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Federal-aid Program Overview

Risk-Based Stewardship and Oversight (RBSO)

www.fhwa.dot.gov/federal-aidessentials

Applying risk management tools in program delivery.



To ensure that funds are spent wisely and programs are delivered in accordance with U.S. laws and regulations, Congress requires the Federal Highway Administration, or FHWA, to establish an oversight program and enter into an agreement with each State to define responsibilities. The Stewardship and Oversight Agreement fulfills that requirement.



Historically, the FHWA has had an active role in the oversight of, and decisions for, Federal-Aid projects. Today, the FHWA operates more efficiently and effectively by employing a risk-based approach to stewardship and oversight. This approach identifies areas of risk and manages this risk through focused project and program involvement with the State DOTs. The FHWA involvement is directed to areas where it adds the most value.

How do the FHWA and State DOTs collaborate to implement risk-based stewardship and

oversight across their programs and projects? As an important step, they collect program and project data on past performances and emerging challenges. Next, they rank risks and opportunities and prioritize agency efforts. For example, the priority list may include activities to mitigate the risk of a major change order on a \$350 million project or to supplement environmental protection expertise on a bridge project in a wildlife sanctuary. Lastly, the FHWA and State DOTs outline joint expertise and resources for efficiently managing risks and opportunities.

To improve stewardship and oversight in the upcoming year, the FHWA's risk-based approach relies on timely and reliable data.



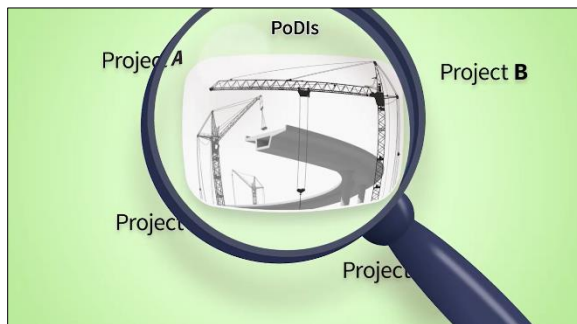
Primary tools for collecting data include projects of FHWA division interest, or PoDIs, program and process reviews, and the

Compliance Assessment Program, known as CAP.

- PoDIs
- Program and Process Reviews
- CAP

Let's review each tool.

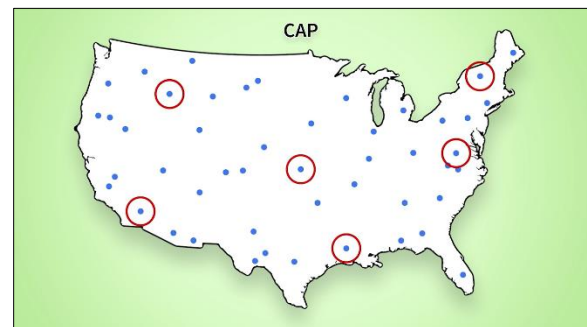
Assessing risks and opportunities informs the process to identify PoDIs. A typical PoDI has technical, procedural, or political complexities. If your project is identified as a PoDI, you can expect oversight from the FHWA division office that may include on-site visits and review of project activities, reports, and data.



Unlike a single project, programs—such as the Disadvantaged Business Enterprise Program—have regulatory and policy requirements that affect numerous projects. The FHWA conducts program reviews to evaluate program effectiveness. During a program review, the FHWA may request agency cooperation to view project records.

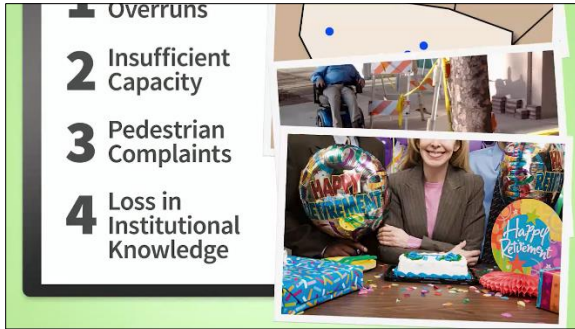


To verify compliance with key Federal requirements, such as the use of American made steel or implementing equal opportunity hiring practices by contractors, the FHWA conducts the CAP annually. The CAP includes a statistical sampling of project data from every state. If one of your agency's projects is randomly selected for review under the CAP, the FHWA may ask you for information to complete a verification review.



To see how this risk-based approach to stewardship and oversight might work in practice, let's follow along as the FHWA works with a State DOT to develop its annual stewardship and oversight activities.

To begin, the FHWA and State DOT analyze results of the annual CAP and program reviews along with State and local public agency project experiences.



In this example, four issues surface as having an elevated risk:

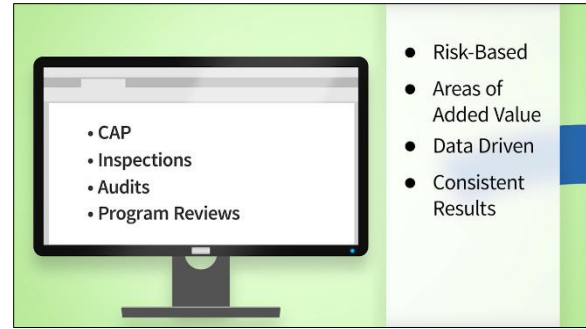
- Cost overruns on a \$1 billion construction project related to project delays;
- Insufficient capacity in Borderland County to manage four concurrent construction projects;
- Statewide complaints of pedestrian inaccessible work zones; and
- Loss in institutional knowledge resulting from multiple retirements in the safety program.

The FHWA and State DOT take several actions to manage these risks.

Two projects are selected as PoDIs for the upcoming year, the \$1 billion construction project, and one of the projects in Borderland County. For each PoDI, they determine specific oversight actions and reporting activities.

The team also agrees that the FHWA will provide some technical expertise and training to mitigate the risk of inaccessible work zones and lost institutional knowledge in the safety program.

Furthermore, the FHWA will review an upgraded safety program proposed by the State.



As we have just seen, the FHWA and the State DOTs improve the efficiency and effectiveness of collaborative activities through risk-based analyses and mitigation strategies.

The FHWA efficiently responds to risk to the Federal-Aid Highway Program by focusing its resources on areas where it most likely will add value and optimize the successful delivery of programs and projects.

Rather than visiting all Federal-Aid projects, the FHWA uses data from CAP and other oversight activities—such as inspections, audits, complaints, and program and process reviews—to assure an acceptable level of consistency and compliance across the nation’s highway program.

A project administered by your agency may be identified as a PoDI, or sampled as part of the CAP or a program or process review; consequently, the FHWA and State DOT may increase oversight activities and request documentation.

As a recipient of Federal funds, your agency is responsible for following all Federal laws and regulations. By participating in the risk-management process and providing data on your projects, your agency contributes to the efficient and effective management of the Federal-Aid Highway Program.

Additional Resources

- FHWA website that provides details of S&O program and links to all current State/FHWA Stewardship and Oversight Agreements
<https://www.fhwa.dot.gov/federalaid/stewardship/>
- This 2014 FHWA Order applies to FHWA's stewardship and oversight of the STAs' LPA stewardship and oversight program
<https://www.fhwa.dot.gov/legsregs/directives/orders/50202.cfm>
- Clarifying updates in 2015 to the FHWA Order on S&O for LPAs
<https://www.fhwa.dot.gov/federalaid/stewardship/feb2015update.cfm>
- An FHWA document of Q&As about RBSO implementation and processes as applied to FHWA Field office operations. Includes detailed terminology and program applicability.
https://www.fhwa.dot.gov/federalaid/stewardship/140328_faq.pdf

The content of this document is not a substitute for information obtained from State departments of transportation, appropriate FHWA Division Offices, and applicable laws. Scenarios have been simplified for emphasis and do not necessarily reflect the actual range of requirements applicable to the scenario or this topic. This document was created under contract number DTFH61-13-A-00001 by the Federal Highway Administration, U.S. Department of Transportation, and is offered to the public to heighten and focus awareness of Federal-aid requirements within the local public agencies community and reinforces the importance of these necessary policies, procedures, and practices.

This Companion Resource is the script content for the video production of the same name.