



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

**California Division**  
November 27, 2013

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HDA-CA

Mr. Malcolm Dougherty  
Director  
California Department of Transportation  
1120 N Street  
Sacramento, CA 95814

ATTENTION: Steven Keck

Subject: New Inactive Guidance from FHWA's Office of the Chief Financial Officer  
(OCFO) for FY2014

Dear Mr. Dougherty:

The Federal Highway Administration's (FHWA) Office of the Chief Financial Officer (OCFO) announced new FY 2014 inactive guidance pertaining to the review and validation of inactive projects during its November's web conference. The new guidance is being implemented as part of the process for improving our procedures to manage inactive projects. The new procedures have two objectives:

- Minimize the percent of inactive projects (all projects with no expenditures for 12 (twelve months or more).
- Ensure that each inactive project is valid.

Although the definition of inactivity remains the same, the additional significant changes that are designed to test the project validity are discussed below.

- Tiers have been eliminated. All projects that have been inactive for 9 (nine) months and will be inactive for 12 (twelve) months by the end of a quarter must be reviewed and validated on a quarterly basis.
- Focus should be placed on inactive projects of \$150,000 or more and projects of less than \$150,000 meeting certain criteria (e.g., no expenditures since authorization; projects with a certain period of inactivity and projects with unusually low obligation amounts, etc.). Criteria could change quarterly based upon the characteristics of the population.
- The quarterly inactive target is 2% or less.

- States that did not meet the 2% target are required to develop an action plan that explains how and why the Division expects to reach the 2% target. The plan needs to be submitted by the Division Administrator to FHWA's OCFO through the assigned Director of Field Service (DFS).
- The required action plan is due to the CFO no later than December 31, 2013.

The California Division did not meet the goal; hence an action plan is required.

#### Proposed Action Plan

The Division previously submitted a proposed action plan to the California Department of Transportation (Caltrans) that listed steps to be taken to improve the process for reducing inactive projects. In light of the new guidance, we should revisit the action plan and discuss additional actions that may be needed to reach the 2% target if we determine that the goal will not be reached via on-going and proposed procedures.

#### Next Steps

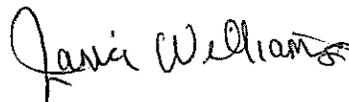
A meeting is scheduled between FHWA and Caltrans for December 2, 2013 to discuss the new guidance and the proposed action plan.

The Division has provided Caltrans with the quarterly workbook for the first quarter of FY2014.

The Division will provide a copy of the formalized OCFO guidance to Caltrans once it is issued.

We understand the impact of these changes and appreciate Caltrans' efforts to meet the requirements. If there are any questions or concerns, please contact Janice Williams, Director of Financial Services, at 916-498-5028 or by email at [Janice.Richards@dot.gov](mailto:Janice.Richards@dot.gov).

Sincerely,



Janice Williams  
Director of Financial Services