

Memorandum



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: INFORMATION: Audit Announcement –
FHWA’s Oversight of Federal-aid Highway
Project Agreements
Project Number 15S3005S000

Date: March 24, 2015

From: Thomas Yatsco
Assistant Inspector General
for Surface Transportation Audits

A handwritten signature in black ink, appearing to read 'Yatsco'.

Reply to JA-30
Attn. of:

To: Federal Highway Administrator

Each year, the Federal Highway Administration (FHWA) oversees the management by State Departments of Transportation of over \$40 billion in Federal financial assistance for the construction, maintenance, and operations of the Nation’s 3.9 million-mile highway network. Federal law requires FHWA to enter into a project agreement with State Departments of Transportation for each Federal-aid highway project. Execution of this agreement authorizes work to start and obligates Federal funds to the project. The project agreement can also be modified to reflect additional costs that occur during the lifetime of the project, and Federal participation in these additional costs. Accordingly, the project agreement and modifications are key internal control mechanisms to ensure that funds are obligated and costs incurred in accordance with Federal requirements.

Our objectives for this self-initiated audit are to assess FHWA’s controls for reviewing and authorizing (1) project agreements, and (2) modifications to project agreements.

We will conduct the audit at FHWA’s Headquarters, as well as selected Division Offices and State Departments of Transportation. We plan to begin the audit on or before March 24, 2015, and will contact your audit liaison to schedule an entrance conference. If I can answer any questions or be of further assistance, please contact me at (202) 366-5630, or Anthony Zakel, Program Director, at (202) 366-0202.

cc: FHWA Audit Liaison, HCFM
DOT Audit Liaison, M-1