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

December 16, 2011

HDA-WA/301

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

Hwys & Local Programs
DEC 20 2011
Olympia, WA

FFY 2011 Performance Report

Dear Ms. Hammond:

Based on the inspections, reviews, program evaluations, audits, and specific project involvement conducted by the Washington Division of the Federal Highway Administration (FHWA) in federal fiscal year (FFY) 2011, I find:

The Washington State Department of Transportation (WSDOT) has complied with federal laws and regulations in expending the regular federal-aid highway funds and ARRA funds allocated to the state of Washington on state and local agency projects.

Our office is responsible for stewardship and oversight of the federal-aid highway funds allocated to the state of Washington. Your agency is the state agency responsible for delivering these federal-aid funds. Annually hundreds of millions of dollars of federal highway funds flow into Washington State. In FFY 2011 (October 1, 2010 - September 30, 2011), Washington State obligated $640,770,913 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 30 percent ($189,202,785) of those federal highway funds were obligated by local agencies (cities and counties) for road projects during FFY 2011.

In addition to the American Recovery and Reinvestment Act (ARRA) of 2009, Washington State received $45,010,000 from the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2010 (Division A of the Consolidated Appropriations Act, 2010 (Pub. L. 111–117, Dec. 16, 2009)), regarding National Infrastructure Investments (the "Act") "TIGER II Discretionary Grants." These funds were obligated by local agencies (cities and counties) for projects during FFY 2011.

In total, WSDOT obligated $735,409,206 in federal funds during FFY 2011. Of that $475,709,931 was obligated for state projects and $259,699,275 (approximately 35 percent) was obligated for local agency projects.

Annually, we conduct project inspections, program evaluations, systematic reviews, and financial audits of WSDOT and local agencies. For FFY 2011 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 – Between October 1, 2010 and September 30, 2011 we conducted 94 construction inspections (53 state and 41 local agencies) of highway projects throughout the state. 50 inspections were conducted on ARRA or TIGER funded projects, with the remaining 44 conducted on regular federal-aid funded projects or state-only funded projects. Summarizing all the inspection reports, WSDOT is providing excellent 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 and Highways and Local Programs (H&LP) Offices via hardcopies of the reports. We also noted numerous instances where innovative construction techniques and good contract administration practices were being used. Based on general observation of the program, we would like to begin tracking elements of the advertisement and award process more closely, specifically the issuance of addenda and extension of bidding time.

Work Zone Review - In March, WSDOT and FHWA finalized their inaugural Work Zone Safety and Mobility review in accordance with the requirements of 23 CFR 630.1008 which requires a review to be conducted every two years. Several successful practices were identified, including the development of WSDOT's Work Zone Traffic Control Guidelines Book (M54-44), the implementation of Work Zone Design Training, Annual Work Zone Reviews conducted throughout the Regions, creation of the Work Zone Safety Task Force, and the knowledge sharing facilitated by WSDOT's Work Zone Safety Web Page. While Work Zone Safety and Mobility were identified as a high priority within WSDOT, there were some areas of improvement identified and an Action Plan to address seven key observations has been developed.

National Bridge Inspection Standards (NBIS) Annual Review – The 2011 NBIS review incorporating the newly implemented risk-based data driven 23 metric oversight process is fully underway. FHWA has been working in cooperation with WSDOT to gather bridge data, review bridge files, verify bridge inspector/underwater diver certifications, and conduct field visits to assist in the compliance determinations for 2011. WSDOT is currently adhering to several Plans of Corrective Action (PCA) to resolve issues with inspection frequency, single overall National Bridge Inspection data inventory, and procedures manual updates. WSDOT has successfully completed a PCA to resolve a compliance issue with NBIS program manager delegation. The final compliance determination on all 23 metrics is scheduled to be completed by December 31, 2011.

Design Stewardship Reviews - Design Stewardship Reviews are conducted annually by WSDOT Assistant State Design Engineers and FHWA Area Engineers to assess WSDOT's design process used on federal-aid projects. These reviews provide evidence that WSDOT's design documentation, project record files, and Plans, Specifications, and Estimate (PS&E) are consistent with applicable state and federal requirements. Thirteen (13) reviews were conducted throughout FFY 2011, eight (8) on local agency projects and five (5) on State projects. The review focus areas included roadside safety, access management, and consistency with the requirements of the Americans with Disabilities Act (ADA). Most recommendations were resolved during the review or shortly thereafter. In addition, the design reports also documented best practices being employed by design offices. Based upon the results of this review, all WSDOT Regions are complying with Title 23 USC requirements, WSDOT design policies and procedures, and the WSDOT/FHWA Stewardship Agreement. However, while there have been improvements in accommodating bicyclist and pedestrians through work zones in recent years, it continues to be an area of concern. As a result, our Division Office will be conducting a joint process review with WSDOT during PY 2012 on ADA and pedestrian access through work zones.

Federal-aid Billing Review #1 (State projects) - The objective of this review was to determine whether claims submitted for reimbursement during FFY were fair, reasonable and properly supported. Collectively the federal-aid reimbursement during this period amounted to $734,388,682.62. For this review we selected "highway construction" for testing. The charges attributable to "highway construction" on projects for this period were $538,711,618.06. In order to verify the validity of these charges, we conducted a review of state Project Engineer offices in the Northwest, Olympic, and Southwest Regions. Our review disclosed that documentation was generally adequate to support contractor payment and subsequent federal reimbursement. However, there were areas where documentation could be improved. WSDOT staff recognizes they can improve their internal controls and have taken various actions in recent years to strengthen project documentation.

Federal-aid Billing Review #2 (Local Agency projects) - The objective of this review was to determine how well local agencies carried out their documentation responsibilities. Our sample included two local agency projects in the Northwest and Olympic regions. During FFY 2011 we reviewed reimbursements, to see if they were fair, reasonable, and properly supported. Collectively the federal-aid reimbursement for this period amounted to $734,388,682.62. The charges attributable to local agencies for this period were $195,677,064.56. Our review disclosed that documentation was generally adequate to support contractor payment and subsequent federal reimbursement. However, there are areas where documentation could be improved. WSDOT and local agency staff recognize they can improve their internal controls and have taken various actions in recent years to strengthen project documentation. Nonetheless, in some cases we found project personnel did not adhere to established internal controls, which if properly followed, would ensure federal-aid charges were properly supported. These were discussed with H&LP staff and appropriate corrections were made.

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 I includes projects that have been inactive for 12 months or longer with an inactive balance greater than $500,000.

Tier II includes projects that have been inactive for 24 months or longer with an inactive balance greater than $50,000. Tier III 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 FFY 2011 with 89 local and state projects in the three tiers with a total unexpended balance of $19.6 million (2.8 percent of apportionments). These figures have fluctuated through the year, with a low of $17.7 million (2.5 percent of apportionments) on June 30, 2011 and the year ending with of $125 million (17.7 percent of apportionments).

Highway Safety Improvement Program (HSIP) Review - The Division office conducted an informal assessment of the Highway Safety Improvement Program (HSIP) in FFY 2010 and FFY 2011. The review was conducted over two years because WSDOT's H&LP Office was in the process of developing processes for local agencies, one for counties and one for cities, for responding to the solicitation of candidate HSIP projects and a methodology for project selection. Local agency projects are identified by data and the highest priority locations are then invited to apply in a competitive process. Approximately 66% of the SAFETEA-LU (2004-2009) HSIP funds allocated to the State of Washington were distributed to local agencies and 34% distributed to projects on state routes. We believe that the projects selected through these processes will contribute to attaining the goal of reducing fatal and serious collisions as set forth in the State's Strategic Highway Safety Plan (SHSP) – *Target Zero*. While there were some minor findings resulting from the review, we applaud WSDOT for their efforts to make Washington highways safer for the motoring public.

TIGER I & II National Review Team (NRT) Reviews - Our agency established a NRT (a team comprised of FHWA national experts) to look at high-risk areas of the ARRA program to ensure appropriate oversight and stewardship of ARRA funds and to ensure consistency across the country. The team's goal is to ensure that the TIGER projects are built according to and in compliance with federal regulations. The NRT assisted by Division staff conducted TIGER I and TIGER II reviews. The TIGER I projects reviewed the week of July 25, included; 1) the Mercer Street corridor project ($30 million TIGER I grant) located in Seattle, WA administered by Seattle Department of Transportation, and 2) the southbound US 395 North Spokane Corridor (NSC) paving and interchange construction project ($35 million TIGER I grant) from Francis Avenue to Farwell Road in Spokane, WA administered by WSDOT's Eastern Region. The review team found the construction administration personnel on both projects were well-qualified and the projects were being well-administered. The NRT concluded that the current construction management and operations for both TIGER I projects were being administered in conformance with federal-aid rules, regulations, and guidance. The TIGER II Projects reviewed during the week of September 26 included: 1) King County's South Park Bridge Replacement Project ($34 million in TIGER II funding); 2) Franklin County's East Foster Wells Road Extension Project ($1.01 million in TIGER II funding); and 3) Port of Vancouver's West Vancouver Freight Access Project ($10 million in TIGER II funding). These three projects were the first TIGER II projects reviewed by the NRT. The NRT was accompanied by Division staff for all three reviews. The review concluded that the oversight provided by the local agencies and WSDOT is satisfactory with no major findings.

Review of Categorical Exclusion (CE) Programmatic Memorandum of Understanding (MOU) Streamlining Tool - The Washington Division Office recently completed the biannual review of the CE MOU which delegates signature authority on some CEs to WSDOT. WSDOT was found to be in substantial compliance with the terms of the CE MOU, and an action plan has been developed to address those areas which may require further training of WSDOT staff or minor modification of the terms of the CE MOU. In addition to assessing compliance with the terms of the CE MOU, we also assessed how effective it is as a streamlining tool. There were 835 NEPA documents approved for federal-aid projects in Washington State in Calendar Years (CY) 2009 and 2010. Of these, four (0.4%) were Records of Decision for NEPA EISs, eight (1%) were Findings of No Significant Impact for NEPA EAs, and the remainder (98.6%) were CEs. Of the 823 which were CEs, 62% were signed by WSDOT under the CE MOU. Using data from our Project Action Tracking System during that timeframe, about 2/3rds of the remaining 38% of CEs were approved by the Division within 5 days of receipt. The percentage of CE projects approved by WSDOT in accordance with the CE MOU has increased by 21% since the last review was conducted. A revision to the CE MOU was approved in 2009 to address the findings of the previous review.

Planning Finding and Statewide Transportation Improvement Program (STIP) Review – This review of WSDOT and Metropolitan Planning Organizations (MPOs) and their statewide and metropolitan transportation planning processes for CY 2011, includes a review of self-certification supporting documentation, federal certification of Transportation Management Areas (TMA) within the state, and federal involvement in the state and MPO transportation planning processes. As a result, FHWA and the Federal Transit Administration (FTA) jointly find that the transportation planning process substantially meets the requirements of 23 U.S.C. Sections 134 and 135 and 49 U.S.C. Sections 5303-5305. The finding can result in approval of the entire STIP, approval of the STIP subject to corrective actions, or approval of a partial STIP under special circumstances. The implementation of new software for the STIP has taken place and the 2012-2015 STIP will be the first STIP developed under this new software.

Highway Performance Monitoring System (HPMS) Annual Review – In FFY 2011 an HPMS review of WSDOT and local agency routes was conducted in the Southwest and South Central Regions. The review occurred subsequent to WSDOT's submittal of the full 2010 HPMS dataset to FHWA's Office of Highway Policy Information (OHPI) in August 2011. The submittal was completed using updated software developed by the FHWA. The data elements considered were those that can be observed or measured in the field. The Division reviewed 50 sections from that subset in the field and found only minor discrepancies. To date the FHWA Headquarters has accepted the entire dataset submitted by WSDOT in August. Because of the implementation of the new software, OHPI comments may still be pending.

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 FFY 2011 both WSP (for the 2012 Enforcement Plan), and WSDOT (for the 2011 Enforcement Certification) submitted the required plan and certification on time and in the appropriate format. In addition, the Division held a coordination meeting for WSP and WSDOT to discuss potential research activities and future funding opportunities.

The following reviews, initiatives, studies, and scans were also done with involvement and assistance of your staff:

Government Accountability Office (GAO) Reviews ARRA Program - On Wednesday, November 3, 2010 the Government Accountability Office (GAO) visited both the Washington Division and WSDOT on the ARRA program. The visit focused on the highway portion of ARRA and the objectives of the review were to find out: 1) how ARRA funds were spent; 2) spending challenges; and 3) ARRA impact with the focus primarily on jobs. GAO also visited several other states as part of this review. GAO completed its report and provided a number of findings and recommendations to FHWA to enhance the delivery of the remaining ARRA projects.

Kickoff Meeting for Assessing Vulnerability and Risk of Climate Change Effects on Transportation Infrastructure: Pilot of the Conceptual Model. FHWA Headquarter and Division representatives met with representatives of WSDOT on November 4, 2010 to kick off WSDOT's effort to pilot-test the new FHWA conceptual model for assessing the vulnerability of transportation infrastructure to the effects of climate change. WSDOT was one of five pilot projects chosen to test FHWA's Conceptual Model. The FHWA model is effectively a set of considerations for inventorying and classifying vulnerable assets, and for assessing importance, redundancy and risk. WSDOT's pilot is the only one looking at transportation facilities statewide.

Domestic Safety Scan Team Visits Washington State - The domestic scan entitled "Best Practices in Solutions for Lane Departure Avoidance and Traffic Calming" visited Washington State on Friday, December 3, 2010. This scan is primarily sponsored by AASHTO/NCHRP with some funding from FHWA's Office of Safety. Representatives from North Dakota, Minnesota, Missouri, Colorado, Mississippi, Ohio, and FHWA Resource Center made up the scan team. In addition to extensive implementation of cable median barrier and rumble strips/stripes, other good practices observed included Continuous Line Delineation (applying retro-reflective treatments to barriers to better delineate the roadway), use of Performance Measures to manage the HSIP, adding two feet of paved shoulders as part of resurfacing projects, and establishing a set-aside of funding per year from the HSIP to address off-system safety. The first presentation on the results was made at the Transportation Research Board (TRB) Meeting in January, 2011 as part of a panel session on Rural Road Safety.

GAO Review of Emergency Relief (ER) Program - At the request of the Comptroller General, the GAO conducted a review of FHWA's ER Program. GAO selected Washington State to kick-off the review and visited the Washington Division and WSDOT the week of February 22. GAO assessed (1) the extent to which projects have been awarded in accordance with FHWA's ER program's regulations and guidelines and (2) what changes, if any, FHWA made to tighten eligibility criteria and what has been the effect of those changes. States that, (1) have recently faced major disasters, (2) are still receiving funding for older disasters, or (3) have a large number of projects on the reimbursement backlog list were included in the review. The GAO has completed its report and has provided a number of recommendations to FHWA to enhance the ER program.

Washington Division Authorizes First Two TIGER II Projects. On Friday, February 25, 2011 the Washington Division authorized the South Park Bridge and East Foster Wells Road Extension TIGER II projects for construction. These are the first two TIGER II projects to be authorized in the country. Construction of these two projects is expected to begin in late Spring/early Summer. WSDOT's assistance with these efforts set the standard for other Tiger II projects nationwide, in addition to creating jobs and helping the economy.

Washington State Hosts Colorado Scan Team - On June 29-30, 2011, the Washington Division and WSDOT welcomed both the Colorado Division and the Colorado DOT for a scan tour of Washington State's advanced tolling systems. The Colorado team visited the State Route (SR) 167 HOT lanes and SR 520 Bridge electronic tolling facilities, in addition to WSDOT's Traffic Management Center in WSDOT's Northwest Region Office. WSDOT shared lessons learned on tolling SR 167, the Tacoma Narrows Bridge, and their plan to toll SR 520 in the near future. WSDOT also discussed the implementation of active traffic management systems on I-5, I-90, and SR 520 in the Seattle area and shared future plans regarding tolling in Washington State.

Washington State Hosts ICOET - FHWA, WSDOT, and other sponsors welcomed over 550 transportation and ecology professionals from 21 countries to Seattle for the largest International Conference on Ecology and Transportation (ICOET) conference in its decade-long history. The conference, which ran from August 21-25, featured over 170 presentations and three field trips showcasing local projects including the I-90 Snoqualmie Pass widening and wildlife crossings, the Alaskan Way Viaduct Replacement and SR 520 Floating Bridge Replacement projects, and the City of Seattle's new High Point low impact housing development. The conference also included other meetings including two TRB subcommittees and a gathering of people working as transportation liaisons at resource and regulatory agencies.

ARRA Researcher visited Washington State - On Wednesday, August 24, 2011 a researcher from George Mason University (VA) representing the Smith-Richardson Foundation interviewed Division staff and WSDOT personnel about the effect of ARRA on interagency coordination. In particular, he investigated whether there are any lasting changes to how each agency conducts business as a direct result of ARRA. The draft report will be available by the end of the year and the final report should be published the summer of 2012.

North Carolina DOT (NCDOT) Right-of-Way (ROW) Division Visits WSDOT's Real Estate Services Office - FHWA's North Carolina Division sponsored a peer exchange between NCDOT's ROW Division and WSDOT's Real Estate Service Office from September 19 through September 22, 2011. NCDOT is rebuilding their relocation program and improving their property management program, and they wanted the opportunity to learn from WSDOT. In addition to relocation and property management, a variety of other topics were covered, including: staff training, developing right-of-way schedules, consultant usage and monitoring, use of geographic information systems, utility impacts, design-build, access management, and a demonstration of WSDOT's Real Estate database. WSDOT received very positive feedback from NCDOT on the information they provided.

FHWA Climate Change Vulnerability and Risk Assessment Pilot Projects Hold Peer Exchange Meeting in Olympia - The five teams from across the country who are pilot testing FHWA's Climate Change Vulnerability and Risk Assessment Conceptual Model met for a peer exchange in Olympia, Washington on September 26-27, 2011. The pilots' teams are from the Oahu Metropolitan Planning Organization (MPO), New Jersey's Coastal Area, city of San Francisco, Virginia DOT's Hampton Roads area, and WSDOT. This peer exchange was the last opportunity for these pilot teams to share their experiences and their results with FHWA and each other prior to the completion of their reports in November 2011. The teams each presented their progress to date and the entire group discussed various issues the pilots have had to address. The group also spent time discussing next steps. The conceptual model will be very useful for states, MPOs, and others as they assess the vulnerability of their infrastructure to the effects of climate change.

Transportation Management Area (TMA) Certification Review – The TMA Certification Review for the Spokane Regional Transportation Council (SRTC), which looks at how the metropolitan transportation planning process is being carried out in the area, was conducted in 2011. The review consisted of a desk audit of the current planning documents which began in August and a subsequent site visit September 27-29, 2011 where FHWA, FTA, WSDOT, and SRTC planning staff spent two and a half days discussing the details of metropolitan planning for SRTC. The review found several commendable issues, a handful of recommendations for improvement, and some deficiencies that will require corrective actions. FHWA and FTA are finalizing the certification report and will coordinate with SRTC on the findings to submit the final report to the SRTC Policy Board by January 16, 2012.

10 Years of Reporting on Transportation Performance. We wish to recognize and commend WSDOT for the 10th anniversary edition of its *Gray Notebook*, a series of quarterly performance reports on statewide transportation projects. In addition to providing more transparency and accountability, the Gray Notebook is universally acclaimed as one of the best performance management and reporting tools in the country. It continues to be a model for other state DOTs and public agencies.

In addition to the above mentioned program oversight and review activities my staff has specific project involvement responsibilities, as well. Each and every one of the federal-aid highway projects authorized for construction in FFY 2011 required FHWA involvement through our approval of the environmental document. In accordance with the Stewardship Agreement we also had project specific design, ROW, and construction involvement on many Interstate and major/unique projects under development and construction in Washington State. Therefore, I am confident in the finding made at the beginning of this letter.

We wish to thank you and your staff for their professionalism, integrity, and innovation in carrying out the delivery of the federal-aid funds during FFY 2011. I also applaud your staff for their work in delivering the $735 million in federal-aid (formula funds and ARRA) at a time when you're in the midst of the largest state construction program in history.

This is the ninth annual Performance Report. Performance Reports for FFYs 2002 through 2010 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 via phone at (360) 753-9480 or via e-mail at Daniel.Mathis@dot.gov.

Sincerely,

Daniel M. Mathis

DANIEL M. MATHIS, P.E.
Division Administrator

Cc: Governor Christine Gregoire
Richard Ford, Chair, Washington State Transportation Commission
Mary Margaret Haugen, Chair, Senate Transportation Committee
Curtis King, Ranking Minority Member of Senate Transportation Committee
Judy Clibborn, Chair, House Transportation Committee
Mike Armstrong, Ranking Minority Member of House Transportation Committee
Dave Dye, Deputy Secretary and Chief Operating Officer, WSDOT
Jerry Lenzi, Assistant Secretary for Engineering and Regional Operations, WSDOT
WSDOT Regional Administrators
Kathleen Davis, Director, Office of Highways & Local Programs, WSDOT
Butch Waidelich, Director of Field Services-West
John Baxter, Associate Administrator for Infrastructure
Mike Graf, Program Management Initiative Team Leader