



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
Of Transportation

Office of Inspector General

Subject: INFORMATION: Notification of Audit of the
Tren Urbano Rail Transit Project
Project Number: 01130111000

Date: August 27, 2001

From:

Thomas J. Howard
Acting Deputy Assistant Inspector General for
National Transportation Infrastructure
Activities

Reply to JA-30
Attn of:

To: Federal Transit Administrator

House Appropriations Committee Report 107-108, Department of Transportation and Related Agencies Appropriations Bill for Fiscal Year 2002, directed the Office of the Inspector General (OIG) to continue to monitor the status of the Tren Urbano Rail Transit Project in San Juan, Puerto Rico (Project). The House Committee Report requested the OIG to report to the House and Senate Committees on Appropriations on the status of the Project by October 1, 2001. In response to this request, we are initiating our audit immediately.

The objectives of our review are to:

- (1) Review the current cost estimate for the Project, and identify risks that could cause additional cost increases.
- (2) Identify factors that contributed to the Project's cost increases after the Full Funding Grant Agreement was awarded, particularly the approximately \$262 million increase that has occurred since the Inspector General's May 2000 report (Report on the Finance Plan for the Tren Urbano Rail Transit Project, Report Number RT-2000-091, May 25, 2000).
- (3) Determine whether sufficient funding has been identified to pay for the Project.

- (4) Determine the short- and long-term impact of the Federal Transit Administration (FTA) withholding \$165 million in Federal funds.
- (5) Determine the extent to which the current cost of the Project will impact Puerto Rico Highway and Transportation Authority's (PRHTA) ability to construct, operate, and maintain other transportation priorities; and repay its current and future obligations.
- (6) Review the current Project schedule for completion and identify any potential risks to the completion schedule.
- (7) Assess actions taken by PRHTA and FTA to resolve construction quality assurance issues (such as tunnel misalignments, inadequate protection of steel reinforcements, and compliance with seismic criteria for steel reinforcements) and Buy America issues.
- (8) Follow up on actions taken by FTA and PRHTA to implement the OIG's May 2000 recommendation to establish an integrated master schedule for the Project.

The review will be conducted at FTA in Washington, D.C. and Region IV in Atlanta, Georgia; PRHTA in San Juan, Puerto Rico; the Federal Highway Administration in Washington, D.C. and the Division Office in San Juan, Puerto Rico; and other offices to be determined during the review.

If I can answer any questions or be of assistance, please feel free to contact me at (202) 366-5630, or Leslie A. Smith, Program Director, at (202) 366-1541.

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