



Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
Of Transportation

Office of Inspector General

Subject: **INFORMATION:** Notification of the Audit of
Federal Highway Administration's Cost Recovery
Actions
Project Number: 03M3016M000

Date: October 14, 2003

Debra S. Ritt
From: Debra S. Ritt
Assistant Inspector General for
Surface and Maritime Programs

Reply to JA-40
Attn of:

To: Federal Highway Administrator

The Office of Inspector General plans to initiate an audit of the Federal Highway Administration's (FHWA) actions to recover costs resulting from design errors and/or omissions on major projects. Design errors and/or omissions in plans and specifications can significantly increase highway construction costs.

A 2001 study by the National Cooperative Highway Research Program found that errors and/or omissions in plans and specifications were one of the most frequently cited causes of construction delays and cost overruns on highway projects, by both state highway agencies and contractors. Of 150 projects reviewed, researchers found that errors and/or omissions accounted for an average time delay of 272 days on all projects and an average cost growth of 2.1 percent.

The objectives of our audit will be to evaluate FHWA's oversight of states' processes and procedures for controlling, identifying, and tracking errors and/or omissions on major projects; and the progress made by FHWA and the states in recovering costs resulting from design errors and/or omissions.

The audit will be limited to major highway projects with an estimated total cost of \$1 billion or more, or projects approaching \$1 billion with a high level of interest for the public, Congress or the Administration. The audit will include only those projects that are either in the final design phase or under construction, and will not assess the Central Artery/Tunnel Project cost recovery efforts, which

will be included in the current audit of the 2003 Central Artery/Tunnel Finance Plan.

We will conduct the audit at FHWA offices in Washington, D.C., selected division offices, project offices and state highway agencies for selected major projects, and other locations to be determined during the audit. We plan to begin our review during the week of October 20, 2003. Lorretta Swanson, the Project Manager, will contact your audit liaison to arrange an entrance conference.

If I can answer any questions or be of assistance, please contact me at (202) 493-0331, or Richard Kaplan, Program Director, at (202) 366-1402.

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cc: FHWA, Executive Director, HOA-3
FHWA Audit Liaison, HAIM-13
OST Audit Liaison, M-1