
Office of Inspector General

**Management Advisory on
Unexpended Obligations on Complete
and Inactive Highway Projects**

Federal Highway Administration

**Report Number TR-1998-045
Date Issued: December 11, 1997**





**U.S. Department of
Transportation**

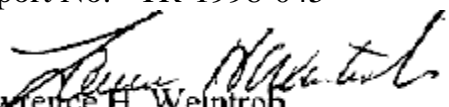
Office of the Secretary
of Transportation

Office of Inspector General

Memorandum

Subject: **ACTION:** Management Advisory on
Unexpended Obligations on Complete
And Inactive Highway Projects
Report No. TR-1998-045

Date: December 11, 1997

From: 
Lawrence H. Weinrob
Assistant Inspector General for Auditing

Reply to
Attn of:

To: Federal Highway Administrator

BACKGROUND AND OBJECTIVE

This Management Advisory represents the results of our audit of unexpended obligations on complete and inactive highway projects. The objective of our audit was to determine whether the Federal Highway Administration (FHWA) timely identified excess funds on complete and inactive Federal-aid highway projects and made the funds available for other highway improvements.

The 50 states, District of Columbia, and U.S. territories had 23,500 complete and inactive Federal-aid highway projects with unexpended obligations totaling \$4.0 billion as of December 31, 1996. A completed project is a project which has been accepted by FHWA. An inactive project is a project with no expenditure activity for 12 or more months.

FHWA can immediately transfer excess funds on complete and inactive projects to other eligible highway improvements in the same state unless the excess funds have lapsed, i.e., not been used within a period of time specified in law. Where excess funds have lapsed, FHWA withdraws the funds and returns them to the Office of Management and Budget. Prompt deobligation of excess funds is essential to the accurate reporting of the status of funds in FHWA's financial statements.

We audited FHWA oversight of unexpended obligations on complete and inactive Federal-aid highway projects in California, Georgia, New York, and Maine. These four states accounted for more than \$1.2 billion of the \$4.0 billion in

unexpended obligations on complete and inactive projects. We reviewed 20 randomly selected projects in each of the 4 states. The 80 projects had unexpended obligations totaling \$118.8 million.

We conducted our audit in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States. From April through July 1997, we worked in FHWA's Office of Budget and Finance in Washington, D.C., and in the FHWA division offices and state highway agency offices in California, Georgia, New York, and Maine. To determine how FHWA division offices carried out their oversight responsibilities, we: (i) evaluated FHWA controls for managing unexpended funds on complete and inactive highway projects, (ii) reviewed FHWA and state project files, and (iii) discussed our findings with FHWA staff responsible for managing funds on highway projects.

RESULTS-IN-BRIEF

We concluded FHWA and the states kept excess funds obligated for as long as 12 years on 43 of the 80 projects audited. These excess funds totaled \$32 million of the \$118.8 million covered by our audit. We recognize conditions may differ in other states. However, if the four states sampled are reflective of the remaining states, and if excess funds are only one-half the average found for the four states audited, then FHWA may have the opportunity to make more than \$500 million of such unexpended funds available for other highway improvements. Also, by identifying excess funds, FHWA has an opportunity to more accurately report the status of highway funds in its financial statements. FHWA can strengthen its management of unexpended highway funds by: (i) accurately accounting for unexpended obligations on all complete and inactive highway projects; and (ii) developing plans and procedures for systematically identifying, monitoring, and closing complete and inactive projects.

Exhibit A of this report identifies total unexpended obligations for complete and inactive Federal-aid highway projects as of December 31, 1996. Exhibit B provides the state-by-state results of our audit.

As a result of our audit and discussions with FHWA managers, FHWA's Federal-aid Financial Management Division formed a team from various headquarters and division offices to determine how FHWA can best reduce excess unexpended obligations on complete and inactive projects. Working with FHWA division offices and state highway agencies, the team began its assessment of unexpended obligations in October 1997. FHWA expects to implement the results of this financial management improvement project by the end of Calendar Year 1998.

GOVERNMENT PERFORMANCE AND RESULTS ACT

The Government Performance and Results Act of 1993 requires each Federal agency to develop a strategic plan that includes objective, quantifiable, and measurable performance goals for accomplishing major program activities. FHWA should use its financial management team to develop specific program performance goals, such as a percentage reduction in excess funds compared to either unexpended or total obligations. Through this process, FHWA can identify sustainable corrective action for minimizing excess funds on complete and inactive highway projects.

RECOMMENDATIONS

We recommend the FHWA Administrator:

- accurately account for unexpended obligations on all complete and inactive highway projects, and
- develop plans and procedures, including performance goals, for managing excess funds on complete and inactive highway projects.

MANAGEMENT RESPONSE

We discussed our proposed report with the Director for FHWA's Office of Budget and Finance on August 26, 1997. The Director and his staff agreed with our findings and recommendations and stated a draft report was not necessary. The attachment to this report is a September 4, 1997, memorandum from the Associate Administrator for Administration that summarizes the August 26, 1997, discussion and FHWA actions in response to our findings.

The actions underway and planned by FHWA are responsive to the audit recommendations. We consider the recommendations resolved, subject to the followup provisions of Department of Transportation Order 8000.1C.

We appreciate the courtesies and cooperation extended by FHWA. If you have any questions, please call me on (202) 366-1992 or James Diecker in our Seattle office on (206) 220-7754.

**Complete and Inactive Federal-aid Projects
As of December 31, 1996**

**Exhibit A
Page 1 of 2**

State	Total Projects	Total Obligations	Unexpended Obligations	Percent of Total
California	2,408	1,956,825,188	918,045,829	22.91
D.C.	215	484,804,519	264,666,094	6.60
New York	714	635,449,711	169,688,445	4.23
Georgia	772	1,181,433,692	163,546,265	4.08
Pennsylvania	1,791	1,696,129,251	161,967,436	4.04
Illinois	903	495,855,007	142,872,206	3.56
Maryland	576	759,002,212	137,635,831	3.43
Tennessee	316	305,787,050	137,584,723	3.43
Connecticut	262	267,854,976	129,998,171	3.24
Kentucky	551	237,947,475	127,866,192	3.19
Virginia	395	365,967,871	125,807,344	3.14
Florida	608	688,120,694	120,166,161	3.00
Massachusetts	410	519,797,519	105,605,259	2.64
New Jersey	1,041	904,584,126	105,411,048	2.63
Hawaii	197	293,008,739	104,279,936	2.60
Ohio	396	412,674,798	89,271,572	2.23
Kansas	424	179,616,295	73,364,696	1.83
Texas	590	495,196,442	72,403,570	1.81
North Carolina	281	375,687,300	72,120,358	1.80
Michigan	801	457,012,203	65,291,438	1.63
Indiana	669	267,304,522	63,339,865	1.58
Alabama	505	426,043,262	62,033,203	1.55
Minnesota	526	522,862,725	58,757,601	1.47
Washington	773	232,074,383	53,211,331	1.33
Louisiana	710	330,300,151	41,366,802	1.03
Missouri	447	245,116,387	32,002,875	0.80
Arizona	407	217,349,051	31,940,981	0.80
New Mexico	291	196,414,897	30,351,033	0.76
Oklahoma	515	115,355,922	30,057,949	0.75
South Carolina	415	115,559,558	27,013,982	0.67

**Complete and Inactive Federal-aid Projects
As of December 31, 1996**

**Exhibit A
Page 2 of 2**

State	Total Projects	Total Obligations	Unexpended Obligations	Percent of Total
Puerto Rico	187	191,586,965	24,623,053	0.61
Guam	41	57,796,691	22,866,071	0.57
Oregon	177	189,412,146	20,685,113	0.52
Montana	325	47,640,911	17,693,225	0.44
South Dakota	395	39,628,215	16,018,518	0.40
Mississippi	227	97,932,314	15,830,100	0.39
Wisconsin	438	138,070,369	14,692,401	0.37
Rhode Island	258	90,380,937	13,916,986	0.35
Colorado	145	101,329,225	13,888,989	0.35
West Virginia	161	102,645,165	13,567,257	0.34
Vermont	347	117,267,312	12,554,154	0.31
Nebraska	334	176,640,408	11,292,266	0.28
Idaho	208	160,455,230	11,045,168	0.28
Alaska	170	384,536,203	10,711,581	0.27
Virgin Islands	18	12,403,280	10,297,545	0.26
Utah	155	28,123,546	9,628,349	0.24
North Dakota	98	15,839,281	7,428,901	0.19
Iowa	130	89,894,569	7,314,742	0.18
Arkansas	164	47,813,753	7,095,833	0.18
New Hampshire	77	13,223,253	6,766,409	0.17
Wyoming	121	49,965,722	6,052,481	0.15
Delaware	80	54,482,965	5,937,418	0.15
Maine	307	88,309,609	5,098,547	0.13
American Samoa	7	3,598,124	2,755,820	0.07
Nevada	62	46,867,204	2,206,819	0.06
N. Mariana	2	768,834	29,010	0.0007
Totals	23,543	\$17,727,748,157	\$4,007,664,952	100.00

Boldface type indicates states audited

**Project Review Summary
California**

**Exhibit B
Page 1 of 4**

Projects Reviewed	Class *	Step*	Amount Unexpended	Excess	Percentage
0001-001	ROW	6	2,591,200	0	
0007-001	ROW	6	12,072,570	0	
0011-001	PE	6	3,258,989	0	
0037-002	PE	6	4,234,400	0	
0038-811	CONST	6	2,601,562	0	
0056-287	CONST	4	1,403,588	0	
1053-419	CONST	6	1,257,707	1,257,707	
5012-001	ROW/CONST	6	4,914,228	1,090,159	
5030-008	PE/CONST	6	3,264,593	0	
5063-015	CONST	6	1,772,000	0	
P015-008	CONST	4	3,602,697	0	
P065-047(R)	CONST	4	2,550,659	0	
P101-558	CONST	6	1,477,066	1,477,066	
P101-550	CONST	4	86,957	86,957	
P049-076	ROW	6	24,609	24,609	
5083-009	CONST	6	38,126	27,369	
P101-460	CONST	6	44,680	44,680	
3072-019	PE	6	42,735	42,735	
5154-004	PE	6	15,000	15,000	
2926-003	PE/CONST	6	184,210	0	
Totals			\$45,437,576	\$4,066,282	8.95%

*** Legend:**

ROW = rights-of-way acquisition

PE = preliminary engineering

CONST = construction

TRANS = transit

RES = research

Step 4 = project authorized

Step 6 = project underway or construction started

Step 7 = project completed

Step P = final voucher pending

**Project Review Summary
Georgia**

**Exhibit B
Page 2 of 4**

Projects Reviewed	Class *	Step*	Amount Unexpended	Excess	Percentage
00MS-024	CONST	6	3,500,000	0	
0201-046	ROW	6	1,492,027	1,492,027	
0341-022	ROW	6	1,518,400	0	
0752-136	CONST	6	2,044,942	2,044,942	
0752-190	CONST	4	1,683,572	0	
1711-001	CONST	6	1,223,445	1,222,427	
1711-002	CONST	6	21,029,130	0	
2081-001	ROW	7	12,962,250	12,962,250	
6751-081	PE/ROW	6	1,988,278	1,988,278	
6751-137	CONST	6	1,024,777	1,024,777	
0751-155	PE	6	41,572	41,572	
0372-055	PE	6	6,400	0	
1070-005	PE	6	27,063	0	
000S-009	ROW	6	35,758	0	
000S-690	CONST	6	6,043	3,379	
1141-063	CONST	6	295,182	295,182	
0733-013	CONST	6	8,800	0	
0351-018	PE	7	33	33	
0581-023	ROW/CONST	7/6	15,513	15,513	
2953-002	ROW/CONST	7/6	18,347	18,347	
Totals			\$48,921,532	\$21,108,727	43.15%

**Project Review Summary
New York**

**Exhibit B
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Projects Reviewed	Class *	Step*	Amount Unexpended	Excess	Percentage
0080-302	CONST	7	112,188	0	
NTEC-952	PE	6	2,500,000	0	
EODC-952	CONST	6	3,057,321	0	
MTAT-952	TRANS	6	7,200,000	0	
SARA-931	TRANS	6	1,048,000	0	
CDTA-002	TRANS	6	1,400,000	0	
FTAW-943	TRANS	6	1,440,000	0	
0904-025	CONST	7	3,925,048	3,925,048	
NBIS-367	PE	P	1,122,844	1,122,844	
9901-164	CONST	P	1,552,024	1,552,024	
0002-166	RES	6	20,000	0	
4200-572	PE	6	54,400	0	
5306-103	PE	6	4,810	4,810	
4100-900	PE	6	4,005	4,005	
4100-688	ROW	6/7	12,064	9,505	
000S-615	CONST	6	392,000	0	
0930-074	PE/CONST	6	239,085	0	
0020-102	ROW	7	10,883	0	
000S-080	CONST	7	65,338	52,838	
2872-062	CONST	7	52,485	52,485	
Totals			\$24,212,495	\$6,723,559	27.77%

**Project Review Summary
Maine**

**Exhibit B
Page 4 of 4**

Projects Reviewed	Class *	Step*	Amount Unexpended	Excess	Percentage
0954-067	PE	7	216	216	
0770-008	PE	7	2,636	2,636	
282S-014	CONST	7	15,551	0	
049P-001	CONST	7	24,668	24,668	
0002-001	PE	6	3,632	3,632	
157S-006	PE/ROW	6	800	800	
1025-003	PE/ROW	6	654	0	
5940-000	PE/ROW	6	182	182	
6183-000	PE/ROW/CONST	6/7	62,586	62,586	
1405-003	PE/ROW	6	1,590	0	
0501-037	PE/CONST	7	386	91	
0411-015	PE/ROW/CONST	7	642	642	
0957-122	PE	7	3,350	3,350	
0957-106	CONST	7	3,379	3,379	
5686-000	PE/CONST	6	79,592	0	
0959-128	CONST	7	713	713	
0322-018	PE/ROW/CONST	7	5,468	5,336	
050P-058	CONST	6	2,030	2,030	
9523-002	CONST	6	50,000	0	
014P-072	CONST	7	1,407	0	
Totals			\$259,482	\$110,261	42.49%
Grand Totals			\$118,831,085	\$32,008,829	26.94%



U.S. Department
of Transportation
Federal Highway
Administration

Memorandum

TO: INFORMATION: Office of Inspector General
(OIG) Discussion Draft on Unexpended Obligations

DATE: September 4, 1997

FROM: Associate Administrator for Administration


REPORT NUMBER: HMS-14

SUBJECT: Mr. Lawrence H. Weintrob
Assistant Inspector General for Auditing (JA-1)

A conference call was held on August 26 with your staff in Seattle and my staff here in Headquarters, including the Director, Office of Budget and Finance. The purpose of the conference call was to discuss the OIG's discussion draft report on unexpended obligations. As my staff indicated at that meeting, the Federal-Aid Financial Management Division of the Office of Budget and Finance is initiating a nationwide financial management improvement program (FMIP) looking at unexpended obligations, which would address the concerns raised in the discussion draft report. The FMIP should be completed by the end of calendar year 1998.

Due to the fact that FHWA generally concurs in the findings and recommendations contained in the discussion draft report, we would be agreeable to the OIG issuing the final report without first issuing a formal draft report.

If your staff has any questions, please have them contact Kathy Ray, FHWA's audit liaison at 69380.


George S. Moore, Jr.

