



# Memorandum

U.S. Department of  
Transportation  
Office of the Secretary  
of Transportation  
Office of Inspector General

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Subject: **INFORMATION:** Audit Announcement—Audit of  
New Starts Capital Cost Estimating Process  
Federal Transit Administration  
Project Number 08M3004M000

Date: February 26, 2008

From:

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for Highway and Transit Audits

Reply to  
Attn. of:

JA-40

To: Federal Transit Administrator

The Office of Inspector General plans to conduct an audit of the Federal Transit Administration's (FTA) New Starts capital cost estimating process. The purpose of the New Starts program is to provide Federal financial support for locally planned and operated public transit. Federal support is in the form of competitive, discretionary capital investment grants in local fixed guideway transit projects, such as commuter rail, light rail, heavy rail, bus rapid transit, trolleys, and ferries. FTA awards relatively few full funding grant agreements to New Starts projects each year; accordingly, it is crucial that FTA selects only the most promising New Starts projects as candidates for funding. Specifically, FTA evaluates proposed New Starts projects based on a set of financial and project justification ratings that are measured on a scale of high, medium-high, medium, medium-low, or low. Additionally, cost-effectiveness is an important factor in determining whether a project is ultimately eligible to receive full Federal funding, which makes a project's capital cost estimate a key component in calculating its cost-effectiveness.

Further, FTA uses third-party project management oversight contractors (PMOC) to supplement its oversight of New Starts projects. Project management oversight is the monitoring of a major capital project's progress to determine whether the project is on time, within budget, in conformance with design criteria, constructed to approved plans and specifications, and efficiently and effectively implemented.

PMOCs play an important role in evaluating the cost estimates of New Starts projects through their continual assessment of each project's scope, budget, schedule, and contingency.

Our audit objectives will be to: (1) evaluate the process FTA uses to ensure that capital cost estimates for New Starts projects are credible and complete and meet applicable requirements and (2) assess the role of PMOCs in reviewing capital cost estimates and determine whether FTA makes effective use of their work.

We plan to begin the audit the week of March 3, 2008. We will conduct our work at FTA Headquarters and regional offices and other related sites as needed. We will contact your audit liaison to schedule an entrance conference. If I can answer any questions or be of further assistance, please do not hesitate to contact me at (202) 366-5630 or Tom Yatsco, the Program Director, at (202) 366-1302.

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cc: Audit Liaison, OST, M-1  
Audit Liaison, FTA, TBP-30