



U.S. Department  
of Transportation

**Federal Highway  
Administration**

Washington Division

Suite 501 Evergreen Plaza  
711 South Capitol Way  
Olympia, Washington 98501-1284  
(360) 753-9480  
(360) 753-9889 (FAX)  
<http://www.fhwa.dot.gov/wadiv>

October 30, 2007

HDA-WA/301

Ms. Paula J. Hammond  
Secretary of Transportation  
Department of Transportation  
Olympia, Washington

### **FY 2007 Performance Report**

Dear Ms. Hammond:

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) 2007 (October 1, 2006 – September 30, 2007), Washington State obligated \$578,138,228.63 in formula and discretionary Federal-aid funds. These funds were 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 35 percent (\$200,409,341.28) of those Federal highway funds were obligated by local agencies (cities and counties) for road projects during Federal FY 2007.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and local agencies. For F Y2007 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 35 construction inspections of highway projects in all Regions of the state, plus three local agencies. Several inspections focused on bridge deck curing. Generally, good oversight and construction techniques of bridge deck curing were observed on these projects. Summarizing all the inspection reports, WSDOT is providing good oversight and administration of their construction program. The projects reviewed were found to be built in conformance with the approved 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. In FY 2008 Americans with Disabilities Act (ADA) Compliance and Disadvantaged Business Enterprise (DBE) Fraud will be the two areas of focus during our construction inspections.

**MOVING THE  
AMERICAN  
ECONOMY**



**National Bridge Inspection Standards (NBIS) Annual Review** - The review conducted in May 2007 in the Northwest and North Central Regions found that the overall bridge inspection program in Washington State met the requirements of the NBIS. Special emphasis was placed on reviewing the quality assurance (QA) procedures for field inspections. Recommendations for improvement included better documentation of delegated inspection responsibilities for local agencies, and finalizing QA procedures, including business performance measures, and documenting them in the *Washington State Bridge Inspection Manual*. Meetings with your staff are ongoing to address the needed improvements.

**Design Stewardship Reviews** - These annual reviews 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. Nine (9) reviews were conducted on projects with at least one in each WSDOT Region. Based on the results of this review, all WSDOT Regions comply with Title 23 requirements and the WSDOT/FHWA Stewardship Agreement standards.

**Time Allocated to Projects Review** - This review assessed the "Contract Working Days" process used by WSDOT in the design phase of a project and the granting of additional working days during construction. The review found that WSDOT is in compliance with FHWA guidance and regulation, as well as WSDOT internal procedures in establishing and granting contract working days in both the design and the construction processes. WSDOT has established good written procedures for determining contract working days. As a result, WSDOT offices are addressing time properly on contracts, first in the design phase and secondly in the construction phase. WSDOT has developed a good balance between cost, user delays, and the number of working days. Several best practices were also highlighted. We also noted in the AASHTO March 2006 report, *Measuring Performance Among State DOTs*, WSDOT was found to deliver its projects with better on-time performance than the other six states in the study.

**Local Agency Guidelines (LAG) Manual Review** - The purpose of the review was to assess the Local Agency Guideline (LAG) Manual for consistency with the WSDOT/FHWA Stewardship Agreement, SAFETEA-LU, and other Federal regulations and modify as necessary. The review concluded that the LAG Manual is a well documented, detailed manual that includes all the provisions for local agencies in delivering a Federal-aid project. The changes made as a result of this review were due to new laws and regulations. These changes permit local agencies additional flexibilities not previously allowed. The LAG Manual is considered a model document for assisting local agencies in delivering the Federal-aid program and has been held up nationally by FHWA as such.

**Local Agency Traffic Monitoring Review** - This review evaluated traffic monitoring procedures used by Washington State local agencies to ensure consistency with the applicable Federal guidance and regulations. As noted in the FY 2006 Performance Report, we focused on traffic count data for local agencies in FY 2007. In Washington State, there are 134 local agencies that supply traffic count data to WSDOT's Transportation Data Office as a part of their annual Highway Performance Monitoring System submittal. This local agency supplied traffic data represents 43 percent of the total vehicle miles traveled (VMT) in the State of Washington. A group of six local agencies were selected representing small, medium, and large agencies from rural and urban areas. We concluded that even though some of the agencies were not following the procedures found in the standard manuals identified above, they were taking into account items such as factoring data, and were therefore adjusting their data in an appropriate way. Based on these findings a best practices guide will be created which will be distributed to all 134 local agencies for use in enhancing their traffic monitoring practices.

**Interchange Justification Review (IJR)** - The purpose of this review was to identify streamlining opportunities, evaluate and compare WSDOT's process to FHWA's new Policy and guidance document, investigate/compare other States' processes, and recommend opportunities for process improvements. We found that the Washington IJR process is consistent with the national policy and guidance on

adding/modifying access on the Interstate System. The overall conclusion is that the processes and procedures contained in Design Manual Chapter 1425 for adding or changing access on limited access facilities in Washington State does not need major revisions.

**Annual Regional Work Zone Reviews** – We participated in two of WSDOT’s Region work zone traffic control reviews in the Olympic Region in 2007. Minor revisions to work zone traffic control were found to be necessary, but as we have found in the past WSDOT personnel routinely exercise good engineering judgment in work zone plans and specifications and are providing safe driving for the public through work zones. 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.

**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 2007 shows an increase of approximately 1.6% 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 5.1% above the contract award amount. We find the data you reported in your “Gray Notebook” for the quarter ending June 30, 2007, 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 2.2% and 5.4% respectively.

**Federal-aid Billing Audit #1** – In this annual audit conducted in March and April, we reviewed claims submitted for Federal “pass-through” grants during the fourth quarter of FY 2006 (July 1 through September 30, 2006) which amounted to approximately \$29.2 million. In order to verify the validity of these charges, we conducted a review of local agency offices in the Northwest, Southwest and Eastern Regions. Our review disclosed that documentation was adequate to support contract payment and subsequent Federal reimbursement. However, there are two areas - lump sum and minor changes - where project personnel did not adhere to established management controls. In addition, we found several clerical errors during our review. Project records were promptly adjusted when necessary. One office had very good documentation of field measurements. This enabled the project inspector to easily record required field measurements to support proper payment. We identified this as a best practice in the report.

**Improper Payment Review** – In this annual review we looked at one local agency project to determine if all charges on the project were eligible for Federal-aid reimbursement. An improper payment is any payment that should not have been made or that was made in an incorrect amount (overpayment or underpayment). Of the \$231,209.69 that was selected for this project, \$25,132.81 (11%) was determined to be improper due to inadequate documentation. Adjustments were subsequently made to the eligible charges for this project.

**Federal-aid Billing Audit #2** - In July, we reviewed claims submitted for highway construction during the first half of FY 2007 (October 1, 2006 through March 30, 2007), which amounted to approximately \$7.1 million. In order to verify the validity of these charges, we conducted a review of State Project Engineer offices in the Northwest, Southwest, and Olympic regions. Our review disclosed that documentation was adequate to support contract payment and subsequent Federal reimbursement. However, there are two areas - drainage and force account labor - where project personnel did not adhere to established management controls. Project records were promptly adjusted in both cases. One office had excellent Inspector Daily Records (IDR). They were complete, easy to read and gave a clear picture of what took place on the job site each day. Several IDRs had specific details such as the materials that were verified on site. We identified this as a best practice in the report for this review.

**Grants Management Review** - The objective of this annual review was to determine if improvements can be made in our internal authorization process and why projects fail to advance once they are authorized. We performed a detailed review of past project document approvals. While we did not find any improper approvals, we determined that there was an inherent risk with the project documents that were approved by finance staff. As a result, we determined that it would be in the best interest of FHWA and WSDOT to maintain the current approval authorities and to implement a quality assurance check for those project documents that were approved by finance. We chose a sample of projects that did not appear to advance within one year of authorization and interviewed project staff to determine the reasons for delay. We identified eight different but somewhat interrelated reasons why authorized projects failed to advance and recommended the creation of a joint FHWA and WSDOT team to develop guidance for the reprogramming and reobligation of funds on projects that fail to advance in a timely manner.

**Inactive Projects Audit** - The FHWA Financial Integrity Review and Evaluation (FIRE) Order requires a quarterly review of inactive projects that fall into three tiers. Tier one includes projects that have been inactive for 12 months or longer with an inactive balance greater than \$500,000. Tier two includes projects that have been inactive for 24 months or longer with an inactive balance greater than \$50,000. Tier three includes all projects that have been inactive for 36 months or longer. Each quarter, our office requires a review of projects that fit into the three tiers and requests justification for the inactivity. We began FY 2007 with 78 local and state projects in the three tiers with a total unexpended balance of \$26.7 million. These figures have fluctuated through the year, with a high of \$32.9 million on July 30, 2007, but we end FY 2007 with 60 local and state projects with a total unexpended balance of \$19.7 million. We would like to commend your staff for their efforts to reduce the number and dollar value of inactive projects.

**Highway Performance Monitoring System (HPMS) Annual Review** - In FY 2007 a HPMS review of WSDOT's CY 2005 data was conducted. We looked at 31 sample sections in WSDOT's Northwest and Olympic Regions and generally found close agreement between the data WSDOT submitted and that found in the field. We noted a few minor discrepancies which were all easily resolved in follow-up discussions with personnel from the Transportation Data Office. We found that WSDOT has an excellent team working together to produce quality HPMS data. They demonstrated a consistent willingness to identify and address data questions and are continually working to improve their data collection system. Also, we depended heavily on WSDOT for information in writing the report in a new format this year. When FHWA Headquarters reviewed Washington's report it was one of five nationwide to be judged as outstanding.

**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. In FY 2007 both WSP (for the Enforcement Plan), and WSDOT (for the Enforcement Certification) submitted the required plan and certification on time and in the appropriate format. In addition, we performed a mid-FY 2007 review of WSP's Enforcement Plan to see if they were on track with their projected activities. We found they had met or exceeded their forecast for all items in the plan and that WSP and WSDOT are making good use of the resources in conducting the size and weight enforcement program in the State of Washington.

**State Transportation Improvement Program (STIP) Annual 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 2007-2010 STIP met the fiscal constraint requirement and was subsequently approved.

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

**Asset Management Review** – Late last fall, our HQ Office of Asset Management identified WSDOT’s transportation asset management program as a best practice. WSDOT was selected to be interviewed on the subject of comprehensive asset management and a case study brochure (<http://www.fhwa.dot.gov/infrastructure/asstmgmt/cswa0700.cfm>) was developed which was made available/distributed in August 2007.

The following four visits were also conducted with involvement and assistance of your staff. These visits from other State DOTs further highlights some of WSDOT’s and H&LP’s notable processes and procedures in delivering safe, efficient, and effective programs and projects:

**Arizona Safety Scan** – Representatives of the Arizona DOT, the Governor’s Highway Safety Office, and the FHWA Arizona Division visited Washington State to learn about Washington’s safety initiatives. Although Washington and Arizona are roughly the same size in terms of population, Washington State’s fatality rate is approximately one-half that of Arizona’s. WSDOT staff as well as staff from the Washington Traffic Safety Commission and the FHWA Washington Division participated.

**Indiana Local Agency Scan** – Resulting from the Local Public Agency (LPA) National Scan of last year, representatives of the Indiana DOT and FHWA Indiana Division visited Washington State to learn more about WSDOT’s stewardship of the local agency program. WSDOT’s Office of Highways & Local Programs (H&LP) administration of Federal-aid projects is nationally renown. The Indiana 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, a MPO, and a local agency. The scan team was impressed with the implementation of the program and found numerous examples of good practices to take back with them.

**Minnesota Local Agency Scan** – Representatives of the Minnesota DOT, the FHWA Minnesota Division, and the precast industry met with WSDOT’s H&LP staff and local agency representatives from the Eastern and Northwest Regions to learn more about Washington State’s rapid and pre-fabricated local agency bridge design and construction.

**Montana Safety Scan** – Representatives of the Montana DOT and the FHWA Montana Division visited with WSDOT project staff in the South Central Region to learn more about WSDOT’s experience with centerline rumble strips and the safety results/benefits.

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 353 Federal-aid highway projects authorized for construction in FY 2007 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 2007, 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 on State and local agency projects.

This is the sixth annual Performance Report. Performance Reports for Federal FYs 2002 through 2006 can be found on our website at <http://www.fhwa.dot.gov/wadiv/>.

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 FY 2007.

If you have any questions or need further information please feel free to contact me via phone at (360) 753-9480 or via e-mail at [Daniel.Mathis@fhwa.dot.gov](mailto:Daniel.Mathis@fhwa.dot.gov).

Sincerely,



DANIEL M. MATHIS, P.E.  
Division Administrator

Cc: Governor Christine Gregoire  
Richard Ford, Washington State Transportation Commission Chair  
Mary Margaret Haugen, Chair, Senate Transportation Committee  
Dan Swecker, Ranking Minority Member of Senate Transportation Committee  
Judy Clibborn, Chair, House Transportation Committee  
Fred Jarrett, Ranking Minority Member of House Transportation Committee  
Dave Dye, Deputy Secretary and Chief Operating Officer, WSDOT  
WSDOT Regional Administrators  
Kathleen Davis, Director of the Office of Highways & Local Programs, WSDOT  
Christine Johnson, Director of Field Services-West  
King Gee, Associate Administrator for Infrastructure