



ACEC and ARTBA Pledge to Work with FHWA and AASHTO to Address Disputed IG Audit

A longstanding effort between the engineering industry and federal and state transportation agencies to improve uniform audits and procurement procedures was validated by an audit released last week by the Office of the Inspector General (OIG) at the U.S. Department of Transportation (Report Number ZA-2009-033: Oversight of Design and Engineering Firms' Indirect Costs Claimed on Federal-Aid Grants).

The American Council of Engineering Companies (ACEC) and the American Road and Transportation Builders Association (ARTBA) have long supported procurement reforms to ensure that costs associated with federally-funded transportation programs are governed by the Federal Acquisition Regulations (FAR). The industry has worked for many years with the Federal Highway Administration (FHWA) and State DOTs to implement these reforms.

While the OIG audit emphasized the importance to both the states and the engineering industry of following uniform FAR-based rules, the inordinately large margin of error in the report raises questions as to the accuracy of its conclusions.

The OIG based its findings on data from 21 firms, which they extrapolated to more than 3,500 firms, to make the claim that excessive compensation and overhead charges were billed to state DOTs in 2003.

FHWA, in its comments on the audit, noted that the excessive charges identified by the OIG are only "estimates" that have not been validated. The audit report itself acknowledged the uncertainty of the findings by noting that its estimate of the overcharges has a 77 percent margin of error.

ACEC and its large firm coalition, the Design Professionals Coalition (DPC), together with ARTBA have worked closely with Congress for many years to adopt uniform procurement rules for state DOTs to ensure compliance for both industry and government. Under Section 307 of the National Highway System Designation Act in 1995, which was broadened by Section 174 of the 2006 Transportation appropriations bill, state DOTs are required to follow the FAR when procuring engineering services for federally funded transportation projects.

As noted in the OIG report, ACEC and ARTBA are currently working with AASHTO and FHWA to develop new rules and guidance to fully implement these reforms, which will ease compliance for both engineering firms and state DOT clients. These agencies and industry organizations are also teaming to develop better training programs for improved compliance, and will work together to implement the policy recommendations included in the OIG report.