

Memorandum



**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Subject: INFORMATION: Audit Announcement —
Central Artery/Tunnel Project
2007 Finance Plan Update
Project Number: 07M3004M000

Date: June 27, 2007

From: Rebecca Anne Batts *Rebecca Anne Batts*
Deputy Assistant Inspector General
for Surface and Maritime Programs

Reply to: JA-40
Attn. of:

To: Federal Highway Administrator

As directed by the Public Law 106-346, the Department of Transportation and Related Agencies Appropriations Act for Fiscal Year 2001, the Office of Inspector General is initiating an audit of the Massachusetts Turnpike Authority's (Authority) 2007 Finance Plan Update (Update) for the Central Artery/Tunnel Project.

The 2007 Update is based on a previous update to the Authority's Financial Plan which includes eight major project cost centers (construction, force accounts/interagency agreements, section design consultants, right of way, project management, owner-controlled insurance program, contingency, and third-party costs). The prior update, issued in October 2004, included a Cost/Schedule Update or a "bottom-to-top cost assessment" of actual and projected costs. This plan was certified by the Office of Administration and Finance, based on the work of Deloitte & Touche. Specifically, the plan estimated project costs to be \$14.625 billion, and identified \$8.549 billion in Federal funds and \$6.076 billion in State funds to pay all project costs. Since the submission of the 2004 Finance Plan, the Project has provided supplemental financial information related to the finance plan. This information was reviewed by the OIG; however, a final report was not released due to uncertainties surrounding the July 2006 major tunnel ceiling collapse in the completed (I-90) portion of the project, which resulted in tunnel remediation work.

The objectives of this audit are to determine whether the Update: (1) complies with the Federal Highway Administration (FHWA) Financial Plan guidance, (2) provides a project cost estimate based on all known and reasonable expected costs, (3) identifies appropriate and available funding sources and cash flows sufficient to meet the total estimated cost, and (4) discloses other issues affecting the project.

Our audit work will be conducted at FHWA Headquarters and the FHWA Massachusetts Division Office, the Massachusetts Executive Office of Transportation, the Massachusetts Executive Office for Administration and Finance, Central Artery project offices, and other organizations to be determined during the audit. We held a preliminary meeting with Commonwealth and Authority officials on April 23, 2007. We plan to begin our audit in June 2007 and will contact your audit liaison to schedule a formal entrance conference. If you have any questions or require additional information, please contact me at (202) 366-5630 or Joe Marchowsky, Program Director, at (202) 366-1515.

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cc: Cynthia Thornton, HAIM-13
Martin Gertel, M-1