Overhead and Administrative Costs Performance Audit

Selected Firm and Award Amount

- Ernst & Young
- Award: $510,900

Executive Responsible

- Paula Hammond

Key Project Milestones

- Entrance conference with WSDOT, SAO, and Governor's Office on October 24.
- Define and Design Audit Plan – Completed by 12/15/06
- Execute the Audit Plan – Completed by 2/19/07
- Report Results of the Improve Project – Completed by 2/26/07
- Summarize Executive Management/Audit Committee Communications – Completed by 3/2/07

The audit has the following purposes:

- *Are there potential savings in administrative costs*?
- *Does the organizational structure result in efficient and effective use of resources?*
- *What is the effect of the seven-region organizational structure on resources and services?*

A contract scope document dated October 4, 2006 identifies the following "Areas of Focus:"

▪ Information technology ▪ Human resources ▪ Fiscal and financial services ▪ Office supplies and equipment ▪ Building rent or lease expense ▪ Building, ground and facilities maintenance ▪ Utilities	▪ Training ▪ Records Management ▪ General clerical support ▪ Mail and printing operations ▪ General analytic and/or coordinating support/Research and policy analysis ▪ Legal services Public communications and information ▪ Minority affairs/civil rights/business partnering/small and disadvantaged business.

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Audit Status

Essentially, the audit scope calls for a business process improvement review for WSDOT. An entrance conference with Ernst & Young, the Governor's staff, and WSDOT was held on October 24. At this meeting, WSDOT presented E&Y with a binder of information concerning administrative and overhead operations at WSDOT. This information was prepared in addition to E&Y's initial data request. Both the SAO and E&Y noted their appreciation of WSDOT's efforts.

Terry Hanson, E&Y's lead, is conducting interviews with over 30 WSDOT executives, and will be completed in early December. He has met with or scheduled interviews with executives in the Finance & Administration Division, all executives that report to the Chief of Staff, all Regional Administrators, and four others that report to the Assistant Secretary of Engineering and Regional Operations. WSDOT has arranged to provide space at the Transportation building for five E&Y auditors to work throughout the course of the audit.

Criteria against which WSDOT performance will be assessed has not been identified by SAO at this time. E&Y expect to complete Phase 1 of this audit, and produce a list of issues and opportunities, by December 15, 2006.

At the November 27 bi-weekly meeting SAO also agreed to move the audit of Ferries Administrative costs and functions to this audit of WSDOT Administration. SAO was receptive to our suggesting this change, and agreed that it would make the audit of WSDOT Administration more valuable. Further, E&Y assured us they would keep us informed of the list of audit opportunities as it develops, and welcomed the Department's input on areas of focus that would add value to the audit. We plan to discuss the entire list of opportunities at the December 15th bi-weekly meeting.