



U.S. Department
of Transportation

**Federal Highway
Administration**

Washington Division

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HDA-WA/301

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

FY 2006 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) 2006 (October 1, 2005 – September 30, 2006), Washington State obligated \$686,424,909.59 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 30 percent (\$202,276,530.84) of those federal highway funds were obligated by cities and counties for road projects during federal FY 2006.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and local agencies (cities and counties). For FY 2006 we conducted numerous reviews of WSDOT's procedures and practices in project development and implementation. Following are the reviews and audits conducted and a brief synopsis of the findings. The full reports are available in our office.

Construction Inspections - We conducted 62 construction inspections of highway projects throughout the state—the vast majority of them on state projects. These construction inspections on projects of various types and sizes found that WSDOT and the local agencies are constructing federal-aid highway projects in reasonably close conformity with plans and specifications. Findings and recommendations for these projects were discussed and resolved with the appropriate Project Engineer and shared with your Headquarters Construction Office via hardcopies of the reports. We also noted numerous instances where innovative construction techniques and good contract administration practices were being used.

Project Construction Costs Tracking - In FY 2002 we began monitoring the difference between the construction contract award amount and the final construction cost for WSDOT federal-aid highway funded projects. Our analysis for FY 2006 shows an increase of approximately 9% in the final cost



compared to the contract award amount on all federal-aid projects completed during the fiscal year. On average, the final contract costs for these projects were approximately 4% above the contract award amount. We find the data you reported in your “Gray Notebook” for the quarter ending June 30, 2006, for all federal-aid and State-funded WSDOT construction projects compares closely with the data we have compiled. The data reported in the Gray Notebook are 11.7% and 3.4% respectively.

Construction Quality “Striping Removal” Review - This WSDOT/FHWA joint review looked for ways to improve work zone pavement marking removal and to reduce “ghost” striping (the appearance of the pavement after the markings are removed). The review team found there is no easy or inexpensive way to eliminate ghost striping. However, the team determined some ways to reduce and mitigate ghost striping including recommending the use of more temporary pavement marking tape. The team developed a matrix of the appropriate removal method for certain types of pavement, pavement conditions, and type of striping material to be removed.

Annual Regional Work Zone Reviews - We participated in several of WSDOT’s Region workzone traffic control reviews in 2006. Of particular note were several good examples of lump sum traffic control working well, i.e. detailed and thorough plan sheets. This should lead to better prices for traffic control. We found WSDOT personnel routinely exercise good engineering judgment in workzone plans and specifications and are providing safe driving for the public through workzones. Overall WSDOT project offices continue to ensure that projects are developed in accordance with the Manual on Uniform Traffic Control Devices (MUTCD) and approved traffic control plans and specifications.

Highways and Local Programs (H&LP) Stewardship Review - This is a review of the overall stewardship provided by your office of H&LP to ensure that authority delegated under the 2001 Washington Federal-aid Stewardship Agreement is properly administered. The objective was to verify adequate oversight of local agency federal-aid projects. We found H&LP’s administration of the federal-aid highway local agency program is in compliance with FHWA regulatory requirements.

Section 504/ADA (Americans with Disabilities Act) Review - This review was conducted to determine if local agencies are incorporating Section 504/ADA requirements into their projects. While a number of good practices were identified there remain challenges with uniform implementation of Section 504/ADA requirements. We have discussed these weaknesses with H&LP staff and will work with them to help educate and raise the awareness of Section 504/ADA requirements through various outreach efforts.

Design Stewardship Reviews - These involved a performance review using WSDOT’s Project Design Checklist to ensure sufficient design documentation, project file records, and adequate Plans, Specifications, and Estimate (PS&E) content for a group of federal-aid highway projects. Five (5) reviews were conducted on projects in the Northwest, Olympic, North Central, and South Central Regions. Based on the results of this review, these four WSDOT Regions comply with Title 23 requirements and the WSDOT/FHWA Stewardship standards.

National Bridge Inspection Standards (NBIS) Review - The review conducted in May 2006 in the South Central and Eastern Regions found that the overall bridge inspection program in Washington State met the requirements of the NBIS. Recommendations for improvement were made in the two review areas emphasized this year, load ratings and scour action plans. In addition, a quality control and quality assurance program needs to be developed and quality performance measures identified. We will be working with your staff to address these improvements.

Traffic Monitoring Review - This review evaluated traffic monitoring procedures used by WSDOT to ensure consistency with the FHWA Traffic Monitoring Guide. This is important as apportionments for the majority of federal-aid funds are dependent on these numbers. The review involved the Transportation Data Office and interviews with personnel from three of WSDOT's six Regional Offices. Our overall assessment was that WSDOT conducts a very well organized and professionally run program that meets and in many cases exceeds the recommendations in FHWA's Traffic Monitoring Guidelines. Because of the significant portion of federal-aid funds that goes to local agencies we will be conducting a review of local agency supplied HPMS traffic monitoring data in federal FY2007.

Environmental Constructability Review - The purpose of this review was to evaluate the constructability of environmental mitigation measures incorporated into WSDOT and local agency projects which were federally funded. We found that transportation agencies have a well established plan for moving projects through the environmental process and are doing a reasonable job of describing the environmental commitments to potential bidders. We also found these environmental commitments to be buildable and for the most part cost-effective. It was also noted there is a consistent effort on the part of transportation agencies to be good environmental stewards and, generally speaking, the contractors share the same belief.

Endangered Species Act (ESA) "Effects" Call Review - The purpose of this review was to determine if WSDOT was making the appropriate "effects" determinations for FHWA in accordance with the ESA and within project timeframes. Through a review of numerous projects the review team found WSDOT in substantial conformance in making the appropriate ESA effects call. The review also concluded that as issues continue to emerge which impact ESA consultations, FHWA and WSDOT need to coordinate a systematic approach at the program level to meet the challenges these emerging issues present to project delivery.

Federal-Aid Billing Audit #1 - In January/February 2006, we reviewed WSDOT's September and October 2004 claims for reimbursements which amounted to \$139,844,937 for highway construction. In order to verify the validity of these charges, we conducted a review of State Project Engineer offices in the Northwest and Olympic regions. With two exceptions, contract records and documentation were sufficiently detailed and maintained in all offices visited. However, we found two instances (totaling \$23,622) where project personnel did not adhere to established management controls. Project records were promptly adjusted in both cases.

Toll Credit Usage Review - In conjunction with the Billing Audit #1 we also reviewed the processes that WSDOT uses to track usage of toll credits. We found that with few exceptions, there are sufficient controls in place to ensure WSDOT is not "overspending" the available toll credits.

Federal-Aid Billing Audit #2 - We conducted a review at WSDOT Headquarters. Transactions for several offices were statistically sampled from the October 2005 through March 6, 2006 federal-aid billings. Seventeen (17) transactions from three (3) project invoices totaling \$154,925.91 were reviewed. The types of transactions included highway construction, work time charges, supplies and materials, cellular telephone charges, and equipment inventories. Four (4) of the billing transactions selected for this review were determined to be improper which equates to 6.7% of the payments. Project records were promptly adjusted and internal controls were strengthened to prevent similar occurrences in the future.

Grants Management Review - The objective of this review was to determine if some unused funds can be de-obligated earlier in the project closing process and reprogrammed to other projects. It was found although there are internal controls prescribed to close construction projects in a timely manner unneeded funds remain obligated for extended periods of time. One of the four recommendations made was to create an innovative incentive/disincentive program to obtain the required documentation to close out

projects. We commend your construction staff for quickly implementing a pilot incentive/disincentive program for several projects advertised and awarded late this calendar year. We believe this program holds real promise not only for Washington State, but for other States as well.

Inactive Projects Over \$500,000 Audit - Annually FHWA runs a list of projects that have had no expenditure activity for one (1) year or more and an unexpended balance over \$500,000. This year, Washington State had 16 projects on the list with an unexpended balance totaling \$16.1 million. With the assistance of your staff, we determined that valid obligations still existed on 15 of the 16 projects. The unexpended funds on the remaining project were reprogrammed for other highway purposes.

Highway Performance Monitoring System (HPMS) Review - In FY 2006 a HPMS review of WSDOT's CY 2004 data was conducted. We looked at 35 sample sections in WSDOT's Southwest Region and generally found close agreement between the data WSDOT submitted and that found in the field. We noted a few discrepancies, but they did not tend to be excessive or repetitive throughout the sections we reviewed. We found that WSDOT has an excellent team working together to produce quality HPMS data. They have demonstrated a consistent willingness to identify and address data questions and are continually working to improve their data collection system. We also noted two previously identified concerns were addressed and commend your staff for doing so.

Truck Size & Weight Review - This annual review of WSDOT and Washington State Patrol's (WSP) operation is conducted to ensure the State enforces vehicle size and weight laws. This is done to prevent premature deterioration of the highway pavement and structures and provide a safe driving environment. FY 2006 was the first year that both WSP (for the Enforcement Plan), and WSDOT (for the Enforcement Certification) used FHWA's automated Vehicle Size and Weight (VSW) Enforcement system. This system automates the enforcement plan submittal and certification process. We found WSP and WSDOT are making good use of the resources in their conduct of the size and weight enforcement program in the State of Washington.

State Transportation Improvement Program (STIP) Review - This joint review by FHWA and FTA is conducted annually to ensure the projects in the STIP are fiscally constrained and based on a transportation planning process that substantially meets the requirements of 23 CFR Sections 134 and 135 and 49 U.S.C. Sections 5303-5305. The FY 2006-2008 STIP met the fiscal constraint requirement and was subsequently approved.

The following two national reviews were also conducted with involvement and assistance of your staff:

Value Engineering (VE) Program Review - Earlier this year, the US Department of Transportation's Office of the Inspector General (OIG) included WSDOT in a review of 10 states' VE program. Based on their review of the 10 states OIG determined that WSDOT's VE program was top ranked in three of the four value engineering indicator categories and fifth in the fourth category. The top four in each category were determined to meet statutory requirements or exceeded national averages.

Local Project Administration (LPA) Scan - A FHWA national team selected Washington as one of the states for a scan to assess the stewardship and oversight of local agency projects and gather good practices. The scan team selected Washington State as its first visit because of its well-known and comprehensive local project administration program. The scan team met with the Division, H&LP, and several local agencies. The scan team was impressed with the implementation of the program and found numerous examples of good practices with the Local Programs Manual being a best practice. This information is being shared with all FHWA Division Offices and other states and local agencies.

In addition to the above mentioned specific program oversight and review activities my staff has specific project involvement responsibilities, as well. Each and every one of the 279 federal-aid highway projects authorized for construction in FY 2006 required FHWA involvement through our approval of the environmental document. Per WSDOT and FHWA's Stewardship Agreement we also had project specific design, right-of-way, and construction involvement on many Interstate and major/unique projects under development and construction in Washington State. Therefore, I make the following finding:

Finding - Based on the inspections, reviews, program evaluations, audits, and specific project involvement conducted in FY 2006, 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 FY2006. Members of my staff will be contacting your staff to set up reviews and financial audits for the current federal fiscal year (2007).

This is the fifth annual Performance Report. Performance Reports for federal FYs 2002 through 2005 can be found on our website at <http://www.fhwa.dot.gov/wadiv/> .

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

Sincerely,

/ss/

DANIEL M. MATHIS, P.E.
Division Administrator

Cc: Governor Christine Gregoire
Richard Ford, Washington State Transportation Commission Chair
Christine Johnson, Director of Field Services-West
King Gee, Associate Administrator for Infrastructure
Mary Margaret Haugen, Chair, Senate Transportation Committee
Brad Benson, Ranking Minority Member of Senate Transportation Committee
Ed Murray, Chair, House Transportation Committee
Beverly Woods, Ranking Minority Member of House Transportation Committee
John Conrad, WSDOT
WSDOT Regional Administrators