



U.S. Department  
of Transportation  
**Federal Highway  
Administration**

# Memorandum

Subject: **ACTION:** Solicitation of Proposals for  
Innovative Financial Management

Date: May 3, 2012

From: Victor Mendez  
Administrator

In Reply Refer To:  
HOA-1

To: FHWA Division Administrators

Thanks to the hard work of you and your State DOT partners, the Every Day Counts initiative has engaged contractors, construction managers, engineers, planners and resource specialists to shorten project delivery times and accelerate new technology deployment.

Building on this momentum, I want the Federal-aid financial management community to give me its best ideas for improving the way we deliver grant assistance. This requires a fresh look at a program – officially known as “Test and Evaluation Project TE-045” – that, in the mid-1990s, helped usher in several innovations that have since become standard practice. Using the same research authority that underpins the Special Experimental Projects 14 and 15 (SEP-14 and SEP-15), which focus respectively on innovative procurement methods and public private partnerships, this program allows for the test and evaluation of innovative financial management practices.

Using this authority, I recently approved alternative cost recovery approaches that will allow California to hire nine additional oversight engineers for local public agency projects, and will allow Vermont to recover the costs of administering Emergency Relief funds that are rebuilding roads destroyed by Tropical Storm Irene. By agreeing to test a method that is more flexible – and fully consistent with Federal cost principles – we have allowed these States to use their scarce funds more effectively. I am confident that many equally good ideas are waiting to be tested.

Therefore, I am challenging each Division – in dialogue with its State DOT partner – to review current financial management practice and identify one or more opportunities to test innovation in financial management. Consistent with our experimental authority, the test must focus on policy, guidance and regulation within the Federal-aid program – this is not an opportunity to waive basic laws that apply to all Federal agencies.

The deadline for submitting your ideas is June 28, 2012. A headquarters team will review your ideas and announce the tests before the end of summer. Finally, I will award the Division with the most effective idea the Financial Management Innovation Award at this fall’s Employee Award ceremony.

More details will be forthcoming from Regina McElroy and the Office of Innovative Program Delivery. In the meantime, let us get working on putting “financial management” and “innovation” in the same sentence!

Attachment: Fact Sheet

## IMPROVING FINANCIAL MANAGEMENT

### All Proposals Due

Thursday, June 28, 2012

4:00 p.m. Eastern Daylight Time

In the mid-1990s, the FHWA implemented a broad-based effort to test and evaluate innovative ways for State Departments of Transportation to get the most from their Federal highway grants. Designated officially as “Test and Evaluation Project TE-045,” the effort advanced many financial management tools – such as advance construction, flexible match and toll credits – that are now firmly in the mainstream of State practice.

With the strain on highway funding felt more deeply than ever, Administrator Mendez is seeking more of the best ideas from everyday practitioners. Building on the momentum of Every Day Counts, the FHWA challenges its Division Offices, in consultation with their State DOT partners, to propose practical ways to increase the flexibility and effectiveness of Federal-aid financial management practice. Consistent with agency’s experimental authority, the scope of the tests must fall within the policy, guidance and regulation that originates from title 23.

To launch this effort, the Office of Innovative Program Delivery, in partnership with the Office of the Chief Financial Officer, will:

- Introduce the plan via an Agency-wide webinar, scheduled for 2:00 pm Thursday, May 10. Look for more information at venues such as the Spring Business Meeting Webinar, the Every Day Counts website, and HCF’s monthly financial management webinars.
- Provide technical assistance upon request to all Divisions seeking guidance or clarification. Proposals should specify objectives to be achieved, delays to be avoided, and potential for lasting impact. Beginning May 10, the official submission form can be found at <http://staffnet.fhwa.dot.gov/ipd/index.htm>.
- Announce by late summer the financial management innovations to be tested. Several States and Divisions will be testing variations of the same innovative tool.
- Present a new “Financial Management Innovation” award at this fall’s FHWA employee awards ceremony to the Division that submits the most effective idea.

For more information, contact Mark Sullivan of the Innovative Program Delivery Office at (202) 366-5785 or [mark.sullivan@dot.gov](mailto:mark.sullivan@dot.gov). And start thinking!