U.S. Department
of Transportation

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HDA-WA/331

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

FY 2004 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) 2004 (October 1, 2003 – September 30, 2004), Washington State obligated $576,854,073.90 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 33 percent ($188,304,987.48) of those federal highway funds were obligated by cities and counties for road projects during federal FY 2004.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and cities and counties. For FY 2004 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 review conducted in June in the North Central and Northwest Regions (including interviews with Chelan and King Counties) found that WSDOT is in substantial compliance with the requirements of the NBIS. WSDOT's use this year of phased array ultrasonic testing is an advanced state-of-the-practice that is commendable, as it enhances the DOT's ability to quantify defects in steel and prepare cost-effective solutions. One area in need of improvement is resolving

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discrepancies in bridge rating and posting data to insure that bridges are properly evaluated for safe loads and corresponding postings are installed.

DBE (Disadvantaged Business Enterprise) Commercially Useful Function (CUF) Review - Overall the review concluded that WSDOT has an adequate DBE CUF monitoring process in place that meets its DBE Program Plan and the USDOT's DBE regulations. There were some weaknesses identified during the review—a few instances where the DBE CUF monitoring was not well documented, misinterpretations of what constitutes allowable DBE practices as compared to standard industry practices, and who has ultimate responsibility for assisting in/investigating allegations of questionable DBE activities. We have discussed these weaknesses and possible ways to strengthen the program with your staff.

Tracking Local Agency Environmental Commitments in Construction Review - This review of eight (8) projects in four (4) WSDOT Regions found that overall the environmental commitments established in the environmental document were carried through design and the project plans and specifications through to construction of the project. We noted that establishing commitment tracking would provide greater assurance of completion and ensure commitments aren't affected by project changes.

Construction Inspections - We conducted 25 construction inspections of highway projects throughout the state--nearly all 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. Innovative construction techniques as well as good contract administration at the offices we visited, were being incorporated. Findings and recommendations for these projects were discussed with the appropriate Project Engineer and shared with your HQ Construction Office via hardcopies of the reports.

The planned smoothness review by our office was deferred until WSDOT has a statewide smoothness specification in place.

Annual Regional Work Zone Reviews - We participated in several of these required statewide reviews of randomly selected construction project work zones conducted by your staff in the Olympic and Northwest Regions. We found that overall WSDOT and its contractors meet federal work zone requirements. We noted several reoccurring issues on which WSDOT should continue to place emphasis including flagging, use of temporary pavement markings, proper use of truck-mounted attenuators, and placement of advance warning signs. In addition, our office conducted a process review of a sample of federal-aid local agency work zones. We found good compliance by these local agencies in the development, installation, and maintenance of their work zones. Proper signing of detour routes was one opportunity for improvement. We have recommended that WSDOT Highways & Local Programs develop a similar work zone review program of their federal-aid local agency projects.

Federal-Aid Billing Review #1 - In February 2004 we reviewed WSDOT's June 2003 billing of approximately $22 million for highway construction and federal pass-through grants. In order to verify the validity of these charges, we conducted a review at State

Project Engineer (PE) offices and local agencies in the Central, South Central, and Southwest Regions. With a few exceptions, contract records and documentation were sufficiently detailed and maintained in all of the offices visited. Internal control issues were found in supporting documentation for force account work on an Emergency Relief (ER) project in one State PE office and one Local Agency was incorrectly charging the federal projects for lease-to-own equipment. Both issues were discussed with the appropriate WSDOT staff and corrective action has been taken.

Federal-Aid Billing Review #2 - During May 2004, WSDOT billed approximately $16 million for highway construction and federal pass-through grants. In order to verify the validity of these charges, we conducted a review at State PE offices and local agencies in the Northwest, Olympic and Eastern Regions. We found that contract documentation was adequate to support contract payment and subsequent federal reimbursement on each of the projects we reviewed.

Federal Transit Administration (FTA) Inactive Project Review - The objective of this review was to determine whether all projects which were "transferred" to FTA under the Intermodal Surface Transportation Efficiency Act (ISTEA) procedures that have had no activity for one (1) year or more. We found nearly $12 million of FTA inactive obligations (on our books) were fully expended and disbursed. In addition, we discovered that funds that are leftover from these grants were not returned to WSDOT but instead remained FTA funds. As a result of our review, we have put controls in place to ensure that leftover funds are returned to WSDOT. This return of funds from FTA will give WSDOT additional flexibility in project funding. Through this effort we also found approximately $400 million of inactive obligations on FHWA's books nationwide which were fully expended and disbursed. We are continuing to work with our headquarters Finance office to correct these entries which will assist other States.

P1/I2 (Preservation – Roadway) Supplemental Stewardship Agreement Review - In order to allow federal-aid participation in WSDOT's P1/I2 program a minimum amount of safety work needs to be included in projects as we agreed to in a Supplemental Agreement to the WSDOT/FHWA Stewardship Agreement. Our review of the program found that the overall intent of the Supplemental Agreement is being met. Three observations and recommendations were noted and have been discussed and resolved with your staff.

Design Stewardship Review - This review conducted in the South Central and Southwest Regions 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. Based on the results of this review, the WSDOT South Central and Southwest Regions comply with Title 23 requirements and the WSDOT/FHWA Stewardship standards.

Project Construction Costs Tracking - We began monitoring the difference in the contract award amount and the final cost for WSDOT federal-aid highway funded projects in FY 2002. As in FY 2002 and FY 2003, our analysis for FY 2004 shows a slight growth in the final cost compared to the contract award amount on federal-aid

projects. We find the data you reported in your Gray Notebook for the quarter ending June 30, 2004, for all (federal-aid and State funded) WSDOT construction projects are accurate and track closely with the data we have compiled.

Highway Performance Monitoring System (HPMS) Review - A field review of randomly selected routes in the North Central and Eastern Regions was conducted in September to verify data for the 32 sample sections. The review revealed some minor areas for improvement, but overall the data submission was accurate. As we did last year, we ask that WSDOT address developing and implementing an adequate policy and procedure for acquiring International Roughness Index (IRI) data on non-State owned facilities through the State's Planning and Research (SPR) Work Program. The State also needs to continue to develop and refine their sample management procedures.

Heavy Vehicle Use Tax (HVUT) - The HVUT is an excise tax that is deposited into the Highway Trust Fund for distribution as federal-aid highway funds. This tax is collected by the federal Internal Revenue Service (IRS), but the Washington Department of Licensing (DOL) is responsible to ensure that it has been paid prior to registering any truck with a gross weight over 55,000 pounds. We performed a review of DOL records in four (4) Washington counties to ensure that they are obtaining the proper documentation. In all cases, we found reasonable assurance that the tax was being verified as required by IRS regulation.

Truck Size & Weight Review - 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. The review is initiated with our receipt of the Size & Weight Enforcement Plan from the Washington State Patrol (WSP). We work with WSP's Commercial Vehicle Enforcement Section to ensure that the plan is adequate in scope and quantity of enforcement activity. Each year we receive a Certification of Size & Weight Enforcement from WSDOT's Motor Carrier Services. The certification we received in FY 2004 adequately addressed all of the elements of the FY 2003 Size & Weight Enforcement Plan.

Inactive Projects Over $1 Million Audit - Each year, on December 31, FHWA runs a list of projects that have had no expenditure activity for one (1) year or more and an unexpended balance over $1 million. This year, Washington had seven (7) projects on the list with an unexpended balance of $19,228,351. With the assistance of your staff, we found that all but three (3) of the projects were out of WSDOT control with only one (1) that should have been on the list. This remaining project was a discretionary program earmark that cannot begin until another earmark is complete.

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

Transportation Management Area (TMA) Certification Reviews - A FHWA/Federal Transit Administration (FTA) joint review found that the Portland/Vancouver TMA's planning process met federal requirements. The findings indicated no corrective actions are required for the Vancouver/Clark County Metropolitan Planning Organization (MPO), but a few corrective actions may be required by the Portland Metro MPO.

Although WSDOT is not directly responsible for the planning processes in the three TMAs in Washington, WSDOT's participation enhanced the value of the review and we ask for your assistance and cooperation in resolving the findings and recommendations.

Manufacturer's Certificate of Compliance Review - Another quality improvement review that was wrapped up earlier this year was improving the Manufacturer's Certificate of Compliance. This joint FHWA/WSDOT team looked at ways to improve the standardized form and ways to give more direction to the project offices and also achieve a better compliance rate from the contractor. With a slightly revised form and instructions it is believed that these goals were accomplished.

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 303 federal-aid highway projects authorized for construction in FY 2004 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.

As in FY 2002 and FY 2003, I commend you and your agency for continuing to strengthen the Gray Notebook. Instituting the "Beige Pages" for specific project reporting further enhances the accountability of state and federal transportation funding.

Finding - Based on the inspections, reviews, program evaluations, audits, and specific project involvement conducted in FY 2004, 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.

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

Sincerely,

Daniel M. Mathis

DANIEL M. MATHIS, P.E.
Division Administrator

Cc: Governor Gary Locke
Dale Steadman, Washington State Transportation Commission Chair
Christine Johnson, Director of Field Services-West