



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

# **Federal Highway Administration Risk Management Plan**

## **American Recovery and Reinvestment Act of 2009 (Recovery Act)**

**April 10, 2009**



## EXECUTIVE SUMMARY

**FHWA Risk.** FHWA has used its risk management framework to identify major risks in implementing the Recovery Act. We considered our 2008 risk assessment, the accountability risks identified by Office of Management and Budget; known vulnerabilities addressed through our national review program, Office of the Inspector General and Government Accountability Office reports; implementation risks identified in a February 2009 Recovery Act field survey and a Federal Lands assessment. The FHWA agency specific risks areas are:

***Local Public Agency (LPA) Oversight*** – oversight by the State and lack of experience by LPAs in handling Federal-aid projects.

***Plans, Specifications, and Estimates (PS&E) Quality*** – potential for errors and omissions leading to change orders, cost overruns, delays, permit violations, and substandard product.

***Contract Administration*** – procurement, bidding, and management of contract terms and changes.

***Quality Assurance*** – inadequate inspection and substandard material acceptance and construction leading to waste, fraud, or abuse, decreased service life, or environmental and safety concerns.

***Disadvantaged Business Enterprise Program*** –difficulties in meeting DBE goals, inadequate industry capacity, attempts to avoid good faith efforts, and temptation to use front companies.

***Eligibility/Improper Payments*** – weak internal controls for the segregation, expenditure, and billing of federal funds may lead to payment of ineligible costs.

***Achievement of Program Goals*** – meeting high public expectations for economic recovery and delivery of transportation projects that yield long-term value.

***Indian Reservation Roads Program*** – (Federal Lands Highway) funds are available to all 562 federally recognized tribes; political and sovereignty issues increase complexity; tribal expertise varies greatly; and recent reviews have found significant stewardship issues in certain regions.

**Mitigation Strategies.** FHWA identified eight strategies to respond to its Recovery Act risk. The strategies are appropriate to both the Federal-aid and the Federal Lands Highway programs. They consider the recipients of Recovery Act funding and their potential performance issues; the level of funding; desired program outputs and outcomes, and existing resources. They were identified through outreach to program and field offices, consideration of recent national review and audits, and leadership discussions. The strategies are cross-cutting, to address all risk areas.

1. ***Resource Enhancement*** – Provide additional staff at the national and division level.

2. **Communication & Education** – Outreach to all stakeholders on Federal-aid procedures, reporting, and lessons learned from disaster relief efforts, including fraud awareness.
3. **Sharing Risk** – Agreement and contract modifications to ensure oversight and reporting.
4. **Division Office Oversight** – Implement Division Office risk mitigation plans; perform visible monitoring and checking of key Recovery Act control documents; emphasize financial oversight through the FIRE Program.
5. **National Oversight** – Implement National Review Teams to carry out reviews in all States. Govern review frequency and location by program size, previously identified risk, and results from Division monitoring efforts.
6. **Measure, Monitor, and Review** – Define metrics, and develop systems and processes to monitor key OMB and FHWA risk measures and to assess progress of program goal measures.
7. **Information & Tool Development** – Provide Recovery Act guidance and monitoring strategies for risk areas and guidance stemming from national review and audit findings, including sub-recipient guidance; review guides to assist national review teams; checklists to assist local monitoring and oversight
8. **Reassessment and Feedback** – Revalidate both the risk assessment and the response strategies as we implement the Recovery Act and further integrate risk management with strategic and performance planning.

FHWA has taken a comprehensive approach to responding to the risks and vulnerabilities identified through our own offices and review programs, the President's Office of Management and Budget, the Government Accountability Office, and the Office of the Inspector General. We are confident that the eight response strategies contained in the plan will help us to effectively and efficiently administer the highway component of the American Recovery and Reinvestment Act of 2009 with unprecedented levels of transparency and accountability.