



Memorandum

Subject: **INFORMATION:** ARRA Guidance on
Federal-aid Program Stewardship and Oversight

Date: April 6, 2009

In Reply
Refer To: HIPA-1

From: King W. Gee
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To: Division Administrators

ARRA Guidance on Federal-aid Program Stewardship and Oversight

The purpose of this memorandum is to emphasize the importance to the American Recovery and Reinvestment Act of 2009 (ARRA) and of previously issued policies and guidance with particular emphasis on the heightened program risk and impact to stewardship/oversight, including projects administered by local public agencies (LPAs). In carrying out the ARRA, it is crucial to stress the need for the Federal Highway Administration (FHWA) division offices to make the necessary adjustments in their stewardship/oversight activities, to account for the high visibility and degree of risk that is associated with delivering this large new infusion of funds into the Federal-aid highway program. For ARRA implementing guidance regarding project selection, eligible activities, and specific requirements, please visit FHWA Website at: <http://www.fhwa.dot.gov/economicrecovery/guidance.htm> and <http://www.fhwa.dot.gov/economicrecovery/memo20090303.htm>.

Your stewardship/oversight responsibilities for projects obligated under ARRA should follow the same stewardship/oversight practices as you have laid out in your stewardship/oversight agreement. Your stewardship/oversight agreement may have set a funding level above which you provide full federal oversight; or your agreement may have set a certain functional classification of Federal-aid highways on which you provide oversight. Depending on the types of projects being selected for obligation of ARRA funding, you may need to adjust these levels of oversight based on your particular program operating environment.

You may also need to adjust your stewardship agreement activities based on changes to program area risks stemming from the impact of the ARRA. These modifications adjustments may include considerations for adjusting the agreement activities if your priority risks have changed given the types and quantity of projects obligated under the ARRA. Guidance on developing a comprehensive risk management plan was issued on March 4 by the Directors of Field Services' memorandum on "Federal-aid Division Office Risk Management for ARRA." If your risks have changed, you should adjust your agreement



activities to reflect the changes in delegation, responsibilities, and activities including document reviews, inspections, delegation or control of signoff authority and methods of oversight, etc.

The Risk Management memorandum is posted on the FHWA Website at:

<http://www.fhwa.dot.gov/economicrecovery/memo20090304.htm>.

You may also need to consider revising your stewardship agreement activities to take a greater programmatic approach. This approach requires that you have a monitoring or tracking system in place so that you can see the status of projects (regardless of who has oversight responsibility); and that you have programmatic performance measures and targets. If a project is not on track (such as, on schedule and on budget), or is not helping achieve program goals, then it should be further reviewed, or the level of oversight for this project and similar projects may need to be adjusted. Copies of updated stewardship agreements are available on the internal FHWA Stewardship Portal at:

<http://rc.fhwa.dot.gov/stewardshipagreements/index.cfm>.

ARRA Guidance on Local Public Agency Oversight

Since FY 2006 the oversight of LPA administered Federal-aid projects has been under a national focus. The 2006 review along with input from FHWA divisions, collectively provided support as to the seriousness of the identified program weaknesses. This seriousness was further reinforced by FHWA's self-declaration of LPA oversight as an internal control material weakness in the 2007's annual statement signed by Former Administrator of the Federal Highway Administration, Rick Capka on October 25, 2007. As a result of this self-declaration in January/February 2008, FHWA division offices submitted required corrective action plans as appropriate to address development needs and/or corrective measures to assure that the State DOT has, or will have, a comprehensive LPA project oversight program in compliance with Federal requirements.

Currently division offices in partnership with their respective state DOTs have identified weaknesses in need of attention and/or have made progress to correct these deficiencies. As part of your Federal-aid program stewardship/oversight, the impact of the ARRA may further elevate current oversight concerns. The ARRA will provide an opportunity to further examine and test existing program processes, procedure and controls, including any recently implemented corrective measures. Please note that current guidance and reporting requirements have not changed under the ARRA. While it is noted that the activities identified in the corrective action plans are either underway or completed as planned, with the overall completion date tentatively slated by September 30, 2010, it is recognized that the impact of the ARRA may require additional and/or extended efforts. The ARRA's impact to federally funded LPA administered projects is a significant concern with FHWA's leadership.

For current LPA oversight and stewardship guidance and resource tools please visit the FHWA's Staffnet at: <http://intra.fhwa.dot.gov/programadmin/localovr.cfm>. Also a local stewardship tools library is location on the Resource Center's FHWA Stewardship Portal at <http://rc.fhwa.dot.gov/stewardshipportal/trackingystems/index.cfm>.

Fully implementing the ARRA will be a challenge for us all. If you have any stewardship and oversight questions or need assistance in advancing projects obligated under the ARRA, please contact the appropriate office within the Office of Infrastructure.

cc: Leadership Team

