



U.S. Department
of Transportation

**Federal Highway
Administration**

Washington Division

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Mr. Douglas B. MacDonald
Secretary of Transportation
Department of Transportation
Olympia, Washington

FY02 Performance Report

Dear Mr. MacDonald:

The Washington Division of the Federal Highway Administration (FHWA) is responsible for stewardship and oversight of the federal-aid highway funds allocated to the State of Washington. Your agency, the Washington State Department of Transportation (WSDOT), is the state agency responsible for delivering these federal-aid funds. Annually hundreds of millions of dollars of federal highway aid flow into Washington State. In federal fiscal year (FY) 2002 (October 1, 2001 – September 30, 2002), Washington State obligated \$627,791,902.03 in formula and discretionary federal-aid funds. These funds are used to improve mobility and safety and reduce congestion through the construction of new roads and bridges, as well as the enhancement and preservation of existing infrastructure. Approximately 41 percent of those federal highway funds were in turn allocated to cities and counties for their use during federal FY2002.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and cities and counties. For federal FY 2002, we conducted numerous reviews of WSDOT's procedures and practices in project development and implementation. Following are the reviews conducted and a brief synopsis of the findings. The full reports are available in our office.

National Bridge Inspection Standards (NBIS) Review – The overall bridge inspection program in the State of Washington was found to meet the requirements of the NBIS. The review reports and inspection records revealed the personnel involved in bridge inspections have been taking their job seriously and utilizing thorough procedures. Most of the deficiencies noted in past years were not evident this year and the data reported was consistent and accurate.

Financial Billing Review #1 – The billing charges of \$647,314.51 for the month of January 2002 for highway construction found that appropriate documentation existed for these charges and that payments made for highway construction were properly supported. During this review

we also found insufficient justification for some construction change orders. Since that time the Construction Office has established criteria and developed training to rectify these problems.

Financial Billing Review #2 – The billing charges of \$1,957,059 for the month of June 2002 for highway construction found that appropriate documentation existed for these charges and that payments made for highway construction were properly supported.

Inactive Projects Audit – In a September 2001 audit report from the USDOT's Office of Inspector General (OIG) found significant inactive obligations which represented financial liabilities. We found six inactive projects in Washington State with unexpended funds totaling \$12.1 million. With the assistance of your staff, project closure has begun, and invalid obligations on projects identified will be deobligated.

Project Construction Costs Tracking – We've been monitoring the growth of construction costs on WSDOT federal-aid highway funded projects over the past couple of years. Our data shows the growth of construction costs you have reported in your Gray Notebook are accurate and track closely with the data we have compiled.

Materials Testing Certification Program Review – Review conclusions found that WSDOT has instituted a very thorough program to meet federal regulations. The only suggestion for improvement was to keep improving the percentage of qualified testers who are performing tests in a given year.

Asphalt Paving Placement Operations Review – This review will continue into 2003, however, based on the four paving projects reviewed to date we are assured that the projects were completed in reasonably close conformity with the approved plans and specifications.

Highway Performance Management System (HPMS) Review – A review of the State's HPMS International Roughness Index (IRI) data for 2001 found that WSDOT has an efficient data collection program using laser technology that provides high quality measurements for all road segments measured. However, we ask that WSDOT address developing and implementing an adequate policy and procedure for acquiring IRI data on non-State owned facilities through the State's Planning and Research (SPR) Work Program.

Truck Size & Weight – This annual review of WSDOT's operation is conducted to ensure the State enforces vehicle size and weight laws. This is done to assure that violations are discouraged and that vehicles traversing the highway system do not exceed the limits specified by law. We found the size and weight limits are based upon design specifications and safety considerations, and enforcement is developed and maintained both to prevent premature deterioration of the highway pavement and structures and to provide a safe driving environment.

With assistance from your staff, we also conducted the following reviews:

Local Agency R/W Review – The review of several local agencies (cities and counties) found the local agencies are conscientious of the federal funds they receive and are accountable for how they are being spent. We also found the Regional WSDOT R/W staff and the HQ Highways & Local Programs R/W staff are providing quality assistance to the local agencies.

Heavy Vehicle Use Tax Review – Collectively we identified internal control weaknesses which sharply increased Washington State Department of Licensing’s (WSDOL) vulnerability that registered vehicles may be improperly accounted for under IRS tax collection procedures. Improper collection procedures reduce the state’s gross weight receipts and their contribution to the federal Highway Trust Fund (HTF). We recommend that WSDOT work with WSDOL in developing meaningful monitoring practices to correct agents’ noncompliance and to ensure standardization throughout WSDOL.

Motor Vehicle Fuel Review – The review disclosed the WSDOL policies and procedures were not sufficient enough to detect reporting errors and deficiencies. In addition, we found that WSDOT and the FHWA Washington Division office oversight were insufficient to detect these reporting errors in a timely manner. We recommend that WSDOT and our office take a more proactive oversight approach than previously. As part of this review we initiated corrective actions that will result in an additional \$2-3 million in federal-aid funds annually being allocated to the State of Washington.

Transportation Management Area (TMA) Certification Review - A FHWA/Federal Transit Administration (FTA) joint review found that the Puget Sound Regional Council’s (PSRC) planning process meets federal requirements. Although WSDOT is not directly responsible for the planning processes in the three TMAs in Washington, we ask for your assistance and cooperation in developing a Congestion Management System (CMS) for the PSRC.

Air Quality Conformity Review and Determination – As a part of the TMA Certification Review of PSRC, FHWA and FTA found that transportation activities do not worsen air quality or interfere with the "purpose" of the State Implementation Plan (SIP), which is to meet the U.S. Environmental Protection Agency (EPA) standards for air quality.

Program Efficiencies - In addition to the reviews we’ve performed we would like to thank your financial and programming staff for working with us in re-engineering the following processes:

- Billing system
- Project closure processes
- Project authorization/modification processes

These re-engineering efforts have improved the effectiveness of these processes to more efficiently deliver the federal-aid funds allocated to Washington State.

I wish to commend you and your agency for the additional performance management initiatives you’ve instituted such as the Graybook and the Cost Estimate Validation Process (CEVP). These tools provide additional evidence that WSDOT is focused on being accountable for state and federal transportation funding.

Finding - Based on the inspections, reviews, program evaluations, and audits conducted in FY2002, it is my finding that WSDOT has complied with federal laws and regulations in expending the federal-aid highway funds allocated to the State of Washington.

We wish to thank you and your staff for their professionalism, integrity, and innovation in carrying out the delivery the federal-aid funds during federal FY2002. Members of my staff will be contacting your staff to set up reviews and financial audits for the current federal fiscal year (2003).

If you have any questions or need further information please feel free to contact me at (360) 753-9480.

Sincerely,

DANIEL M. MATHIS, P.E.
Division Administrator

Cc: Governor Gary Locke
Honorable James West, State Senate Majority Leader
Honorable Lisa Brown, State Senate Minority Leader
Honorable Frank Chopp, Speaker of the State House of Representatives
Honorable Cathy McMorris, Minority Leader, State House of Representatives
Aubrey Davis, Chair-Washington State Transportation Commission
Christine Johnson, Director of Field Services-West