The Office of Inspector General plans to conduct an audit of improper payment oversight in the Federal Highway Administration’s (FHWA) American Recovery and Reinvestment Act (ARRA)\(^1\) programs. FHWA has funded approximately 13,000 State and local highway infrastructure projects and has disbursed almost $26 billion in ARRA funds.

The Improper Payments Information Act of 2002\(^2\) makes Federal agencies accountable for preventing and detecting improper payments within their programs. The Improper Payment Elimination and Recovery Act\(^3\) of 2010 requires identification and estimation of improper payments. The Department of Transportation (DOT) has identified FHWA’s Federal-aid Highway Programs as susceptible to significant improper payments. In fiscal year 2012, DOT reported an estimate of $103.2 million in improper payments in FHWA’s Federal-aid Highway Program.

Our audit objective will be to evaluate whether the FHWA has adequate internal controls to prevent and detect improper payments to ARRA grant recipients. We plan to begin the audit in April, and will coordinate with your audit liaisons to schedule an entrance conference. We will conduct the review at FHWA’s Headquarters, Division Offices, and selected State highway agencies and local public agencies. If you have

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\(^1\) Pub. L. No. 111-5
\(^2\) Pub. L. No. 107-300
\(^3\) Pub. L. No. 111-204
any questions, please contact Joann Adam, Program Director, at (202) 366-1488, or Dory Dillard-Christian, Project Manager, at (410) 962-0186.

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cc:  DOT Audit Liaison, M-1
     FHWA Audit Liaison, HAIM-13