



Opportunities Exist To Improve FHWA's Oversight of STIPs, Including Those With IIJA-Funded Projects

Self-initiated

Federal Highway Administration | ST2024021 | April 1, 2024

What We Looked At

The Federal Highway Administration (FHWA) oversees approximately \$350 billion appropriated for FHWA programs and activities by the Infrastructure Investment and Jobs Act (IIJA) of 2021. To ensure proper planning and budgeting, each State Department of Transportation (State DOT) must submit a Statewide Transportation Improvement Program (STIP) that includes all projects planned for implementation over a period of at least 4 years. Given the amount of funding under IIJA, we initiated this audit. Our objectives were to assess whether FHWA (1) issued guidance to support States' STIP planning, (2) provided timely technical assistance to support States' STIP development, and (3) provided continued monitoring and oversight of the Division Offices' updated STIP standard operating procedures.

What We Found

FHWA has not finalized all planned guidance to help State DOTs administer IIJA programs and develop STIPs. As of November 2023, the Agency was working on 4 of 22 guidance areas related to IIJA. Federal control standards call for agencies to communicate the information necessary to achieve objectives. FHWA's lack of complete guidance may increase the risk that IIJA funding will not achieve intended benefits and cause increased project costs. Furthermore, FHWA's delays in technical assistance to State DOTs on IIJA-funded projects can impact States' administrative efficiency. It took the Agency up to 5 months to fulfill two requests from one State DOT. Such delays in other States may increase the risk of adverse effects on STIP development for IIJA-funded projects. FHWA has provided guidance to Division Offices on standard operating procedures (SOPs) for STIP reviews and approvals but lacks policy on reviews of updated SOPs. This lack of policy can increase the Agency's oversight risks.

Our Recommendations

We made three recommendations to help FHWA improve oversight of STIPs that include IIJA-funded projects. FHWA concurred with one recommendation and partially concurred with the other two. We consider all three recommendations resolved but open pending completion of planned actions.

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For inquiries about this report, please contact our Office of Government and Public Affairs at (202) 366-8751.

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Memorandum

Date: April 1, 2024

Subject: ACTION: Opportunities Exist To Improve FHWA's Oversight of STIPs, Including Those With IIJA-Funded Projects | Report No. ST2024021

From: David Pouliott 
Assistant Inspector General for Surface Transportation Audits

To: Federal Highway Administrator

The Infrastructure Investment and Jobs Act (IIJA) of 2021¹ authorized and appropriated approximately \$350 billion for the Federal Highway Administration's (FHWA) programs and activities through September 30, 2026. To ensure that State Departments of Transportation (State DOTs) properly plan and budget for the use of Federal funds—including IIJA funds—each State DOT must submit to its FHWA Division Office² a Statewide Transportation Improvement Program (STIP), which includes all projects planned for implementation and covers a period of no less than 4 years.³ FHWA Division Offices review each State DOT's STIP to determine compliance with Federal requirements, including fiscal constraint.⁴ In support of this effort, FHWA develops and approves guidance applicable to the States' STIP projects—including IIJA funded projects.

We initiated this audit due to the amount of IIJA funding and the creation of new programs and priorities under IIJA, which amplify the need for FHWA to oversee the STIPs before IIJA funds are obligated and expended. Our objective was to assess FHWA's oversight of States' use of STIPs that include IIJA-funded projects. Specifically, we assessed whether FHWA (1) issued guidance to support States' STIP planning, (2) provided timely technical assistance to support States' STIP

¹ Pub. L. No. 117-58 (2021). This includes \$303.5 billion in contract authority and \$47.3 billion in advance appropriations.

² Each State DOT must also submit a STIP to its Regional Office of the Federal Transit Administration, which reviews the STIP for compliance with FTA's Federal requirements.

³ States develop their STIPs to be consistent with their statewide transportation plans and planning processes, and in coordination with metropolitan planning organizations and local officials.

⁴ A STIP is fiscally constrained if funding for each project is reasonably available and the State DOT has developed reliable cost estimates for each project.

development, and (3) provided continued monitoring and oversight of the Division Offices' updated STIP SOPs.

We conducted this audit in accordance with generally accepted Government auditing standards. Exhibit A details our scope and methodology. Exhibit B lists the organizations we visited or contacted, and exhibit C lists the acronyms used in this report.

We appreciate the courtesies and cooperation of Department of Transportation (DOT) representatives during this audit. If you have any questions concerning this report, please contact me or Tony Wysocki, Program Director.

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

Results in Brief

FHWA has not finalized some planned guidance to help State DOTs administer IIJA programs and develop STIPs.

While IIJA-funded projects were on approved STIPs as required, the Agency has not completed some of its planned IIJA-related guidance to assist State DOTs administer programs and develop STIPs. FHWA provided a list of 22 guidance items related to IIJA as of November 2022, but as of November 2023, the Agency was still working on issuing 4 of them. The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*⁵ (Federal Control Standards) calls for agency management to communicate, both internally and externally, the necessary information to achieve objectives. FHWA's delayed or lack of completed IIJA guidance may increase the risk that State DOTs' plans to implement their STIPs, launch projects, and achieve the intended benefits of IIJA funding will be negatively impacted. Additionally, project delays, when combined with changes in the economy such as inflationary pressures, may lead to increased project costs.

FHWA's delays in providing technical assistance can impact States' administrative efficiency for IIJA-funded projects.

When developing STIPs, State DOTs may ask FHWA for technical assistance regarding the program, such as those under IIJA. However, the Agency did not respond in a timely manner to requests for technical assistance from one State DOT in our sample. We found that it took up to 5 months for FHWA to fulfill two requests from this State DOT for technical assistance regarding requirements on the use of soft matching funds⁶ from two IIJA funded programs.⁷ According to FHWA Headquarters' officials, the delay in response was due, in part, to the time the Agency needed to interpret possible impacts of IIJA on the non-Federal share requirement, including whether new guidance would be required. Similar delays in other States may increase the risk of adversely affecting the States' STIP development for IIJA-funded projects, which can be time-sensitive.

⁵ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.

⁶ Soft match is toll credits. Under 23 U.S.C. § 120(i), States may use toll revenues—generated by public, quasi-public, and private agencies to build, improve, or maintain highways, bridges, or tunnels—as credits toward a project's non-Federal share.

⁷ The Bridge Formula Program (BFP) and National Electric Vehicle Infrastructure (NEVI) Formula Program.

FHWA does not review and approve Division Offices' updates to STIP standard operating procedures.

FHWA does not review and approve updated standard operating procedures (SOPs) for STIPs. In 2017, the Agency disseminated a template to its Division Offices to use for implementing SOPs for the review and approval of STIPs. FHWA Headquarters reviewed the Division Offices' STIP SOPs in 2017 and 2018 for consistency with the template and approved them but lacked a policy on reviewing updated SOPs. The Division Offices for two of our three sample State DOTs had updated their SOPs but no process exists to make FHWA Headquarters aware of such updates because Agency policy does not call for reviews and approvals of these SOP updates. FHWA's lack of policy and processes for reviews and approval of updates to its Division Offices' SOPs can increase the Agency's oversight risks, including its ability to oversee and apply standards prescribed in its template.

We are making three recommendations to help FHWA improve its oversight and processes for STIPs, which will apply to IIJA-funded projects in those STIPs.

Background

To help State DOTs properly plan and budget for the use of Federal funds—including IIJA funds—each State DOT must submit a STIP, to its FHWA Division Office for review and approval.⁸ The STIP is a statewide multimodal program of surface transportation projects. It includes a list and descriptions of the projects that the State and metropolitan planning organizations (MPOs) plan to implement in the next 4 years. Federal law⁹ requires that for a State to receive funds under the Federal-aid highway program, an MPO must be designated for each urban area with a population of over 50,000 to carry out the planning process for area transportation. Federal regulations¹⁰ generally require federally funded surface transportation projects—including those funded by IIJA—to be included on approved STIPs to be eligible for Federal funding.

Each STIP covers a period of no less than 4 years and must be updated at least every 4 years.¹¹ If a STIP covers more than 4 years, FHWA will consider the projects in the additional years as informational. Each State follows its own internal process to develop its STIPs and the process may include specific time

⁸ 23 Code of Federal Regulations (C.F.R.) § 450.222. Each State is also required to submit its STIP to FTA, as well as FHWA.

⁹ 23 U.S. Code (U.S.C.) § 134.

¹⁰ 23 C.F.R. Part 450.

¹¹ Or more frequently if the Governor of the State sets a more frequent cycle.

periods or internal deadlines. The intent of FHWA's review and approval of STIPs is to help State DOTs meet Federal requirements¹² such as maintaining fiscal constraint, meaning they demonstrate reasonably available funding and reliable cost estimates.

FHWA identified and provided us with a list of 22 guidance items as of November 2022, which included guidance designed to implement core Federal-aid programs amended or created by IIJA. Additionally, when necessary, FHWA responds to requests from Division Offices and States for further STIP related guidance. The transparent and timely performance of such STIP related efforts help ensure that the funding and eligibilities provided by IIJA will be interpreted and implemented to the extent allowable by FHWA and its partners. Finally, to establish the procedures for the coordination, review, and approval of the STIPs, FHWA developed a STIP SOP template for its Division Offices to follow.

During our audit, we reviewed a sample of three States—Texas, Virginia, and Washington—to assess FHWA's oversight. We also looked at a sample of 36 IIJA-funded projects to determine whether they were on approved STIPs before the obligation of IIJA funds, as required. See exhibit D for a list of these projects.

FHWA Has Not Finalized Some Planned Guidance To Help State DOTs Administer IIJA Programs and Develop STIPs

FHWA provides guidance regarding new and existing programs, such as those under IIJA, to help State DOTs administer programs and develop their STIPs. IIJA became law in November 2021 and authorized and appropriated funding through September 2026. FHWA identified and provided us with a list of 22 guidance items, which included guidance designed to implement core Federal-aid programs amended or created by IIJA. By November 2022, FHWA had issued only 13 of the 22 guidance items related to IIJA for the State DOTs. While the Agency made further progress by issuing two additional guidance items by December 2022, it missed a self-imposed deadline to issue three of the remaining seven guidance items. As of March 2023, FHWA was still working on issuing the remaining seven guidance items with no estimated completion dates.

According to FHWA officials, the Agency was unable to establish estimated completion dates for the remaining guidance, in part, due to ongoing discussions with the Office of the Secretary to finalize Administration priority activities for

¹² 23 U.S.C. §§ 134 and 135; 23 C.F.R. Part 450.

calendar year 2023. In late March 2023, FHWA officials committed to establishing estimated dates to finalize and disseminate the remaining guidance. To its credit, the Agency has made additional progress and as of November 2023, 2 years after IIJA became law, the Agency only has four remaining guidance items. See table 1 for details.

In an October 2022 correspondence¹³ to the Secretary on challenges facing the Department as it implements IIJA, we reported on coordination needs and the importance of efficient administration and oversight processes. Meeting these challenges is consistent with the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*¹⁴ (Federal Control Standards), which call for a Federal Agency's management to communicate, both internally and externally, the necessary information to achieve Agency objectives.

According to FHWA officials, the Agency prioritized its completion and dissemination of these 22 guidance areas to first complete the IIJA guidance the Agency deemed most material to help States implement IIJA. Specifically, according to one FHWA official, the Agency emphasized the issuance of IIJA guidance that would best help States make efficient and effective use of Federal-aid highway formula funding. This included the ability for States to add Federal-aid highway formula projects to their STIPs, including those funded under IIJA.

¹³ *Challenges Facing DOT in Implementing the Infrastructure Investment and Jobs Act* (OIG Controlled Correspondence No. CC2023001), October 5, 2022. OIG reports and correspondence are available at <https://www.oig.dot.gov/>.

¹⁴ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.

Table 1. FHWA IIJA Guidance, Completed and In Progress

No.	IIJA Program (as of November 2022)	November 2022 Status	November 2023 Status
1	National Highway Performance Program - guidance	Completed	Completed
2	Railway-highway grade crossings - guidance and periodic updates	Completed	Completed
3	Surface Transportation Block Grant Program - guidance	Completed	Completed
4	Surface Transportation Block Grant Program - transportation alternatives set-aside guidance	Completed	Completed
5	Highway Safety Improvement Program - vulnerable road users special rule	Completed	Completed
6	Highway Safety Improvement Program - guidance	Completed	Completed
7	Intelligent Transportation Systems	Completed	Completed
8	Carbon Reduction Program - establishment of program	Completed	Completed
9	Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation program - programmatic guidance	Completed	Completed
10	Bridge Formula Program - guidance	Completed	Completed
11	Bridge Formula Program - Tribal Transportation Facility Bridges (set-aside) guidance	Completed	Completed
12*	National Electric Vehicle Infrastructure Formula Program - State plans	Completed	Completed
13	National Electric Vehicle Infrastructure Formula Program - guidance	Completed	Completed
14	National Highway Freight Program - guidance	<i>In Progress</i>	Completed
15	Emergency Relief	<i>In Progress</i>	<i>In Progress</i>
16	Congestion Mitigation and Air Quality Improvement program - guidance	<i>In Progress</i>	<i>In Progress</i>
17**	Safe Routes to School - guidance	<i>In Progress</i>	<i>In Progress</i>
18	Ferry service for rural communities and construction of ferry boats and ferry terminal facilities	<i>In Progress</i>	Completed
19*	Standards – Electric Vehicle charging stations	<i>In Progress</i>	Completed
20	Bicycle transportation and pedestrian walkways	<i>In Progress</i>	Completed
21**	Recreational Trails Program	<i>In Progress</i>	<i>In Progress</i>
22	Increasing Safe and Accessible Transportation Options (Complete Streets)	<i>In Progress</i>	Completed

* In late August 2023, FHWA informed us that it determined to provide the necessary information for these items via a rulemaking (item 19) and other NEVI guidance in accordance with IIJA requirements (item 12).

** In February 2024, FHWA officials informed us that the Agency did not prioritize these items for development in calendar year 2023 because updated guidance on these programs was included in its guidance titled *Transportation Alternatives Set-Aside* (see item 4 in table 1), issued in March 2022.

Source: FHWA-provided data from November 2022 through November 2023.

During the audit, officials from our three sampled State DOTs expressed how FHWA's timing of its IIJA-related guidance affects STIPs planning. One State DOT official informed us that the State had capital projects that may have been eligible for the National Highway Freight Program (NHFP)¹⁵ and/or the Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Formula Program.¹⁶ The State DOT official stated that FHWA issued guidance for NHFP in December 2022—after the State had already completed its delivery plan used to assign funding to projects in development of their STIP. The State DOT official stated further that this lack of NHFP guidance impacted the State's analysis and allocation of program funds. An official from another State DOT noted that it needs guidance from FHWA to make both project funding and selection recommendations and to arrange funding for the STIP. A third State DOT official told us that depending on FHWA's final IIJA guidance and the Federal approval of its implementation strategies, the programming of its STIP projects may be delayed. FHWA recognizes that guidance can be a helpful tool for State DOTs to use to ensure compliance with laws and regulations.

FHWA's delayed or lack of completed IIJA guidance may increase the risk that State DOTs' plans to implement their STIPs, launch projects, and achieve the intended benefits of IIJA funding will be negatively impacted. Additionally, project delays, when combined with changes in the economy such as inflationary pressures, may lead to increased project costs.

FHWA's Delays in Providing Technical Assistance Can Impact States' Administrative Efficiency for IIJA-Funded Projects

FHWA has historically highlighted soft match¹⁷ as a "strategy" for matching funding on federally-funded projects. State DOTs rely on technical assistance from FHWA, as necessary, during the development of their STIPs. However, the Agency did not respond in a timely manner to requests for technical assistance from one State DOT in our sample. Specifically, FHWA took up to 5 months to

¹⁵ IIJA continues the NHFP by providing about \$7.1 billion in funding to improve the efficient movement of freight on the National Highway Freight Network.

¹⁶ The PROTECT Formula Program has over \$7 billion in funding to help States plan for resilience in transportation, make resilience improvements to existing transportation assets and evacuation routes, and address at-risk highway infrastructure.

¹⁷ Soft match is toll credits. Under 23 U.S.C. § 120(i), States may use toll revenues—generated by public, quasi-public, and private agencies to build, improve, or maintain highways, bridges, or tunnels—as credits toward a project's non-Federal share.

fulfill two related requests for technical assistance as the State DOT was developing its STIP. The State DOT requested clarifications to guidance on the use of soft match for two IIJA funded programs, BFP¹⁸ and the NEVI¹⁹ Formula Program. FHWA took over 5 months to complete the State DOT’s BFP-related request and over 4 months for the NEVI-related request.

As early as January 2022, the State DOT requested clarification from FHWA’s Division Office on whether the State’s soft match can be applied to the IIJA BFP. The Division Office acknowledged receipt of the request and reached out to FHWA Headquarters for assistance. On June 29, 2022, the Division Office provided clarification to the State DOT—over 5 months after it received the State’s request. In March 2022, the State DOT also requested clarification from the Division Office on the use of soft match for the IIJA NEVI program. However, the Division Office did not get in touch with FHWA Headquarters until June 29, 2022, over 3 months later. In this case, FHWA Headquarters fulfilled the Division Office’s request on June 30, 2022, yet the Division Office did not send the clarification to the State DOT until July 14, 2022. See table 2 for a record of events.

Table 2. Record of Events: State DOT’s Requests for Guidance Clarifications

Action	BFP	NEVI Formula Program
Initial State DOT request for clarifying guidance from the Division Office.	As early as January 2022	March 2022
Initial Division Office’s contact with FHWA Headquarters.	January 26, 2022	June 29, 2022
FHWA Headquarters fulfilled the Division Office’s request.	NA*	June 30, 2022
Division Office fulfilled the State DOT’s request.	June 29, 2022	July 14, 2022

* FHWA did not provide any evidence to the OIG that it fulfilled the Division Office’s request.

Source: OIG analysis of documents provided by FHWA and the State DOT

According to FHWA Headquarters’ officials, the delay in the Agency’s response was due, in part, to the time it needed to interpret possible impacts of IIJA on the non-Federal share requirement, including whether new guidance would be required. At the end, the Division Office did not provide new guidance but clarified two existing requirements²⁰ related to non-Federal shares for federally funded projects. According to officials at the State DOT, the delay in FHWA’s

¹⁸ IIJA established the BFP by providing about \$27 billion to replace, rehabilitate, preserve, protect, and construct highway bridges.

¹⁹ IIJA established the NEVI Formula Program by providing \$5 billion to States to strategically deploy electric vehicle charging infrastructure and to establish an interconnected network to facilitate data collection, access, and reliability.

²⁰ 23 U.S.C. § 120(i), which covers toll credits, and 23 U.S.C. § 133(f)(3), which applies to bridge credits.

fulfillment of the requests impacted the efficiency of the State agency's planning efforts, including development of the State EV Infrastructure Deployment Plan. Furthermore, both the State DOT and the Division Office had to revisit related project agreements²¹ more than once regarding the use of these program funds due to FHWA's delay in providing clarifications. Specifically, the State DOT had to seek FHWA's authorization to use program funds even as BFP and NEVI Formula Program work advanced. Then, once FHWA provided the requested clarifications, the State DOT and the Division Office had to revisit obligations in each project agreement.

While the complexity of new programs may warrant a need for time to clarify existing guidance, we recently reported that the successful delivery of IJA results will depend, in part, on efficient administration and oversight processes.²² Furthermore, GAO's Federal Control Standards emphasize that an Agency should provide a quality information system process that considers requirements, such as the communication of guidance and necessary quality information to both internal and external users to achieve the entity's objectives. The objective, in this case, was to support State STIP planning efforts by providing program guidance clarifications to a State DOT and Division Office in an efficient manner. The delays in fulfilling requested clarifications on guidance impacted the efficiency in achieving FHWA's and the State DOT's STIP IJA objectives, according to State DOT officials. Similar delays for these and other programs in other States may increase the risk of adversely affecting the States' STIP development for IJA-funded projects, which can be time-sensitive.

FHWA Does Not Review and Approve Division Offices' Updates to STIP Standard Operating Procedures

According to FHWA officials, in 2017, the Agency provided the Division Offices a template to establish procedures for the coordination, review, and approval of STIPs in accordance with Federal regulations.²³ The Division Offices were to use the template to develop their own SOPs and submit them to FHWA Headquarters for review and approval. Subsequently, between 2017 and 2018, FHWA

²¹ For each federally funded project, 23 C.F.R. § 630.106 requires a project agreement. FHWA's approval of the agreement creates an obligation of Federal funds.

²² *Challenges Facing DOT in implementing the Infrastructure Investment and Jobs Act* (OIG Controlled Correspondence No. CC2023001), October 5, 2022. OIG reports and correspondence are available on our website at <https://www.oig.dot.gov/>

²³ 23 C.F.R. Part 450.

Headquarters reviewed the Division Offices' STIP SOPs for consistency with the template and approved them.

We found that FHWA does not review and approve updated Division Office STIP SOPs. The Division Offices for two of the three State DOTs in our sample had updated their SOPs but no process exists to make FHWA Headquarters aware of such updates. That is because the Agency policy does not call for reviews and approvals of updates of the Division Offices' SOPs. Furthermore, one sampled Division Office had inadvertently neglected to set review and update intervals for its STIP SOPs, as required. The top of page 1 of the Agency's template includes a data field in which Division Offices must state how often they review and update their STIP SOPs (see figure 1). The Division Office left this field blank but FHWA Headquarters still approved the SOP. Division Office personnel informed us that they plan to update the SOP, including completing the field for review and update intervals. However, since it has no approval process for updates to the STIP SOPs, FHWA Headquarters would remain unaware of these changes.

Figure 1. Excerpt from FHWA's STIP SOP template

Standard Operating Procedure (SOP)	
Review and Approval of the Statewide Transportation Improvement Program (STIP)	Approved: _____ (AU Manager signature)
	_____ (Title)
_____ (Date)	
Update Requirement: This SOP must be reviewed and updated <i>[Insert update frequency (e.g. annually)]</i> .	

Source: FHWA

GAO's Federal Control Standards call for each Agency management to enforce accountability for internal control responsibilities. These standards also require effective documentation that helps management establish and communicate to personnel the who, what, when, where, and why of internal control execution. Documentation also allows retention and communication of organizational knowledge.

FHWA's lack of policy and processes for reviews and approval of updates to its Division Offices' SOPs can increase the Agency's oversight risks, including its ability to oversee and apply standards prescribed in its template. FHWA Headquarters has left these decisions to the Division Offices, which may or may not set appropriate review and approval requirements. FHWA Headquarters officials noted that during its initial review of the Division Offices' STIP SOPs, it worked with the Division Offices to make their SOPs consistent with the template.

However, because the Agency lacks a documented process for reviewing and approving updates to STIP SOPs, the Division Offices can make changes to the SOPs without Headquarters' review and approval.

Conclusion

FHWA oversees a monumental amount of spending on projects pursuant to IIJA, with the goal of improving our Nation's infrastructure. The approximately \$350 billion authorized and appropriated to the Agency through fiscal year 2026 as well as the creation of new programs and priorities under IIJA, amplify the need for FHWA to oversee STIPs and support State DOTs' STIP planning efforts. FHWA can strengthen its efforts to achieve its program objectives by providing timely guidance to its Division Offices and State DOTs on IIJA specific requirements, completing technical assistance requests for guidance clarifications in an efficient manner, and providing a policy for ongoing reviews and approvals of updated Division Office STIP SOPs.

Recommendations

To improve FHWA's oversight of Statewide Transportation Improvement Programs (STIP) that include projects funded by the Infrastructure Investment and Jobs Act (IIJA), we recommend that the Federal Highway Administrator:

1. Provide FHWA Division Offices and State DOTs with all planned IIJA guidance areas and associated targeted completion dates.
2. Identify a list of any outstanding technical assistance requests from Division Offices and State DOTs for IIJA guidance clarifications and fulfill them.
3. Develop and implement a policy to require Headquarters' concurrence when Division Offices are making procedural revisions to their standard operating procedures for reviewing and approving STIPs to ensure continued alignment with the Agency's standards prescribed in its template.

Agency Comments and OIG Response

We provided FHWA with our draft report on December 12, 2023. We received FHWA's formal response on February 2, 2024, which is included in its entirety as an appendix to this report. FHWA concurred with recommendation 1 and partially concurred with recommendations 2 and 3, and provided planned actions.

FHWA concurred with recommendation 1 and provided appropriate actions and completion dates. In its response, FHWA states that it is no longer planning to provide additional guidance on its Safe Routes to School and Recreational Trails Program because it believes the guidance it previously provided on these programs in its Transportation Alternatives Set Aside guidance, issued in March 2022, is sufficient.

Regarding recommendation 2, FHWA partially concurred. In its response, the Agency states that managing a list of identified requests may not help expedite its responses for technical assistance, but it has provided a plan of action with a current list and completion date. This plan of action meets the intent of the recommendation.

Regarding recommendation 3, FHWA partially concurred. In its response, the Agency states that it will update its procedures for review of SOPs but only require reviews by Headquarters for major procedural changes. It included a completion date for this update. In its technical comments to the draft report, FHWA defined a "major procedural change" as a substantive change to the process for reviewing and approving STIPs as may be necessary to implement changes to statutes or regulations. For example, a Division Office changes the process for reviewing the public participation documentation/consistency with the public participation plan as part of the STIP approval process. A major change would require Headquarters' review and concurrence. This proposed alternative action meets the intent of the recommendation to define when Headquarters reviews are required.

Actions Required

We consider all three recommendations resolved but open pending completion of the planned actions.

Exhibit A. Scope and Methodology

We conducted this audit between July 2022 and December 2023. We conducted this audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To assess FHWA's oversight of States' use of STIPs that include IIJA-funded projects, we assessed whether FHWA (1) issued guidance to support States' STIP planning, (2) provided timely technical assistance to support States' STIP development, and (3) provided continued monitoring and oversight of the Division Offices' updated STIP SOPs. We reviewed information from three sampled States—Texas, Virginia, and Washington. Our process to select these three States is described below.

To develop a statistical sample of three States for our review, we worked with FHWA and OIG Statisticians. First, we coordinated with FHWA to obtain a national report from FHWA's Fiscal Management Information System (FMIS) showing a list of Federal-Aid Highway Program projects that are funded by IIJA as of June 30, 2022, broken down by each State and territory. Next, we used a k-means clustering algorithm to group the States listed in the national report from FMIS into three categories (High, Medium, and Low) based on State apportionment. A stratified probability proportion to size sample of 3 States—Texas (High), Virginia (Medium) and Washington (Low)—was pulled from this cluster analysis of 50 States and the District of Columbia. We then pulled a probability proportion to size sample based on obligation amounts of 36 projects, 12 from each of our three sampled States, from the resulting universe of 753 projects.

We obtained, reviewed, and analyzed applicable rules, regulations, policies, guidance, FHWA reports, State documents, a sample of 36 IIJA-funded projects from our sampled States, FHWA's planned IIJA guidance, and sampled Division Offices' STIP SOPs. In addition, we reviewed GAO's *Standards for Internal Control in the Federal Government*. We interviewed relevant FHWA Headquarters, sampled FHWA Division Offices, and State DOT officials. We collected and analyzed relevant data from each entity to obtain their perspectives and help evaluate FHWA's oversight. As part of our work, we also reviewed prior GAO and OIG audit reports. Exhibit B lists the organizations we contacted.

Exhibit B. Organizations Visited or Contacted

FHWA Facilities

Office of Natural Environment, Headquarters, Washington, DC

Office of Planning, Headquarters, Washington, DC

Office of Stewardship, Oversight, and Management, Headquarters, Washington, DC

Office of Infrastructure, Headquarters, Washington, DC

Office of Planning, Environment, and Realty, Headquarters, Washington, DC

Office of Chief Counsel, Headquarters, Washington, DC

Texas Division Office, Austin, TX

Virginia Division Office, Richmond, VA

Washington Division Office, Olympia, WA

State DOT Facilities

Texas DOT, Austin, TX

Virginia DOT, Richmond, VA

Washington DOT, Olympia, WA

Exhibit C. List of Acronyms

BFP	Bridge Formula Program
C.F.R.	Code of Federal Regulations
DOT	Department of Transportation
EV	electric vehicle
FHWA	Federal Highway Administration
FMIS	Fiscal Management Information System
FTA	Federal Transit Administration
GAO	Government Accountability Office
IJA	Infrastructure Investment and Jobs Act of 2021
MPO	metropolitan planning organization
NHFP	National Highway Freight Program
NEVI	National Electric Vehicle Infrastructure
OIG	Office of Inspector General
PROTECT	Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation
SOP	standard operating procedure
State DOT	State Department of Transportation
STIP	Statewide Transportation Improvement Program
U.S.C.	U.S. Code

Exhibit D. IJA-Funded Projects in OIG's Sample

No.	Project Number*	Project Title
1	0011066	FY 2022 Metropolitan Planning Organization unified planning work program
2	0303125	Construct one-way frontage roads, entrance and exit ramps and replace bridge at Farm-to-Market Road 989 on Interstate Highway 30
3	1902201	Interchange improvement on State Loop 12 and State Spur 482
4	1902389	Widen freeway on Interstate Highway 635
5	2012594	Widen US Highway 59 to 6 main lanes with frontage roads
6	2014326	Construct new road on McHard Road
7	2021518	Highway improvement on Interstate Highway 27
8	2022009	Widen road-add lanes on Interstate Highway 45
9	2022307	Hazard elimination and safety on Farm-to-Market Road 1488
10	2022402	Construct direct connectors on Interstate Highway 10
11	2022480	Bridge replacement on State Highway 174
12	2022483	Install/replace signs on US Highway 80, US Highway 75, Interstate Highway 35E, State Loop 482 and State Loop 12
13	0015066	Replace structurally deficient bridge on State Route 707 over Pitts Creek
14	0643528	Improve Interchange Configuration in Richmond, Interstate 64 - exit 291/Interstate 464 interchange
15	0772321	Bridge replacement on Interstate 77 over State Route 606
16	5108176	Super structure replacement of bridge in Lynchburg – State Route 293
17	5118270	Reconstruct intersection at State Route 622 in Lynchburg – State Route 460 Business Route
18	5118287	Reconstruct intersection at US Route 460 Business route and State Route 622
19	5118319	Bridge and interchange improvements on US Route 501 in Lynchburg
20	5132168	Convert travel lane to a buffered shared use path in Staunton at Commerce and Lewis Creek
21	5132169	Improve pedestrian and bicycle connectivity along Richmond Road and Crossing Way in Staunton
22	5132172	Staunton Crossing Street extension at US Route 250
23	5A27564	Mayo Bridge Rehabilitation over James River on State Route 360
24	PM01348	Bristol Districtwide Paving
25	0001049	21-23 Biennium State Planning and Research Work Program
26	0002866	Paving of US Route 2/Cashmere East
27	0002872	Paving of US Route 2/Stevens Pass East
28	0053980	Seismic Retrofit of Interstate 5/Northgate Way and Maple Road bridges

No.	Project Number*	Project Title
29	0195068	Chip Seal on US Route 195/Colton to State Route 27 junction
30	0821095	Paving of Interstate 82/Selah Creek to Yakima Vicinity
31	0902457	Replace Concrete Panels on Interstate 90/Oakes Ave Interchange to Yakima River Bridge
32	1615005	Phase 4 of Rainier Ave S Corridor Improvements
33	2020048	Bituminous Surface Treatment of State Route 20/Rocky Creek to Granite Creek
34	2051288	Replace Deteriorated Concrete Panels on Interstate 205/Glen Jackson Bridge to Interstate 5
35	2C01002	Emergency Project on State Route 536/Skagit River Bridge Drawrest
36	9903019	Turn lane construction and light optimization at Steptoe Street and Gage Blvd

* Project numbers and titles are included in FHWA's FMIS.

Source: OIG's sampling and analysis of FHWA-provided data.

Exhibit E. Major Contributors to This Report

ANTHONY WYSOCKI	PROGRAM DIRECTOR
MICHAEL MASOUDIAN	PROJECT MANAGER
SHARLENA DELANEY	PROJECT MANAGER
BRIAN CHAPMAN	SENIOR ANALYST
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GRACE ENTWISTLE	DATA SCIENTIST
SHAWN SALES	SUPERVISORY VISUAL COMMUNICATIONS SPECIALIST

Appendix. Agency Comments



U.S. Department
of Transportation
**Federal Highway
Administration**

Memorandum

Subject: **INFORMATION**: Management Response
to the Office of Inspector General Draft
Report on Federal Highway Oversight of
States' Use of Statewide Transportation
Improvement Programs

Date: January 31, 2024

From: Shailen P. Bhatt
Administrator

A handwritten signature in black ink, appearing to be 'SB'.

In Reply Refer To:
HCFB-30

To: David Pouliott
Assistant Inspector General
for Surface Transportation Audits

The Federal Highway Administration (FHWA) works jointly with the Federal Transit Administration (FTA) to oversee the development of the Statewide Transportation Improvement Program (STIP). In accordance with 23 United States Code 135 and 23, Code of Federal Regulations part 450, STIP is a required planning document produced by all 50 States, Puerto Rico, and the District of Columbia. These four-year planning documents are created by the State departments of transportation (State DOT) with input from the Metropolitan Planning Organizations, Transit Operators, the public and other interested parties identified in statute and regulation. The STIPs are reviewed and approved by FHWA divisions and FTA regions.

With the enactment of the Infrastructure Investment and Jobs Act (IIJA), FHWA has taken additional actions supporting the implementation of projects that improve safety and people's lives, including distributing more than \$180 billion in highway formula funding to States, and issuing Notices of Funding Opportunity for approximately \$14.7 billion in available funds. FHWA is currently administering nearly 1500 grants totaling approximately \$10 billion across 15 discretionary programs. I am pleased that the Office of Inspector General (OIG) was able to confirm that all the projects reviewed in its sample were accurately included in the appropriate STIP prior to authorization. With the unprecedented funding under IIJA, FHWA has been working

diligently to establish new programs, issue new funding opportunities, make awards, and issue new or updated program guidance as expeditiously as possible.

Based on our review of OIG's draft report, FHWA partially concurs with the three recommendations.

Recommendation 1: With the exception of the Recreational Trails Program (RTP) and the Safe Routes to School (SRTS) Program, FHWA concurs to provide its division offices and State DOTs with planned IIJA guidance for the remaining areas cited in Table 1. FHWA anticipates issuing updated guidance for both the Congestion Mitigation and Air Quality Improvement program and the Emergency Relief program by the estimated completion date of December 31, 2024. Specific to RTP and SRTS programs, FHWA included updated guidance consistent with IIJA, in the Transportation Alternatives (TA) Program guidance issued March 30, 2022. Because there is no dedicated funding for the SRTS program, FHWA determined the updates within the TA guidance are sufficient without the need for additional guidance. Likewise, RTP is a set-aside of the TA program, and the TA guidance included RTP updates based on IIJA.

Recommendation 2: FHWA partially concurs to identify a list of any outstanding technical assistance requests from division offices and State DOTs for IIJA guidance clarifications and fulfill them. Managing a list of identified requests may not help in expediting FHWA's responses for technical assistance. The FHWA does respond to all such requests. Guidance clarifications are worked by staff as appropriate based on the urgency and complexity of the issue. The FHWA agrees to work with its division offices to determine whether there are any such pending requests for technical assistance outstanding and respond to such requests accordingly. FHWA plans to complete this action by June 30, 2024.

Recommendation 3: FHWA partially concurs to develop and implement a policy to require Headquarters (HQ) concurrence when division offices are making procedural revisions to their Standard Operating Procedures (SOP) for reviewing and approving STIPs to ensure continued alignment with the Agency's standards prescribed in its template. The current FHWA SOPs require each division to review and update their procedures for the coordination, review, and approval of STIP on a frequency determined by the division office. The FHWA will update the STIP SOP to ensure HQ reviews and concurs with major changes to each division's submission when applicable. FHWA plans to complete this action by June 30, 2024.

FHWA appreciates the opportunity to review the OIG draft report. Please contact Emily Biondi, Associate Administrator for Planning, Environment, and Realty at Emily.Biondi@dot.gov with any questions.

U.S. Department of Transportation
Office of Inspector General

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