Memorandum

U.S. Department of Transportation
Federal Highway Administration

Subject: **ACTION:** Project Authorization Responsibility

Date: September 25, 2006

From: A. Thomas Park
Chief Financial Officer

Reply to Attn. of:
HCF-30

To: Directors of Field Services
Division Administrators

Beginning on October 2, 2006, the Fiscal Management Information System (FMIS) will implement controls to require a minimum of two responsible officials at the FHWA Division level to request, approve, and authorize obligation of Federal-aid funds.

Title 23, United States Code, section 106 requires a project agreement to be submitted by the State Department of Transportation (DOT) for each project. All Federal-aid projects must be authorized before work is started. The authorization is issued using a project agreement, and its execution creates an obligation of Federal funds. However, before the agreement is executed, the applicable prerequisite requirements of Federal laws and implementing regulations and directives must be satisfied. The State DOT and Federal Highway Administration (FHWA) officials, using FMIS may electronically sign the project agreements.

In the process of creating the obligation for the project, separation of duties is a key internal control in our stewardship of the Federal-aid highway program and must be taken into consideration as key project activities or responsibilities are delegated to staff members. The functional responsibilities for the staff involved in the project authorization process must be formally documented. As projects are authorized, the individuals approving project activities leading to the execution of the agreement must ensure that applicable federal requirements have been met.

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This new policy may require a reexamination of how projects are reviewed and approved within your State. The functional responsibilities for the key State DOT staff who are involved in the project authorization process must be formally documented. The Division Office User Profile and Access Control System (UPACS) and FMIS Sponsor must review and approve project approval rights for all users. On any one project, a Division Office normally should not have an individual user:

a.) Recommend Approval; and

b.) Approve and Authorize obligations.

It is the policy of the Office of the Chief Financial Officer (OCFO) that at least two officials be utilized in the approval process, and the use of one approving official should be for extenuating circumstances only. The OCFO appreciates the assistance provided by the Division Administrator Financial Advisory Group and other field staff. Your assistance helped us incorporate items to improve our stewardship role.

The attached document addresses the requirements for each level of approval authority.

Please contact Dale Gray at 202-366-0978 or Donna Jones at 202-366-2924 if you have any questions.

Attachment

ATTACHMENT
Project Authorization Process
Fiscal Management Information System

The Fiscal Management Information System (FMIS) is FHWAs system for managing federally funded highway projects within the Federal-aid Highway Program. This financial and statistical information also may exist in States' systems. This process is the vehicle through which FHWA delivers funds to the States for the Federal-aid highway program authorized by Congress. The audit trail for all FHWA project authorizations and obligations is contained in the FMIS.

Staff of FHWA Division offices and State departments of transportation are assigned FMIS access and levels of project approval authority. In each office, for each level of approval authority, alternates should be assigned the same level of approval authority. The minimum FHWA approvals and segregation of duties required in FMIS for authorization of projects are as follows:

1. Project Information Reviewed by:

   This is the administrative review of project information. The approving individual(s) should have a clear understanding of what information is required for approval at this level. This includes verification for inclusion of required information for project authorization such as STIP/TIP validation, PS&E status, environmental approvals, right of way and applicable State signatures, to name a few.

   Reference: 23 USC 106; 23 CFR 630, etc.

2. Approval Recommended by:

   This is the Federal compliance approval of the project information used to support the obligation. The project manager or staff member with the functional responsibility should be the approving individual in FMIS for each project authorization request. The approval requirements will vary depending on the project phase. The compliance review will include, for example, PS&E review, NEPA actions, ROW clearance and Finance Plan approval, etc.

   Reference: 23 USC 106; 23 CFR 771, etc.

3. Approved and Authorized by:

   This is the obligation of Federal funds for the project. The Financial Manager or Specialist should be the primary approving individual in FMIS for each project authorization.

   Reference: 23 USC 106 and 118, etc.

If a modification to the Federal funds or work requested is required, the procedures outlined above should be followed. However, there may be situations where a more detailed review and approval is necessary by other staff.

For all project obligations, the separation of duties is a key internal control and for the three levels of approval, there should be at a minimum, two responsible approving officials. In the event one person is required to approve at all three levels, the FMIS will automatically generate a report which must be completed to document the reason for deviation from this policy. This applies to each project approved in this manner. Each report must be signed by the Division Administrator indicating such approvals have taken place. The signed report becomes a part of the project's permanent record.