FHWA Construction Project Close-Out Expectations and Requirements

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This is the general outline on the presentation.

**Agenda**

- FHWA/INDOT Stewardship & Oversight Agreement,
- Construction Monitoring - Final Inspection,
- Final Acceptance,
- Final Voucher,
- Records Retention, and
- FHWA Expectations
Full Oversight and State Oversight projects are determined based on the criteria listed in the “Stewardship and Oversight Agreement” between FHWA and INDOT.

On Full Oversight projects, federal-aid eligibility determinations are made by FHWA, and on State Oversight Projects, by INDOT. INDOT acts on FHWA behalf on State Oversight projects.
Reimbursable Program

1. Contractor Does Work
2. SDOT Pays Contractor
3. SDOT Submits Voucher to FHWA
4. FHWA Sends Voucher to US Treasury
5. Treasury Pays State
FHWA Project Closeout

Project closeout is the process that “closes out” the financial award for a SDOT or LPA, when all applicable administrative actions and required work of the project have been satisfactorily completed for a Federal-aid highway construction project.
There are four steps to the close-out process.

The 4-Step Process

1. Monitor Construction
2. Final Acceptance
3. Final Voucher
4. Records Retention
Construction Monitoring

…. is supervising and inspecting of actual construction or reconstruction of a federal-aid highway construction operations and incurrence of all costs incidental to the construction or reconstruction of the federal-aid highway construction project.

This is done by conducting construction inspections of the project at various stages during the life if the construction project. There are three types – Initial, Intermediate, and Final; and perhaps the fourth one that is referred to as the phase.
Construction Inspection

…. is on-site review of the work in progress to evaluate the quality and progress of the work, and to follow-up on findings as applicable from previous inspections.

Normally, there should be at least three documented construction inspections prior to the final acceptance inspection for each Full Oversight construction project – initial, intermediate and final. These inspections may be conducted at the various stages shown below:

Initial – at 10% completion; Intermediate – at 60% completion; Final – at 95% to 100% completion; and Final Acceptance – immediately after the SDOT (INDOT) has accepted the construction contract and relieved the contractor of maintenance responsibilities.
Phase Inspection

... is a thorough on site review to evaluate a specific construction operation, contract item, combination of items or any major phase of work.

Normally, the Phase Inspection should be scheduled and conducted by the Transportation Engineer, with the assistance of functional unit specialists having appropriate experience in the subject area. The timing of a Phase Inspection should be sufficiently early in the phase to provide opportunity for remedial action if necessary.
Final Inspection

…. on-site review at or near the completion of contract work (95% to 100% completion) to ascertain that the project has been completed in reasonably close conformity to the plans, specifications, and authorized changes.

It also has the purpose of initiating corrective actions as necessary while the contractor remains available for contract work. The inspection should establish sufficient assurances for findings such as change orders, time extensions, claims, material certifications, failed material tests are resolved to the extent that the project can accepted at the FHWA final acceptance stage.
This project agreement, assures FHWA that the project will be constructed by the State in accordance with Federal requirements, and constitutes the Federal government’s obligation to pay its share of the project costs.

Final Acceptance ensures that there are no: **Outstanding Claims; Unfinished work; and Pending Issues.**
Final Acceptance may either be triggered by:

1. A call or e-mail from the PE/PS to the TE, informing him/her that the construction project has been completed and accepted and paperwork finalized; or

2. A call or e-mail from the INDOT's Office of Construction to the TE informing him/her that the construction project has been completed and accepted by INDOT and paperwork finalized; or

3. The TE when conducting a review of the project and its files, and determining that the necessary steps have been completed by the PE/PS to permit final acceptance of the project by FHWA; or

4. A FV request from the INDOT's Office of Finance to the Division Administrator to close the project in FMIS.
The following are the records we must review and receive copies from the SDOT to close a federal-aid highway construction project.

- Signed materials certification by the SDOT,
- SDOT’s final inspection and acceptance documents – including the acceptance letter to the contractor,
- Proposed final estimate and contractor’s acceptance letter of the final estimate,
Records Review Contd.

- Final time summary report showing FHWA approved and not approved time extensions,
- Final over-run and under-run report,
- Final change order summary report – showing FHWA approved and not approved change orders,
Records Review Contd.

- Final claim summary report and how they were resolved,
- Final DBE utilization report, and “last but not the least”,
- Final commitments report – essentially a signed statement from the SDOT that all environmental commitments were met.
Final Voucher

.... is the final construction cost that is reimbursed to the SDOT to close a federal-aid construction contract in FMIS.

The FHWA Financial Manager in our office is the person completes the process prior to Record Retention.
We use this form to document construction inspections – FORM FHWA 1446A
## Construction Inspection Report

### Record of Inspection
- **Location:** _[Location Information]
- **Date:** _[Date]
- **Inspector:** _[Inspector Name]

### Inspection Findings

<table>
<thead>
<tr>
<th>Item</th>
<th>Condition</th>
<th>Action Required</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>[Item 1]</em></td>
<td><em>[Condition 1]</em></td>
<td><em>[Action 1]</em></td>
</tr>
<tr>
<td><em>[Item 2]</em></td>
<td><em>[Condition 2]</em></td>
<td><em>[Action 2]</em></td>
</tr>
</tbody>
</table>

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### Observation Notes
- _[Notes]
- _[Notes]

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### Approval Status
- **Approved:** _[Date]
- **Inspected by:** _[Inspection Signature]

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**Note:** All inspections subject to review by the project manager.
On this page, we document construction inspection findings, Recommendations, and Conclusion.
This is the page where we document findings that warrant follow-up actions.
We use this form to document Final Acceptance Inspection, and we use a checklist on the right to do so.
If there are ineligible costs that we identify during the final acceptance and final voucher process, we use this form to transmit them to the SDOT for their action.
In most cases, the last action is when SDOT accepts the final reimbursement payment. There is an exception to this general statement is the closing of a warranty on a project. This also constitutes an “action” that will restart the three-year retention timeframe. Note: State statutes may have longer retention periods.
FHWA Expectations

- Maintain accurate and complete records and reports throughout the life of the Federal-aid project;
- Initiate a final payment request in a timely manner following the completion & acceptance of the project;
- Retain supporting project documents for a minimum of three years.
Additional Info.

Regulation for Federal-aid project authorization and handling of inactive project financial transactions and status
http://www.ecfr.gov/cgi/t/text/text-idx?c=ecfr&rn=div5&view=text&node=23:1.0.1.7.21&d.eno=23#23:1.0.1.7.21.1

Minimum requirements for National Highway System projects
http://www.ecfr.gov/cgi/t/text/text-idx?c=ecfr&rn=div5&view=text&node=23:1.0.1.7.25&d.eno=23

Regulations on allowable costs of settlement agreements for contract claims
http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=6d873c5ca43e7f6d67f4b2618b9add&rn=div5&view=text&node=23:1.0.1.2.2&d.eno=23

Preferred FHWA-produced document for the final acceptance of a project
http://www.fhwa.dot.gov/construction/cpmi04gg.cfm

Some helpful websites.
Questions?