A NHTSA employee used, without authorization, a NHTSA-paid parking decal to park (b)(6), (b)(7)c personal vehicle in the DOT headquarters garage and avoid paying parking fees.

FINDINGS

We substantiated the allegation.

On September 24, 2013, DOT headquarters garage parking attendants requested the Office of Parking and Transit Benefits search its records and contact the owner of a vehicle parked in tandem (blocking another vehicle) who failed to leave (b)(6), (b)(7)c keys in the vehicle. The records revealed (b)(6), (b)(7)c was the owner of the vehicle. The records also revealed, however, (b)(6), (b)(7)c had not paid parking garage fees since September 1, 2012. **(Attachment 2)** Additionally, the parking decal (dated SEP 2013, serial number, 0085) affixed to the hang tag on her vehicle **(attachment 3)** was issued to NHTSA to park its government vehicles.

(b)(6), (b)(7)c Office of Parking and Transit Benefits, explained that the various modes within DOT purchase parking decals for their government vehicles on an annual basis. The parking decals are valid for one year. A Parking and Transit Benefits form,

"Government Vehicle Parking Permit Certification Form," dated "9/2012" indicates (b)(6), (b)(7)c on September 27, 2012, signed for 16 parking permits good through "Sept 2013" issued to NTHSA. **(Attachment 4)** On the bottom of the certification form is a hand written note, "Decal #s 0001 – 0100 issued to Govt Vehicles/JBG." **(Id.)**

(b)(6), (b)(7)c duties include handling parking and transit benefits for NHTSA employees. According to (b)(6), (b)(7)c does little work involving garage parking, but has access to the NHTSA government parking decals. On occasion, (6), (b)(helped NHTSA (b)(6), (b)(7)c procure annual parking decals for NHTSA's government vehicles. (b)(6), (b)(7)c explained that, sometime in 2012, 6), (b)(picked up several 2013 parking decals from the parking office for NHTA's government vehicles. (6), (b)(stated three of the NHTSA-paid 2013 parking decals were not used.

(b)(6), (b)(7)c conceded 6), (b)(took, without permission, one of the extra parking decals for 6), (b)(vehicle to avoid paying parking fees. (6), (b)(used the NHTSA-paid parking decal to park 6), (b)(personal vehicle in the DOT headquarters garage from September 2012 through October 2013. **(Attachments 2 and 5)** By doing so, (b)(6), (b)(7)c avoided paying parking fees totaling $1,856.40. (Based on parking office payment records and entry logs, we determined 6), (b)(parked in the garage without authorization for 10 months in 2013 and 4 months in 2012. We multiplied 14 months by the monthly parking rate of $132.60.) When asked what 6), (b)(did with the remaining two decals, (b)(6), (b)(7)c said 6), (b)(gave them to (b)(6), (b)(7)c also told us (b)(6) did not inform (b)(6), (b)(7)c or NHTSA management that 6), (b)(took one of the parking decals for 6), (b)(personal use. (6), (b)(said 6), (b)(knew it was wrong to take the parking decal, and did so to avoid paying the parking garage fees.

We also found (b)(6), (b)(7)c used, without authorization, a NHTSA-paid parking decal to park (b)(6), (b)(personal vehicle in the DOT headquarters garage.

(b)(6), (b)(7)c said that, in 2009, (b)(6), (b)(7)c and 6), (b)(was often required to leave work at a moment's notice to tend to (b)(6), (b)(7)c During that time, (b)(6), (b)(7)c Senior Associate Administrator for Policy and Operations (b)(6), (b)(7)c , allowed 6), (b)(to use a NTHSA-paid parking decal so 6), (b)(could drive to work and be able to return home more quickly in case of an emergency (b)(6), (b)(7)c

in June 2009, however, (b)(6), (b)(7)c continued to use a NHTSA-paid parking decal. 6), (b)(used the decal without paying for it through September 2013. **(Attachments 2 and 6)** By doing so, (b)(6), (b)(7)c avoided paying parking fees totaling $5,967.00. (Based on parking office payment records and entry logs, we determined (b)(6), (b)(parked in the garage without authorization for 6 months in 2009, 11 months in 2010, 7 months in 2011, 12 months in 2012, and 9 months in 2013. We multiplied 45 months by the monthly parking rate of $132.60.) 6), (b)(stated (b)(6), (b)(7)c stopped using the decal when Parking and Transit Benefits Manager (b)(6), (b)(7)c began questioning (b)(6), (b)(7)c use of a NHTSA-paid decal. (b)(6), (b)(7)c conceded it was wrong of (b)(6), (b)(7)c to use the NHTSA-paid parking decal on (b)(6), (b)(vehicle, and (b)(6), (b)(7)c did so to avoid paying parking fees.

Both [redacted] said that [redacted] did not know the other was using a NHTSA-paid parking decal and we found no evidence to indicate otherwise.

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U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I13T0010500	DATE March 13, 2014
TITLE U.S. Drive Right Spring Arbor, MI	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c (b)(6), (b)(7)c (b)(6), (b)(7)c	STATUS Final
	DISTRIBUTION	jw 1/1
False Statements 18 USC 1001	JRI-5 (1)	MTM for

DETAILS

On April 5, 2013, the U.S. Department of Transportation (DOT), Office of Inspector General (OIG), received an email from the National Highway Traffic Safety Administration (NHTSA) regarding the importation of right-hand drive vehicles by U.S. Drive Right (USDR), a former registered importer.

On March 18, 2013, NHTSA revoked USDR's status as a registered importer based on importation violations (Title 49 CFR Parts 591-593). Specifically, USDR intentionally submitted misleading photographs that created the appearance that 148 right-hand drive Jeep Cherokees met the center high-mounted stop lamps requirements of Federal motor vehicle safety standard No. 108. The vehicles, however, did not comply and USDR admitted that it intentionally submitted misleading photographs for 28 vehicles.

On September 4, 2013, the Detroit U.S. Attorney's Office (USAO) was contacted and this investigation was presented for criminal prosecution. On March 3, 2014, the AUSA declined the case. (b)(5) (b)(5) Additionally, Christopher Varner, AUSA, advised (b)(5) (b)(5)

Memorandum

U.S. Department of Transportation

Office of the Secretary of Transportation

Office of Inspector General

Subject: **Information:** Case Closure—Pharr Police Department

Date: April 21, 2014

From: Max D. Smith
Special Agent-in-Charge, JRI-6

Reply to Attn. of: (b)(6), (b)(7)c
(b)(6), (b)(7)c

To: (b)(6), (b)(7)c
(b)(6), (b)(7)c

In June 2011, the Office of Inspector General (OIG) opened an investigation into possible mismanagement of grant funds at the Pharr Police Department (Pharr PD).

The grants in question are National Highway and Transit Safety Administration (NHTSA) Selective Traffic Enforcement Program (STEP) grants administered by the Texas Department of Transportation (TXDOT).

Review of the documentation and internal controls at Pharr PD were insufficient to support grant funds. In addition, the accountable manager, (b)(6), (b)(7)c may have indicated to (b)(6), (b)(7)c staff that they were only required to fulfill the performance measures to be paid for the shift.

We forwarded this information to the relevant U.S. Attorney's Office and District Attorney's office, but the cases were declined for prosecution.

After an administrative audit, TXDOT required the City to repay grant funds for the suspect years, 2009-2011in the amount of $168,461.15.

We have exhausted the administrative and judicial remedies available in this case, we will be closing our file. If you have any questions concerning this matter please contact me at (b)(6), (b)(7)c
OIG's case number associated with this investigation is I11G0220600.

Thank you for your assistance.

-#-

REDACTED FOR DISCLOSURE

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I13G0060500	DATE 4/25/14
TITLE Stuart Mosby (b)(6), (b)(7)c	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c DISTRIBUTION JRI-5 (1)	STATUS Final (b)(6), (b)(7)c 1/3 APPROVED MTM
VIOLATION: 18 U.S.C. 1001 (False Statements)		

DETAILS

On February 7, 2013, this office received information from (b)(6), (b)(7)c (b)(6), (b)(7)c NHTSA, Region 5. (b)(6), (b)(7)c provided information related to a newspaper article in Vanderburgh County, IN, describing the resignation of a Vanderburgh County Sheriff's Office (VCSO) officer. In essence, Stuart Mosby, a former Sergeant for the Vanderburgh County Sheriff's Office (VCSO), was alleged to have diverted approximately $6000 in overtime funds from a federally funded STEP grant received by the VCSO for personal use. Mosby, who was demoted to the position of Deputy because of an unknown previous administrative situation, did not work the overtime that he claimed. The loss amount was only an estimate and that number was determined during the course of the internal investigation currently being conducted by the VCSO.

On April 1, 2013, (b)(6), (b)(7)c stated that the VCSO was conducting an internal investigation and was waiting for a report from the sheriff's department. (b)(6), (b)(7)c was apprised that, through the internal investigation, a second suspect may have been identified. (b)(6), (b)(7)c was not opposed to federal investigative assistance to ensure that a thorough investigation is completed.

On April 1, 2013, the US Attorney's Office, Southern District of Indiana was contacted. This investigation was presented to AUSAs Todd Shellenbarger and Steve DeBrota. AUSA DeBrota, Indianapolis, IN, was assigned this investigation.

On April 9, 2013, a meeting was held between the OIG and VCSO. VCSO provided their investigatory file on Mosby and (b)(6), (b)(7)c

On June 5, 2013, Mosby, upon interview, requested his attorney. His attorney arrived and instructed Mosby not to answer questions. His attorney said Mosby would be willing to pay whatever was owed to the department.

On August 28, 2013, the USAO Southern District of Indiana, declined federal prosecution. AUSA DeBrota contacted the Vanderburgh County Prosecutor's Office, Evansville, IN. Upon consultation with the USAO, they accepted the case locally.

On November 20, 2013, Stuart Mosby, former Vanderburgh County, IN, Deputy Sheriff, was charged in a four count information in Vanderburgh County Circuit Court. Mosby was charged with two felony counts of forgery and two felony counts of official misconduct.

Mosby allegedly misrepresented the actual overtime hours he worked pursuant to a NHTSA sponsored grant program. The Vanderburgh County, IN, Sheriff's Department received federal grant funds from NHTSA for Selective Traffic Enforcement Programs.

On November 21, 2013, Stuart Mosby, former Vanderburgh County, IN, Deputy Sheriff, pleaded guilty to two misdemeanor counts of official misconduct and was sentenced to one year of incarceration, which was suspended, and two years probation. Mosby was ordered to pay restitution in the amount of $11,021.80, serve 50 hours of community service, and pay $150 court assessment (Attachment 1).

This investigation is closed.

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I12H0030400	DATE 10/14/2014	
TITLE Krugger Auto- Carriage by Air Charlotte, NC Title 49 USC – 46312 Transporting Hazardous Material by Air Carrier Title 18 USC – 2320(a), 2 Trafficking in Counterfeit Goods or Services	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c	STATUS FINAL	
		(b)(6), (b)(7)c	1/9
	DISTRIBUTING FILE - 1	APPROVED	

SYNOPSIS:

This matter was predicated on information developed during th (b)(6), (b)(7)c (I11H0010400) investigation and in coordination with other law enforcement agencies.

OIG's investigation established that in a fifteen months time-span, Krugger sold over 7,000 counterfeit airbags. An additional 1600 were seized during a search warrant and it was determined that Krugger used the U.S. Postal Service express mail to send the airbags to their customers failing to follow required shipping requirements for hazardous materials, even after the USPS.com website identified air bags as a non-mailable item. The investigation also determined that Krugger and their Chinese suppliers identified the air bags as other car parts and not as air bags.

During the investigation, interviews were conducted, records were reviewed, search warrants were conducted, an undercover buy was conducted, and out of country packages bound for Krugger were intercepted, inspected and seized. It was determined that the air bags were initially sent to Krugger Auto, Charlotte, NC from their Chinese suppliers and then the airbags were moved to Igor Borodin's residence located in Indian Hills, NC. The airbags were listed and sold on E-Bay and paid for through Pay-Pal. Borodin received air bags from three

Chinese companies and he then packaged them in priority U.S. Postal boxes in his garage, weighed them, printed labels, and delivered them to the local post office for shipment to the customers.

IDENTIFICATION:

Name: Krugger Auto
Address: 6833 Orr Road, Charlotte, NC

Name: Igor Semenovich Borodin
Address:
DOB:
Sex:
Race:
(b)(6), (b)(7)c
Employer: Self employed with Air bag Pros and Krugger Auto
Status: Holds a green card to become a legal permanent resident

BACKGROUND

Title 49, USC Section 5101, Transportation of Hazardous Materials Regulations: Pursuant to Title 49, United States Code, Sections 5101 provides that the purpose of Chapter 51 is "to protect against the risks to life, property and the environment that are inherent in the transportation of hazardous material in intrastate, interstate and foreign commerce." According to the hazardous Materials Regulations (HMR), airbag modules, also known as airbag inflators, are classified as Class 9 UN3268 dangerous goods, also known as hazardous materials, and must be classified, documented, described, packaged, marked and labeled in accordance with the HMR, as set forth in title 49, Code of Federal Regulations, Sections 171 through 180.

Title 49 USC 46312, Transporting Hazardous Material by Air Carrier: (a) In General.- A person shall be fined under title 18, imprisoned for not more than 5 years, or both, if the person, in violation of a regulation or requirement related to the transportation of hazardous material prescribed by the Secretary of Transportation under this part or chapter 51- (1) willfully delivers, or causes to be delivered, property containing hazardous material to an air carrier or to an operator of a civil aircraft for transportation in air commerce; or (2) recklessly causes the transportation in air commerce of the property. (b) knowledge of Regulations. – for purposes of subsection (a) knowledge by the person of the existence of a regulation or requirement related to the transportation of hazardous material prescribed by the Secretary under this part or chapter 51 is not an element of an offense under this section but shall be considered in mitigation of the penalty.

Title 18 USC 2320(a), 2 Trafficking in Counterfeit Goods or Services: Whoever intentionally traffics in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or

nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive shall be fined not more than $2,000,000 or imprisoned not more than 10 years, or both, and , if a person, other than an individual, shall be fined not more than the $5,000,000.

Krugger Auto

(b)(6), (b)(7)c listed Krugger Auto as an auto body repair shop with (b)(6), (b)(7)c as the registered agent. Internet records state Krugger was established in 2005 as a paint and body shop and in 2010 Krugger was expanded to include a dealership. Krugger Auto was comprised of three business areas. The airbag portion of the business was all Igor Borodin and was started around February 2011. (b)(6), (b)(7)c programmed the airbags and modules and installed them into salvaged or wrecked vehicles. (b)(6), (b)(7)c and Borodin each purchased salvaged vehicles, repaired them and they split the business expenses for the space and they each kept the revenue from the cars they worked on. The third side of the business was to build custom made motorcycles; however, the motorcycle side of the business was in early stages of development.

DETAILS

This was a joint investigation by the Department of Transportation (DOT), Office of Inspector General (OIG) and the Homeland Security Investigation (HSI). The case was developed and worked with the HSI office in Chattanooga, TN and once the warrant was presented to the Department of Justice (DOJ) in Charlotte, NC the venue was changed to the Western District of NC and the Charlotte HSI office became active in the case.

On November 15, 2011 (b)(6), (b)(7)c California Highway Patrol (CHP), Investigative Services Unit, Salvage Vehicle Inspection Program, Rancho Cordova, CA provided a copy of an Invoice (b)(6), (b)(7)c obtained from (b)(6), (b)(7)c Lodi, CA where (b)(6), (b)(7)c purchased a 2009 Accord Driver Airbag identified as new from Krugger Auto, 6833 Orr Road, Charlotte, NC. (b)(6), (b)(7)c advised (b)(6) presented (b)(6), (b)(7)c vehicle for inspection for a new title after purchasing the airbag from Krugger. (b)(6), (b)(7)c advised (b)(6), (b)(7)c had been receiving a lot of counterfeit airbags from Krugger during (b)(6), (b)(7)c vehicle inspections. (Attachment 1).

On February 2, 2012, (b)(6), (b)(7)c CHP, sent an email to the OIG advising that (b)(6), (b)(7)c confiscated two airbags that came from Krugger Auto on the same date. On February 8, 2012, (b)(6), (b)(7)c advised the airbags (b)(6), (b)(7)c confiscated are from the person bringing in the vehicle for inspection, which rebuilt the vehicle and purchased the airbag from Krugger Auto. (b)(6), (b)(7)c said the CA vehicle code allows him to confiscate a part or a vehicle, where all of the identification is removed. (b)(6), (b)(7)c further advised the airbags purchased from Krugger Auto are missing the identification labels and the labels do not match the bar codes on the parts. (Attachment 2).

On April 11, 2012, (b)(6), (b)(7)c Five Star Airbag in Jacksonville, AR were interviewed and advised (b)(6), (b)(7)c purchased two airbags that originated from Krugger Auto, Charlotte, NC, a 2011 Toyota Forerunner and a Honda Civic. The problems with the two airbags included a crooked post, a counterfeit sticker on the back side, the wiring was all the same color, the contacts did not line up, the rivets on the back were not flush with the plastic cover and the airbag had ho part number on it. The U.S. Postal priority mailing box was included for the Honda and showed the sender as Krugger Auto. Neither of the airbags was identified as hazardous material. The shipping invoices were provided. (Attachment 3).

On April 23, 2012, an email from (b)(6), (b)(7)c Counsel for Honda Patents and Technologies was provided containing an attachment in an airbag Honda purchased from Krugger Auto. The attachment advises the customer to check with their local CHP Inspector to find out if the new airbag bought from a licensed independent dealership will be accepted. (Attachment 4).

On May 11, 2012, a conversation between case agents to advise that a Lexus and a Honda airbag ordered and received from Krugger had been received in a United Parcel Service box that was not marked as hazardous material and was not packaged in any special way was received in Chattanooga, TN. The airbags were wrapped in bubble wrap in the same box. One of the airbags did not contain a connector and wires were exposed. The preliminary results of information requested show over 7500 transactions had occurred from online sales conducted by Krugger Auto in 15 months. (Attachment 5).

On August 14, 2012, an application for a search warrant was presented for (b)(6), (b)(7)c (b)(6), (b)(7)c Igor Borodin. The search warrant was signed by David C. Keesler, United States Magistrate Judge. (Attachment 6).

On August 14, 2012, an application for a search warrant was presented for 6833 Orr Road, Charlotte, NC, the business address for Krugger Auto. The search warrant was signed by David C. Keesler, United States Magistrate Judge. (Attachment 7).

On August 16, 2012, a search warrant was served on the residence of Igor Borodin (b)(6), (b)(7)c (b)(6), (b)(7)c and the business location of Krugger Auto 6833 Orr Road, Charlotte, NC. Igor Borodin was taken into custody after the observation of the large number of airbags located in the garage of Borodin's residence. At the (b)(6), (b)(7)c (b)(6), (b)(7)c address 1514 counterfeit airbags were seized along with $60,000 in cash. At the 6833 Orr Road, Charlotte, NC address 99 counterfeit airbags were seized. (Attachment 8).

On August 16, 2012, Igor Borodin was interviewed during the search warrant. Borodin said he saw a big difference in the prices of car parts on-line so he began looking for better prices for parts and he found that he could buy airbags cheaper on line. Borodin said he began buying airbags in larger quantities than he needed sometime around January or February 2011. He said he purchased some of the early airbags and made a $50 profit so he began buying

more airbags because the profit was good. Borodin said he initially purchased from Blue Brothers Industries in China and then he found H.K. Rongan another Chinese company. He also found Bochi Machinery out of China and he purchased a few from Partsmen or Partzmen from a seller in TX. Borodin said the company names were never on the boxes because a third party shipper was used coming from China. He also said there was never a hazardous material designation on the boxes or documents that accompanied the shipments. He advised H.K. Rongan sent the majority of their airbags to him through DHL. Borodin said he paid between $65 and $275 for the airbags with the more expensive airbags going to Range Rovers or Mercedes. He said he did not buy the airbags from a dealer because they cost him between $300 and $600 per airbag. Borodin said he was sent a shipment of 4 boxes from H.K. Rongan that was stopped in Cincinnati, OH because it was in the wrong packaging because the airbags are explosives and must be sent in a special box. So Borodin contacted them and he was told they would change the identification to spare parts or shaft parts. H. K. Rongan told Borodin, they would replace the shipment at no cost to him if the shipments were seized. Borodin said he changed the shipping address to his relatives soon after he was notified the shipment was seized and when he received notice the airbags were counterfeit.

Borodin said he sent out the airbags via the U.S. Postal Service in a priority box with the airbags wrapped in bubble wrap. The airbags are re-wrapped after he received them and before they were shipped out. Borodin advised his home was paid in full and he had no mortgage. (Attachment 8).

On August 17, 2012, an arrest warrant was issued for Igor Borodin after a criminal complaint was filed on August 16, 2012. The complaint sets forth information that Igor Borodin did intentionally traffic and attempt to traffic in goods, specifically, counterfeit motor vehicle airbags. (Attachment 9).

On August 21, 2012, a two count indictment was filed against Igor Borodin, doing business as Krugger Auto, for 49 U.S.C. Section 46312 Transporting Hazardous Materials by Air Carrier and 18 U.S.C. Section 2320(a), Trafficking in Counterfeit Goods or Services. In the indictment, a Notice of Forfeiture and Finding of Probable Cause was also given for a forfeiture money judgment for the proceeds of the violations set forth in the bill of indictment; b. Approximately 99 counterfeit airbags seized during the investigation from 6833 Orr Road, Charlotte, North Carolina; C. Approximately 1,514 counterfeit airbags seized during the investigation from (b)(6), (b)(7)c d. Approximately $60,000 in United States Currency seized during the investigation from (b)(6), (b)(7)c (b)(6), (b)(7)c and the real property at (b)(6), (b)(7)c more particularly described in Union County Register of Deeds at Book 5581, Page 168. (Attachment 10)

On August 22, 2012, a Notice and Lis Pendens was filed in the United States District Court for the Western District of North Carolina, Charlotte Division for forfeiture of real property located at (b)(6), (b)(7)c, which is more particularly

described in a deed recorded at Deed Book 5581, Page 168 in the Union County Public Registry. (Attachment 11).

On August 22, 2012, based upon information developed from incoming seizures of airbags sent for Igor Borodin through a relatives residence a search warrant was prepared, granted, and filed for the residence located at (b)(6), (b)(7)c Based upon information provided during the interview of Borodin, Charlotte HSI was notified and seized eight boxes containing counterfeit airbags from the DHL hub on August 20, 2012 located near the Charlotte Douglas Airport in Charlotte, NC. It was determined that two boxes destined for (b)(6), (b)(7)c were found to contain a total of 40 counterfeit Toyota airbags. On August 22, 2012, three additional boxes destined for (b)(6), (b)(7)c (b)(6), (b)(7)c at (b)(6), (b)(7)c were seized at the Charlotte DHL hub and were found to be counterfeit. The three boxes contained a total of 15 counterfeit Honda airbags, 10 counterfeit BMW airbags and 10 counterfeit Nissan airbags. The search warrant was conducted on August 23, 2012. (Attachment 12).

On August 22, 2012, based upon information developed from incoming seizures of airbags sent for Igor Borodin through a relative's residence, a search warrant was prepared, granted and filed for the residence located at (b)(6), (b)(7)c Based upon information provided during the interview of Borodin, Charlotte HSI was notified and seized eight boxes containing counterfeit airbags from the DHL hub on August 20, 2012 located near the Charlotte Douglas Airport in Charlotte, NC. It was determined that two boxes destined for (b)(6), (b)(7)c were found to contain a total of 10 counterfeit Nissan airbags and 20 counterfeit Toyota airbags. On August 22, 2012, four additional boxes destined for a (b)(6), (b)(7)c were seized at the Charlotte DHL hub and were found to be counterfeit. The four boxes contained a total of 25 counterfeit Honda airbags, 20 counterfeit Scion airbags and 20 counterfeit Toyota airbags. The search warrant was conducted on August 23, 2012. (Attachment 13).

On August 23, 2012, (b)(6), (b)(7)c was interviewed (b)(6), (b)(7)c (b)(6), (b)(7)c advised that (b)(6), (b)(7)c (b)(6), (b)(7)c advised recalled receiving packages at the house for on two occasions. The first time one box came and the second time two boxes came (b)(6), (b)(7)c signed for the boxes and (b)(6), (b)(7)c to come and pick them up. (b)(6), (b)(7)c is not aware of any special markings or hazardous materials labels on the boxes (b)(6), (b)(7)c believed the boxes contained car parts because Borodin worked on cars; however, he did not know for sure because the boxes were not open. Additionally, (b)(6), (b)(7)c the boxes were coming. (Attachment 14).

On October 15, 2012, based upon the volume of airbags seized in the Borodin case and testing performed by the U.S. Department of Transportation's National Highway Traffic Safety

Administration (NHTSA) Clint Lindsay from NHTSA provided a safe handling and precautions flyer for any law enforcement handling of airbags or counterfeit airbags. The flyer also contained contact points for regional Pipeline Hazardous Materials Safety Administration staff if needed. (Attachment 15).

On October 17, 2012, a Plea Agreement was reached and signed by Igor Borodin, his attorney (b)(6), (b)(7)c, and Assistant United States Attorney Thomas O'Malley. Borodin agreed to one count of Trafficking in Counterfeit Goods or Services and Transportation of Hazardous Materials by Air Carrier. The Plea Agreement also requires Borodin to make full restitution, waive all rights to notice of forfeiture, disclose assets, and present a financial statement. The Plea also promises no guarantees relating to the immigration status held by Borodin. (Attachment 16).

On October 22, 2012, a Consent Order and Judgment of Forfeiture were signed by Borodin and his attorney (b)(6), (b)(7)c AUSA Ben Bain-Creed and the Magistrate Judge. The consent order includes: $1,743,400 forfeiture money judgment, constituting the proceeds of the offenses Borodin Pled guilty; 99 airbags seized from 6833 Orr Road, Charlotte, NC; 1514 counterfeit airbags seized from (b)(6), (b)(7)c $60,000 in US currency seized from (b)(6), (b)(7)c and the real property at (b)(6), (b)(7)c (b)(6), (b)(7)c (Attachment 17).

On January 17, 2014, an Order to Amend Restitution was filed with the U.S. District Court for the Western District of North Carolina, Charlotte Division. The order totals $26,844 for individuals that purchased airbags from Borodin. (Attachment 18).

On March 26, 2014, AUSA Ben Bain-Creed advised the restitution order had been amended and stands at $27,193. AUSA Bain-Creed advised Borodin filed an appeal regarding the amount of money from the proceeds of the offense. AUSA Bain-Creed also advised the residence will not be sold until the appeal has been settled. He further advised the case could be closed but all documents should be maintained until the appeal has been resolved. (Attachment 19).

On September 15, 2014, the Restoration Request Pursuant to the Asset Forfeiture was granted. The victims that came forward were granted their restitution and the Government will maintain the remainder of the proceeds. (Attachment 20).

The investigation is closed.

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER I12G0140500	DATE 11/12/14
TITLE VEIT, Timothy (b)(6), (b)(7)c VIOLATION: 18 U.S.C. 641 (Embezzlement)	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c (b)(6), (b)(7)c DISTRIBUTION JRI-5 (1)	STATUS Final (b)(6), (b)(7)c 1/3 APPROVED MTM

DETAILS

On March 28, 2012, this office received information from (b)(6), (b)(7)c (b)(6), (b)(7)c National Highway Traffic Safety Administration (NHTSA), referred through the Illinois Department of Transportation (IDOT). The City of Des Plaines, IL, Police Department self-reported irregularities to IDOT relating to federally funded enforcement activities, including NHTSA funded Driving Under the Influence (DUI) enforcement and "Click it or Ticket" campaigns. Timothy Veit, Des Plaines Police Department (DPPD), Commanding Officer, self-reported to his superior officer that he had over reported DUI enforcement numbers during NHTSA grant funded enforcement operations. Veit, who was also the NHTSA Project Coordinator for the DPPD, was relieved of those duties.

In June, 2012, the case was referred for prosecution to the U.S. Attorneys Office, Northern District of Illinois. The case was accepted and Megan Church, Assistant United States Attorney, was assigned.

As the project director, Veit was responsible for certifying departmental compliance with NHTSA's participation requirements. The investigation determined from approximately 2009 through 2012, 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, inflated DUI arrests. He reported that 152 DUI arrests were made during 2009 through 2012, when in fact only 30 arrests were made. This inflation resulted in the department receiving approximately $183,984 in federal reimbursement for overtime compensation. This compensation was used to pay numerous police officers including Veit. Because of his false statements, Veit personally received about $31,915 in overtime payments.

On February 20, 2013, Veit was charged in U.S. District Court, Chicago, Illinois, with false statements relating to a scheme to defraud a NHTSA funded program (Attachment 1).

On June 4, 2014, Veit pleaded guilty in U.S. District Court, Chicago, Illinois, to one count misdemeanor of Embezzlement, relating to a scheme to defraud the NHTSA funded program. Veit pleaded guilty to embezzling and knowingly converting NHTSA grant funds for his own use and for the use of others (Attachment 2).

On October 2, 2014, Timothy J. Veit, former police commander, Des Plaines Police Department, Des Plaines, Illinois, in U.S. District Court, Chicago, Illinois, was sentenced to 6 months incarceration and 12 months probation. Veit was also ordered to pay $34,448 in restitution and perform 200 hours of community service (Attachment 3).

This investigation is closed.

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I11H0010400	12/18/2014
TITLE Zhensong- Carriage by Air Chattanooga, TN Title 49 USC - Section 5101, Title 49 USC – 46312 Title 18 USC – 2320(a), 2 Title 18 USC - 545	**PREPARED BY SPECIAL AGENT** (b)(6), (b)(7)c	**STATUS** FINAL
		(b)(6), (b)(7)c 1/7
	DISTRIBUTING FILE - 1	**APPROVED** SAC Marlies Gonzalez MTG

SYNOPSIS:

This matter was predicated on information developed from the Department of Homeland Security Investigations (HSI) office, Chattanooga, TN.

The investigation established that Dai Zhensong, a Chinese national and part owner of Guangzhou Global Auto Parts International Group Co. LTD, located in Guangzhou City, Peoples Republic of China sold 334 counterfeit airbags to (b)(6), (b)(7)c (b)(6), (b)(7)c The airbags were flown into the U.S. labeled as bearings and were never identified as airbags or as hazardous materials failing to follow required shipping requirements for hazardous materials. (b)(6), (b)(7)c resold over 25 of the airbags through eBay and approximately 25 were accounted for by DOT and HSI agents. (Attachments 1, 5, 10)

During the investigation, interviews were conducted, records were reviewed, a search warrant was conducted, an undercover buy was conducted, and out of country packages bound for (b)(6), (b)(7)c were intercepted, inspected and seized. It was determined that the air bags were initially sent to (b)(6), (b)(7)c from Zhensong. Information developed in this case led to two additional airbag investigations. (Attachments 1 and 16)

IDENTIFICATION:

Name: Dai Zhensong
DOB:
Passport: (b)(6), (b)(7)c
Address: Guangzhou Global Auto Parts, Guangzhou City, Peoples Republic of China
Status: Chinese National with a VISA

Name: (b)(6), (b)(7)c
Address: (b)(6), (b)(7)c
DOB:
Sex: (b)(6), (b)(7)c
Race:
Employer: Self employed with rental properties
Status: (b)(6), (b)(7)c

BACKGROUND

Title 49, USC Section 5101, Transportation of Hazardous Materials Regulations: Pursuant to Title 49, United States Code, Sections 5101 provides that the purpose of Chapter 51 is "to protect against the risks to life, property and the environment that are inherent in the transportation of hazardous material in intrastate, interstate and foreign commerce." According to the hazardous Materials Regulations (HMR), airbag modules, also known as airbag inflators, are classified as Class 9 UN3268 dangerous goods, also known as hazardous materials, and must be classified, documented, described, packaged, marked and labeled in accordance with the HMR, as set forth in title 49, Code of Federal Regulations, Sections 171 through 180.

Title 49 USC 46312, Transporting Hazardous Material by Air Carrier: (a) In General.- A person shall be fined under title 18, imprisoned for not more than 5 years, or both, if the person, in violation of a regulation or requirement related to the transportation of hazardous material prescribed by the Secretary of Transportation under this part or chapter 51- (1) willfully delivers, or causes to be delivered, property containing hazardous material to an air carrier or to an operator of a civil aircraft for transportation in air commerce; or (2) recklessly causes the transportation in air commerce of the property. (b) knowledge of Regulations. – for purposes of subsection (a) knowledge by the person of the existence of a regulation or requirement related to the transportation of hazardous material prescribed by the Secretary under this part or chapter 51 is not an element of an offense under this section but shall be considered in mitigation of the penalty.

Title 18 USC 2320(a), 2 Trafficking in Counterfeit Goods or Services: Whoever intentionally traffics in labels, patches, stickers, wrappers, badges, emblems, medallions, charms, boxes, containers, cans, cases, hangtags, documentation, or packaging of any type or

nature, knowing that a counterfeit mark has been applied thereto, the use of which is likely to cause confusion, to cause mistake, or to deceive shall be fined not more than $2,000,000 or imprisoned not more than 10 years, or both, and , if a person, other than an individual, shall be fined not more than the $5,000,000.

Title 18 USC 545 Smuggling goods into the United States:
Whoever knowingly and willfully, with intent to defraud the United States, smuggles, or clandestinely introduces or attempts to smuggle or clandestinely introduce into the United States any merchandise which should have been invoiced, or makes out or passes, or attempts to pass, through the customhouse any false, forged, or fraudulent invoice, or other document or paper; or Whoever fraudulently or knowingly imports or brings into the United States, any merchandise contrary to law, or receives, conceals, buys, sells, or in any manner facilitates the transportation, concealment, or sale of such merchandise after importation, knowing the same to have been imported or brought into the United States contrary to law— Shall be fined under this title or imprisoned not more than 20 years, or both.

Dai Zhensong
Zhensong owns one third of Guangzhou Global Auto Parts International Group Co LTD with two of his college friends. Zhensong used pictures from the internet and posted them on the website to make his company appear as if they manufacture the auto parts they sell. Zhensong purchased his airbags from (b)(6), (b)(7)c and never saw the inside of a factory. Guangzhou Global Auto Parts purchased all of the items they sold from other companies.

(b)(6), (b)(7)c

(b)(6), (b)(7)c and now seeks (b)(6), (b)(7)c citizenship in the U.S. (b)(6), (b)(7)c has attempted several business opportunities in the Chattanooga, TN area to include property ownership and management, along with buying and selling automotive parts and other consumer items.

DETAILS

This investigation was initiated by a search warrant conducted by the Homeland Security Investigation (HSI), Chattanooga, TN office. Once HSI identified hazardous material in the form of explosive devices in the seized airbags, the Department of Transportation (DOT), Office of Inspector General (OIG) was contacted and joined in the investigation.

On September 9, 2010, U.S. Customs and Border Protection, at the Port of Cincinnati, Ohio, DHL Hub opened a shipment from China going to (b)(6), (b)(7)c which was labeled as bearings and contained airbags. The shipment contained 68 counterfeit airbags from Shenzhen Express, a freight forwarder used by Zhensong. The shipment was forwarded to (b)(6), (b)(7)c (b)(6), (b)(7)c and on September 16, 2010 a search warrant was executed and the airbags were seized. (Attachment 1)

On September 13, 2010, (b)(6), (b)(7)c Honda Legal Counsel advised the seized airbags from the Port of Cincinnati were counterfeit. (Attachment 2)

On October 13, 2010, (b)(6), (b)(7)c brought Dai Zhensong to the HSI office for an interview. Zhensong was advised of his rights and he advised that he understood. Zhensong advised his company used reverse engineering to produce spare automotive parts. Zhensong said his company purchases an original airbag from the manufacturer and the airbag is broken down into individual parts, a mold is made for the cover and support parts are produced. The generator is purchased from an outside company located in China. Zhensong's company normally uses DHL for shipping, his company uses the same employee for shipping and the DHL employee identifies the shipments as bearing parts. The manufacturers' logos/emblems are purchased from a Chinese dealer. Zhensong was arrested at the conclusion of the interview by HSI. (Attachment 4)

On October 22, 2010, AUSA MacCoon was contacted and advised (b)(5)

(b)(5)

On October 26, 2010, Zhensong was indicted on five counts of 18 USC 545 Smuggling Goods into the U.S. into the Eastern District of TN. Zhensong was charged with intentionally trafficking in goods, while knowingly using on and in connection with such goods a counterfeit mark, a spurious mark identical to and substantially indistinguishable from that of the automobile manufacturer. (Attachment 8)

On October 26, 2010, DOT/OIG began coordination with the National Highway Traffic Safety Administration (NHTSA) to coordinate the movement and testing of the airbags seized. Additionally, the Pipeline Hazardous Materials Safety Administration (PHMSA) was contacted to determine the appropriate means for packaging and transportation. (Attachment 7)

On November 18, 2010, AUSA MacCoon was contacted and he advised (b)(5)

(b)(5)

On November 19, 2010, (b)(6), (b)(7)c was interviewed and advised (b)(6), (b)(7)c purchased two airbags from an e-bay account held by (b)(6), (b)(7)c allowed (b)(6), (b)(7)c to use (b)(6), (b)(7)c e-bay account. The two Honda airbags purchased by (b)(6), (b)(7)c arrived in a U.S. Postal service box wrapped in bubble wrap or plastic wrap. (b)(6), (b)(7)c said he is in the business of buying wrecked and salvaged vehicles and fixing them up and then sends them (b)(6), (b)(7)c partner in Lagos Nigeria (b)(6), (b)(7)c (b)(6), (b)(7)c no way to track which vehicle the airbags (b)(6), (b)(7)c purchased from (b)(6), (b)(7)c were placed in because (b)(6), (b)(7)c does not track parts by vehicle. (b)(6), (b)(7)c further advised the vehicles would have already been sent to Nigeria. (Attachment 11)

On January 19, 2011, 94 airbags were picked up by NHTSA from the HSI office, Chattanooga, TN. The airbags were transported in a U.S. Government vehicle to the NHTSA Vehicle Research and Testing Center (VRTC) in Ohio. (Attachment 12)

On January 25, 2011, NHTSA provided results of three airbag tests to the OIG. The first airbag test was of a Toyota – the emblem detached and the bag pressurization appeared low; the second tested airbag contained a mismatched and possibly oversized igniter that blew a hole in the seam of the bag which was sewn with substandard stitching; the third bag was fired, the igniter circumferential weld broke and produced a large visible flame, metal shrapnel was ejected across the room, and the bag did not fully inflate. NHTSA advised the driver of a vehicle would be safer without the airbag from the third airbag test. (Attachment 13)

On August 31, 2011, Zhensong was interviewed in the Bradley County Jail, TN. Zhensong said he did not start selling airbags until March or April of 2010. Zhensong said he did not manufacture the airbags, he purchased them along with other parts and he sold them over the internet. Zhensong said his website was a compilation of pictures he obtained on the internet to make it appear he was a manufacturing facility. (Attachment 4)

On July 11, 2011, Zhensong entered into a plea agreement for violating five counts of 18 USC 2320, Trafficking in counterfeit Goods or Services. On February 16, 2012, Zhensong was sentenced on 5 counts of illegally trafficking in counterfeit airbags and he received 37 months of incarceration, ordered to pay $210,738 in restitution that went to the car manufacturers. (Attachments 14 and 15)

On April 11, 2012, (b)(6), (b)(7)c of Five Star Airbags (FSA), an airbag seller in Cabot, Arkansas advised they contacted (b)(6), (b)(7)c in 2010 to purchase a large quantity of airbags from (b)(6), (b)(7)c FSA provided (b)(6), (b)(7)c a $23,000 deposit for airbags. After a few of the airbags were received from (b)(6), (b)(7)c FSA learned the bar coded labels on the airbags all contained the same label indicating the airbags may be counterfeit. FSA made several attempts to obtain their deposit back from (b)(6), (b)(7)c however, they were unsuccessful. (Attachment 16)

During the course of the investigation (b)(6), (b)(7)c worked with several law enforcement agencies in an effort to show cooperation. (Attachment 18)

(b)(6), (b)(7)c

(b)(5)

On September 17, 2014, Special Agents from the Department of Transportation, Office of Inspector General and HSI met with AUSA Perry Piper and AUSA Scott Winnie, Criminal Chief, Eastern District of TN. (b)(5)

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c (Attachment 19)

The investigation is closed.

REDACTED FOR DISCLOSURE

Memorandum

U.S. Department of Transportation

Office of the Secretary of Transportation

Office of Inspector General

Subject: **Action**: Request to Close Case I12G0040600 – Webb PR

Date: January 6, 2015

From: (b)(6), (b)(7)c

Reply to Attn. of: (b)(6), (b)(7)c

To: Floyd Sherman
Acting Special Agent-in-Charge, JRI-6

This case was initiated based on information received from the Colorado Department of Transportation (CDOT) Audit Division that Webb PR had improperly billed CDOT and the National Highway Transportation Safety Administration (NHTSA) for services provided at a higher rate than allowed and improperly billed CDOT for items not allowed under the contract.

The investigation determined that Webb PR was prohibited from billing work completed by subcontractors at any rate higher than actual cost. It was found that Webb PR billed CDOT, paid for through federal funding from NHTSA, a total amount of fraudulent billing of $9,057.42 for 32 instances of overcharging at a rate of $173.00 per hour when the allowed amount was $123.00 per hour. Additionally, $288,047.18 in suspected unapproved costs and $31,829.83 in unapproved incentive items were billed to CDOT. Webb PR and CDOT provided justification for the unapproved costs and incentive items to NHTSA and no administrative recovery was pursued by NHTSA. Webb PR paid $8,482.42 to CDOT, and subsequently recovered from CDOT by NHTSA, for the improper billing of payments for subcontractor work.

The United States Attorneys' Office, District of Colorado, declined prosecution of the case. Webb PR, Peter Webb, and Virginia Williams were suspended from federal contracts effective 06/24/2015 through 12/31/2015. A compliance agreement between NHTSA and Webb PR was signed on 12/21/2015 that suspended debarment action against Webb PR and required Webb PR to provide NHTSA an Internal Control Plan to aid in preventing future fraudulent billing.

This case will be closed with no further action pending from this office.

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I10G0000590600	04/14/2015
TITLE Fort Worth Police Department STEP Grants Fort Worth, TX	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c	STATUS Final
	DISTRIBUTION JRI-6	1/3
Violation(s): 18 USC §1001 - False Statements		APPROVED MDS

SYNOPSIS:

This investigation was opened upon referral from the Federal Bureau of Investigation (FBI) alleging Fort Worth Police Department (FWPD) police officers had falsified information on traffic citations to support overtime hours the officers never worked. The overtime in question was paid from a National Highway Traffic Safety Administration (NHTSA) safety grant.

The investigation disclosed nine FWPD officers who had worked the NHTSA funded safety grants and had submitted falsified citations which had times altered to reflect overtime hours which were not worked. The case was presented to the U.S. Attorney's Office for the Northern District of Texas. The case was declined for both criminal and civil prosecution, (b)(5) (b)(5) Eight of the FWPD officers were indicted by the Tarrant County District Attorney's Office, but the charges were later dismissed. After the dismissal of the state indictments the investigation was represented to the U.S. Attorney's Office for prosecution. Six of the Officers agreed to surrender their Texas Commission on Law Enforcement licenses. The City of Fort Worth repaid $231,364.82 in unsupported costs related to the overtime fraud.

DETAILS

A Fort Worth Police Department (FWPD) Sergeant discovered multiple traffic citations in a ticket book of Herman Young's, former FWPD officer, motorcycle. The traffic citations had all of the relevant information related to a traffic stop except the time the citation was not filled in. A review of Young's activities disclosed other tickets which had been submitted to the court system with incorrect or missing times, as well and those citations, where claimed to have been executed during

overtime paid for under the Texas Department of Transportation (TXDOT) Selective Traffic Enforcement Program (STEP), a program that was funded by NHTSA safety grants

FWPD Special Investigations Unit initiated an investigation into Young's overtime shifts worked under STEP. This investigation led to further review of FWPD's STEP which revealed fraudulent activity on the STEP by other FWPD other officers.

FWPD requested the Federal Bureau of Investigation (FBI) to join the investigation. The FBI contacted DOT-OIG concerning this matter to determine if there was any federal monies involved in the STEP. A review of the STEP disclosed NHTSA funds the STEP with a level of matching funds from the city or county who has the STEP. The FBI and DOT-OIG agreed to join the investigation jointly with the FWPD.

DOT-OIG conducted a review of STEP payments to FWPD officers from FY 2009 and 2010 and then the top 20 officers by monies paid were reviewed for possible fraud. This review disclosed a total of nine officers who had suspect traffic citations used to support overtime STEP payments. Vehicle GPS records and cellular telephone records were reviewed for the suspect officers to determine their locations during the times they claimed overtime was being worked.

Based on the investigation officers Ron Wiggington, Robert Peoples Jr., Marcus Mosqueda, Maurice Middleton, James Dunn and (b)(6), (b)(7)c were placed on indefinite suspension (terminated). Herman Young opted to accept a medical retirement. James McDade and Jonathan Johnson resigned.

An audit of the FWPD STEP by TXDOT for FY 2008, 2009 and 2010 disclosed unsupported costs totaling $231364.82. The city of Fort Worth agreed to repay the total to TXDOT, who subsequently reimbursed NHTSA to full amount.

The Tarrant County District Attorney's office filed state felony charges on all 9 officers for altering a public document which resulted in fraud.

The state felony charge against (b)(6), (b)(7)c was dismissed (b)(6), (b)(7)c (b)(6), (b)(7)c and agreeing to surrender his Texas Commission on Law Enforcement (TCOLE) license.

The Tarrant County DA later dismissed the charges against former officers Ron Wiggington, (b)(6), (b)(7)c (b)(6), (b)(7)c Marcus Mosqueda, Maurice Middleton, James Dunn, Herman Young, James McDade and (b)(6), (b)(7)c (b)(5) (b)(5)

(b)(5)

(b)(5)

The case was presented to the US Attorney's Office for the Northern District of Texas for federal prosecution. AUSA Chris Wolf reached an agreement with former officers Ron Wiggington, Robert Peoples Jr., Marcus Mosqueda, Herman Young, James McDade and (b)(6), (b)(7)c to surrender their TCOLE licenses permanently in exchange for not being prosecuted. (b)(6), (b)(7)c (b)(6), (b)(7)c AUSA Wolf declined to pursue a prosecution or further action.

This investigation is closed with no further action anticipated.

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U.S. Department of Transportation
Office of Inspector General

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I14P002SINV	May 1, 2015
TITLE	**PREPARED BY:**	**TUS**
Millennium Services 2000+, Inc. Silver Spring, MD	(b)(6), (b)(7)c (b)(6), (b)(7)c Special Investigations, JI-3	al
	DISTRIBUTION	**APPROVED BY:**
	File JI-2	rce

REDACTED FOR DISCLOSURE

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BACKGROUND

This investigation concerns allegations that Millennium Services 2000+, Inc. (Millennium) failed to pay subcontractors for work performed on a NHTSA contract.

NHTSA awarded Contract No. DTNH-11-C-00223 to Millennium of Silver Spring, Maryland, on September 22, 2011. The contract called for Millennium to furnish up to five summary documents ("White Papers") on emerging issues in emergency medical services (EMS) and 911 systems. The period of performance was September 30, 2011, to September 29, 2013. The value of the contract was $451,839. Loyce I. Grigsby is Millennium's president and CEO and (b)(6), (b)(7)c

Millennium entered into subcontracts with subject matter experts to prepare White Papers regarding emerging issues in EMS and 911 systems. NHTSA was not a party to Millennium's subcontracts; however, under by federal acquisition regulation[1] (FAR) NHTSA may review subcontractor claims of nonpayment. For any determination that a contractor certification of payment to a subcontractor is inaccurate the contracting officer is responsible to initiate administrative or other remedial action. DOT Order 4200.5E requires Operating Administrations (OAs) to ensure only responsible persons and organizations participate in DOT procurement and non-procurement transactions. To carry out this responsibility OAs are charged with being proactive regarding potential debarment or suspension actions.

SYNOPSIS

Our investigation identified four subcontractors that were not fully paid by Millennium for work performed in connection with the NHTSA contract. Our investigation found that Millennium was reimbursed by NHTSA for $198,137 in connection with the unpaid subcontractor invoices. The unpaid contractor invoices were included among itemized vouchers Millennium submitted to NHTSA for reimbursement of expenses under Contract No. DTNH-11-C-00223.

This case was referred to the Criminal and Civil Divisions of the U.S. Attorney's Office (USAO) for the District of Maryland. The USAO did not accept the case for criminal prosecution or civil litigation. Accordingly, we are referring this matter to NHTSA for any administration action deemed appropriate.

DETAILS

Allegation 1: Millennium failed to pay subcontractors for work performed on a NHTSA contract.

[1] 48 CFR 32.112-1, "Subcontractor assertions of nonpayment."

FINDINGS

Our investigation identified four subcontractors that were not paid for services they provided Millennium on Contract No. DTNH-11-C-00223. The unpaid subcontractor's invoices total $215,457. Of that amount, we found NHTSA reimbursed Millennium $198,137 for expenses itemized on vouchers Millennium submitted to NHTSA.

Details of the unpaid subcontractor invoices are summarized below.

ECRI Institute

Millennium received four invoices from the ECRI Institute (ECRI) and we found three of those invoices in the reimbursement vouchers Millennium submitted to NHTSA. According to an ECRI official, Millennium paid one of the ECRI invoices, but still has an outstanding balance of $100,746 on three invoices. (**Attachment 1**) The following table summarizes ECRI invoices sent to Millennium.

Contract No.	Millennium Voucher No.	ECRI Invoice No.	ECRI Invoice Amount	Balance due to ECRI
11-C-00223	18	14158	$11,194.00	$0.00
11-C-00223	21	14570	$39,179.00	$39,179.00
11-C-00223	21	14655	$50,373.00	$50,373.00
Not Found	Not Found	15398	$11,194.00	$11,194.00

Medical College of Wisconsin

Millennium received five invoices from the Medical College of Wisconsin (MCW) and we found four of those invoices in the reimbursement vouchers submitted to NHTSA. According to an MCW accounts receivable official, Millennium paid three of the MCW invoices, but has an outstanding balance of $26,576 on two invoices. (**Attachment 2**) The following table summarizes MCW invoices sent to Millennium.

Contract No.	Millennium Voucher No.	MCW Invoice No.	MCW Invoice Amount	Balance due to MCW
11-C-00223	12[2]	9207669-1	$7,188.08	$0.00
11-C-00223	12	9207669-2	$7,188.12	$0.00
11-C-00223	17	9207669-3	$18,473.92	$0.00
11-C-00223	18	9207669-4	$29,662.99	$20,000.00
Not Found	Not Found	9207669-5	$6,576.15	$6,576.15

[2] Our review of NHTSA contract files found this same voucher was also paid under Millennium's Voucher No. 13, for Task Order 2 on Contract No. DTNH22-11-D-00248.

National Academy of Public Administration

Millennium received eight invoices from the National Academy of Public Administration (NAPA) and we found six of those invoices in the reimbursement vouchers submitted to NHTSA. According to a NAPA official, Millennium paid five of the NAPA invoices, but has an outstanding balance of $35,649 on three invoices. (**Attachment 3**) The following table summarizes NAPA invoices sent to Millennium.

Contract No.	Millennium Voucher No.	NAPA Invoice No.	NAPA Invoice Amount	Balance due to NAPA
11-C-00223	15	1	$4,749.87	$0.00
11-C-00223	16	2	$9,499.75	$0.00
11-C-00223	17	3	$9,499.75	$0.00
Not Found	Not Found	4	$23,749.37	$10,000.00
11-C-00223	18	5	$23,749.37	$23,749.37
11-C-00223	19	6	$9,499.75	$0.00
11-C-00223	21	7	$12,349.67	$0.00
Not Found	Not Found	8	$1,899.95	$1,899.95

Advanced Analytics and Informatics

Millennium received three invoices from Advanced Analytics and Informatics (AAI) and we found all three invoices in the reimbursement vouchers submitted to NHTSA. According to an AAI official, Millennium paid two of the NAPA invoices, but has an outstanding balance of $52,486 on one invoice. (**Attachment 4**) The following table summarizes AAI invoices sent to Millennium.

Contract No.	Millennium Voucher No.	AAI Invoice No.	AAI Invoice Amount	Balance due to AAI
11-C-00223	19	1257	$3,499.10	$0.00
11-C-00223	19	1258	$13,996.40	$0.00
11-C-00223	21	1259	$52,486.50	$52,486.50

Unpaid Subcontractor Invoices

The vouchers submitted to NHTSA on contract DTNH22-11-C-00223 all listed Millennium as the payee and Loyce I. Grigsby as the certifying official. The contract specifies that Millennium will comply with the FARs. Under FAR 52.216-7(b), a contractor is obligated to ordinarily pay for services purchased directly for the contract, subcontractor services in this case, within 30 days of submitting a pay request to the government.

Our investigation found Millennium did not pay subcontractors within 30 days of invoicing NHTSA. Millennium was reimbursed by NHTSA for the unpaid subcontractor invoices itemized in this report as early as January 2013 and no later than October 2013. (**Attachment 5**) We spoke with the four subcontractors referenced in this report in November 2014 and all confirmed Millennium still owed them payment for services related to the NHTSA contract.

A Millennium official told us that Millennium was owed $300,000 by the Agency for Health Research and Quality because of a contract overrun dispute. Consequently, payments received from NHTSA were used to pay vendors other than those itemized on Millennium's vouchers, as well as employee salaries. (**Attachment 6**) The official advised us Millennium was filing bankruptcy and offered to provide Millennium's financial ledgers if authorized by either Grigsby or Millennium's bankruptcy attorney.

Unfiled Bankruptcy

Grigsby indicated in an email that Millennium was in the process of filing bankruptcy. Grigsby's attorney informed us (b)(6), (b)(7)c would file bankruptcy in the Southern District of Florida on behalf of Millennium once (b)(6), (b)(7)c had all the necessary documents. Despite the information provided by Grigsby and her attorney we found that no bankruptcy has been filed on behalf of Millennium or Grigsby in the Southern District of Florida or the District of Maryland. (**Attachment 7**)

Millennium has avoided full payment to subcontractors, in part, by claiming an intention to file bankruptcy. When we asked for company financial records Grigsby failed to authorize release of the information and instead indicated she thought it would all be handled through bankruptcy. Millennium's attorney did not specify when the bankruptcy would be filed. Instead, (b)(6), (b)(7)c responded (b)(6), (b)(7)c would file once (b)(6), (b)(7)c had all the necessary documentation.

ADDITIONAL INFORMATION

Millennium maintains a pre-approved status to obtain contracts with government agencies under an existing GSA contract schedule. Millennium is currently an approved vendor for advertising and marketing services under GSA Schedule 541 Contract No. GS-07F-0475U. (**Attachment 8**) The contract is valid through January 26, 2016.

In an updated posting of the contract dated July 25, 2013, the corporate overview section of the contract provides information surrounding Millennium's disadvantaged business designation, staff capabilities and services, and other corporate information. The corporate overview makes no reference to a potential bankruptcy, despite the fact that the date of the contract update overlapped with two unpaid subcontractor invoices.[3]

[3] MCW Invoice No. 9207669-4 and NAPA Invoice No. 5 included in Millennium's Voucher No. 18

U.S. Department of Transportation
Office of the Secretary of Transportation

OFFICE OF INSPECTOR GENERAL

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I12G0020600	6/22/2015
TITLE Dallas County Sheriff's Office – False Statements 7201 S. Polk Street, Suite 400 Dallas, Texas 75232 VIOLATIONS 37.10 Penal Code - Tampering with Government Records (State)	PREPARED BY SPECIAL AGENT (b)(6), (b)(7)c DISTRIBUTION JRI-6	STATUS Final (b)(6), (b)(7)c 1/2 APPROVED MDS

SYNOPSIS

This investigation is based on information received from the Dallas County Sheriff's Office advising they had identified an officer who had submitted false traffic citations to support their claim for overtime while working a Texas Department of transportation (TXDOT) Selective Traffic enforcement Program (STEP) Grant.

The Department of Transportation-Office of Inspector General (DOT-OIG) investigation determined three deputies were involved in 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 STEP Grant

DETAILS

Investigation disclosed three deputies, Derce Kirby, Sherman McIntyre and Johnny Quarles we submitting false overtime reimbursement requests. The deputies would produce false traffic citations using information from persons they had come into contact with during their regular shift. The deputies also would change times on citations they issued during their assigned shifts to time they had claimed to be working overtime.

All three deputies pled guilty and were sentenced in Dallas County Criminal Court, Dallas, Texas, for tampering with government records. All three were ordered to surrender their Texas Police Officer's License.

Dallas County agreed to repay $214,030 in ineligible costs to NHTSA as a result of this investigation.

Quarles, McIntyre, and Kirby, were debarred by NHTSA for 3 years.

No other investigative action is anticipated by this office

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Memorandum

U.S. Department of Transportation

Office of the Secretary of Transportation

Office of Inspector General

Subject: INFORMATION: Investigation of Lawrence Cullari, Jr.

Date: September 10, 2015

From: Douglas Shoemaker
Special Agent-in-Charge, JRI-2

Reply to Attn of: JRI-2
(b)(6), (b)(7)c

To: (b)(6), (b)(7)c
FHWA (b)(6), (b)(7)c HDA-NJ

I am writing to advise you that we have successfully concluded our investigation of Lawrence Cullari, Jr.

As you are aware, this case involved allegations that Mr. Cullari, while in his official capacity as the New Jersey Assistant Division Administrator, influenced the allocation of FHWA funding and the direction of federal and state transportation programs in order to unjustly enrich himself. Below is a summary of judicial and administrative actions taken:

On July 23, 2014, Cullari was arrested by OIG Special Agents and subsequently charged with five counts of making false statements and one count of wire fraud.

On July 25, 2014, Cullari resigned from federal service.

On March 17, 2015, Cullari pled guilty to a one-count Information charging mail fraud.

On May 6, 2015, FHWA suspended Cullari and Dencore Consulting, LLC from participating in Government funded projects.

On September 2, 2015, Cullari was sentenced in U.S. District Court (Trenton, NJ) to twenty-one (21) months incarceration, three (3) years of supervised release, a $20,000 fine, and a $100 special court assessment.

If you have any questions about this investigation or if my office can be of assistance on any future matters, please feel free to contact me.

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U.S. Department of Transportation
Office of Inspector General

REPORT OF INVESTIGATION	INVESTIGATION NUMBER	DATE
	I14G001SINV	October 15, 2015
TITLE	**PREPARED BY:**	**STATUS**
(b)(6), (b)(7)c Request to Reopen ARRA Whistleblower Complaint	(b)(6), (b)(7)c (b)(6), (b)(7)c Special Investigations (JI-3)	FINAL
	DISTRIBUTION	**APPROVED BY:**
	Eileen-Vidal Codispot Assistant Special Agent-in-Charge Special Investigations Ronald Engler Director Special Investigations	JI-3 (rce)

REDACTED FOR DISCLOSURE

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BACKGROUND

In a complaint dated October (b)(6), (b)(7)c 2011, counsel for (b)(6), (b)(7)c alleged that officials from The Centech Group violated Section 1553(a) of the American Recovery and Reinvestment Act of 2009 (ARRA)[1] by discharging (b)(6), (b)(7)c from (b)(6), (b)(7)c (b)(6), (b)(7)c position for making ARRA-protected disclosures. **(Attachment 1)** As (b)(6), (b)(7)c oversaw Centech's contract for information technology (IT) services with the National Highway Traffic Safety Administration (NHTSA) that included maintaining the website for the Consumer Assistance to Recycle and Save (CARS) program. During our investigation, the then NHTSA Senior Associate Administrator for Policy and Operations provided evidence that NHTSA had not received ARRA funds. Consequently, we informed (b)(6), (b)(7)c in a letter dated April 17, 2012, that we would discontinue our investigation and close that file.[2] **(Attachment 2)**

In a subsequent letter dated January (b)(6), (b)(7)c 2014, (b)(6), (b)(7)c asked us to rescind our "erroneous" determination because it was based on "false, inaccurate and misleading information from NHTSA[.]" **(Attachment 3)** As a result, we analyzed the documentation provided in the January 2014 correspondence, obtained an opinion from the NHTSA Office of Chief Counsel **(attachment 4)**, and reviewed case law to determine whether there exists a sufficient basis to reopen our investigation of (b)(6), (b)(7)c complaint.

SYNOPSIS

We again found that (b)(6), (b)(7)c did not concern ARRA-covered funds. First, we still believe NHTSA did not receive ARRA funds. Second, even if NHTSA received ARRA funds, the evidence indicates (b)(6), (b)(7)c work under the IT contract was not paid with ARRA-covered funds. Thus, we will not reopen our investigation of (b)(6), (b)(7)c ARRA whistleblower retaliation complaint and will close this file. We informed (b)(6), (b)(7)c of our decision in a letter to (b)(6), (b)(7)c dated September (b)(6), (b)(7)c 2015. **(Attachment 5)**

DETAILS

Allegation: OIG should reopen (b)(6), (b)(7)c 2011 ARRA whistleblower retaliation complaint against NHTSA contractor Centech because OIG "erroneously" determined in 2012 that NHTSA had not received ARRA-covered funds necessary to implicate ARRA whistleblower protections.

As stated above, we closed our investigation into (b)(6), (b)(7)c complaint based on evidence indicating the agency had not received ARRA-covered funds. ARRA section 1553(g)(2) defines "covered funds" as:

[1] Public Law 111-5 (February 17, 2009).
[2] OIG File No. I12Z001SINV.

Any contract, grant, or other payment received by any non-Federal employer if—

(A) the Federal Government provides any portion of the money or property that is provided, requested, or demanded; and

(B) at least some of the funds are appropriated or otherwise made available by this Act.

In June 2009, Congress created the CARS program,[3] which allowed certain motor vehicle owners to receive monetary credit by trading in their vehicle for a new, more fuel efficient model. After the initial $1 billion appropriation for the CARS program was quickly exhausted, Congress passed an emergency supplemental $2 billion appropriation for CARS in August 2009.[4] The supplemental appropriation "derived [from the] transfer" of $2 billion in funds Congress had originally provided under ARRA to the Department of Energy's Innovative Technical Loan Guarantee Program.[5]

(b)(6), (b)(7)c contended that because the August 2009 supplemental appropriation for the CARS program states the $2 billion in funds were originally appropriated under ARRA, NHTSA, in effect, received ARRA funds. And, because (b)(6), (b)(7)c (b)(6), (b)(7)c with NHTSA – which included maintaining the website connected to CARS, www.cars.gov – (b)(6), (b)(7)c concerned ARRA-covered funds. Therefore, OIG should reopen its investigation into (b)(6), (b)(7)c ARRA whistleblower retaliation complaint. As shown below, however, the evidence indicates the August 2009 $2 billion supplemental appropriation did not concern ARRA-covered funds.[6]

We interpret the plain language of ARRA § 1553(g)(2) – which states that "covered funds" constitute those "appropriated or otherwise made available by *this* Act" (emphasis added) – as failing to include supplemental funding made available under a separate, subsequent act. This interpretation is consistent with federal appropriations law, which states the "reappropriation and diversion of the unexpended balance of an appropriation for a purpose other than that for which the appropriation originally was made shall be construed and accounted for as a new appropriation." *See* 31 U.S.C. § 1301(b). In other words, the August 2009 billion supplemental CARS appropriation was distinct from the original $2 billion ARRA appropriation made to the Department of Energy. Moreover, other than referencing ARRA as the original source of the funds, the August 2009 supplemental $2 billion appropriation contains no language demonstrating

[3] Public Law 111-32 (June 24, 2009).
[4] Public Law 111-47 (August 7, 2009).
[5] Id.
[6] We reached this same conclusion during our 2010 audit of the CARS program.

Congressional intent to add the provisions of ARRA to the CARS program. In sum, we believe the August 2009 $2 billion supplemental CARS appropriation did not apply ARRA provisions, including whistleblower protections, to the CARS program.

In any event, even if we assume that ARRA whistleblower protections applied to CARS funding, NHTSA officials provided evidence that the agency did not use CARS funding to pay Centech for its services. NHTSA provided a report from DOT's Delphi electronic invoicing system that shows the accounting strings used to track the funding of the Centech IT services contract (No. DTNH22-09-C-OO 131). **(Attachment 4)** Our analysis of the report found that none of the accounting strings contained the four-digit identifier that NHTSA designated for CARS program funds. Additionally, we accessed www.recovery.gov, which shows how ARRA funds are spent by "recipients of contracts, grants, and loans" and reviewed "The American Recovery and Reinvestment Act of 2009 — Recipient and Agency Reported Data 2009-2013."[7] The report "is a presentation of all data related to stimulus spending under [ARRA] for some 275 federal programs managed by 29 federal agencies." These agencies were required to report their receipt of ARRA funds for the period February 17, 2009, to December 31, 2013. Because this period encompasses the time (b)(6), (b)(7)c worked for Centech, any ARRA funds received by NHTSA should appear on the report. NHTSA, however, is not listed on the report. In sum, the evidence indicates (b)(6), (b)(7)c work under the contract – and, thus, (b)(6), (b)(7)c – did not concern ARRA-covered funds.

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[7] The report can be accessed at htttp://www.recovery.gov/arra/About/board/Documents/Data_Book_2013.pdf. Because the www.recovery.gov website was down on October 15, 2015, we were unable to access and attach the report to this Report of Investigation.

METHODOLOGY OF INVESTIGATION

This investigation was conducted by a DOT-OIG (b)(6), (b)(7)c. To address the complainant's concerns, the (b)(6), (b)(7)c obtained and analyzed numerous documents, including letters, memoranda, federal statutes, accounting records, and a web-based federal report.

Memorandum

U.S. Department of Transportation

Office of the Secretary of Transportation

Office of Inspector General

Subject: **Action**: Request to Close Investigation I11G0060600 – EL PASO PD-Public Corruption

Date: December 14, 2015

From: Floyd Sherman
Acting Special Agent-in-Charge, JRI-6

Reply to Attn. of: Floyd Sherman
(b)(6), (b)(7)c

To: Floyd Sherman
Acting Special Agent-in-Charge, JRI-6

This memorandum is to recommend investigation I11G0060600 EL PASO PD-Public Corruption be closed. The investigation was initiated based on information developed by JRI-6 Special Agents who conducted an administrative review of the National Highway Transportation Safety Administration (NHTSA) STEP program performed by the El Paso Police Department.

Investigation disclosed 18 El Paso police officers who had submitted false tickets and worksheet while working the STEP Safety Program to obtain overtime payments. 18 officers either resigned or were fired by the City of El Paso. 12 Officers were prosecuted and accepted pre-trial diversion, in which they surrendered their Texas Police Officers License, performed community service and paid restitution to the City.

The City of El Paso reimbursed NHTSA via the Texas Department of Transportation $358, 443.00 for unallowed costs due to a lack of oversight.

This investigation will be closed with no further action from this office.

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Shoemaker, Douglas

From: Shoemaker, Douglas
Sent: Monday, April 25, 2016 12:03 PM
To: (b)(6), (b)(7)c <NHTSA>
Subject: GM Stakeholder Communication

I am writing to advise you that we have concluded our investigation involving allegations that General Motors Co. (GM) violated provisions of the Transportation Recall Enhancement Accountability and Documentation (TREAD) Act.

It was alleged that GM failed to disclose to NHTSA, and the public, of a potentially lethal safety defect that caused airbag non-deployment in certain GM model cars (e.g. Chevrolet, Pontiac, and Saturn) and that GM misled consumers about the safety of GM cars afflicted by the defect. The OIG investigation, and its prosecution by the US Attorney's Office, Southern District of New York, corroborated these allegations. Below is a summary of the judicial results.

On September 16, 2015, GM entered into a Deferred Prosecution Agreement (DPA) with the United States wherein GM agreed to forfeit $900 Million and consented to the filing of a two-count Information, charging GM with engaging in a scheme to conceal a deadly safety defect (i.e. low-torque ignition switch) from NHTSA, in violation of 18 USC 1001, and the commission of wire fraud, in violation of 18 USC 1343. Under the terms of the DPA, GM admitted that, from the spring of 2012 through in or about February 2014, it failed to disclose to NHTSA and the public of the potentially lethal safety defect described above. The forfeited $900 Million constitutes property derived from the proceeds of GM's conduct and wire fraud.

Pursuant to the DPA, GM also agreed to retain an Independent Monitor, approved by the Deputy Attorney General, who will be empowered to review and assess GM's policies and procedures concerning motor vehicle safety, recall practices, and defects in certified pre-owned vehicles.

If you have any questions about this investigation or if my office can be of assistance on any future matters, please feel free to contact me at (b)(6), (b)(7)c or (b)(6), (b)(7)c at (b)(6), (b)(7)c

Thank you for your attention to this matter.

Douglas Shoemaker
Special Agent-in-Charge

U.S. Department of Transportation
Office of Inspector General - Investigations
201 Varick Street, Room 1161
New York, NY 10014
Phone: (b)(6), (b)(7)c

Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Inspector General

Subject: INFORMATION: Closing Memorandum for #I13T0010300 - (b)(6), (b)(7)c

Date: June 1, 2016

From: Floyd Sherman, Special Agent-in-Charge
Washington Regional Office, JRI-3

Reply to Attn of: JRI-3

To: National Highway Traffic Safety Administration
Office of Vehicle Safety Compliance
Import and Certification Division

File

On November 1, 2012, we initiated an investigation based on a request for assistance from (b)(6), (b)(7)c, Immigration and Customs Enforcement, Homeland Security Investigations (HSI), Wilmington, North Carolina, concerning allegations related to (b)(6), (b)(7)c (b)(6), (b)(7)c alleged (b)(6), (b)(7)c illegally imported un-safe Land Rover Defender series vehicles into the United States by making false statements to the National Highway Traffic Safety Administration (NHTSA) on Form HS-7, Declaration for the Importation of Motor Vehicles, by stating each vehicle was exempt from Federal Motor Vehicle Safety Standards (FMVSS) under the 25 year rule (49 USC 30112b).

Following vehicle identification number (VIN) verification with Land Rover North America, NHTSA determined that two Land Rover Defender vehicles imported to the United States in September 2012 by (b)(6), (b)(7)c were subject to FMVSS. The Land Rover Defender does not comply with FMVSS because they were manufactured without airbags (FMVSS 208) and were not legal for importation into the United States. (b)(6), (b)(7)c allegedly imported approximately 148 Land Rover Defender vehicles into the United States that were suspected to be in violation of FMVSS.

It was also alleged that (b)(6), (b)(7)c was making false statements to the Environmental Protection Agency (EPA) stating those vehicles met EPA standards and also that (b)(6), (b)(7)c falsely represented the value of those vehicles to evade the duty tax imposed on imports to the United States and that VIN's on the vehicles had been illegally removed and replaced.

In August 2014, HSI and DOT-OIG agents seized approximately 40 illegally imported Land Rover vehicles throughout the United States.

On June 5, 2015, a settlement agreement was issued by Assistant United States Attorney (AUSA) Stephen A. West, Civil Division, United States Attorney's Office, Eastern District of North Carolina, concerning the aforementioned seized Land Rover vehicles. (b)(6), (b)(7)c

(b)(6), (b)(7)c

On May 4, 2016, based on the settlement agreement, the Department of Justice, Eastern District of North Carolina, declined further prosecutorial consideration of this matter.

On May 25, 2016, the NHTSA, Office of Vehicle Safety Compliance, Import and Certification Division was notified of the results of this investigation. Since (b)(6), (b)(7)c is not a registered vehicle importer with NHTSA, they had no authority to take any action against (b)(6), (b)(7)c because (b)(6), (b)(7)c is an un-regulated entity.

This investigation is closed.

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Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Inspector General

Subject: INFORMATION: Investigation of (b)(6), (b)(7)c (I16E0090300)

Date: November 9, 2016

From: Floyd Sherman
Special Agent-in-Charge, JRI-3

Reply to Attn of: JRI-3
(b)(6), (b)(7)c

To: Jack Danielson
Executive Director, National Highway Traffic Safety Administration

In May 2016, the U.S. Department of Transportation (DOT), Office of Inspector General (OIG), received a referral from the National Highway Traffic Safety Administration (NHTSA), Office of Human Resources (OHR), regarding allegations NHTSA employee (b)(6), (b)(7)c made threatening and inappropriate comments towards other employees in the workplace. The investigation revealed that (b)(6), (b)(7)c acknowledged making insensitive comments in the workplace and was struggling with personal matters at home, but denied all allegations regarding threats. After being interviewed by DOT-OIG Special Agents, (b)(6), (b)(7)c

On May 18, 2016, (b)(6), (b)(7)c NHTSA, spoke with (b)(6), (b)(7)c after being alerted by OHR of the allegations and told (b)(6), (b)(7)c that making comments about using guns or shooting someone is inappropriate in the workplace, in addition, (b)(6), (b)(7)c suggested it might be a good idea to not bring gun magazines into work. (b)(6), (b)(7)c stated that (b)(6), (b)(7)c was receptive to the conversation and acknowledged that he shouldn't be making these types of comments in the workplace. They agreed that (b)(6), (b)(7)c would be sensitive to the situation and refrain from discussing guns.

After confronting employees for reporting him to OHR, on Wednesday, July 6, 2016, (b)(6), (b)(7)c NHTSA, informed DOT-OIG that (b)(6), (b)(7)c was escorted out of the building and (b)(6), (b)(7)c government issued cellular phone, PIV Card, and garage permit were retrieved. In addition, (b)(6), (b)(7)c computer/networking access was terminated.

On July 27, 2016, DOT-OIG Special Agents interviewed (b)(6), (b)(7)c denied making threatening comments and/or stating (b)(6), (b)(7)c would shoot, kill, or stab people and/or other NHTSA employees. (b)(6), (b)(7)c stated (b)(6), (b)(7)c may have talked about guns in the office and may have used the word "shoot" but believes people are just being overly sensitive. (b)(6), (b)(7)c admitted that on several occasions (b)(6), (b)(7)c has talked about shooting (b)(6), (b)(7)c for what (b)(6), (b)(7)c has done to (b)(6), (b)(7)c In addition, (b)(6), (b)(7)c admitted to stating (b)(6), (b)(7)c would take the "537 elected officials" out back and beat them with barber strops.

On July 28, 2016, (b)(6), (b)(7)c emailed DOT-OIG a signed written statement stating (b)(6), (b)(7)c (b)(6), (b)(7)c from NHTSA (b)(6), (b)(7)c

On September 23, 2016, the U.S. Department of Justice, Public Integrity Section, declined further prosecutorial consideration of this matter, (b)(5), (b)(6), (b)(7)c

(b)(5), (b)(6), (b)(7)c

(b)(5), (b)(7)c

This investigation is closed with no further action anticipated by this office.

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