



Memorandum

Subject: **ACTION:** FMIS Project Agreement Signature
Responsibility Guidance

Date: July 30, 2015

From: Brian R. Bezio \\signed\\
Acting Chief Financial Officer

In Reply Refer To:
HCFB-31

To: Division Administrators
Directors of Field Services

This guidance defines the Federal Highway Administration's (FHWA) internal control requirements and expectations for project authorization and modification signature actions processed through the Fiscal Management Information System (FMIS), including the requirement for a minimum of two individuals signing each project action. It cancels the Project Authorization Responsibility memorandum dated September 25, 2006, and supplements the Project Funds Management Guide for State Grants, dated October 29, 2014. In addition, this guidance aligns FHWA FMIS signatory protocol with the Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Internal Control Standards) and the Office of Management and Budget's Circular A-123.¹

GAO's Internal Control Standards require Agency management to establish control activities (e.g., policies and procedures) to achieve objectives and respond to risks.² While well-designed control activities do not guarantee the absence of fraud, waste or abuse, or the success of FHWA programs, such activities are critical tools for managing the risks associated with the Agency's programs and operations.

A key internal control activity is the segregation of duties, which means dividing key responsibilities for preparing and executing a transaction among distinct, qualified individuals. Having more than one individual responsible for reviewing and approving FMIS actions reduces the risk of error and increases compliance with Federal and State laws, regulations, policies, and procedures before project costs are incurred. No one individual should control all key aspects of a transaction or event.³

¹ The Federal Managers' Financial Integrity Act requires executive agency managers to establish and maintain internal controls. The Office of Management and Budget Circular A-123, *Management's Responsibility for Internal Control*, provides specific requirements for assessing and reporting on controls in the government.

² GAO-14-704G, Principle 10 – Design Control Activities, requires a response to objectives and risks, design of appropriate types of control activities, design of control activities at various levels, and segregation of duties as attributes contributing to the design, implementation, and operating effectiveness of the principle.

³ GAO-14-704G, Principle 10, Figure 6: Examples of Common Categories of Control Activities. Responsibilities for processing and recording, reviewing, and authorizing transactions are to be separated.

FMIS provides three distinct signature lines for both the State Department of Transportation (DOT) and FHWA division office staff to indicate the review, recommendation, and approval of either a project authorization or modification.⁴ State DOTs may assume specific FHWA project approval responsibilities (e.g., approval of plans, specifications, and estimates) based on the Stewardship and Oversight Agreement.⁵ However, FHWA retains overall oversight responsibility for ensuring applicable Federal laws, regulations, and directives are satisfied before the project agreement is federally authorized. The effective authorization date equates to the date the final signature (i.e., the approver) is applied to the project action within FMIS or other documented authorization (e.g., Emergency Relief paper authorizations), as this is the date that FHWA has confirmed all requirements have been met and the project is ready to proceed.

FMIS transactions must be authorized and executed only by individuals acting within the scope of their authority. To balance effective controls and risks in our programs and operations, at least two qualified FHWA individuals with delegated signing authority must execute each project action in FMIS. Additionally, for any single action, the same individual in a division office must not recommend approval and approve/authorize the transaction. For example, a proper authorization with only two FHWA signatories in FMIS should have the first individual sign the reviewer and recommender lines, and the second individual signs the authorizer line, instead of the first individual signing as the reviewer and the second individual signing as the recommender and approver.

Division Administrators must formally delegate the authority for functional staff responsibilities associated with FMIS project approval actions.⁶ The delegation of authority should clearly state the level of FMIS signatory authority delegated to a position, and delegated coverage assures appropriate segregation of signatures is maintained. It is the Division Administrator's responsibility to ensure approval actions are delegated to qualified and knowledgeable staff and that delegations are reviewed periodically. FHWA division staff reviewing, recommending, and approving the project authorizations and modifications should have a clear understanding of what information is required in order to evaluate and approve the request.⁷

The use of a single signatory is no longer available. A FMIS project action executed by a single individual circumvents the internal controls designed to ensure the program's integrity. FHWA assessable units (AU), such as division offices, have established Continuity of Operations (COOP) procedures for ensuring the continuation of essential operations in the event of an emergency.⁸ COOP procedures should be designed to provide for appropriate alternate FMIS signatories.

⁴ Consult the FMIS User's Manual and the Project Authorization SOP for more information pertaining to the signature lines that are available.

⁵ Title 23, United States Code, section 106 requires FHWA to enter into a formal project agreement with a direct recipient, such as a State DOT, to formalize the conditions of a project approval. Title 23, United States Code, section 106(c)(3) requires FHWA, through a Stewardship and Oversight Agreement with the State DOT, to describe the extent to which the State assumes specific FHWA responsibilities for certain projects.

⁶ FHWA Order M1100.1A, FHWA Delegations and Organization Manual.

⁷ OCFO Project Funds Management Guide for State Grants, dated October 29, 2014.

⁸ FHWA Order 1910.2C, FHWA Emergency Preparedness Program.

Division Administrators are responsible for periodically reviewing their unit's standard operating procedures, delegation of authority, and related control activities to ensure their continued relevance and effectiveness. State DOTs are encouraged to develop and maintain similar delegation documentation and COOP designations; division office staff should review State DOT procedures periodically.

The Office of the Chief Financial Officer is currently evaluating all Standard Operating Procedures (SOP) templates, per the Agency's Internal Control Review Action Plan. As part of this initiative, the OCFO updated the Project Authorization SOP template to account for more detail in the project authorization and modification process. Division offices should align their individual SOPs with the revised template by December 15, 2015.

If you have any questions concerning this memorandum, please contact Mr. Kirk Boyer in the Office of Financial Management and Programs, at 202-366-0705, or the FMIS Team, at FMISTeam@dot.gov.

cc: Walter C. Waidelich Jr., Associate Administrator for Infrastructure
Thomas Echikson, Chief Counsel

Attachment