Memorandum

U.S. Department of Transportation
Office of Inspector General

Subject: INFORMATION: Audit Announcement – FHWA’s Oversight of Engineer’s Estimates

Federal Highway Administration
Project No. 17S3004S000

Date: July 6, 2017

From: Barry J. DeWeese
Assistant Inspector General
for Surface Transportation Audits

To: Federal Highway Administrator

The Federal Highway Administration (FHWA) is responsible for overseeing more than $40 billion a year in Federal funding for thousands of highway and bridge projects. To apply for Federal funding, State Departments of Transportation (State DOTs) are required to submit a formal project agreement to FHWA for each proposed Federal-aid project, supported by a cost estimate, generally referred to as the Engineer’s Estimate. This agreement creates an obligation of Federal funds to the project. Federal requirements also call for each State to submit to FHWA a Statewide Transportation Improvement Program (STIP)—a list and description of projects it plans to implement over a 4-year period—that is fiscally constrained, meaning that it demonstrates reasonable available funding and reliable cost estimates.

According to FHWA, underestimating a project’s costs could lead to delays in delivering a project because additional funding will have to be arranged. Conversely, overestimating a project’s cost causes inefficient use of funds that could be used for other projects. In either case, inaccurate Engineer’s Estimates can curb the intended benefits resulting from the Federal-aid highway program and contribute to an overall deterioration of road and bridge conditions in any given State. Accordingly, we are initiating an audit to assess FHWA’s oversight of Engineer’s Estimates.

We plan to begin this audit this month and will coordinate with your audit liaison to schedule an entrance conference. We will conduct our work at DOT Headquarters and other sites as needed. If you have any questions, please contact me at (202) 366-5630, or Jaydeep Borwankar, Program Director, at (202) 493-0970.

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cc: DOT Audit Liaison, M-1
FHWA Audit Liaison, HCFB-32