American Recovery and Reinvestment Act of 2009

Promoting Transparency and Accountability in the Department of Transportation

Ann Calvaresi-Barr
Deputy Inspector General
U.S. Department of Transportation

Mid Atlantic Intergovernmental Audit Forum
June 3, 2010

OIG Mission and Recent Accomplishments

- The OIG supports DOT in meeting its goals of safety, reduced congestion, global connectivity, environmental stewardship, security, and organizational excellence.
- OIG output for the first 6 months of fiscal year 2010:
  - 48 audit reports with 188 recommendations
  - Over $800 million in financial recommendations
  - 39 indictments and 31 convictions
  - Nearly $19 million in fines, restitutions, and recoveries

Recent OIG Work in Key Areas

- *Aviation*: Safety oversight and security at aircraft repair stations; pilot fatigue, training, and professionalism; air traffic control systems security; and DOT's efforts to reduce air traffic congestion.
- *Surface*: Improving DOT's oversight of programs and funding to rehabilitate the Nation's 200,000 deficient bridges.
- *Information Systems*: Protecting air traffic control systems from cyber attacks.
- *Acquisition and Procurement*: Expediting suspension and debarment decisions.

DOT, OIG, and ARRA

- ARRA provided over $48 billion for DOT's aviation, highway, transit, maritime, and rail programs.
- Congress provided OIG an additional $20 million over 5 years to oversee and maximize the Department's economic recovery investments.

Recovery Act Added New Challenges to Longstanding Ones

- Funded existing programs, mandated new ones, and added substantial new requirements.
- DOT challenged to meet reporting and tracking requirements, oversee billions of dollars infused into existing programs, and create new mandated programs.
- OIG assembled a team of auditors, investigators, and attorneys; and developed a 3-phased oversight strategy.

3-Phase Risk-Based Strategy to Oversee DOT ARRA Implementation

- **Phase 1:** Conduct comprehensive review of prior work to identify major challenges facing DOT and ongoing work with a direct link to the Recovery Act.
- **Phase 2:** Conduct structured reviews, or scans, of DOT agencies to identify vulnerabilities.
- **Phase 3:** Conduct audits of high-risk areas based on prior work and new areas identified during our scans.

Phase 1: Identify Major Challenges Facing DOT

- Based on our review of prior work, we identified three major Recovery Act oversight challenges:
  - Ensuring DOT grantees properly spend Recovery Act funds.
  - Effectively implementing new accountability requirements and programs mandated by the Recovery Act.
  - Combating fraud, waste, and abuse.
- Linked each challenge to 10 focus areas where prior work highlighted vulnerabilities.

PHASE 1

Ensuring DOT's Grantees Properly Spend Recovery Funds

1. Acquire sufficient personnel with relevant expertise to oversee grantees.
2. Adhere to existing Federal requirements for programs funded under the Act.
3. Evaluate the credibility and completeness of cost and schedule estimates.
4. Oversee grantees' contracting management activities and ensure selection of appropriate contract types.
5. Address internal control weaknesses, and identify unused funds for use on other eligible projects.

PHASE 1

Implementing Recovery Act Requirements, Programs

6. Implement new Recovery Act tracking and reporting requirements that are designed to promote accountability and transparency.
7. Develop comprehensive plans and sound criteria for the new discretionary grant and passenger rail programs within statutory deadlines.
8. Develop appropriate oversight strategies for the new discretionary grant and passenger rail programs.

PHASE 1

Combating Fraud, Waste, and Abuse

9. Enhance understanding among DOT staff, grantees, and contractors on how to recognize, prevent, and report potential fraud to the appropriate authorities.
10. Take timely action to suspend or debar individuals or firms that have defrauded the Department so they do not receive future Federal contracts.

Phase 2: Identify Vulnerabilities and Needed Improvements or Corrections

- Conducted scans at 5 DOT offices receiving recovery funds: Highways, Railroad, Transit, Maritime, and the Office of the Secretary.
- Evaluated major vulnerabilities that could impede DOT's ability to (1) provide effective oversight to recovery program projects and (2) meet new requirements mandated by the Recovery Act and OMB, including financial and job creation reporting.
- Used a standardized methodology to assess the actions DOT had taken or planned to take to address our 10 focus areas.

PHASE 2

Two Types of Oversight Vulnerabilities Facing DOT

- Immediate action to mitigate a documented risk or tasks that should be finalized as soon as possible.
- Sustained focus because of their complexity, size, or scope, although no deficiencies may be evident now.

PHASE 2

DOT Areas with Vulnerabilities

- Project selections for existing programs
- Project and contract oversight for existing programs
- New programs created by ARRA
- Newly mandated reporting requirements

PHASE 2

Advisories Provide Timely Reporting of Concerns and Prompt Action

- OIG developed a new reporting to expeditiously communicate results to ensure that DOT, Congress, and taxpayers have real-time information related to our Recovery Act work.
- ARRA advisories were issued to DOT as we identified vulnerabilities that warrant immediate attention—three advisories have been issued to date.

Phase 3: Long-Term Audit Plan Focusing on High-Risk Areas

- Agency scans identified new areas that warrant additional work and reporting based on potential risks.
  - 3 reports issued
  - 13 audits under way
  - 10 additional audits planned for FY 2010

Investigative Oversight Approach

- Conducting fraud prevention and awareness briefings.
- Independently assessing risks.
- Developing relationships with agency officials.
- Collecting data that can be analyzed to identify the potential for fraud.

Open ARRA Investigations by Allegation, as of April 30, 2010

Allegation	Total
False Statements, Claims, Certifications	13
Anti-Trust Violations	6
Disadvantaged Business Enterprise Fraud	10
Conflict of Interest	1
Prevailing Wage Violations	4
Embezzlement	1

Federal Governmentwide OIG Recovery Act Initiatives

- Established the Accountability Committee and the Recovery Funds Working Group/Committee to assist the Recovery Board in its mission of coordinating and conducting oversight of ARRA funds.
- DOT IG serves as Co-chair of Recovery Funds Working Group and Chair of Recovery Funds Working Group Committee.
- Oversight efforts focused on contracts and grants, and data quality of recipient data.

Recovery Funds Working Group Completed and Ongoing Projects

Reviews Completed

- Review of Contracts and Grants Workforce Staffing and Qualifications in Agencies Overseeing Recovery Act Funds, March 2010
- Recovery Act Data Quality: Errors in Recipients' Reports Obscure Transparency, February 2010
- Summary of IG Reports on Federal Agencies' Data Quality Processes, December 2009

Reviews Under Way

- Review of the Effectiveness of Agencies' Data Quality Review Processes
- Review of the Accuracy of Recipient Reporting

OIG Transparency and Accountability

- Issue monthly ARRA financial and activity reports that summarize our cumulative ARRA and non-ARRA funds spent on ARRA oversight activities.
- Reports also describe major ARRA actions, both taken to date and planned, by our office and provides a list of our ARRA-related training events and outreach efforts.

DOT OIG ARRA Recap

- Conducted over 200 fraud prevention and awareness briefings to more than 14,000 participants.
- Issued 5 ARRA-related reports and 3 ARRA advisories.
- Have 13 audits and 35 investigations under way and 10 audits planned.

Next Steps

- Continue to collaborate and coordinate with the accountability community as we move forward with audits and investigations.
- Focus on the Department's oversight efforts at the state and local levels.
- Issue ARRA advisories, as needed.
- Pursue indictments and convictions.

For More Information

See http://www.oig.dot.gov/recovery

- Audit Announcements, Reports, and Testimonies
- Whistleblower Protection
- Monthly ARRA Financial & Activity Report
- Economic Recovery Oversight Plan and Audit Plan
- OIG info governmentwide: http://www.recovery.gov/Accountability/inspectors